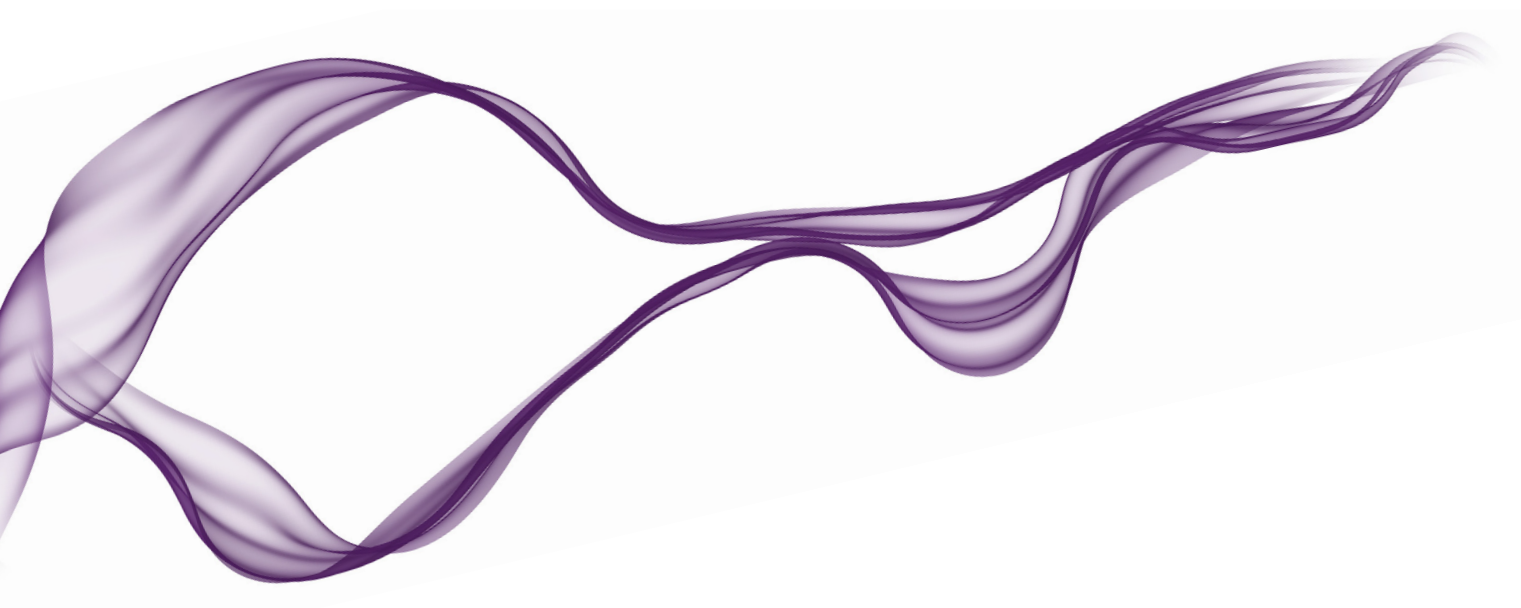


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Multi asset credit





Introduction

After 30 years of falling yields, we have entered a period of market uncertainty caused by higher inflation and interest rates. As a result, investors are looking to manage risk and find the right balance between the two key sources of return - capital and income.

To provide stability and dampen the effects of short-term volatility on long-term returns, investors are increasingly looking beyond traditional focus areas such as investment grade credit to generate attractive returns. In a volatile environment with risks on the rise, finding a diversified solution with the potential to withstand a broad range of economic and market scenarios will become critical.

Multi asset credit (MAC) is a potential solution to finding the right balance between capital and income. By using fundamental analysis in constructing a portfolio of assets from across the credit universe, we believe that investors can enhance returns in a risk-controlled way.

Royal London Multi Asset Credit Fund

Built over several years and having operated across all stages of the credit cycle, Royal London's Multi Asset Credit Fund seeks to meet client demand for greater diversification of credit in an increasingly uncertain environment. We believe that our MAC strategy is well-suited to the needs of institutional investors such as pension schemes in terms of diversification, income/capital, risk/return and liquidity profile.

The fund will seek to outperform its benchmark, SONIA, by 4-6% per annum over rolling three year periods (gross of fees).

Key fund data

Benchmark	Bank of England Sterling Overnight Interbank Average (SONIA)
Launch date	Z Acc share class: 03.07.2017 Y/Z Inc share class: 09.10.2017 Y Acc share class: 09.03.2018
Objective	The investment objective of the fund is to generate a total return from a globally diversified portfolio of credit instruments.
Duration	1-5 years
Liquidity	Daily*
SFDR classification	Article 8
Target†	The fund will seek to outperform its benchmark, SONIA, by 4-6% per annum over rolling three year periods (gross of fees).
Investment universe	Global high yield Global investment grade Asset backed securities Loans/Floating rate notes Emerging market debt Developed market sovereign debt
Flexibility to consider	Cash Global sovereigns Derivatives‡ Total return swaps§

* Daily dealing T+3

† There is no guarantee that the fund will achieve this result over this or any time period. Capital invested in the fund is at risk.

‡ Derivatives will only be used within the fund as a risk mitigation tool. Interest rate derivatives may be used to manage the duration within the fund. Credit derivatives may be used for downside protection and to mitigate market risk.

§ Total return swaps may be used as an efficient method of deploying large inflows to seek to reduce the dealing costs of the fund and reduce the risk relative to the fund's target return.

Where does MAC invest?

The MAC universe can be broadly split into three streams: traditional, alternative and illiquid. Traditional credit includes sovereign debt and investment grade corporates; alternative credit includes high yield, loans and Asset Backed Securities (ABS); while illiquid credit targets potential for long-term returns through distressed debt and speciality finance.

These three streams and their respective underlying asset types have a range of characteristics and their performance varies under different market conditions. Including a blend across these can be advantageous in managing risk and return. The Royal London MAC Fund invests in the more liquid traditional and alternative streams.

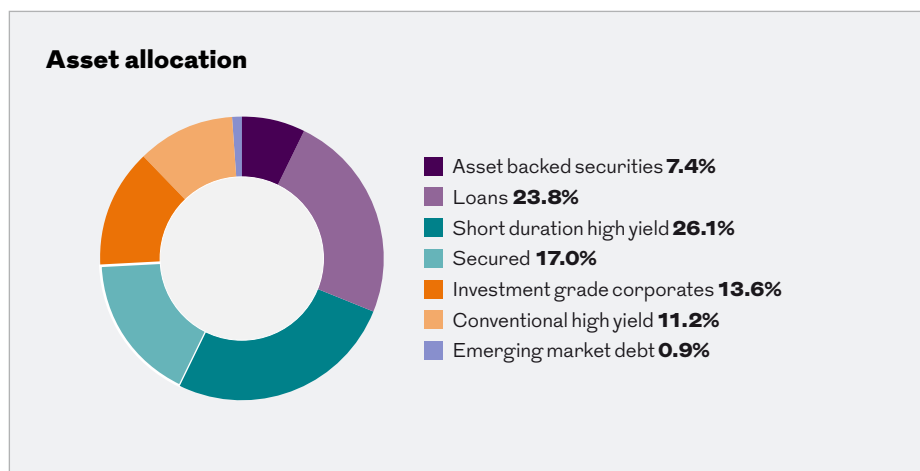
The role played by each of the key asset classes in the alternative and traditional MAC streams is outlined below:

Loans

The fund will focus primarily on senior secured loans with structures that the manager believes will prove resilient in challenging conditions. The security packages and structural terms associated with loans mean that recovery rates tend to be higher. The floating rate and short duration nature of the asset type infers lower default rates and volatility, as well as reduced sensitivity to interest rate movements. The asset class provides the potential for an attractive source of income in an uncertain interest rate and credit environment.

Global high yield

In addition to offering enhanced income potential, global high yield bonds offer exposure to a broad range of sectors, industries and ratings, including assets from across developed and emerging markets. Through our investment process and research expertise, the investment team seek to identify the best fundamental opportunities that can potentially enhance returns with lower volatility through multiple credit cycles.



Source: Royal London Asset Management as at 31 December 2023. For illustrative purposes only, positioning may vary over time. This does not constitute an investment recommendation.

Asset backed securities

This is a very diverse asset class in itself, offering the potential to invest in a broad range of underlying assets with varying levels of security, structural protection for investors and geographic exposure. Again, we have considerable experience within this area and one of the central tenets of our investment philosophy is a focus on the covenants, structure and security of the assets in which we invest. We emphasise credit research as a key means of understanding the assets in which we invest, giving us confidence in our convictions.

Investment grade

This is one of the largest and generally highest rated credit asset classes that MAC invests in. It includes a wide range of assets including corporate bonds, government bonds and emerging market bonds across geographies, sectors and investment grade rating categories. Investment grade bonds tend to be more conventional in structure with limited security and protection features, but this is mitigated by higher ratings of large companies with deep and large capital structures.

The bonds issued by investment grade issuers tend to be much more liquid than the other three asset classes, with lower default risk and more defensive characteristics during the retreat phase of the credit cycle.

While investment grade bonds typically have lower credit risk than other credit asset classes, interest rate exposure tends to be higher. This means investment grade bonds tend to be much more sensitive to movements in interest rates relative to loans, floating rate notes and high yield. By leveraging the credit cycle framework, we can assess the most opportune time to invest in this asset class.

Investment philosophy

The nature of MAC means that we can look across multiple asset classes on a global basis to identify the right balance between income and capital, while being selective and focusing on investments where we can quantify the risk.

The Multi Asset Credit Fund's investment philosophy builds upon Royal London Asset Management's core beliefs which serve as the foundation for idea generation, execution and portfolio construction.

- 1 Credit markets are inefficient:** we place an emphasis on security and structure as this is undervalued by the market. We also believe that liquidity and volatility are mispriced.
- 2 Credit sub-sectors have their own cycles:** we believe that fundamental individual security analysis combined with top-down strategic views create a portfolio comprised of assets with robust structural features spanning multiple sub-sectors and geographies. We believe this strengthens the credit quality of the fund and reduces volatility and asset correlation.

Royal London Asset Management's Multi Asset Credit philosophy

Idea generation

Credit markets are inefficient

... active stock pickers

Credit sub-sectors have own cycles

... within a strategic framework

Execution

Prioritise perspective over coverage

... focused, expert and nimble co-located team

Construct directly invested portfolios

... enables superior risk management

As a dynamic team with global expertise, we believe it is important to be adaptive, avoid over-diversification and invest in quantifiable risks to encourage idea generation and active decision making. In an information rich global market, we believe it is more important to differentiate rather than attempt generic market coverage with no edge.

We believe that our focus on credit cycles leads to better risk management. Focusing on credit fundamentals across countries and sub-sectors leads to discerning stock selection and a more transparent view of the risks undertaken in the portfolio.

Investment process

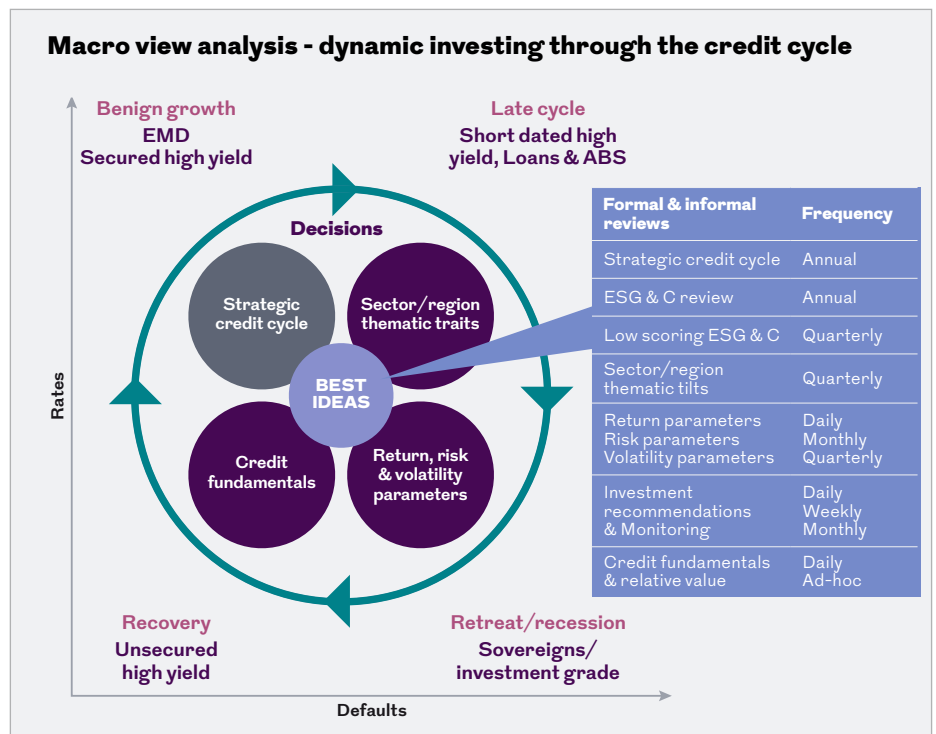
The investment process combines our top-down and bottom-up approach to construct a portfolio of best ideas. The investment process can be summarised into three key steps, with ESG&C (Environmental, Social, Governance and Climate) analyses fully integrated:

- 1 Macro view
- 2 Risk overview
- 3 Stock selection

Macro view

At the macro level, our analysis starts with a quarterly economic review which covers all major economic regions and focusses upon key variables such as growth rates and inflation. This meeting is also used to formulate our outlook scenarios, including long-term default, yield and interest rate forecasts which help to shape our investment strategy. We also complement this view with periodic meetings with our senior economist and daily ad hoc reviews of market conditions.

We then combine this with the team's analysis of the credit cycle to develop our strategic view of the market. We believe that various parts of the credit universe have differing characteristics which will impact volatility and performance as conditions change.



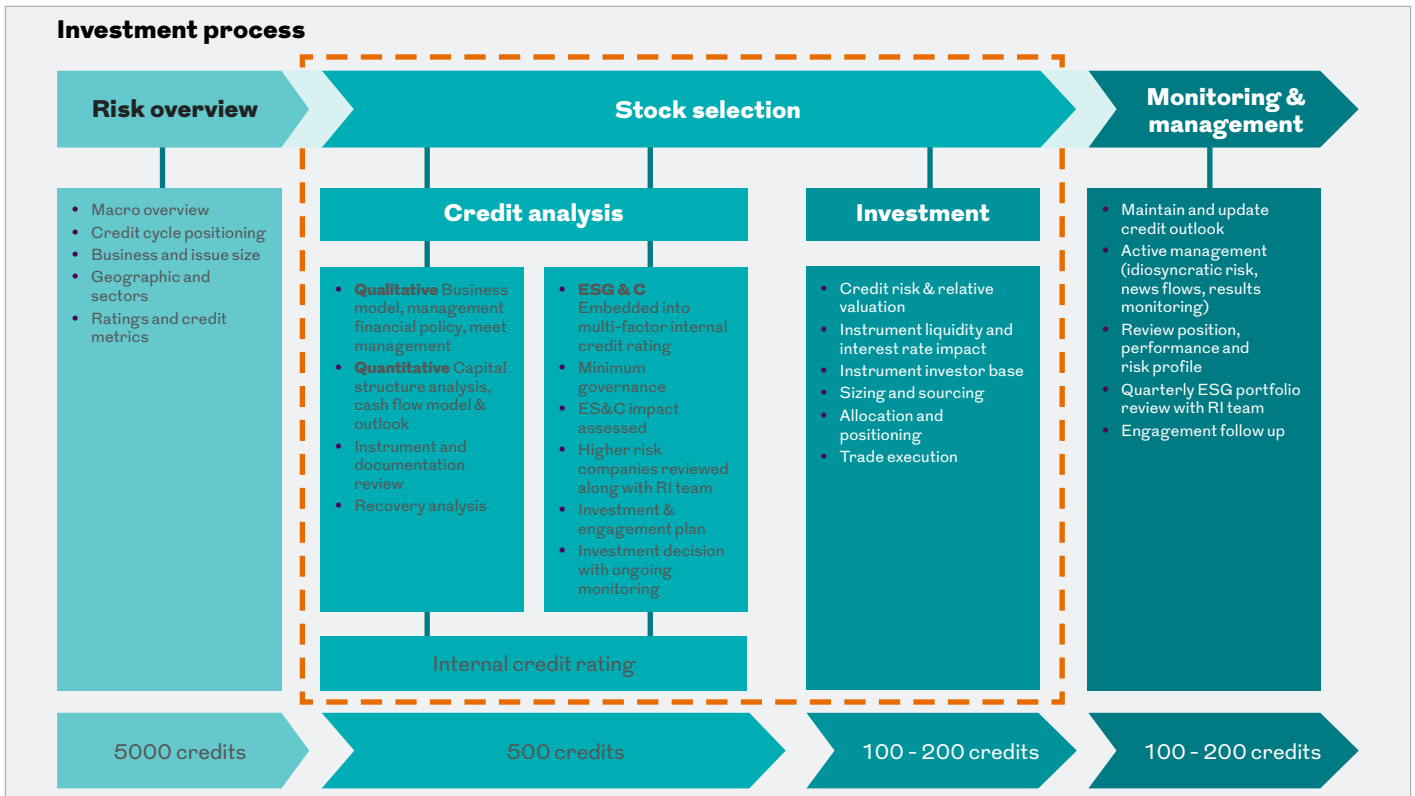
Source: Royal London Asset Management as at March 2024. For illustrative purposes only.

Risk overview

Our risk view builds upon our macroeconomic outlook. Being conscious of risk management, within investment construction we look to diversify the fund's holdings by sector, credit quality and regions. We will also tilt holdings toward the areas where we believe the greatest risk/return attributes can be found. We also use our risk framework to screen out assets where we cannot quantify the risks of a particular business model or avoid unfavorable creditor jurisdictions. We also exclude assets which do not match our volatility, yield and liquidity characteristics.

Stock selection

The last and most important filter is bottom-up fundamental credit analysis – this is where we can add the most value through analysing and forecasting the cashflows of individual companies to identify the strongest investment candidates. This set of opportunities is honed further by a review of technical factors including market liquidity and volatility expectations, to identify the strongest credit investments.



Source: RLAM, for illustrative purposes only.

ESG&C integration*

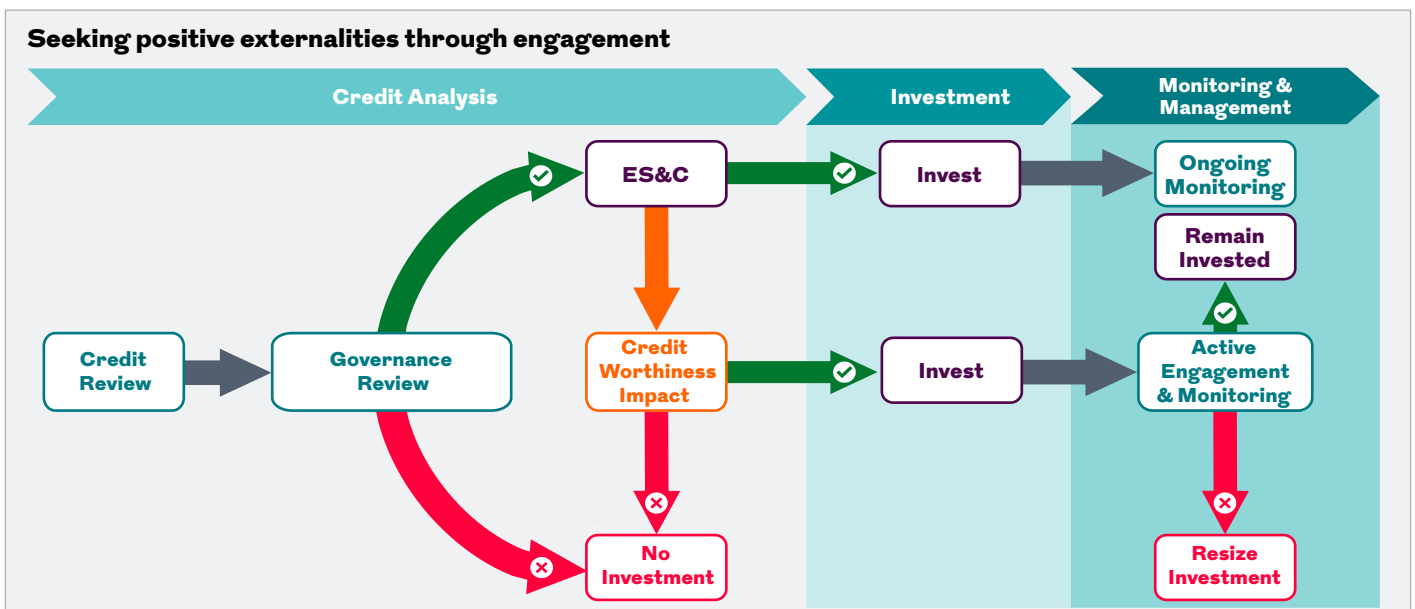
As an SFDR Article 8 fund, ESG&C (Environmental, Social, Governance and Climate) issues are integrated into investment decisions made in relation to our MAC proposition, as the financial and broader economic impact of ESG&C factors over the long term can be crucial. MAC’s investment process integrates analysis of both credit quality and ESG&C characteristics with the aim of seeking positive externalities through active engagement.

As MAC is a long-term through-the cycle product, active ESG&C integration is critical to generating the best possible outcome for all stakeholders while encouraging corporate issuers to improve disclosure and transparency. The Global Credit team leverages a proprietary framework comprised of exclusion and rating scores across several factors to assess materiality.

This directly affects the credit rating of the asset in question and subsequent level of engagement with the potential investment.

The Global Credit team also works closely with Royal London Asset Management’s Responsible Investment team on assessments. The chart below illustrates the fully integrated nature of the MAC investment process.

*ESG&C integration refers to the consideration of ESG&C risks as part of the investment process. It does not mean the fund is trying to achieve a particular positive ESG&C outcome.



Source: RLAM, for illustrative purposes only.

Experience and expertise

The Multi Asset Credit Fund uses the same team-based approach that is employed across our successful Global High Yield strategies. The MAC team is led by Azhar Hussain, Royal London

Asset Management's Head of Global Credit. The lead fund manager is Khuram Sharih and he is supported by Azhar Hussain. The Multi Asset Credit team is also served by an experienced

and nimble team of fund managers and analysts. The team has extensive experience of investing across all parts of the global credit universe.



Azhar Hussain
Head of Global Credit

Azhar has over 22 years direct experience of investing in an array of strategies across the Global Fixed Income and Leverage Finance arenas. He trained as a chartered accountant with Deloitte before starting his investment career as a high yield credit analyst at Gulf International Bank in London. He subsequently became Head of Corporate Debt responsible for IG & HY absolute and relative return strategies. He left to join Insight as Head of HY & Leveraged Loans before joining Royal London Asset Management initially as Head of Global High Yield where he has successfully launched strategies across the Global Credit spectrum. Azhar holds a BA in Economics & Law from SOAS, University of London and obtained a MSc in Behavioural Science from the London School of Economics in 2018.



Khuram Sharih
Senior Fund Manager

Khuram is a senior fund manager within the global credit team at Royal London Asset Management and has over 20 years of fixed income and credit experience. He joined from Newton Investment Management in August 2016, where he was a senior member of the global fixed income and multi asset teams. Khuram was previously a senior credit analyst at Cairn Capital, where he played a key role in the development of its global credit and CLO platforms. Prior to moving to the UK, he held roles at Denali Capital and JP Morgan in the US.

Royal London Asset Management Global Credit team

Global Credit

Azhar Hussain
Head of Global Credit

Khuram Sharih
– Senior Fund
Manager

Stephen Tapley
– Senior Fund
Manager

Dilawer Farazi
– Senior Fund
Manager

Sebastien Poulin
Head of Global
Credit Research

Alex Robertson
Gary Ewen
Tom Elliott
Sunil Patel
Flora Insley
Ben Evans
Demi Ogunwusi
Faith Oni

Key points

Diversification – The fund increases the credit opportunity set by investing in diverse credit sectors including global high yield, asset backed securities, loans, floating rate notes, emerging market debt, convertible bonds and global investment grade bonds.

Attractive income – The fund offers increased exposure to higher yielding segments of the credit market through relatively liquid investments, which may be beneficial in a lower rate environment.

Duration – The fund has a shorter duration which could offer protection from any increase in volatility or rise in interest rates.

Streamlined solution – Outsourcing asset allocation to one manager with the objective of providing 'through the cycle returns' could be efficient from a governance perspective.

Established approach – The fund will follow the same investment philosophy and team approach that Royal London Asset Management apply to our other actively managed credit funds.

Fund risks

Investment risk: The value of investments and any income from them may go down as well as up and is not guaranteed. Investors may not get back the amount invested.

Leverage risk: The fund employs leverage with the aim of increasing the fund's returns or yield, however it also increases costs and its risk to capital. In adverse market conditions the fund's losses can be magnified significantly.

Counterparty risk: The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the fund to financial loss.

Emerging markets risk: Investing in emerging markets may provide the potential for greater rewards but carries greater risk due to the possibility of high volatility, low liquidity, currency fluctuations, the adverse

effect of social, political and economic instability, weak supervisory structures and accounting standards.

Liquidity risk: In difficult market conditions the value of certain fund investments may be difficult to value and harder to sell, or sell at a fair price, resulting in unpredictable falls in the value of your holding.

Interest rate risk: Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital.

Exchange rate risk: Changes in currency exchange rates may affect the value of your investment.

EPM techniques: The fund may engage in EPM techniques including holdings of derivative instruments. Whilst intended to reduce risk, the use of these instruments may expose the fund to increased price volatility.

Credit risk: Should the issuer of a fixed income security become unable to make income or capital payments, or their rating is downgraded, the value of that investment will fall. Fixed income securities that have a lower credit rating can pay a higher level of income and have an increased risk of default.

Concentration risk: The price of funds that invest in a reduced number of holdings, sectors, or geographical areas may be more heavily affected by events that influence the stockmarket and therefore more volatile.

Derivative risk: Derivatives are highly sensitive to changes in the value of the underlying asset which can increase both fund losses and gains. The impact to the fund can be greater where they are used in an extensive or complex manner, where the fund could lose significantly more than the amount invested in derivatives.



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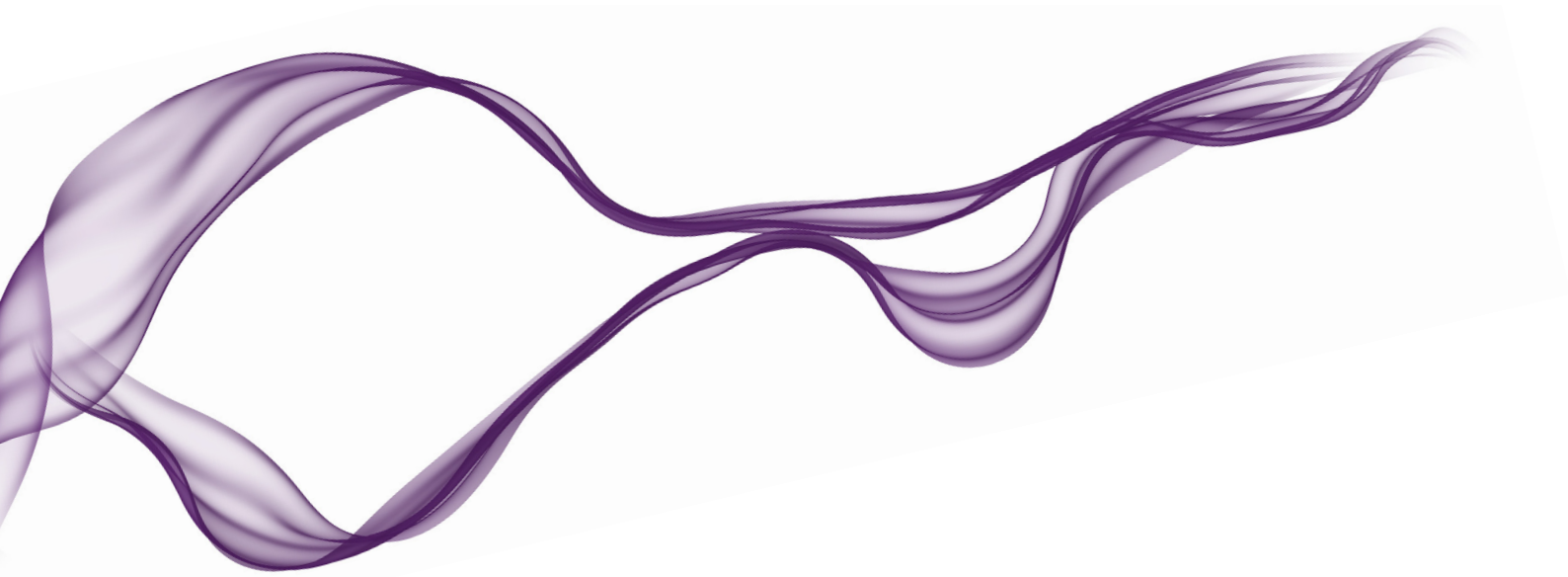
The fund is a sub-fund of Royal London Asset Management Investment Funds ICAV, an Irish collective asset-management vehicle authorised by the Central Bank of Ireland pursuant to the Irish Collective Asset-management Vehicles Act 2015 and the AIFM Regulations, and has been established as an umbrella fund with segregated liability between funds. It is not a recognised scheme under the Financial Services and Markets Act 2000. The Investment Manager is Royal London Asset Management Limited. Most of the protections provided by the UK regulatory system, and the compensation under the Financial Services Compensation Scheme, will not be available.

For more information on the fund or the risks of investing, please refer to the fund factsheet, Prospectus or Key Investor Information Document (KIID), available via the relevant Fund Price page on www.rlam.com

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