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RLPPC Enhanced Buy and Maintain Credit Fund

Quarterly Investment Report

30 September 2024

Quarterly Report

The fund as at 30 September 2024

The purpose of this report is to provide an update on the RLPPC Enhanced Buy and Maintain 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.

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The fund

Fund performance objective and benchmark

The Fund will aim to provide excess income (relative to equivalent UK Government Bonds) over the life of the Fund. It will target a spread at inception, relative to gilts, of +1.3%-1.6% (with allowance for +/- 0.1% tolerance at inception). This spread target may move over time, reflecting any change in market conditions.

Reference index: There is no benchmark for this fund. The iBoxx Sterling Non-Gilt All Maturities index has been used in this report for reference purposes only.

Fund value

	Total £m
30 September 2024	130.99

Asset allocation

	Fund (%)	Benchmark
Conventional credit bonds	96.80%	99.41%
Securitised	3.20%	-
Conventional foreign sovereign	-	0.59%

Fund analytics

	Fund	Benchmark
Fund launch date	16 January 2017	
Base currency	GBP	
Duration (years)	6.54	5.35
Gross redemption yield (%)	6.20	5.01
Credit spread (%)	1.61	1.26
Number of holdings	213	1,245
Number of issuers	158	495

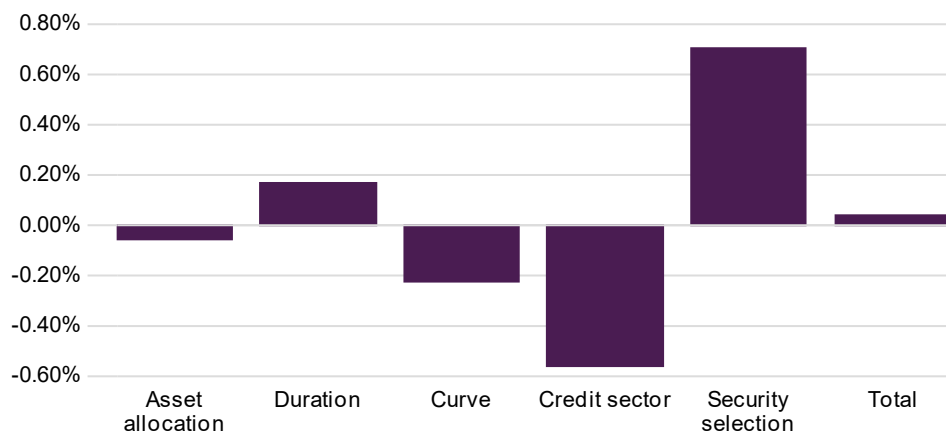
Performance and activity

Performance

	Fund (%)	Reference index (%)	Relative (%)
Quarter	2.32	2.28	0.04
YTD	3.21	2.21	1.01
1 Year	12.15	9.72	2.43
3 Years (p.a.)	(2.64)	(2.87)	0.23
5 Years (p.a.)	(0.67)	(1.07)	0.40
Since inception (p.a.)	1.59	0.95	0.64

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 RLPPC Enhanced Buy and Maintain Fund (Inc). Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 16 January 2017.

Attribution over the quarter



Performance commentary

The third quarter was positive for fixed income investors, with strong absolute returns from sterling credit markets. Taking the iBoxx Sterling Non-Gilt index as a reference for the sterling credit market, the portfolio performed broadly in line. The portfolio has a duration position that is longer than the wider market as part of its objective, and this was a modest positive for returns relative to the market, offset by curve effects.

The combination of stock and sector positioning was a small positive – within the insurance sector, our exposure to selected long-dated bonds was beneficial. Selected tenders such as Just Group contributed to performance, with the company buying back bonds at above market levels. Our holding in EDF also benefitted from this, after the company called its 6% hybrid bonds, issuing a new green sterling-denominated hybrid bond with a coupon of 7.375%. Exposure to real estate and social housing also supported returns.

Stock selection was helpful when looking at performance against the reference index. This was focused in the structured sector – representing a substantial part of the overall portfolio – with strong performance from shopping centre Meadowhall and pub operator Mitchells & Butler.

Against this, our exposure to water was negative. This was largely due to ongoing volatility in water sector, with bonds in Thames Water and Southern Water weaker over the quarter. This followed a harsher than expected draft outcome of the regulatory review by Ofwat, and rating agencies downgrading Thames bonds earlier in the quarter. While there are undoubtedly issues in the sector, we do believe that a resolution will be found. We continue to review the holdings we have in the sector and believe that the market more than discounts most negative outcomes for the sector. Nonetheless, patience is likely to be necessary before the final resolution is clear. While this underperformance is disappointing, it does highlight the benefit of diversification in our approach, given that the overall effect of our exposure to the structured sector has been positive this year. Outside of exposure to water, our structured sector holdings again performed well and remain a key element of our sterling credit exposure. Structured bonds play a significant part in our approach, helping with the strategy of creating highly diversified portfolios with a focus on security and above-market yields, whilst preventing individual bonds from derailing overall performance.

Performance and activity

Top 10 holdings

	Weighting (%)
AVIVA PLC 6.875000000 2058-05-20	1.55
ELECTRICITE DE FRANCE SA 6.000000000 2114-01-23	1.52
HSBC BANK PLC 5.375000000 2030-11-04	1.51
HSBC BNK CAO FND STER 1 5.844000000	1.30
CLOSE BROTHERS FIN PLC 1.625000000 2030-12-03	1.22
ENEL FINANCE INTL NV 5.750000000 2040-09-14	1.15
HSBC HOLDINGS PLC 8.201000000 2034-11-16	1.12
BRITLD-BEARER BD 5.264000000 2035-09-24	1.12
MEADOWHALL FINANCE 4.986000000 2032-01-12	1.11
SOCIETY OF LLOYD'S 4.875000000 2047-02-07	1.08
Total	12.69

Fund activity

Financials remain the focus of activity across both new issue and secondary markets. In the insurance sector, we added a new issue from US insurer MassMutual. These bonds rank alongside policyholders, offering strong downside protection and were attractively priced. We added the new issue of subordinated bonds from Just Group, the insurer looking stronger with an improved balance sheet and solvency ratios. Their existing bonds were tendered at just 35bps over gilts with the new issue coming at just over 300bps over gilts.

Covered bonds from favoured issuers are an attractive addition to the fund, given their dual recourse nature. Issuance remains light, but we did buy a new issue five-year covered bond from TSB.

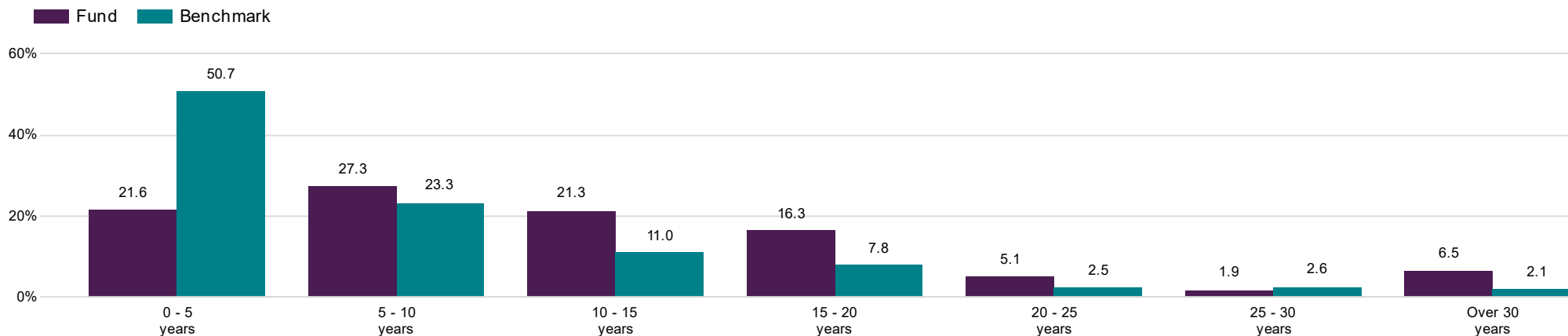
In the structured area, a key component of the portfolio, we continue to believe that the additional security and covenants are underpriced by the wider market. During the quarter, we added bonds from Channel Link Enterprises in the secondary market. These are super senior long-dated, floating rate bonds 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. We felt that these bonds were very attractively priced, being less favourably viewed by the market as they are 'off the run' bonds, with more recent, and junior, issues trading at tighter levels.

The water sector has been under pressure, but we believe that the market has overreacted to the company-specific difficulties at Thames, with spreads across the sector being affected regardless of quality of balance sheet or business model. We added South West Water and Welsh Water during the period. We believe that South West Water is a high quality company with a strong balance sheet. The bonds came to market at an attractive yield above equivalent and have performed well since purchase. Dŵr Cymru, or Welsh Water, is a mutually owned business with the lowest leverage in the sector, and its 2044 bonds came to market with an attractive above market yield.

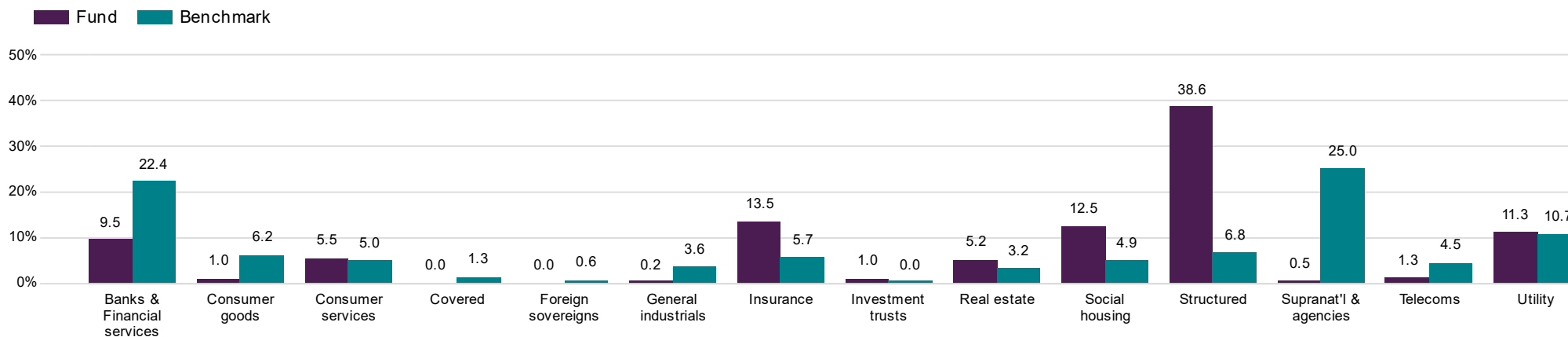
While areas such as financials and structured bonds remain the largest in our portfolios, we look for opportunities in other areas to aid overall portfolio diversification. The real estate sector has struggled in recent years, but has recently started to close the valuation gap with European assets while also benefiting from expectations of falling interest rates. During the quarter we added a new issue from Great Portland Estates – prime West End London properties with a low loan-to-value and strong environmental credentials. In the transport sector, we added East Japan Railway, attractive long-dated bonds supporting critical infrastructure.

Fund breakdown

Maturity profile

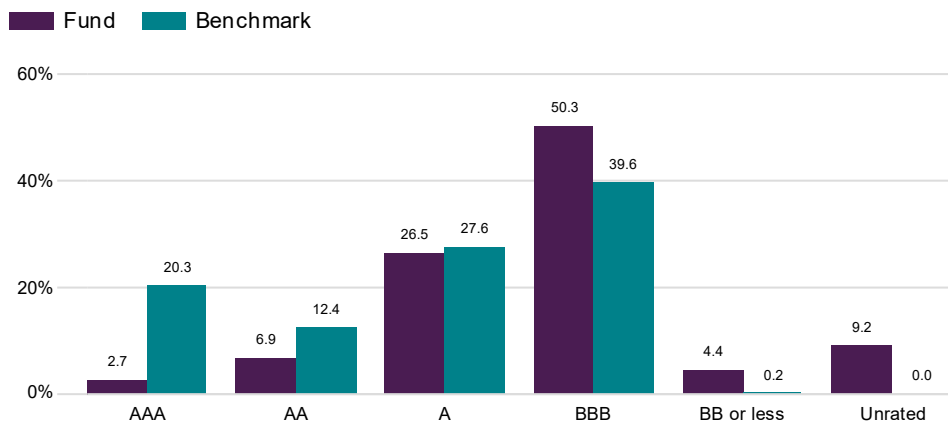


Sector breakdown



Credit ratings

Credit ratings



Downgrades

The table below details directly held credit bonds downgraded to sub-investment grade by at least one agency during the quarter.

Asset description	Current Rating	Previous Rating
THAMES WATER UTIL FIN 7.738000000 2058-04-09	CCC+	BBB-
THAMES WATER UTIL FIN 7.750000000 2044-04-30	CCC+	BBB-
THAMES WATER UTIL FIN 8.250000000 2040-04-25	CCC+	BBB-

Upgrades

The table below details directly held credit bonds upgraded from sub-investment grade by at least one agency during the quarter.

Asset description	Current Rating	Previous Rating
No upgrades this quarter		

Characteristics and climate

Climate metrics

	Fund	Benchmark	Difference (%)
Financed emissions (tCO ₂ e)	5,942	n/a	n/a
Financed emissions coverage	33.20%	n/a	n/a
Carbon footprint (tCO ₂ e/\$M invested)	34.54	29.89	15.56
Carbon footprint coverage	33.20%	47.04%	(29.43)
Weighted average carbon intensity (tCO ₂ e/\$M sales)	47.88	55.86	(14.29)
Weighted average carbon intensity coverage	91.75%	95.39%	(3.81)

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	33.20	47.10	(29.51)
% of portfolio below 2°C ITR	33.59	39.83	(15.68)
% of portfolio below 1.5°C ITR	16.06	17.05	(5.83)

SBTi net - zero

	Fund (%)	Benchmark (%)	Difference (%)
SBTi Net-Zero committed	11.45	10.65	7.52
SBTi Near-Term committed	4.61	5.82	(20.73)
SBTi Near-Term targets set	11.91	14.50	(17.90)

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	13	29
Number of engagements	16	64

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	4
Climate	7
Climate - Transition Risk	5
Climate - Physical Risk	2
Governance	3
Corporate Governance	3
Health	3
Health - Community	3
Social & Financial Inclusion	6
Just transition	5
Labour & Human Rights	1
Technology, Innovation & Society	1
Technology & Society	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

HSBC Bank Plc - Just transition

Purpose:

Our engagement purpose was to encourage HSBC to disclose its plans for integrating social issues into its decarbonisation strategy, in line with the just transition considerations outlined in the Paris Agreement.

Outcome:

Since publishing its net zero report, the company has been strategically embedding just transition principles. It prioritised innovation in sustainability-related lending, aiming to extend services to a broader customer base, including smaller businesses. The company is exploring the development of sustainability-linked bonds and loans and assessing the necessity of just transition-linked products. In emerging markets, it continues to work on the Just Energy Transition Partnership project. The company is also increasing integration across its retail bank and asset management divisions. While it faces challenges in applying universal principles to both emerging and developed markets, it is committed to supporting just transition while meeting climate targets. The company is enhancing relationship managers' understanding of just transition and incorporating specific questions into climate transition plans for high-emitting sectors. Although further details on its plans are pending, the company has an ambitious work plan for the next five months and plans to include initial disclosures in existing reports, with potential for a standalone plan in the future.

NatWest - Just transition

Purpose:

We engaged with NatWest as part of a collaborative engagement with banks to integrate just transition principles into their climate transition plans. The aim was to address any questions regarding our recently published investor expectations on just transition and the banking sector. We aimed to encourage the bank to align its strategies accordingly.

Outcome:

NatWest initially expressed concerns about being evaluated solely on financial returns, which it felt constrained its incentives for ESG activities. However, the bank recognised the value of aligning with our just transition investor expectations for the sector. It found these guidelines beneficial in setting ambitious goals and taking subsequent actions. NatWest discussed the establishment of a new energy transition fund with a different risk appetite and committed to a social housing fund. The company acknowledged the importance of integrating just transition principles into its plans to enhance credibility and was receptive to our feedback on improving its communication around the issue.

Fund Engagement

Engagement outcomes

SSE Plc - Multi-thematic

Purpose:

We communicated with SSE through a stewardship letter to outline key sustainability issues identified in our recent analysis. The letter aimed to prioritise areas for progress and arrange a meeting for further discussion.

Outcome:

In the area of health and safety, we highlighted that contractor safety had fallen below expected standards and urged SSE to improve performance. On climate issues, we expressed support for SSE's climate approach and voted for its net zero transition report at the latest AGM, while recommending a more detailed Scope 3 emission reduction plan and alignment of thermal generation assets with a net zero pathway. Regarding nature, we suggested focusing on reducing environmental incidents and incorporating biodiversity considerations in construction project locations. Lastly, we raised concerns about potential share dilution from issuing shares without pre-emptive rights, as reflected in our voting record. SSE has been invited to discuss these issues further in an upcoming meeting.

Vodafone – Ethical AI

Purpose:

A meeting was organised to discuss Vodafone's approach to ethical AI, focusing on the history, current practices, and future strategies for AI deployment within the company as part of the World Benchmarking Alliance's (WBA) collaborative engagement.

Outcome:

Vodafone has established a comprehensive AI governance structure, ensuring AI is a recognised role within the organisation. A dedicated team manages AI compliance and ethics, embedding new EU data regulations. The governance board oversees AI projects from ideation to implementation, incorporating risk assessments. Vodafone aims to avoid 'shadow AI' (the use of generative AI without the control or knowledge of the business) by embedding AI into its technology architecture which adheres to GDPR and the EU Privacy Directive. The company focuses on responsible AI, complying with the EU AI Act, and participates in forums to stay ahead in AI governance. Ethical principles such as transparency, fairness, and DEI guide its AI development, supported by an AI assessment platform and role-based training for reskilling. We will evaluate the company's performance in comparison to its peers as part of the broader WBA collaborative engagement and identify potential areas for improvement.

Market commentary

Market overview

Markets continued to focus on central bank actions during the quarter, as both the Federal Reserve (Fed) and Bank of England (BoE) followed the European Central Bank (ECB) in making the first rate cuts this cycle. This follows the significant rises through 2022 and 2023 as part of efforts to reduce inflation. Along with a significant stimulus package in China, this policy shift generally helped fixed income markets to perform positively over the quarter as yields fell to reflect lower central bank interest rates. After initial weakness, equity markets started to rise once more, reflecting the hope that the policy easing would result in a soft landing for the economy with the US S&P 500 index hitting an all-time high. Despite guidance from central banks that further cuts will be measured, markets are still pricing in material rate cuts over the next year or so.

After elections in the UK and France grabbed headlines in the second quarter, attention moved firmly to the forthcoming US elections. Markets believe that a Trump presidency would see looser fiscal policy and higher tariffs and protectionism. Sentiment has swung on the fortunes of the early days of the race, first following the Trump assassination attempt and debate against President Biden, which appeared to favour Trump, but then swung back as Kamela Harris emerged as a credible candidate and performed strongly in her debate with the former president. Somewhat remarkably, markets have remained sanguine about rising geopolitical tensions in the Middle East.

UK data released in Q3 were consistent with the UK economy growing modestly, while headline inflation has been running close to the 2% target. Later in the period there was a worrying fall in consumer confidence in September, which may have reflected some concern over what the October Budget might bring after the new government flagged that 'painful' decisions may be required. The BoE cut rates 25bps, though with (only) a 5-4 vote, warning that they need to be careful not to cut too quickly – duly leaving rates unchanged in September.

Government yields generally fell over the quarter, reflecting the start of the rate cutting cycle. In the US, 10-year treasury yields fell from 4.40% to 3.79%, while German 10-year bunds similarly saw yields fall from 2.50% to 2.13%. Benchmark 10-year gilt yields dipped from 4.18% to 4.01%. These gilt yields had been as low as 3.75% in mid-September, many attributed the increase at the end of the quarter to concerns that the Budget might see a further increase in gilt issuance.

The sterling investment grade credit market (iBoxx non-gilt index) returned 2.28% 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) ending the

period unchanged at 1.07% (iBoxx). Given the modest fall in yields, sectors such as social housing performed due to the greater proportion of long-dated bonds, while real estate also did well due to the sensitivity of the real estate market to interest rates. Of the major sectors, supranationals slightly lagged the market, while banks and insurance outperformed.

Outlook

As we enter the final months of 2024, market focus has moved from when central banks will first cut interest rates, to the scale and timetable of those cuts. As we saw at the start of 2024, markets have generally been overly aggressive in their expectations – at one point in September two-year and five-year treasury yields had dropped further below the Fed Funds rate than any point in many decades. While this has at times been supported by commentary from central bank members, we have generally been more cautious. Our caution reflects that while headline inflation may have come down, service and wage inflation are still generally at levels that are not normally consistent with significant rate cuts. After a decade that includes a world-wide pandemic, a European land war, and the election of a TV reality star as US president, perhaps there is no 'normal' to fall back on, but we are certainly more cautious about the rate outlook. In terms of bond yields, we have a general preference to be long duration, and are more cautious about the short end of the market if rate cut expectations are not met, but see the environment as one that requires considerable tactical agility rather than taking a strong strategic view on yields.

Geopolitics has played a greater role in markets over the past few years after a lengthy period where it was often seen as mere background noise. The forthcoming US Presidential election is too close to call as we head into October, but with meaningful differences between the two candidates, this will weigh on markets in the run-up to November 5. Meanwhile, events in the Middle East that have the potential to materially impact oil supply and pricing further increase uncertainty.

We believe that sterling investment grade all-in yields (using iBoxx) at over 5% remain attractive, both in absolute terms but also relative to government bonds. Credit spreads continue to compensate investors for the risk of default and, despite the uncertainties highlighted above, the outlook for the corporate sector remains relatively benign.

We target – and achieve – a material credit spread premium over the market level in our buy & maintain strategy. We mitigate the risks 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 that spread premium in a risk-controlled manner, will generate outperformance.

Further Information

Please click on the links below for further information:



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

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Risks and Warnings

General risks

The degree of investment risk depends on the fund you choose.

The prices of units can go down as well as up.

The return from your investment is not guaranteed; therefore, you may get back less or more than shown in the illustrations.

You may not get back the amount that you originally invested.

Past performance is not a guide to future return.

Inflation may, over time, reduce the value of your investments in real terms.

There may be a variation in performance between funds with similar objectives owing to the different assets selected.

Funds aiming for relatively high performance can incur greater risk than those adopting a more standard investment approach.

The use of derivatives in pursuit of a fund's objective may cause its risk profile to change and this may be material.

Fixed interest security 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. Key determinants include economic growth prospects, inflation, the government's fiscal position, short-term interest rates and international market comparisons. The returns from bonds are fixed as at the time of purchase. Therefore the fixed coupon payable and the final redemption proceeds are known at the outset. This means that if a bond is held until its redemption date, the total return that could be expected is unaltered from its purchase date, subject to counterparty default (see 'Credit risk' below). However, over the life of a bond, the yield priced by the market (as opposed to actual fixed coupons payable) at any given time will depend on the market environment at that time. Therefore, a bond sold before its redemption date is likely to have a different price to its purchase price and a profit or loss may be incurred.

Credit risk

The value of a fixed interest security will fall in the event of the default or reduced credit rating of the issuer. Generally, the higher the rate of interest, the higher the perceived credit risk of the issuer. This fund may invest a percentage of its assets in sub-investment grade bonds. Such bonds have characteristics which may result in higher probability of default than investment grade bonds and therefore higher risk.

Overseas markets risk

Funds investing in overseas securities are exposed to, and can hold, currencies other than Sterling. As a result, overseas investments may be affected by the rise and fall in exchange rates.

Derivatives risk for efficient portfolio management

Derivatives may be used by this Fund for the purpose of efficient portfolio management. This restricts the use of derivatives to the reduction of risk and the reduction of cost. Such transactions must be economically appropriate and the exposure fully covered.

Derivatives risk for investment purposes

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.

Performance to 30 September 2024

Cumulative (%)

Annualised (%)

	3 Month	6 Month	1 Year	3 Years	5 Years	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	2.32	2.46	12.15	(7.72)	(3.33)	(2.64)	(0.67)
Fund (net)	2.26	2.35	11.90	(8.33)	(4.38)	(2.85)	(0.89)

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
Fund (gross)	12.15	7.25	(23.28)	1.35	3.37
Fund (net)	11.90	7.02	(23.45)	1.13	3.15

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 September 2024. All figures are mid-price to mid-price in GBP for the RLPPC Enhanced Buy and Maintain Fund (Inc).

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.

Credit spread

Credit spread is the difference in yield between two debt securities of the same maturity but different credit quality.

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.

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 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.

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.

Rating changes - downgrades

Directly held credit bonds downgraded from investment grade to sub-investment grade based on the RLAM composite rating during the quarter.

Rating changes - upgrades

Directly held credit bonds upgraded from sub-investment grade to investment grade based on the RLAM composite rating during the quarter.

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.

Glossary

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.