Royal London Credit Funds

Fund Manager Commentary

30 November 2024

ROYAL LONDON
ASSET MANAGEMENT

Fund Manager Commentary

30 November 2024

The purpose of this report is to provide an update on the Royal London Fixed Income Funds. The report has been produced by Royal London Asset Management. The report starts with a performance summary followed by Fund Manager commentary for each of the Funds. All data within this report is at the report date unless otherwise stated.

Contents

Performance

	1 month (%)	Rolling 12 months (%)
RL Corporate Bond Fund Z Inc	**1.25**	**10.24**
iBoxx Sterling Non-Gilts All Maturities Index	1.36	6.70
IA Sterling Corporate Bond Sector	1.22	7.40
RL Ethical Bond Fund Z Inc	**1.04**	**9.12**
iBoxx Sterling Non-Gilts All Maturities Index	1.36	6.70
IA Sterling Strategic Bond Sector	1.06	8.91
RL Global Bond Opportunities Fund Z Inc	**1.18**	**12.50**
IA Global Mixed Bond Sector	1.32	6.88
RL Investment Grade Short Dated Credit Fund Z Inc	**0.70**	**7.66**
ICE BofA ML 1-5 year Sterling Non-Gilt All Stocks Index	0.99	6.34
IA Sterling Corporate Bond Sector	1.22	7.40
RL Short Duration Credit Fund Z Inc	**0.77**	**9.50**
ICE BofA ML 1-5 year Sterling Non-Gilt All Stocks Index	0.99	6.34
IA Sterling Strategic Bond Sector	1.06	8.91
RL Sterling Credit Fund Z Inc	**1.15**	**10.35**
iBoxx Sterling Non-Gilts All Maturities Index	1.36	6.70
IA Sterling Corporate Bond Sector	1.22	7.40
RL Sterling Extra Yield Bond Fund A Inc	**0.93**	**12.82**
RL Sterling Extra Yield Bond Fund B Inc	**0.92**	**12.31**
RL Sterling Extra Yield Bond Fund Y Inc	**0.95**	**13.30**
RL Sterling Extra Yield Bond Fund Z Inc	**0.93**	**13.10**
IA Sterling Corporate Bond Sector	1.22	7.40
IA Sterling High Yield Sector	0.78	11.65
IA Sterling Strategic Bond Sector	1.06	8.91

Past performance is not a guide to future performance. The value of investments and the income from them is not guaranteed and may go down as well as up and investors may not get back the amount originally invested.

Source: RLAM and Morningstar, as at 30 November 2024. Returns quoted are net of fees. Please note that with effect from 1 February 2024 RLAM are using peer group comparisons provided by Morningstar. Prior to this peer comparisons were provided by Lipper so there may be some differences compared to the data provided historically. All IA sector performance shown is for the median.

Credit Market Review

Market highlights – sterling investment grade credit

The sterling investment grade market (iBoxx) produced positive returns in November, with a return of 1.36%. The average investment grade credit spread (the average extra yield available from a corporate bond compared with government debt of equal maturity) was flat at 0.96%.

Investment grade sterling primary issuance eased once again in November, falling to £2.5bn from £5.0bn in October and considerably behind the £10.4bn seen in September. November's issuance takes the year-to-date total to £50.0bn, which is behind the £62.8bn issued in the same period for 2023.

In UK investment grade markets, returns were broad based with no sector seeing a negative return. Relatively, the consumer services, real estate and social housing sectors outperformed the rest of the market.

Global government bond yields fell in November with Donald Trump's win in the US Presidential election seeing a sell-off at the beginning of the month followed by a rally as markets digested the possible impact of his perceived inflationary policies. US treasury 10-year yields fell to 4.20% from 4.28%, while German bund 10-year yields fell to 2.09% from 2.39%. In the UK, 10-year gilt yields fell to 4.25% from 4.45% - with UK markets also dealing with the fallout from the Labour Budget. The FTSE UK Conventional Gilt All-Stocks index returning 1.62%.

Royal London Corporate Bond Fund

Portfolio commentary

The fund posted positive returns in November but was marginally behind its benchmark, the iBoxx Sterling Non-Gilts All Maturities Index, over the month. On a year-to-date basis, the fund has posted positive total returns and is well ahead of the benchmark.

UK government bond yields fell in November while credit spreads were broadly flat. The sterling credit market underperformed gilts over the month.

The fund's marginal underperformance from stock selection and sector allocation was mostly offset by duration and curve positioning.

Structured bonds and holdings in consumer services outperformed the benchmark, but this was offset by our bank and real estate holdings. The Structured sector lagged the benchmark, and this is an attractively priced area on a look forward basis.

Despite an easing of new issuance in primary markets, the fund remained active in seeking new issues. In financials, a key sector for the fund, we added a new subordinated issue from Dutch insurer Athora Netherlands following the tender of an existing bond, which was at attractive terms, and we also took part in a new issue of a 5-year bond from NatWest Markets.

In the secondary market, we added legacy bonds from French insurer Axa – where we see potential upside following new EU rules on insurance recovery and resolution – and UK financial services firm Legal & General, which have a potential call date in 2026, offering attractive upside. We trimmed our exposure to subordinated debt from Barclays, HSBC and NatWest following recent outperformance in the AT1 market.

Away from financials, we added a new issue from gas distributor Northern Gas Networks and a sterling issue from Italian energy infrastructure firm Snam. We took part in a new floating rate note issue from UK Logistics – with the bonds secured against a total of 63 logistics properties spread throughout the UK.

We also added a new issue from Saltaire Finance, special purpose vehicle, which was established in connection with the management and delivery of the UK's Affordable Homes Guarantee Scheme. The bonds were issued to help fund the development of affordable homes. The bonds came to market at an attractive spread – around 0.5% above gilts – which is attractive in a compressed spread environment given the Government guarantee.

In the water sector, we continue to see attractive value. We added to our exposure in South East Water and Yorkshire Water with both bonds seeing good spread levels following widening in the sector.

Finally, we added to preferred position in Telereal – with the bond secured on BT telephone exchanges.

CITYWIRE AAA

Shalin Shah

Senior Fund Manager

Matt Franklin

Fund Manager

Royal London Corporate Bond Fund continued

Investment outlook

The US election result seen government bond yields rise, compounding the move higher in UK gilt yields seen following the Budget in late October, but this was followed by a rally in government bond markets. We think that the Bank of England will continue to cut interest rates over the next twelve months but that the pace will be slower than previously expected given the economic boost arising from higher government spending plans.

We have a preference to be long duration given current yields but will keep this under review as yields continue to move rather than taking strong strategic positions.

We believe that sterling investment grade all-in yields are attractive, given the move higher in government yields over recent years and the most recent rises in September and October this year. Credit spreads continue to compensate investors for default risk but the move lower through the year has taken spreads to levels seen in 2021. This tempers the expected degree of outperformance over government bonds.

We target – and achieve – a material yield premium over the market level in our sterling credit strategies. As ever, the risks inherent in our investment grade credit portfolios are mitigated by maintaining highly diversified portfolios, with a bias towards bonds that offer greater security and downside protection. Our view remains that over the medium term our focus on delivering greater income than the benchmark, achieved with superior downside protections, will generate outperformance.

Key views within the fund

Well diversified, with over 300 holdings, in order to improve overall portfolio liquidity and to reduce the effect on overall fund performance of any deterioration in the creditworthiness of an individual holding.

A significant underweight in supranational bonds, as we expect corporate bonds to outperform over the medium term.

Duration slightly longer than the benchmark, which has been increased as yields have risen. Interest rate sensitivity is broadly neutral when factoring in a number of bonds which have theoretical duration but are not as interest rate sensitive.

An overweight position in subordinated financial debt, where we believe yields are attractive.

Orientated towards secured bonds in the asset-rich investment trust, property and social housing sectors, and towards structured bonds, which benefit from a claim on assets and cashflows.

Environmental, social and governance (ESG) risk factors are fully integrated in the management of the portfolio. The WACI (weighted average carbon intensity) of the portfolio is below that of the index.

ROYAL LONDON ASSET MANAGEMENT

Royal London Ethical Bond Fund

Portfolio commentary

The fund posted positive returns in November but was behind its benchmark, the iBoxx Sterling Non-Gilts All Maturities Index, over the month. On a year-to-date basis, the fund has posted positive total returns and is well ahead of the benchmark.

UK government bond yields fell in November while credit spreads were broadly flat. The sterling credit market underperformed gilts over the month.

The fund's underperformance came from our security selection, with the main laggard being our bank bonds – which have performed very well for the fund year-to-date. Another laggard this month was our insurance bonds. Slightly offsetting this, however, was our selection of social housing bonds. Our credit allocation was neutral for performance, with our overweighting to structured bonds hurting performance with this being offset but our overweight position in social housing and underweighting in supranationals.

Despite an easing of new issuance in primary markets, the fund remained active in seeking new issues.

In November, we took part in a new floating rate note issue from UK Logistics – with the bonds secured against a total of 63 logistics properties spread throughout the UK.

The fund also took part in a new short-dated issue from Swedish mineral fertilizer Cinis Fertilizer – adding geographical diversity to the fund.

Investment outlook

After October's rise in yields, the aftermath of the US election saw a rally in global bond markets. Attention now turns back to central bank activity. While we still expect further cuts in rates, we believe that inflation – notably wage inflation – will mean that these rate cuts will remain moderate.

We have a preference to be long duration given current yields but will keep this under review as yields continue to move rather than taking strong strategic positions.

Corporate 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 downgrade.

We target – and achieve – a material yield premium over the fund's benchmark level. Given the potential challenges in the outlook, we remain focused on identifying companies with attractive financial characteristics and ensuring that we are diversified across issuers and sectors. Our view remains that over the medium term our focus on delivering strong income will generate attractive performance.

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Paola Binns

Head of Credit

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Eric Holt

Senior Fund Manager

Royal London Ethical Bond Fund continued

Key views within the fund

The fund is diversified in order to improve portfolio liquidity and to reduce the effect on overall performance of any deterioration in the creditworthiness of an individual holding.

The fund has a significant underweight position in supranational bonds, as we expect corporate bonds to outperform over the medium term.

Duration is broadly in line with the benchmark.

The fund has an overweight position in subordinated financial debt, where we believe yields are attractive.

The fund remains orientated towards secured bonds in the asset-rich property and social housing sectors, and towards structured bonds, which benefit from a claim on assets and cashflows.

Royal London Global Bond Opportunities Fund

Market highlights

	Total return (%)	Spread at end of month (basis points)	Spread change over month (basis points)
HY global non-financial corps ICE BofA ML global non-financial high yield index	0.91	311	-2
AT1 ICE BofA ML contingent capital index	0.73	298	10
Emerging market ICE BofA ML	0.59	356	9
HY global non-financial hybrid corps ICE BofA ML global hybrid non-financial high yield index	0.64	225	16
IG global non-financial hybrid corps ICE BofA ML global hybrid non-financial corporate index	0.63	192	16
Dollar investment grade corporate bonds ICE BofA ML US corporate index	1.20	83	-3
Sterling investment grade corporate bonds ICE BofA ML sterling corporate and collateralised index	1.72	108	-4
Euro investment grade corporate bonds ICE BofA ML euro corporate and Pfandbriefe index	1.61	104	3

Source: RLAM

Donald Trump won the US presidential election with Republicans also taking the House and Senate. During his campaign, promises included mass deportations, higher trade tariffs and tax cuts. By the end of the month, Trump had added to tariff threats, saying that he would impose additional 10% tariffs on goods from China and 25% tariffs on all products from Mexico and Canada (the latter two from his first day in office), linking this to drugs and immigration. The Fed cut rates 25bps as expected. The Fed's Powell said "the economy is not sending any signals that we need to be in a hurry to lower rates," helping open the door to expectations of a possible pause/skip at the central bank's December meeting. October non-farm payrolls released in early November were much weaker than expected at only 12K on the month. However, the data was likely impacted by October's hurricanes as were some of the other data releases over the month. The unemployment rate remained at 4.1%. Inflation data was somewhat less reassuring from a Fed perspective. October CPI rose from 2.4% year-on-year to 2.6%, while core rose 0.3% month-on-month as did the core PCE deflator.

In the euro area, political uncertainty was a focus with mounting uncertainty around the stability of the French government and with the German ruling coalition collapsing (set to face a confidence vote in December). There was no European Central Bank meeting in November, but a number of ECB speakers indicated that they intended to vote for a rate cut in December. November CPI rose with

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Royal London Global Bond Opportunities Fund continued

headline CPI at 2.3% year-on-year after 2.0%, back above the ECB's 2% target. Core CPI remained 2.7% year-on-year, lower than expected. Services inflation at 3.9% year-on-year remains relatively sticky. Activity data released over the month were mixed.

The Bank of England cut rates 25bps as expected. They continued to put some weight on a scenario where inflation proves stickier than expected and Governor Bailey said that they still need to see services inflation come down more broadly. They signalled that a "gradual approach to removing policy restraint remained appropriate." Meanwhile, data released in November painted a softer picture of economic activity, while inflation was a touch higher than expected (and back above the central bank's 2% target) at 2.3% year-on-year. Core inflation was also higher than expected, rising one-tenth to 3.3% year-on-year, as was services inflation (rising 1-tenth to 5.0%). Third quarter GDP growth was only 0.1% quarter-on-quarter, though consumer spending and business investment surprised on the upside.

Global government bond yields fell in November with Donald Trump's win in the US Presidential election seeing a sell-off at the beginning of the month followed by a rally as markets digested the possible impact of his perceived inflationary policies. US treasury 10-year yields fell to 4.20% from 4.28%, while German bund 10-year yields fell to 2.09% from 2.39%. In the UK, 10-year gilt yields fell to 4.25% from 4.45% - with UK markets also dealing with the fallout from the Labour Budget. The FTSE UK Conventional Gilt All-Stocks index returning 1.62%.

Global investment grade markets saw positive returns for the month. Credit spreads ended the period marginally tighter in the US and UK, and marginally wider in the euro zone, but the fall in government yields was the main driver of returns. (ICE indices).

Portfolio commentary

The fund recorded a positive net return in November. While the fall in government bond yields was a tailwind for performance, the fund outperformed most areas of the fixed income market, including high yield, hybrids and AT1 bonds.

Despite an easing of new issuance in primary markets, the fund remained active in seeking new issues. Notable examples in November included Dutch insurer Athora, issuing RT1 bonds at 7.25% and TGS – a leading provider of energy data and intelligence – who issued senior secured notes at a yield of 8.5%.

In secondary markets, we took profits on a number of holdings after bonds hit our price targets, including liquid gas transportation company Seapeak, Commerzbank and US energy pipeline operator Energy Transfer. Proceeds were used to fund new issue purchases, as well as secondary market additions in favoured holdings such as Akelius and Rabobank.

Investment outlook

After October's rise in yields, the aftermath of the US election saw a rally in global bond markets. Attention now turns back to central bank activity. While we still expect further cuts in rates, we believe that inflation – notably wage inflation – will mean that these rate cuts will remain moderate.

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.

Royal London Investment Grade Short Dated Credit Fund

Portfolio commentary

The fund posted positive returns in November but was behind its benchmark, the ICE BofAML 1-5yr Sterling Non-Gilt All Stocks Index. On a year-to-date basis, the fund has posted positive total returns and remains well ahead of the benchmark.

UK government bond yields fell in November while credit spreads were broadly flat. The sterling credit market underperformed gilts over the month.

The fund's underperformance came from our security selection, with the main laggard being our bank bonds – which have performed very well for the fund year-to-date. Another laggard this month was our insurance bonds. Slightly offsetting this, however, was our selection of structured bonds. Our credit allocation was also a negative, but our large underweight supranational position was a slight positive as was our overweight position in real estate bonds.

Despite an easing of new issuance in primary markets, the fund remained active in seeking new issues. In financials, a key sector for the fund, we added a new subordinated issue from Dutch insurer Athora Netherlands and a 5-year bond from NatWest Markets.

In the secondary market, we added short-dated legacy bonds from French insurer Axa – where we see potential upside following new EU rules on insurance recovery and resolution – and UK financial services firm Legal & General, which have a potential call date in 2026, offering attractive upside. We trimmed our exposure to subordinated debt from Barclays, HSBC and NatWest following recent outperformance in the AT1 market.

Away from financials, we took part in a new floating rate note issue from UK Logistics – with the bonds secured against a total of 63 logistics properties spread throughout the UK.

In the water sector, we continue to see attractive value. We added to our exposure in Yorkshire Water with the bonds seeing good spread levels following widening in the sector.

Finally, we added to preferred position in Telereal – which is secured on BT telephone exchanges.

Investment outlook

The US election result seen government bond yields rise, compounding the move higher in UK gilt yields seen following the Budget in late October, but this was followed by a rally in government bond markets. We think that the Bank of England will continue to cut interest rates over the next twelve months but that the pace will be slower than previously expected given the economic boost arising from higher government spending plans.

We have a preference to be long duration given current yields but will keep this under review as yields continue to move rather than taking strong strategic positions.

We believe that sterling investment grade all-in yields are attractive, given the move higher in government yields over recent years and the most recent rises in September and October this year. Credit spreads continue to compensate investors for default risk but the

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Royal London Investment Grade Short Dated Credit Fund continued

move lower through the year has taken spreads to levels seen in 2021. This tempers the expected degree of outperformance over government bonds.

We target – and achieve – a material yield premium over the market level in our sterling credit strategies. As ever, the risks inherent in our investment grade credit portfolios are mitigated by maintaining highly diversified portfolios, with a bias towards bonds that offer greater security and downside protection. Our view remains that over the medium term our focus on delivering greater income than the benchmark, achieved with superior downside protections, will generate outperformance.

Key views within the fund

The fund is well diversified in order to improve overall portfolio liquidity and to reduce the effect on overall performance of any deterioration in the creditworthiness of an individual holding.

It has a minimal weighting in supranational bonds, as we expect corporate debt to outperform over the medium term.

Fund duration was marginally longer than the benchmark at month end.

It has an overweight position in subordinated financial debt, where we believe yields are attractive.

The fund remains orientated towards structured debt, which benefits from a claim on assets and cashflows; secured issues in the asset-rich property and social housing sectors; and covered bonds (i.e. senior bank debt benefiting from a first claim on a specified over-collateralised pool of assets).

Royal London Short Duration Credit Fund

Portfolio commentary

The fund posted positive returns in November but was behind its benchmark, the ICE BofAML 1-5yr Sterling Non-Gilt All Stocks Index. On a year-to-date basis, the fund has posted positive total returns and remains well ahead of the benchmark.

UK government bond yields fell in November while credit spreads were broadly flat. The sterling credit market underperformed gilts over the month.

The fund's underperformance came from our security selection, with the main laggard being our bank bonds – which have performed very well for the fund year-to-date. Another laggard this month was our utility bonds. Slightly offsetting this, however, was our selection of structured bonds and in consumer services. Our credit allocation was also a negative, but our large underweight supranational position was a slight positive as was our overweight position in real estate bonds.

Despite an easing of new issuance in primary markets, the fund remained active in seeking new issues. In financials, a key sector for the fund, we added a new subordinated issue from Dutch insurer Athora Netherlands.

In the secondary market, we added bonds from UK financial services firm Legal & General, which have a potential call date in 2026, offering attractive upside. We trimmed our exposure to subordinated debt from HSBC and NatWest following recent outperformance in the AT1 market.

Away from financials, we took part in a new floating rate note issue from UK Logistics – with the bonds secured against a total of 63 logistics properties spread throughout the UK.

In the water sector, we continue to see attractive value. We added to our exposure in Yorkshire Water with the bonds seeing good spread levels following widening in the sector.

Finally, we added to preferred position in Telereal – which is secured on BT telephone exchanges.

Investment outlook

The US election result seen government bond yields rise, compounding the move higher in UK gilt yields seen following the Budget in late October, but this was followed by a rally in government bond markets. We think that the Bank of England will continue to cut interest rates over the next twelve months but that the pace will be slower than previously expected given the economic boost arising from higher government spending plans.

We have a preference to be long duration given current yields but will keep this under review as yields continue to move rather than taking strong strategic positions.

We believe that sterling investment grade all-in yields are attractive, given the move higher in government yields over recent years and the most recent rises in September and October this year. Credit spreads continue to compensate investors for default risk but the move lower through the year has taken spreads to levels seen in 2021. This tempers the expected degree of outperformance over government bonds.

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Royal London Short Duration Credit Fund continued

We target – and achieve – a material yield premium over the market level in our sterling credit strategies. As ever, the risks inherent in our investment grade credit portfolios are mitigated by maintaining highly diversified portfolios, with a bias towards bonds that offer greater security and downside protection. Our view remains that over the medium term our focus on delivering greater income than the benchmark, achieved with superior downside protections, will generate outperformance.

Key views within the fund

The fund is well diversified, in order to improve overall portfolio liquidity and to reduce the effect on overall performance of any deterioration in the creditworthiness of an individual exposure.

The fund has a significant underweight in supranational bonds, as we expect corporate debt to outperform over the medium term.

Fund duration was marginally longer than the benchmark at month end.

The fund has an overweight position in subordinated financial debt, where we believe yields are attractive.

The fund remains orientated towards secured bonds in the asset-rich investment trust, property, and social housing sectors, and towards structured issues, which benefit from a claim on assets and cashflows.

Royal London Sterling Credit Fund

Portfolio commentary

The fund posted positive returns in November but was behind its benchmark, the iBoxx Sterling Non-Gilts All Maturities Index, over the month. On a year-to-date basis, the fund has posted positive total returns and is well ahead of the benchmark.

UK government bond yields fell in November while credit spreads were broadly flat. The sterling credit market underperformed gilts over the month.

The fund's underperformance came from our security selection, with the main laggard being our bank bonds – which have performed very well for the fund year-to-date. Another laggard this month was our real estate bonds. Slightly offsetting this, however, was our selection of structured bonds. Our credit allocation was also a negative, but our large underweight supranational position was a positive.

Despite an easing of new issuance in primary markets, the fund remained active in seeking new issues. In financials, a key sector for the fund, we added a new subordinated issue from Dutch insurer Athora Netherlands.

In the secondary market, we added legacy bonds from French insurer Axa – where we see potential upside following new EU rules on insurance recovery and resolution – and UK financial services firm Legal & General, which have a potential call date in 2026, offering attractive upside. We trimmed our exposure to subordinated debt from Barclays, HSBC and NatWest following recent outperformance in the AT1 market.

Away from financials, we added a new issue from gas distributor Northern Gas Networks and a sterling issue from Italian energy infrastructure firm Snam. We took part in a new floating rate note issue from UK Logistics – with the bonds secured against a total of 63 logistics properties spread throughout the UK.

In the water sector, we continue to see attractive value. We added to our exposure in South East Water with the bonds seeing good spread levels following widening in the sector.

Finally, we added to preferred position in Telereal – with the bond secured on BT telephone exchanges.

Investment outlook

The US election result seen government bond yields rise, compounding the move higher in UK gilt yields seen following the Budget in late October, but this was followed by a rally in government bond markets. We think that the Bank of England will continue to cut interest rates over the next twelve months but that the pace will be slower than previously expected given the economic boost arising from higher government spending plans.

We have a preference to be long duration given current yields but will keep this under review as yields continue to move rather than taking strong strategic positions.

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Royal London Sterling Credit Fund continued

We believe that sterling investment grade all-in yields are attractive, given the move higher in government yields over recent years and the most recent rises in September and October this year. Credit spreads continue to compensate investors for default risk but the move lower through the year has taken spreads to levels seen in 2021. This tempers the expected degree of outperformance over government bonds.

We target – and achieve – a material yield premium over the market level in our sterling credit strategies. As ever, the risks inherent in our investment grade credit portfolios are mitigated by maintaining highly diversified portfolios, with a bias towards bonds that offer greater security and downside protection. Our view remains that over the medium term our focus on delivering greater income than the benchmark, achieved with superior downside protections, will generate outperformance.

Key views within the fund

Well diversified, with around 350 holdings, in order to improve overall portfolio liquidity and to reduce the effect on overall performance of any deterioration in the creditworthiness of an individual holding.

A significant underweight in supranational bonds, as we expect corporate bonds to outperform over the medium term.

Fund duration was broadly in line with the benchmark at month end.

Orientated towards subordinated financial debt, where we believe yields are attractive.

The fund remains orientated towards secured bonds in the asset-rich investment trust, property and social housing sectors, and structured bonds, which benefit from a claim on assets and cashflows.

ROYAL LONDON
ASSET MANAGEMENT

Royal London Sterling Extra Yield Fund

Portfolio commentary

In November the fund recorded returns of 0.93%, 0.92%, 0.95% and 0.93% respectively for the A, B, Y and Z class shares. These bring 2024 year to date returns to 9.79%, 9.36%, 10.24% and 10.05% respectively for these share classes.

After the sharp setback in government bonds markets in October, there was a partial recovery in November as the global economic prospects deteriorated with a corresponding reassessment of the outlook for interest rate cuts. While 10-year gilt yields fell from 4.45% to 4.24% in the month, 10-year US Treasury yields were down from 4.28% to 4.17% in November. Meanwhile 10-year German bund yields fell from 2.39% to 2.09% in the month, more than fully recovering the rise in October, reflecting the lacklustre economic outlook in the EU and the likelihood of an earlier and greater move down in interest rates. Sterling investment grade corporate bonds benefitted both from the fall in gilt yields and also a further narrowing in the average yield differential over gilts from 0.93% to 0.89% in the month. High yield markets were less influenced by the fall in government bond yields, exhibiting another month of less volatile returns than government bonds which has so far been a feature of 2024. Index returns for the four asset classes of UK gilts, sterling investment grade corporate bonds, European sub-investment grade bonds and Global sub-investment grade bonds were 1.77%, 1.58%, 0.52% and 0.93% respectively. These bring 2024 year to date index returns to end November to -1.59%, 2.34%, 7.94% and 9.14% respectively.

The benign market background supported the value of holdings in the fund, noticeably within the structured sector, benefitting particularly from the fall in gilt yields, with the value of holdings in the financial sectors of banking and insurance generally further enhanced by the improving market sentiment. In the month the holding of bonds of specialist lender Vanquis Banking Group were down 8% in value, reacting sharply to credit rating agency Fitch moving to a negative outlook on the company. In contrast bonds of property group Canary Wharf were up 8% in the month on news of a new equity commitment to the business and potential refinancing of the company's shorter dated bonds. During the month the fund's holding of such shorter dated bonds were sold and the proceeds reinvested in the company's 2028 bonds, bringing this holding to one of the fund's ten largest investments and increasing sensitivity to the revaluation of the company's debt. Another strong performance of note was the fund's investment in aircraft lease business Amadeo Air Four, up 7% in value in the month as the remaining lease terms shorten and the prospect of asset sales to the operator, Emirates strengthen, especially against the background of generally buoyant demand within the airline sector.

Activity in the month included selective investment in a flow of new issues, including Agilyx, the plastics recycling company, Cinis Fertilizer, the Swedish agriculture sector business, G&O Maritime Group, the specialist shipping equipment and services business, and lastly TGS, the global marine seismic company, which issued a BB credit rated, US$ 550 million 2030 dated bond offering a yield of 8½% and which has performed particularly strongly since issue. Sales in the month including crystallising some profits in the buoyant banking sector, including Dutch company ING Groep, UK buy to let mortgage lender OSB, (formerly One Savings Bank), global business Standard Chartered Bank and Swiss banking group UBS. Also in the month shares in offshore services sector business DOF Group, received as part of a bond restructuring earlier in the year, were sold at a significant premium to their book cost, while moderate capital gains were crystallised on holdings in shipping businesses Euronav and Seapeak, with better prospective returns available elsewhere. Finally, activity in the month in short-dated gilts reflected liquidity management.

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Royal London Sterling Extra Yield Fund continued

Key views within the fund

The fund's objective is to achieve a high level of income by seeking attractive investments across a broad spectrum of fixed income opportunities, encompassing investment grade, sub-investment grade and unrated bonds.

The fund mitigates stock-specific risk by holding a diversified portfolio of investments, so that no individual investment can in isolation have an undue impact on overall performance. In addition, where possible within the yield objective of the fund, investments are focused on bonds where risk is mitigated by structure or a claim on assets or cashflows.

Disclaimers

Important information

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RL Corporate Bond Fund, RL Investment Grade Short Dated Credit Fund and RL Sterling Credit Fund.

The Funds are sub-funds of Royal London Bond Funds ICVC, an open-ended investment company with variable capital with segregated liability between sub-funds, incorporated in England and Wales under registered number IC000797. The Authorised Corporate Director (ACD) is Royal London Unit Trust Managers Limited, authorised and regulated by the Financial Conduct Authority, with firm reference number 144037. 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.

RL Ethical Bond Fund, RL Short Duration Credit Fund

The Funds are sub-funds of RL Bond Funds II ICVC, an open-ended investment company with variable capital with segregated liability between sub-funds, incorporated in England and Wales under registered number IC001128. The Authorised Corporate Director (ACD) is Royal London Unit Trust Managers Limited, authorised and regulated by the Financial Conduct Authority, with firm reference number 144037. 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.

RL Global Bond Opportunities Fund, RL Sterling Extra Yield Bond Fund

The Funds are sub-funds 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 FundRockManagement Company SA, Registered office: 33 rue de Gasperich, L –5826 Hesperange, Luxembourg and is authorised and regulated by the Commission de Surveillance du SecteurFinancier (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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Risk 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.

Charges from capital risk

Charges are taken from the capital of the Fund. Whilst this increases the yield, it also has the effect of reducing the potential for capital growth.

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

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.

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.

Derivative risk

The 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.

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.

Exchange rate risk

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

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.

Government and public securities risk

The Fund can invest more than 35% of net assets in different Transferable Securities and Money Market Instruments issued or guaranteed by any EEA State, its local authorities, a third country or public international bodies of which one or more EEA States are members.

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.

Sub-investment grade investment risk

Lower rated investment grade securities may have large uncertainties or major risk exposures to adverse conditions. The market value of securities in lower rated investment grade categories is more volatile than that of higher quality securities, and the markets in which these securities are traded are less liquid than those in which higher rated securities are traded.

Unrated bond risk

Non-rated bonds may have the characteristics of either investment or sub-investment grade bonds. Market activity in unrated securities and instruments may be low for a considerable period of time and this may impact on liquidity.

Performance to 30 November 2024

		Cumulative (%)					Annualised (%)	
		3 Month	6 Month	1 Year	3 Years	5 Years	3 Years (p.a)	5 Years (p.a)
RL Corporate Bond Fund Z Inc	Gross	1.26	5.08	10.63	-0.61	10.14	-0.20	1.95
RL Corporate Bond Fund Z Inc	Net	1.17	4.90	10.24	-1.77	7.97	-0.59	1.54
RL Ethical Bond Fund Z Inc	Gross	1.04	4.38	9.56	-4.15	4.62	-1.40	0.91
RL Ethical Bond Fund Z Inc	Net	0.94	4.17	9.12	-5.29	2.56	-1.80	0.51
RL Global Bond Opportunities Fund Z Inc	Gross	2.57	6.06	13.00	14.11	26.39	4.49	4.79
RL Global Bond Opportunities Fund Z Inc	Net	2.46	5.85	12.50	12.44	23.30	3.98	4.27
RL Investment Grade Short Dated Credit Fund Z Inc	Gross	1.30	3.78	7.92	5.48	9.91	1.79	1.91
RL Investment Grade Short Dated Credit Fund Z Inc	Net	1.24	3.65	7.66	4.72	8.60	1.55	1.66
RL Short Duration Credit Fund Z Inc	Gross	1.84	4.57	9.84	9.69	16.43	3.13	3.09
RL Short Duration Credit Fund Z Inc	Net	1.76	4.41	9.50	8.68	14.64	2.81	2.77
RL Sterling Credit Fund Z Inc	Gross	1.32	4.99	10.73	-1.95	7.58	-0.66	1.47
RL Sterling Credit Fund Z Inc	Net	1.23	4.81	10.35	-2.98	5.72	-1.00	1.12
RL Sterling Extra Yield Bond Fund A Inc	Gross	2.47	5.41	13.77	16.76	29.64	5.30	5.32
RL Sterling Extra Yield Bond Fund A Inc	Net	2.26	4.96	12.82	13.86	24.34	4.42	4.45
RL Sterling Extra Yield Bond Fund B Inc	Gross	2.47	5.40	13.76	16.76	29.62	5.30	5.32
RL Sterling Extra Yield Bond Fund B Inc	Net	2.20	4.77	12.31	12.21	21.29	3.91	3.93
RL Sterling Extra Yield Bond Fund Y Inc	Gross	2.47	5.40	13.75	16.76	29.63	5.29	5.32
RL Sterling Extra Yield Bond Fund Y Inc	Net	2.37	5.19	13.30	15.36	27.10	4.87	4.91
RL Sterling Extra Yield Bond Fund Z Inc	Gross	2.46	5.39	13.76	16.75	29.62	5.29	5.32
RL Sterling Extra Yield Bond Fund Z Inc	Net	2.32	5.09	13.10	14.74	25.95	4.69	4.72

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 November 2024 unless otherwise stated. All figures are mid-price to mid-price in GBP unless otherwise stated.

Performance to 30 November 2024

Year on year performance (%)

		30/09/2023 – 30/09/2024	30/09/2022 – 30/09/2023	30/09/2021 – 30/09/2022	30/09/2020 – 30/09/2021	30/09/2019 – 30/09/2020
RL Corporate Bond Fund Z Inc	Gross	14.15	9.90	-20.00	5.31	4.20
RL Corporate Bond Fund Z Inc	Net	13.74	9.45	-20.33	4.88	3.77
RL Ethical Bond Fund Z Inc	Gross	12.76	8.14	-20.87	3.50	4.54
RL Ethical Bond Fund Z Inc	Net	12.31	7.71	-21.19	3.09	4.12
RL Global Bond Opportunities Fund Z Inc	Gross	14.10	8.68	-9.48	11.33	0.80
RL Global Bond Opportunities Fund Z Inc	Net	13.58	8.12	-9.95	10.75	0.34
RL Investment Grade Short Dated Credit Fund Z Inc	Gross	10.02	8.12	-11.94	2.05	2.65
RL Investment Grade Short Dated Credit Fund Z Inc	Net	9.76	7.86	-12.15	1.80	2.40
RL Short Duration Credit Fund Z Inc	Gross	11.79	8.05	-10.47	4.12	2.75
RL Short Duration Credit Fund Z Inc	Net	11.45	7.72	-10.75	3.80	2.43
RL Sterling Credit Fund Z Inc	Gross	13.97	9.84	-21.20	4.74	3.85
RL Sterling Credit Fund Z Inc	Net	13.57	9.45	-21.47	4.38	3.49
RL Sterling Extra Yield Bond Fund A Inc	Gross	14.72	9.58	-8.45	14.85	-2.35
RL Sterling Extra Yield Bond Fund A Inc	Net	13.76	8.66	-9.22	13.89	-3.12
RL Sterling Extra Yield Bond Fund B Inc	Gross	14.73	9.57	-8.46	14.83	-2.34
RL Sterling Extra Yield Bond Fund B Inc	Net	13.19	8.10	-9.68	13.29	-3.60
RL Sterling Extra Yield Bond Fund Y Inc	Gross	14.73	9.57	-8.46	14.85	-2.35
RL Sterling Extra Yield Bond Fund Y Inc	Net	14.27	9.13	-8.82	14.39	-2.70
RL Sterling Extra Yield Bond Fund Z Inc	Gross	14.72	9.57	-8.45	14.85	-2.35
RL Sterling Extra Yield Bond Fund Z Inc	Net	14.06	8.93	-8.98	14.18	-2.87

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