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Royal London Global Sustainable Credit Fund

Quarterly Investment Report

30 June 2024

Quarterly Report

The fund as at 30 June 2024

The purpose of this report is to provide an update on the Royal London Global Sustainable Credit Fund. 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.

Contents

ROYAL LONDON
ASSET MANAGEMENT

The fund

Fund performance objective and benchmark

The Fund's investment objective is to outperform the Bloomberg Global Aggregate Corporate Hedged USD (the "Benchmark") by 0.75% per annum over rolling three year periods (gross of fees). The Benchmark is being used by the Fund for performance comparison purposes only and the Fund does not intend to track it.

Benchmark: Bloomberg Barclays Global Aggregate Corporate Total Return Index Hedged USD

Fund value

	Total $m
30 June 2024	457.28

Fund analytics

	Fund	Benchmark
Fund launch date	10 February 2021	
Base currency	USD	
Duration (years)	6.77	5.93
Gross redemption yield (%)	5.70	5.04
Number of holdings	289	16,396
Number of issuers	169	2,851

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	0.28	0.20	0.09
YTD	1.03	0.30	0.73
1 Year	7.10	6.10	1.00
3 Years (p.a.)	(1.93)	(2.01)	0.09
Since inception (p.a.)	(1.78)	(1.81)	0.03

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 RL Global Sustainable Credit Fund (Z Acc) (USD). Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 10 February 2021.

Performance commentary

The fund performed broadly in line with the index over the quarter (M Acc USD). Performance over the period was driven by a combination of tighter credit spreads and the additional yield built into the portfolio, mitigating the impact of higher government bond yields.

The combination of sector and stock positioning was positive over the period, notably our exposure to subordinated bank bonds including those from Rabobank and Lloyds, which performed strongly relative to the market. Exposure to utilities was negative, although this was driven more by the longer-dated nature of these bonds (which therefore underperform shorter-dated bonds when yields are rising) than individual credit concerns. The portfolio also had an overweight in France (based on attractive financial and sustainable characteristics in individual bonds rather than a country-specific position), notably in French banks. This position hurt performance, with French bonds generally weaker after the results of the first round of the surprise French parliamentary elections. However, the second round led to most of this effect unwinding – with little short-term impact on the underlying credit fundamentals of the bonds we hold in the portfolio, we are comfortable with our positions.

Performance and activity

Top 10 holdings

	Weighting (%)
LLOYDS BANKING GROUP PLC 7.953000000 2033-11-15	1.32
LLOYDS BANKING GROUP PLC 4.582000000 2025-12-10	0.99
XYL 2.25 C '31 USD	0.98
REPUBLIC SERVICES INC 2.300000000 2030-03-01	0.96
HSBC HOLDINGS PLC 7.390000000 2028-11-03	0.95
LEGAL & GENERAL GROUP 5.250000000 2047-03-21	0.94
NN GROUP NV 4.625000000 2048-01-13	0.91
PRUDENTIAL FINANCIAL INC 5.375000000 2045-05-15	0.90
PHOENIX GRP HLD PLC 5.375000000 2027-07-06	0.87
AVISTA CORP 4.350000000 2048-06-01	0.84
Total	**9.66**

Fund activity

We continued to invest in bonds that meet both our demanding financial and sustainable criteria, and which fit into the sustainable themes that we think will endure and offer long-term solutions to the challenges that the world faces. We also aim to construct the fund to ensure that it yields more than the benchmark index. We believe that this positioning will be beneficial in the medium term, given the current valuation of credit markets and attractive opportunities we see.

The additional sustainable criteria we use mean that our portfolio will tend to have certain differences with the benchmark index. For instance, while it will have significant exposure to the banking sector, this is typically much lower in US banks than the index, reflecting the higher weighting of investment banks that typically do not score well on our criteria. In addition, the portfolio will usually have much lower exposure to China and India, where issuers may look attractive in financial terms, with many offering significant yield premia, but again do not score well on our criteria.

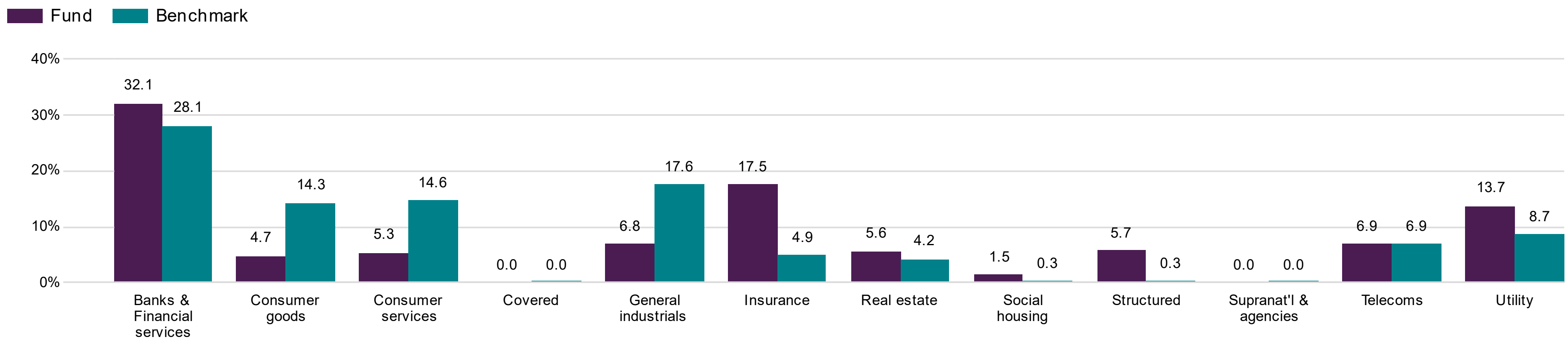
New issue activity was buoyant during the quarter. Financials remain a key area of interest and we took advantage of attractive pricing to add to subordinated bonds, including AT1 bonds from NatWest and Coventry Building Society, yielding in the 8% to 9% range. Away from AT1, we added senior US dollar bonds from Standard Chartered and a new tier 2 issue from asset manager Schroders, issued with a yield of over 6%.

In the insurance sector, we added a new issue from US insurer Protective Life. These bonds rank alongside policyholders, offering strong downside protection and were attractively priced at a yield of over 5%. We also purchased a subordinated bond from specialist UK insurer Pension Insurance Corporation, where we felt the high coupon looked attractive for the risk, and a euro issue from German insurance giant Munich Re. In addition, we participated in a new sterling bond from UK bulk annuity provider Rothesay yielding 7%.

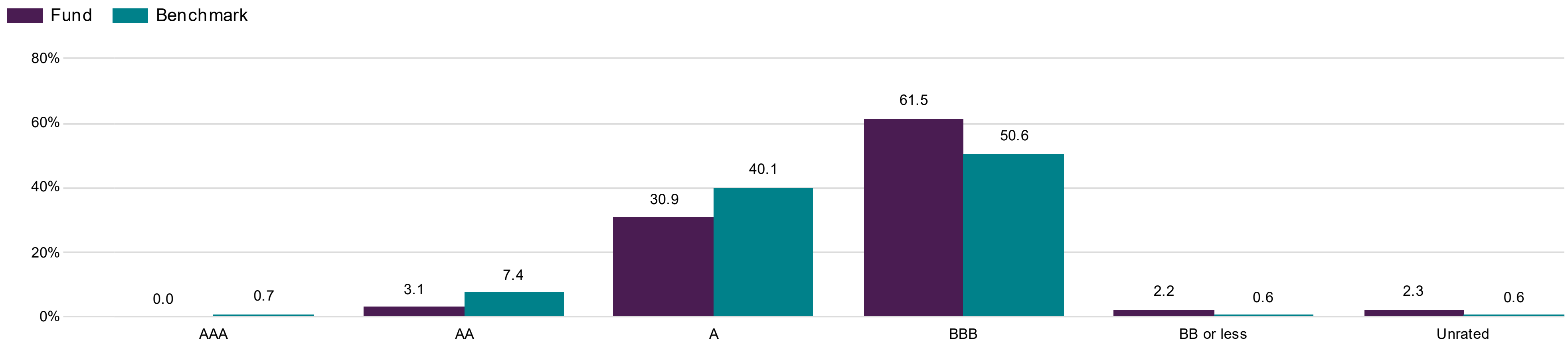
In the structured area, a key component of the portfolio, we continue to believe that the additional security and covenants are underpriced by the wider market. During the quarter, we added a new issue from Vantage Data Centers Jersey, a securitisation of real estate and tenant lease payments from two operating wholesale data centres in Newport. This deal offered a low to value (LTV) and pays an attractive credit spread. We also added a new issue from the AA – these bonds secured on the business and paying an all-in yield of around 7%. In more consumer-focused areas, we added a new issue from Unite, the UK's largest owner manager and developer of purpose-built student accommodation with over 70,000 student places. Unite focuses on leading universities, where student demand is strongest, with low LTVs.

Fund breakdown

Sector breakdown

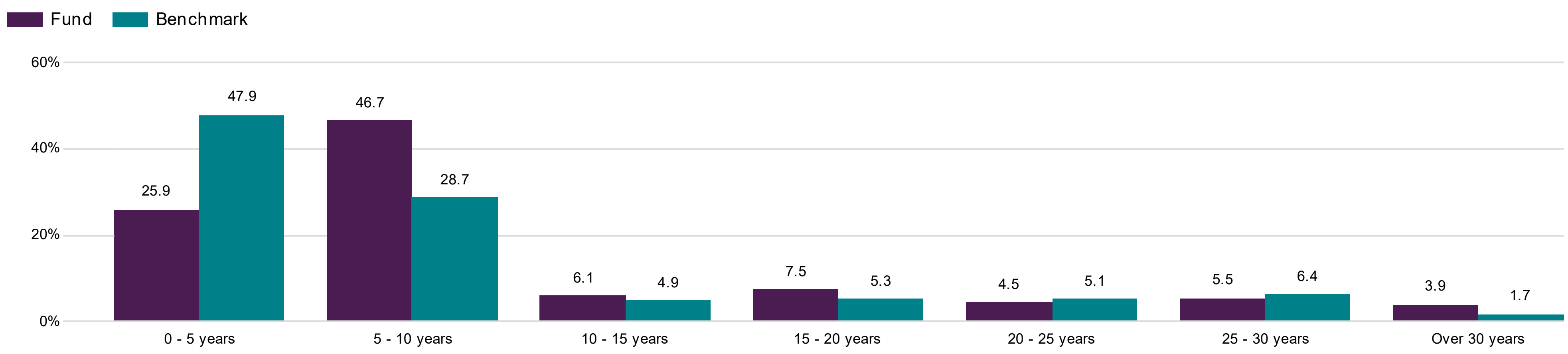


Credit ratings



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 and that breach our Do No Significant Harm principle. 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)	9,015	n/a	n/a
Financed emissions coverage	72.82%	n/a	n/a
Carbon footprint (tCO2e/$M invested)	20.20	59.24	(65.90)
Carbon footprint coverage	72.82%	85.17%	(14.51)
Weighted average carbon intensity (tCO2e/$M sales)	104.02	215.42	(51.71)
Weighted average carbon intensity coverage	97.55%	96.58%	1.01

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	72.82	85.12	(14.45)
% of portfolio below 2°C ITR	53.16	45.08	17.94
% of portfolio below 1.5°C ITR	23.33	15.85	47.16

SBTi net - zero

	Fund (%)	Benchmark (%)	Difference (%)
SBTi Net-Zero committed	12.93	12.99	(0.46)
SBTi Near-Term committed	13.36	7.02	90.32
SBTi Near-Term targets set	17.39	20.85	(16.59)

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	5	23
Number of engagements	9	61

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

Climate	4
Climate - Transition Risk	4
Governance	2
Corporate Governance	1
Remuneration	1
Social & Financial Inclusion	2
Just transition	2
Technology, Innovation & Society	2
Technology & Society	2

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

BNP Paribas SA – Net zero

Purpose:

We, as part of a collaborative investor group coordinated by ShareAction, asked a question at BNP Paribas' AGM regarding its financing of oil and gas companies.

Outcome:

The CEO of BNP Paribas has expressed confidence in the bank's decision to cease involvement in oil and gas bond transactions since mid-February 2023. This move is indicative of the bank's disinterest in participating in oil and gas bonds and is seen as a positive step. BNP Paribas utilises International Energy Agency scenarios as a guide and seeks to reflect its insights in its policies. During our meeting, the CEO reaffirmed the bank's commitments, including its 10-90 goal, which aims for 90% of its energy sector financing to be low carbon, with the remainder for fossil fuels, contingent on suitable opportunities for financing. We will continue to monitor BNP's disclosures and assess the company's progress.

E.ON SE – Net zero

Purpose:

We engaged with the company's Senior Sustainability Manager and Economic and Public Affairs Managers as part of the Climate Action 100+ (CA100+) collaborative initiative to discuss the company's preliminary climate assessment.

Outcome:

We believe that the company is making progress, however, the impact on the CA100+ benchmark's assessment remains to be seen. The company finds this assessment challenging as it feels the methodology does not fully consider its business structure, for example the benchmark's expectations for 'just transition' disclosures when E.ON has a few generation sites that require closing. The company welcomed our suggestion to emphasise 'transitioning-in' and transparent disclosure of employee training initiatives. The company will publish a lobbying report to address one of the assessment's indicators. We facilitated dialogues with InfluenceMap and BDI (the Federation of German Industries), which the company found constructive and valuable. The conversations appear to be informative for both E.ON and BDI.

Fund Engagement

Engagement outcomes

NatWest Group Plc – Just transition

Purpose:

At the 2024 Annual General Meeting, in partnership with Border to Coast and Friend Provident Foundation, we posed a question regarding the company's commitment to integrating the principles of a just transition within its climate transition plan.

Outcome:

The Chair responded that NatWest is determined to be a leading bank on sustainability in general and just transition specifically. The Chair believes that the bank understands the need for a just transition and continues to consider how it can integrate it into its climate plan and sustainability regularly. The bank's current climate transition approach has been informed by best practice guidance, and it uses partnerships to put into practice some of the principles of a just transition. We appreciated the Chair's response to our question, yet the answer did not provide any commitments beyond what we have discussed with the company in private meetings. We have recently published investor expectations for banks on just transition and we will look to use this to continue our engagement with the bank.

Vodafone – Ethical AI

Purpose:

We have reached out to Vodafone on behalf of the Investor Group as part of the World Benchmarking Alliance's Ethical AI collaborative engagement. Our aim is to schedule a meeting with the company to gain a deeper understanding of its ethical AI practices and to discuss opportunities for enhancing these practices.

Outcome:

Vodafone has provided a written response outlining its AI governance structure, highlighting the AI Governance Board's role in strategy and policy oversight, chaired by the Chief Commercial Officer and comprising senior executives such as the CEO of Vodafone Business and the Chief Technology Officer. The AI framework emphasises a responsible approach to AI, with a focus on ethical principles and risk management across the AI lifecycle. The company is proactive in human rights due diligence and is enhancing risk assessments to address AI risks effectively with a particular focus on establishing robust controls during the design phase. We continue to seek a detailed dialogue on its ethical AI practices.

Market commentary

Market overview

Markets have once again been dominated by interest rates during the quarter, despite little or no movement in this area. 2024 started with expectations that central banks would cut early and cut often. However, as the year has progressed, those expectations have changed. Inflation has generally not come down quite as fast as hoped, with services inflation proving sticky, particularly in the UK, while growth has generally not been as weak as feared – particularly in the US. Interest rates were cut just once across the Federal Reserve, European Central Bank and Bank of England, with the ECB cutting rates in June. Most central bank forecasters now only expect one or two cuts from each of these banks over the course of 2024 as a whole.

Ahead of the US Presidential elections in November, snap parliamentary elections were called in the UK and France, providing reminders that voter dissatisfaction with the seeming consensus on economic policy and ongoing lack of consensus on longer-term issues such as climate change create an uncertain backdrop for businesses and consumers alike.

The US Federal Reserve continued to keep rates on hold at 5.25-5.50% over the quarter against a still resilient labour market backdrop, and the relatively strong core CPI inflation seen over January to April. The May data (released in June) was more reassuring both from a CPI and core PCE perspective. As of their June meeting, the median forecast of participants changed from showing 75 basis points of rate cuts for 2024 to only 25bps of cuts.

The ECB lowered rates by 25bps in June, following good inflation progress and previous hints from ECB speakers. Further rate moves after June are less certain and depend on data. Euro area CPI went up from 2.4% to 2.6% year-on-year in May, which was unexpected, and services inflation rose above 4.0%. The European elections saw incumbent parties suffer a loss of support and prompted President Macron to call an early parliamentary election. This uncertainty saw French government bonds weaken in relation to German government debt.

Data released in the UK in the second quarter confirmed that the country bounced out of technical recession in the Q1 and painted a picture of continued positive economic growth. The rate of change in the CPI basket fell from 3.4% year-on-year in February to 2.0% in May, helped by lower electricity and gas bills. The Bank of England kept rates at 5.25%, even though headline inflation dropped. This reflected concern about services inflation and pay growth, both of which remain elevated. The calling of UK general election, which has resulted in a change of government, had minor impact on sterling asset prices, reflecting a view that there would be little shift in economic policy.

Government yields generally rose over the quarter, particularly following poor US inflation data released in April with yields largely range-bound through May and June. In the US, 10-year treasury yields rose from 4.21% to 4.40%, while German 10-year bunds similarly saw yields rise from 2.30% to 2.50%. Benchmark 10-year gilt yields rose from 3.94% to 4.18%.

Global corporate bonds saw broadly flat returns over the quarter, with the impact of higher underlying government bond yields and slightly wider credit spreads mitigated by the positive carry on the asset class. In local currency terms, US and euro investment grade markets outperformed sterling equivalents.

Outlook

Last quarter we highlighted that we expected yields to remain sensitive to economic data, and unless there was a significant deterioration in underlying trends, we expected this to lead to range-bound yields. This is the scenario that unfolded over the quarter, with markets seeming to mark time until central banks – notably the Federal Reserve – start to cut rates. We expect a small fall in government bond yields in Q3.

Headline inflation is now significantly lower in the US, euro zone and UK compared to 2023. Base effects account for a material part of these falls. Beyond the headline figures, the likes of services inflation and wage growth remain higher than most central bankers would prefer. That said, we do expect to see more movement from central banks in the second half of the year, even if the quantum of those moves is less than many were forecasting earlier in the year.

Bond yields generally are still at attractive levels in our view – both in absolute terms and relative to government bonds – and given the supportive economic backdrop, we believe that credit spreads continue to compensate credit investors for the risk of default. We retain a focus on high levels of diversification and our view remains that over the medium term, our focus on delivering attractive income will generate strong returns for investors.

Further Information

Please click on the links below for further information:

- Stewardship and responsible investment at RLAM
- Responsible investment
- TCFD climate report
- Royal London voting and engagement

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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Issued in July 2024 by Royal London Asset Management Limited, 80 Fenchurch Street, London EC3M 4BY. Authorised and regulated by the Financial Conduct Authority, firm reference number 141665. A subsidiary of The Royal London Mutual Insurance Society Limited.

The Fund is a sub-fund of Royal London Asset Management Funds plc, an open-ended investment company with variable capital (ICVC), with segregated liability between sub-funds.

Incorporated with limited liability under the laws of Ireland and authorised by the Central Bank of Ireland as a UCITS Fund. It is a recognised scheme under the Financial Services and Markets Act 2000.

The Management Company is FundRock Management Company SA, Registered office: 33 rue de Gasperich, L - 5826 Hesperange, Luxembourg and is authorised and regulated by the Commission de Surveillance du Secteur Financier (CSSF).

The Investment Manager is Royal London Asset Management Limited.

For more information on the Fund 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.

Most of the protections provided by the UK regulatory system, and the compensation under the Financial Services Compensation Scheme, will not be available.

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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.

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.

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.

Exchange rate risk

Changes in currency exchange rates may affect the value of your investment.

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.

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.

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.

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.

Performance to 30 June 2024

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	Since Inception
Fund (gross)	0.28	1.03	7.10	(5.67)	(5.90)
Fund (net)	0.18	0.83	6.68	(6.80)	(7.17)

Annualised (%)

	3 Years (p.a.)	Since Inception (p.a.)
Fund (gross)	(1.93)	(1.78)
Fund (net)	(2.32)	(2.17)

Year on year performance (%)

	30/06/2023 - 30/06/2024	30/06/2022 - 30/06/2023	30/06/2021 - 30/06/2022	30/06/2020 - 30/06/2021	30/06/2019 - 30/06/2020
Fund (gross)	7.10	1.92	(13.59)	-	-
Fund (net)	6.68	1.52	(13.94)	-	-

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 30 June 2024. All figures are mid-price to mid-price in GBP for the RL Global Sustainable Credit Fund (Z Acc) (USD); Since inception date 10 February 2021.

Glossary

Asset allocation

Based on RLAM's holistic approach to fixed income management and fund weights relative to their respective benchmarks. May not reflect tactical exposures.

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.

Distribution yield

The distribution yield reflects the amounts that may be expected to be distributed over the next 12 months. It is calculated net of standard management charges. It reflects RLAM's current perception of market conventions around timing of bond cash flows.

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 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.

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.

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.

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 tCO_2e / \$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.