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Royal London Sustainable Corporate Bond Trust

Quarterly Investment Report

31 December 2024

Quarterly Report

The fund as at 31 December 2024

The purpose of this report is to provide an update on the Royal London Sustainable Corporate Bond Trust. The report has been produced by Royal London Asset Management. The report starts with a summary dashboard showing key information about the fund. A glossary is located at the end of the report covering the description of some of the more technical terms used within the report. All data is as at the report date unless otherwise stated.

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ROYAL LONDON
ASSET MANAGEMENT

The fund

Fund performance objective and benchmark

The Fund's investment objective is to achieve a total return over the medium term, which should be considered as a period of 3-5 years, by predominantly investing in sterling-denominated bonds that are deemed to make a positive contribution to society. Investments in the Fund will adhere to the Investment Adviser's ethical and sustainable investment policy. The Markit iBoxx Sterling Non-Gilts All Maturity Total Return GBP Index (the "Index") and the IA Sterling Corporate Bond sector are considered appropriate benchmarks for performance comparison. The Index is regarded as a good measure of the returns of investment-grade corporate bonds denominated in sterling. This is considered an appropriate benchmark for performance comparison, as many of the Scheme's potential holdings will be included in the Index.

Benchmark: iBoxx Sterling Non-Gilt All Maturities Index

Fund value

	Total £m
31 December 2024	228.82

Asset allocation

	Fund (%)	Benchmark (%)
Conventional credit bonds	99.79	99.40
Conventional gilts	0.14	-
Index linked credit bonds	0.07	-
Conventional foreign sovereigns	-	0.60

Fund analytics

	Fund	Benchmark
Fund launch date	7 December 2012	
Base currency	GBP	
Duration (years)	6.06	5.50
Gross redemption yield (%)	6.27	5.36
Number of holdings	248	1,227
Number of issuers	171	495

Performance and activity

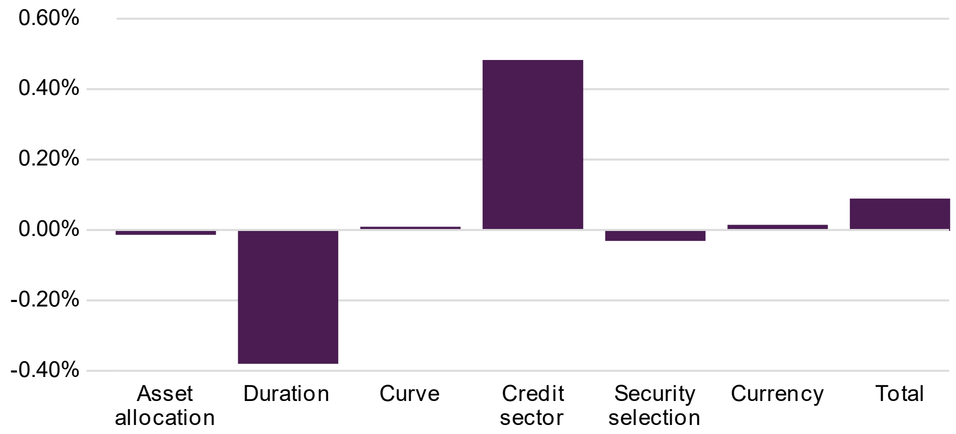
Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	(0.22)	(0.49)	0.26
1 Year	4.15	1.71	2.44
3 Years (p.a.)	(1.51)	(3.13)	1.62
5 Years (p.a.)	0.63	(1.03)	1.66
10 Years (p.a.)	2.84	1.71	1.13
Since inception (p.a.)	3.44	2.47	0.97

Past performance is not a guide to future performance. Please refer to the Glossary for the basis of calculation and impact of fees. Performance and since inception date based on C Acc GBP. Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 7 December 2012.

Please note that with effect from 27 March 2024 the Fund name changed from RL Sustainable Managed Income Trust to RL Sustainable Corporate Bond Trust

Attribution over the quarter



Performance commentary

The final quarter of 2024 was turbulent for fixed income investors amid a series of headwinds coming from rising government bond yields, ongoing political volatility – domestic and abroad – and differences in central bank policies. Credit spreads are at all-time tight levels, across markets, and gilt yields are at multi-decade highs. But we still believe all-in yield from credit is attractive and that the risk of downgrade or default is still well compensated at current spread levels.

Despite this, the fund was able to achieve outperformance in the quarter, driven by the diversification of the portfolio and ability to mitigate risk – where we have reduced exposure to subordinated debt in some instances. A detractor for performance was our duration positioning. The fund was long duration versus the benchmark and, as yields rose, we gave back some performance gained earlier in the year from the same positioning as yields had fallen. Gilt yields moved higher following the UK budget, where concern lingered around inflation pressures and focus then shifted to the pace of interest cuts from the Bank of England. Going forward, however, we are happy with the small long duration position, expecting gilt yields to fall over the medium term.

Credit allocation drove the outperformance. Our overweight exposures to insurance and structured bonds, and underweight exposure to supranationals, all contributed positively. Looking at stock selection, our insurance bonds were standout performers, led by perpetual bonds from Esure. Our exposure to subordinated bonds from Direct Line was also helpful, benefiting from the announcement of the takeover by Aviva

Stock selection in structured bonds was negative for performance, with holdings in Finance for Residential Social Housing and South East Water detracting from returns. That said, there was a positive contribution from Thames Water. Following a series of negative headlines there has been a lot of volatility in the water sector. Ofwat released their final determination for the water sector in December, which saw a softening in stance from the regulator versus its draft in the summer and leaves a package that likely works for most firms. It was positive for the sector overall, as it removes a big overhang and should see spreads for most firms in the sector continue to normalise. We also expect to see more issuance, as the water firms look to fund this big rise in infrastructure spending.

Performance and activity

Top 10 holdings

	Weighting (%)
LEGAL & GENERAL GROUP PLC 5.5 27 Jun 2064	2.07
CO-OPERATIVE BANK FINANCE PLC 6 06 Apr 2027	2.00
HSBC BANK PLC 5.375 04 Nov 2030	1.54
HSBC BANK FUNDING STERLING LP 5.844 31 Dec 2079	1.52
NATWEST GROUP PLC 2.105 28 Nov 2031	1.38
LEGAL & GENERAL GROUP PLC 5.375 27 Oct 2045	1.21
HARB_03-08 5.28 31 Mar 2044	1.17
GUINNESS TRUST 7.5 30 Nov 2037	1.16
SHGFIN_05-01 6.38 31 Mar 2042	1.16
HAVFND_97 8.125 30 Sep 2037	1.06
Total	**14.26**

Fund activity

All issuers within our sustainable holdings offer a net benefit to society through either their products/services or their operations. As well as reducing risk, we seek out opportunities that are under-researched, e.g., bonds that do not fall into mainstream indices or benchmarks and/or are unrated by ratings agencies. Importantly, the sustainable credit proposition provides access to critical sectors that most investors can't access via equity markets.

Key themes in the funds include social housing, social & environmental infrastructure, community funding (regulated banks and building societies focused on SME and retail lending), financial inclusion & resilience (such as insurers offering products which protect individuals and businesses from unexpected events) and the energy transition. On sustainability grounds, we have no exposure to bonds of oil & gas companies or extractive industries. We are also underweight in the general industrial and consumer goods sectors, and to a lesser extent in consumer services.

The new issue market was relatively subdued during the fourth quarter, and indeed for 2024 as a whole. With credit spreads continuing to tighten over the quarter, we looked for opportunities to reduce risk through taking profits and recycling into other bonds – typically moving proceeds into gilts to maintain duration while giving us liquid assets to take advantage of opportunities elsewhere as these arose. This was perhaps most notable in subordinated financials, where there has been broad-based strong performance in 2024. During the quarter we trimmed a number of positions, including Aviva and Phoenix. But this activity was visible across a range of issues, including East Japan Railway after strong performance.

During the quarter, we added bonds from Yorkshire Water in the secondary market. Yorkshire is seen as a weaker issuer in the sector, but following the final determination, we feel it has a more favourable outlook than is priced into current spread levels. From a sustainability perspective, we remain supportive of the UK water sector. Despite the negative headlines surrounding pollution events, it's easy to take for granted the level of water treatment we have in our country. Peer developed countries often do not provide the same level of data or treatment. The societal benefits are clear, as effective water treatment contributes to a healthier society by removing and treating waste, thereby reducing the spread of illness. Additionally, the benefit of easy access to water provided by these companies should not be overlooked. This is a sector we continue to engage with, and we will persist in pushing for better practices.

Structured bonds also remain a key component in our portfolios. We also added bonds from Channel Link Enterprises in the secondary market. These are super senior long-dated, floating rate bonds secured on the company's assets, namely the concession to operate the Channel Tunnel, which represents a key economic link between the UK and Europe. Although it may

Performance and activity

Fund activity (continued)

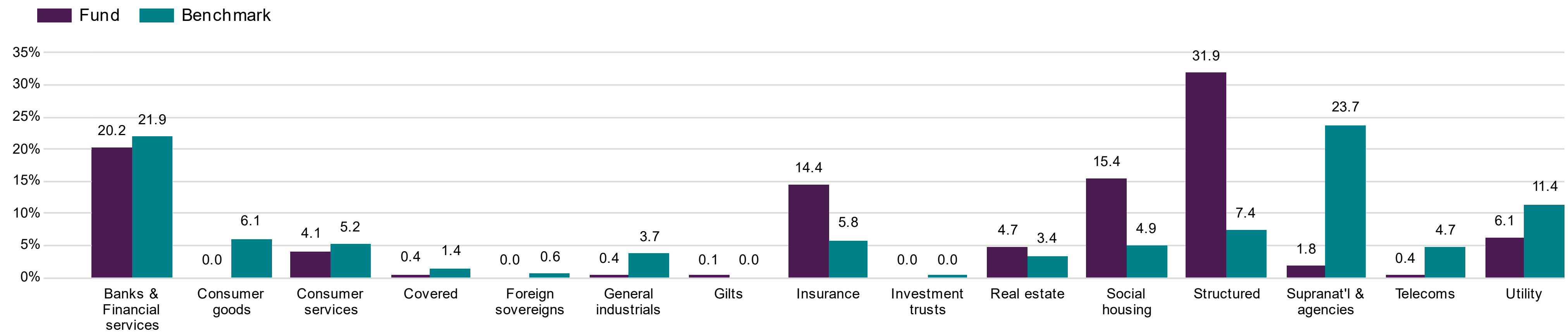
not be immediately apparent, the Channel Tunnel facilitates a reduction in emissions. Freight transported via rail through the tunnel is estimated to produce 12 times lower emissions compared to transport via ferry across the Channel. The bonds yield more than 2% over equivalent gilts, as well as benefiting from a senior position relative to other Channel Tunnel lending. We also added to long-term favoured issuer Telereal, with bonds secured on BT exchange rentals, but where the credit spread on the secured bonds underpinned by cashflows from BT was higher than that on the unsecured bonds from BT itself.

Supranationals are a relatively small part of the portfolio compared to the much higher weighting this sector has in most broad all-maturities indices. Our portfolios tend to have a low weighting as we believe that we can achieve a better yield elsewhere in the market without taking excessive risk. However, we are still open for opportunities in this space – for example adding a new issue from Saltaire Finance, the bonds part of the UK's Affordable Homes Guarantee Scheme and guaranteed by the government yet still paying around 50bps over equivalent gilts.

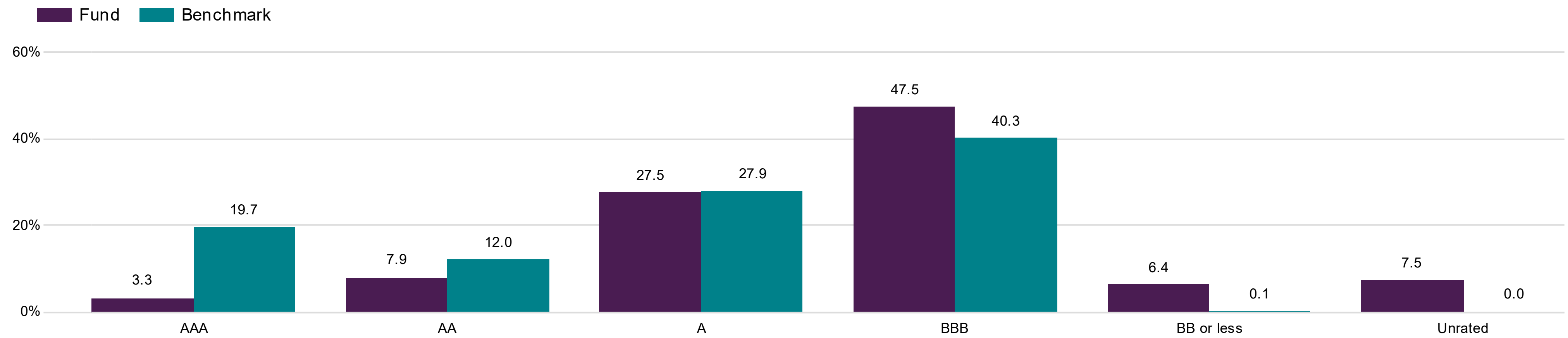
We added selectively to non-sterling bonds. In general, we feel that US dollar and euro investment grade markets do look expensive relative to sterling, but where the risk/reward pay-off looks attractive we are happy to add. One such example was the purchase of tier 1 US dollar bonds from Standard Chartered in the secondary market, yielding over 7%.

Fund breakdown

Sector breakdown

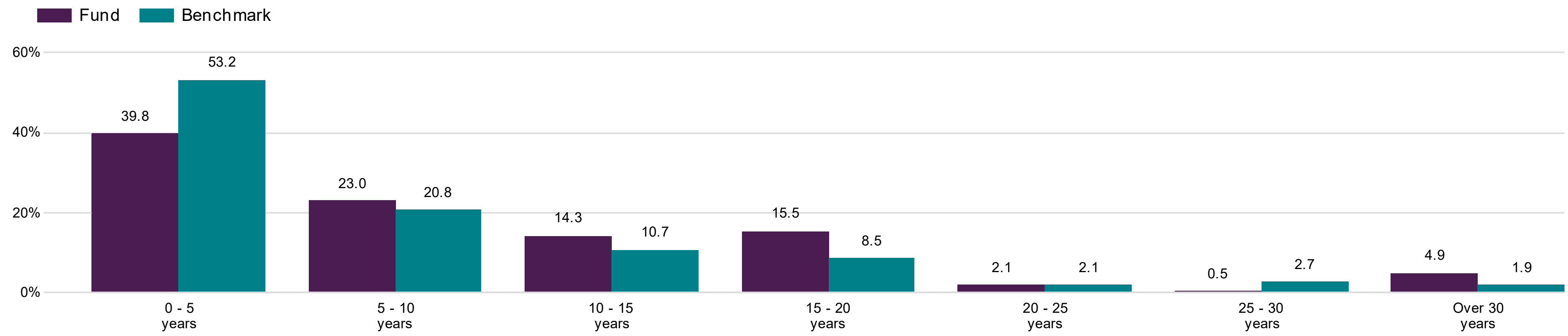


Credit ratings



Fund breakdown

Maturity profile



Characteristics and climate

ESG characteristics rationale

The Fund focuses on the sustainability of the products and services of the companies it invests in, as well as their standards of environmental, social, governance ("ESG") management, alongside financial analysis. The investment approach is fundamentally based on positive screening; identifying companies that are making a positive contribution towards a cleaner, healthier, safer and more inclusive society, through assessing both what a company does and how it does it, and through active engagement to encourage continual improvement. The fund will not invest in companies that undertake business activities deemed to be detrimental to society. Further details of the Funds Sustainable Investment process can be found in the ethical and sustainable investment policy at www.rlam.com

ESG characteristics

Royal London Asset Management has a controversial weapons exclusion across all investments. Our full policy can be found on our website:

www.rlam.com/globalassets/media/literature/policies/controversial-weapons-policy.pdf

	Yes	No
ESG integration	✓	
Promotes environmental or social characteristics	✓	
Sustainable fund objective	✓	
Additional exclusions	✓	

Additional exclusions

Exclusion criteria that make sure a fund does not invest into a specific service or product. Royal London Asset Management has a controversial weapons exclusion across all investments.

Adult entertainment	✓	High environmental impact	✓
Alcohol	✓	Human rights issues	✓
Animal welfare	✓	Nuclear power	✓
Armaments	✓	Nuclear weapons	✓
Fossil fuels	✓	Tobacco	✓
Gambling	✓		

Climate metrics

	Fund	Benchmark	Difference (%)
Financed emissions (tCO2e)	3,280	n/a	n/a
Financed emissions coverage	47.12%	n/a	n/a
Carbon footprint (tCO2e/$M invested)	11.63	24.20	(51.94)
Carbon footprint coverage	47.12%	77.59%	(39.27)
Weighted average carbon intensity (tCO2e/$M sales)	40.03	61.25	(34.65)
Weighted average carbon intensity coverage	93.52%	95.70%	(2.28)

All climate metrics presented above are for Scope 1-2 emissions. Unless specified in the objective, the data is for information only and should not be taken to mean they are being managed to/controlled.

Implied temperature rise

	Fund (%)	Benchmark (%)	Difference (%)
Implied temperature rise (ITR) coverage	42.06	63.40	(33.66)
% of portfolio below 2°C ITR	31.81	40.07	(20.59)
% of portfolio below 1.5°C ITR	15.20	19.09	(20.38)

SBTi net - zero

	Fund (%)	Benchmark (%)	Difference (%)
SBTi Net-Zero committed	8.23	11.25	(26.91)
SBTi Near-Term committed	4.44	6.02	(26.21)
SBTi Near-Term targets set	9.26	15.37	(39.79)

Fund Engagement

Engagement definition

Engagement is active dialogue with investee companies (or other entities). There are two types: engagement for information, which is dialogue as part of investment research or ongoing monitoring, without specific objectives for change, and engagement for change, which is purposeful dialogue to influence positive change, with defined objectives and demonstrable outcomes.

Engagements

Engagement activity	Fund 3 months	Fund 12 months
Number of entities engaged	12	32
Number of engagements	14	74

This is an estimate. Some engagements at the issuer level may not have been attributed to the specific bond held in the fund, resulting in a lower number of engagement activities.

Total engagements by theme and topic

Biodiversity	2
Climate	5
Climate - Transition Risk	4
Climate - Physical Risk	1
Governance	5
Remuneration	3
Corporate Governance	2
Health	2
Mental Health	2
Social & Financial Inclusion	3
Social & Financial inclusion	2
Just transition	1

The numbers of engagements and themes/topics discussed may differ where a single engagement covers multiple themes/topics.

Engagement focus

Firm-wide engagement activity is centred around six themes which we have identified in consultation with our clients. These are: climate change; nature and biodiversity; health; governance and corporate culture; social and financial inclusion; innovation, technology and society. Portfolio level engagements are not thematic and are focussed on issues specific to managing the portfolio and meeting the investment objective.

Engagement data represents all engagements undertaken at both firm and portfolio level across Royal London Asset Management, and may not be limited to those undertaken solely for the purpose of managing the fund.

Fund Engagement

Engagement outcomes

Lloyds Banking Group Plc - Just transition

Purpose:

We met with Lloyds Banking Group, UK-based financial services group, as part of our collaborative engagement with banks on just transition, aiming for the bank to integrate this issue throughout its climate transition plan and demonstrate implementation at product, sector, and regional levels.

Outcome:

Lloyds Banking Group continues to view just transition as integral to the company's purpose and growth strategy. The positive call highlighted several innovative projects, supporting its alignment with just transition principles. Lloyds found our investor expectations helpful but noted that a sector lens might miss interdependencies, advocating for a system-based approach instead. The company provided examples of just transition integration across various systems, such as sustainable farming, greening the built environment, low carbon transport, and energy transition.

Lloyds has launched several innovative products aligned with just transition, including a £500mn social housing retrofit product. Lloyds have developed a roadmap with the Green Finance Institute and NatWest for property-linked finance for retrofit projects . The bank's regional approach to lending addresses challenges in across the UK, with initiatives like working with local authorities to tackle local issues, expected to create jobs and reduce regional inequalities. Combined with balance sheet lending for regional projects, Lloyds' approach appears relatively advanced.

Market commentary

Market overview

Markets were volatile during the fourth quarter – with the US elections and the potential for central bank rate cuts the main causes of uncertainty. With the election of Donald Trump as US President, and the Republicans having a majority in both the Senate and House of Representatives, markets moved to price in potentially higher US deficits.

Alongside political events, attention remained on the Federal Reserve, European Central Bank and Bank of England to see if expected rate cuts would materialise. However, with inflation remaining higher than central bankers would like, expectations for rate cuts in 2025 were revised down. This backdrop pushed government bond yields higher, leading to negative absolute returns for most investment grade credit markets despite credit spreads tightening and credit excess returns over government bonds being positive, while equities ended a strong 2024 with another positive quarter, with US stocks – notably the 'magnificent seven' – leading the way.

At its final meeting of 2024, and as expected, the Bank of England kept rates on hold at 4.75%. Meanwhile, according to the minutes, "a gradual approach to removing monetary policy restraint remains appropriate." Away from economic data, the new Labour government presented its first budget. This was less obviously a budget for growth than one for public services repair with a substantial proposed increase in day-to-day fiscal spending and net investment. Public spending was increased substantially, but at the cost of a big increase in taxes. Since the Budget, business optimism has dropped, and firms are indicating a mix of responses to the rise in National Insurance contributions including hiring less and raising prices.

The Federal Reserve cut rates 50bps over the quarter to a 4.25% - 4.5% target range. They signalled fewer cuts for 2025 than previously indicated, indicating only 50bps cuts for 2025 (100bps previously). In November, Donald Trump was elected US President for the second time. A Trump presidency will likely bring a change in both policy making style and substance. It was a clean sweep for the Republicans, winning the White House, Senate and House of Representatives, increasing the prospects of Trump getting his fiscal policies through.

As widely expected, the European Central Bank's final decision of the year saw another 25bps rate cut, taking the deposit rate to 3.00%." The picture for activity outside Germany and France was somewhat better than for those two economies, with both France and Germany affected in recent months by political/policy uncertainty.

Government bond yields rose over the quarter, as central banks continued to struggle to bring inflation back to target levels and amid ongoing political volatility with elections across Europe and the US. In the US, 10-year treasury yields rose to 4.57% from 3.78%, while German 10-year bunds similarly saw yields rise to 2.36% from 2.06%. Benchmark 10-year gilt yields increased to 4.57% from 4.01%.

The sterling investment grade credit market (iBoxx non-gilt index) returned -0.49% over the quarter, with the average sterling investment grade credit spread (the average extra yield available from non-gilt bonds compared with government debt of equal maturity) tightening over the period from 1.03% to 0.86% (iBoxx). The negative absolute return was broad based across the sterling investment grade credit market with the only sectors seeing positive returns being banks and real estate, with both markets benefitting from the potential of higher interest rates for longer. Consumer services and social housing were the relative laggards.

Outlook

Perhaps the most unexpected aspect of UK fixed income markets in 2024 was the rise in gilt yields. Markets started the year expecting that falling inflation would lead to a number of rate cuts that would drag the entire UK curve lower. In the event, although we got two rate cuts, these really only impacted the short end – with longer yields pushed higher, first because inflation did not come down as expected and Trump presidency is widely seen as more inflationary, and second because issuance is going to be higher than expected. As a result, UK 30-year gilt yields are now at 25-year highs.

UK investment grade markets mostly mitigated the negative impact of higher underlying yields with higher carry and tightening credit spreads. As this point, with these back towards pre-GFC levels, it is reasonable to ask whether spreads have moved too far. In our view, given current expectations for the global and UK economies, we continue to believe that current spread levels more than compensate investors for default risk as evidenced by historic default rates in investment grade markets. However, the compression seen in credit markets over the last two years has shifted the relative attraction of higher beta exposure compared to lower risk government related exposure. We are conscious of the significant nature of moves and continue to be mindful of this within stock selection.

We believe that sterling investment grade all-in yields (using iBoxx) at over 5% remain attractive but the relative attraction between gilt and credit spread has changed, with a larger component of the yield being sought from government bond yields. We remain confident that we can further achieve an attractive yield premium in our portfolios, as we look to exploit market inefficiencies, with long-standing belief such as the undervaluing of security now augmented by newer inefficiencies such as the 'mechanised' approaches used by annuity providers that treat credit as a homogenous commodity area, buying in a relatively price insensitive manner. Experience suggests that this is not a good way to create long-term value for investors.

Further Information

Please click on the links below for further information:

Stewardship and responsible investment at RLAM

Responsible investment

Royal London Sterling credit ESG analysis

TCFD climate report

Find out more

In an uncertain geopolitical and economic environment, we recognise the importance of keeping our clients updated on our current investment thinking.

Articles, videos, podcasts and webinars giving the latest views of our investment experts can be found in the Our Views section of www.rlam.com, including regular updates from our Fixed Income, Global Equity, Sustainable and Multi Asset teams.

Disclaimers

Important information

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This is a financial promotion and is not investment advice.

Telephone calls may be recorded. For further information please see the Privacy Policy at www.rlam.com.

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The Trust is an authorised unit trust scheme. The Manager is RLUM Limited, authorised and regulated by the Financial Conduct Authority, with firm reference number 144032.

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

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The Index provided by IHS Markit is subject to disclaimer currently available here (and as updated by IHS Markit from time to time): https://ihsmarkit.com/Legal/disclaimers.html and/or in the prospectus for the Fund.

Risks and Warnings

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.

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.

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.

Derivative risk

This fund may undertake transactions in derivatives and forward transactions (both on exchange and over the counter (OTC)). These may include interest rate swaps and interest rate futures for the purposes of meeting the investment objective, protecting the risk to capital, duration and credit management, as well as for hedging. While the discerning use of derivatives can be beneficial, derivatives also involve specific risks. These risks relate specifically to market risk, management risk, credit risk, liquidity risk, the risk of mispricing or improper valuation of derivatives and the risk that derivatives may not correlate perfectly with underlying assets, interest rates and indices. The use of derivative instruments may from time to time alter the economic exposure of the fund causing it to deviate significantly from the performance of the market as a whole. The use of these derivatives will be within the parameters allowed for linked funds by the Financial Conduct Authority and Prudential Regulation Authority.

EPM techniques risk

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.

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. Unlike the income from a single fixed interest security, the level of income (yield) from a fund is not fixed and may go up and down. Bond yields (and as a consequence bond prices) are determined by market perception as to the appropriate level of yields given the economic background.

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.

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.

Responsible investment risk

The Fund can only invest in holdings that demonstrate compliance with certain sustainable indicators or ESG characteristics. This reduces the number securities in which the Fund can invest and there may as a result be occasions where it forgoes more strongly performing investment opportunities, potentially underperforming non-sustainable funds.

Performance to 31 December 2024

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	5 Years
Fund (gross)	(0.22)	2.59	4.15	(4.47)	3.19
Fund (net)	(0.35)	2.33	3.61	(6.01)	0.43

Annualised (%)

	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	(1.51)	0.63
Fund (net)	(2.04)	0.09

Year on year performance (%)

	31/12/2023 - 31/12/2024	31/12/2022 - 31/12/2023	31/12/2021 - 31/12/2022	31/12/2020 - 31/12/2021	31/12/2019 - 31/12/2020
Fund (gross)	4.15	10.29	(16.83)	(0.64)	8.73
Fund (net)	3.61	9.69	(17.29)	(1.19)	8.13

Past performance is not a guide to future performance. The impact of fees or other charges including tax, where applicable, can be material on the performance of your investment.

Source: RLAM as at 31 December 2024. All figures are mid-price to mid-price for the Royal London Sustainable Corporate Bond Trust C Acc GBP share class.

Glossary

Asset allocation

Breakdown of the assets by asset classes. Based on RLAM asset classification scheme.

Carbon footprint

Exposure to high emitters in the portfolio, expressed in tCO2e/$M invested. Financed emissions are divided by the portfolio value, the same approach for listed companies and private issuers is applied in this metric.

Credit ratings

Credit ratings are based on RLAM composite ratings which uses a hierarchy of S&P, Moody's and then the Fitch rating.

Duration

Measure of sensitivity of a Fixed Income instrument to changes in interest rates, indicating the potential impact of interest rate fluctuations on the value of the investment.

ESG Integration

The consideration of environmental, social and governance (ESG) risk as part of the investment process. ESG integration does not mean the fund is trying to achieve a particular positive ESG outcome. Please check prospectus documentation for details on specific fund-level objectives.

Exclusions

Explicitly prohibits investing in a particular company, sector, business activity, country or region.

Financed emissions

The emissions from activities in the real economy that are financed through lending and investment portfolios, expressed in tCO2e. Emissions are attributed to a portfolio based on the portion of the company's value the portfolio holds, and using different accounting values for public and private corporates. We provide financed emissions for scope 1 and 2 emissions.

Fund analytics

All figures exclude cash. Credit bonds include non-sterling bonds and CDs where held within the fund or benchmark.
This is applicable to the following sections: fund Asset Allocation, Duration, Yield curve, Sector breakdown, Financial holdings, Credit ratings.

Fund restrictions definitions

Adult Entertainment: Companies which own or produce adult entertainment services, or engage in the distribution or sale of adult entertainment services.

Alcohol: Companies which have involvement in brewing, distillation or sale of alcoholic drinks.

Animal Welfare: Companies that conduct animal testing (other than for purposes of human or animal health and/or where it is required by law or regulation).

Armaments: Companies who manufacture armaments or nuclear weapons or associated products.

Controversial Weapons: Weapons which have an indiscriminate and disproportional impact on civilians or weapons that are illegal and prohibited by international conventions and treaties.

Fossil Fuels: Companies involved in the exploration, extraction or refining of oil, or gas, or coal, plus any activity relating to thermal coal.

Gambling: Companies who promote irresponsible gambling which includes betting shops, casinos or amusement arcades.

High Environmental Impact: Companies which have a high environmental impact, and which have 'no evidence' of appropriate environmental management systems.

Human Rights Risks: Companies with a strategic presence operating in countries of concern and which have 'no evidence' of policies or systems to manage human rights risks.

Nuclear Power: Companies who generate energy from Nuclear Power.

Nuclear Weapons: Companies that manufacture, nuclear; or are involved in the production of intended-use parts, whole weapons systems, or exclusive delivery platforms.

Tobacco: Companies which are growing, processing or selling tobacco products.

Fund value

Total value of the fund as of the last business day of the calendar month. The fund value is as at close of business and on a mid-price basis.

Glossary

Gross redemption yield

Gross redemption yield is the rate of discount at which a bond's future obligations of interest and capital payments equates to its current price. The gross redemption yield shown for the fund is the average for its individual holdings, weighted by their current value, net of relevant fund management costs and gross of tax.

Implied temperature rise (ITR)

ITR aims to measure the global warming outcome from the emissions trajectory of a company, if the whole economy followed the same trajectory.

Number of holdings

Total number of unique holdings of the Fund excluding cash, currency and derivatives.

Number of issuers

Number of unique issuers of all assets held by the Fund, excluding cash, currency and derivatives.

Performance

Performance is calculated using the daily end of day NAV per share produced by HSBC based on the mid price.

Promotes environmental or social factors

An ESG Fund promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.

SBTi

The Science-Based Targets initiative is a consortium of organisations that set up the definition and promotion of science-based target setting.

Sector breakdown

Breakdown of the fixed income assets, excluding derivatives and cash by RLAM's internal industry sector classification scheme. Figures are subject to rounding.

Sustainable fund objective

A product that has sustainable investment or a reduction in carbon emissions as its objective.

Top 10 holdings

Top 10 assets held by market value, excluding derivatives and cash.

Weighted Average Carbon Intensity (WACI)

Portfolio's exposure to carbon-intensive companies, expressed in tCO2e / $M revenue. Scope 1 and scope 2 GHG emissions are divided by companies revenues, then multiplied based on portfolio weights (the current value of the investment relative to the current portfolio value). The WACI is calculated as a weighted average sum of the holdings with carbon intensity coverage.

In line with our bespoke and targeted approach to credit analysis, we have developed an in-house carbon data tool that addresses coverage and mapping issues with third party systems. The development of this tool has been a critical element of RLAM's ESG integration into our credit process, addressing coverage and mapping issues with third party systems. This enhanced coverage is reflected in the WACI figures provided in this report, with all other metrics instead being based on data from MSCI.