For professional clients only, not suitable for retail clients.

Royal London European Sustainable 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 Royal London European 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

The fund

Fund performance objective and benchmark

The Fund's investment objective is to outperform the ICE BofAML Euro Corporate & Pfandbrief Total Return EUR Index (the "Benchmark") by 0.50% per annum over rolling three year periods (gross of fees) by investing in bonds that are deemed to make a positive contribution to society. Investments in the Fund will adhere to the Investment Manager's Ethical and Sustainable Investment Policy, as detailed in the "responsible investment" section of the Prospectus. Investors should note that the Benchmark is being used by the Fund for performance comparison purposes only and the Fund does not intend to track the Benchmark. For further information on the Fund's index, please refer to the Prospectus.

Benchmark: ICE BofA ML Euro Corporate & Pfandbrief Total Return EUR Index

Fund value

	Total €m
30 September 2024	141.70

Fund analytics

	Fund	Benchmark
Fund launch date	29 July 2021	
Base currency	EUR	
Duration (years)	4.91	4.57
Gross redemption yield (%)	3.64	3.20
Number of holdings	219	4,631
Number of issuers	130	979

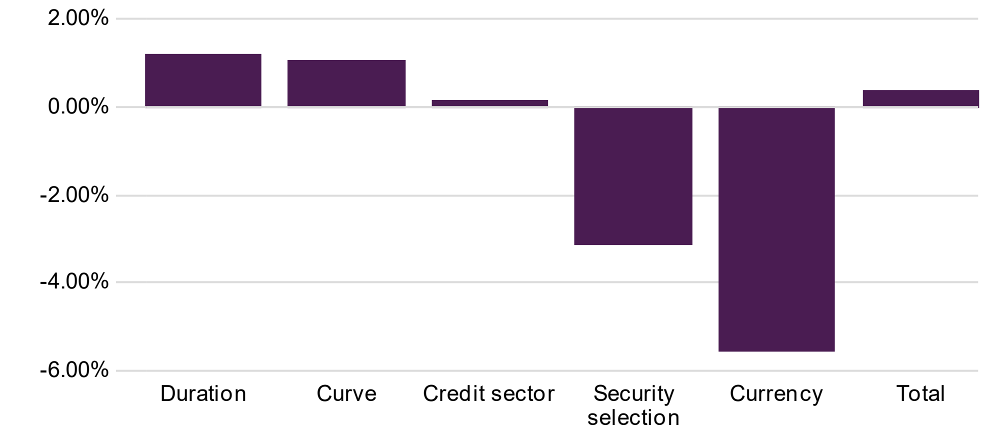
Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	3.89	3.25	0.64
YTD	4.52	3.74	0.78
1 Year	11.49	9.43	2.06
3 Years (p.a.)	(0.94)	(1.46)	0.52
Since inception (p.a.)	(1.21)	(1.70)	0.49

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 Royal London European Sustainable Credit Fund (Z Acc). Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 29 July 2021.

Attribution over the quarter



Performance commentary

The fund outperformed the index over the quarter (Z Acc, euro share class). Performance over the period was driven by a combination of lower government bond yields, a modest tightening in credit spreads and the additional yield built into the portfolio.

All issuers within our sustainable holdings offer a net benefit to society through either their products/services or their operations. As well as reducing risk, we seek out opportunities that are under-researched e.g., bonds that do not fall into mainstream indices or benchmarks and/or are unrated by ratings agencies. Importantly, the sustainable credit proposition provides access to critical sectors that most investors can't access via equity markets. Key themes in the funds include social housing, social & environmental infrastructure, community funding (regulated banks and building societies focused on SME and retail lending), financial inclusion & resilience (such as insurers offering products which protect individuals and businesses from unexpected events) and the energy transition. On sustainability grounds, we have no exposure to bonds of oil & gas companies or extractive industries. We are also underweight in the general industrial and consumer goods sectors, and to a lesser extent in consumer services.

Relative to the market, duration was positive for returns relative to the benchmark. This was focused on utilities, where we have a higher weighting than the broad market, reflecting our sustainable approach that tends to have a higher weighting in areas that can deliver positive effects for society. Utilities tend to be longer-dated bonds and this helped returns with yields moving lower.

Stock selection within the banks and insurance sectors was also helpful for performance. Within the banking sector, exposure to subordinated bonds such as Lloyds, Nationwide and HSBC were notable performers, while in insurance, longer-dated from bonds such as Swiss Re, Achmea and ASR performed well.

Against this, our exposure to asset backed bonds was a small negative. This was largely due to ongoing volatility in the water sector, with bonds in Thames 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 this area sector has been positive this year.

Performance and activity

Top 10 holdings

	Weighting (%)
HSBC HOLDINGS PLC 6.364000000 2032-11-16	1.53
HANNOVER RE 1.375000000 2042-06-30	1.39
GEWOBAG WOHNUNGSBAU-AG B 0.125000000 2027-06-24	1.24
APTIV PLC 1.600000000 2028-09-15	1.22
COOPERATIEVE RABOBANK UA 3.875000000 2032-11-30	1.18
BANCO SANTANDER SA 5.750000000 2033-08-23	1.14
NATWEST GROUP PLC 5.763000000 2034-02-28	1.12
ALLIANZ SE 2.121000000 2050-07-08	1.11
EAST JAPAN RAILWAY CO 4.389000000 2043-09-05	1.04
ABN AMRO BANK NV 5.500000000 2033-09-21	0.98
Total	**11.95**

Fund activity

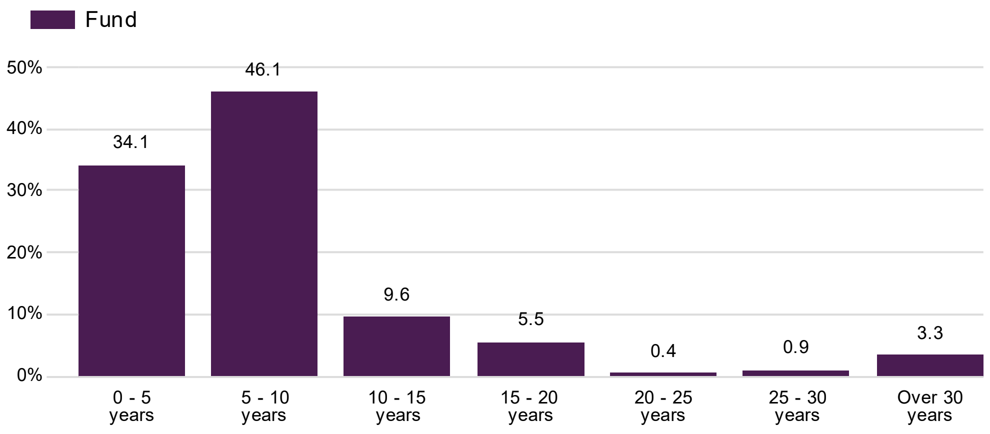
We continued to invest in bonds that meet both our demanding financial and sustainable criteria, and which fit into the sustainable themes that we think will endure and offer long-term solutions to the challenges that the world faces. We also aim to construct the fund to ensure that it yields more than 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.

New issue activity was buoyant during the quarter. Financials remain a key area of interest and we added to banks, including senior bonds from HSBC and Nationwide, tier 2 bonds from Caixabank and Credit Agricole and AT1 bonds from ABN Amro. Similarly, in insurance we added the new issue of subordinated bonds from Just Group, the insurer looking stronger with an improved balance sheet and solvency ratios, as well as euro subordinated bonds from Assicurazioni Generali.

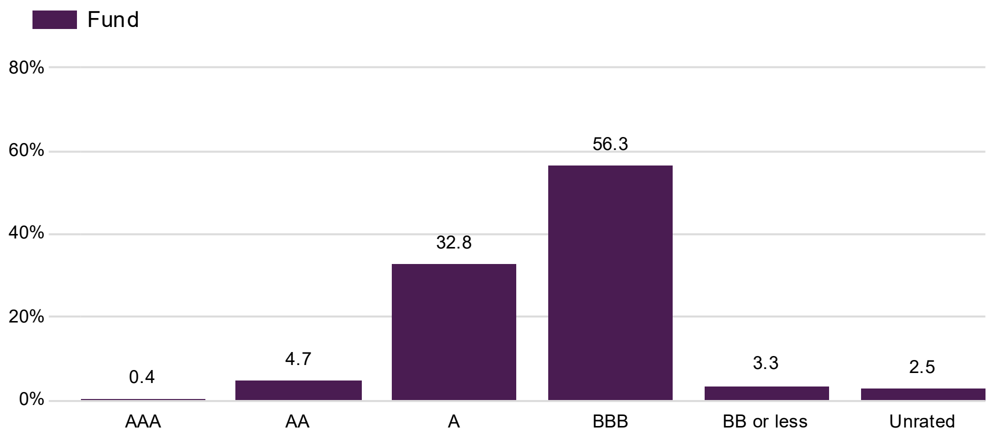
While areas such as financials and structured bonds remain the largest in our portfolios, we look for opportunities in other areas to aid overall portfolio diversification. The real estate sector has struggled in recent years, but we added a new issue from French multinational commercial real estate company Unibail and modern warehousing and industrial property company Segro. In the utilities sector, we added new issues from E.on and Scottish Hydro Electric – the latter part of the wider SSE group.

Fund breakdown

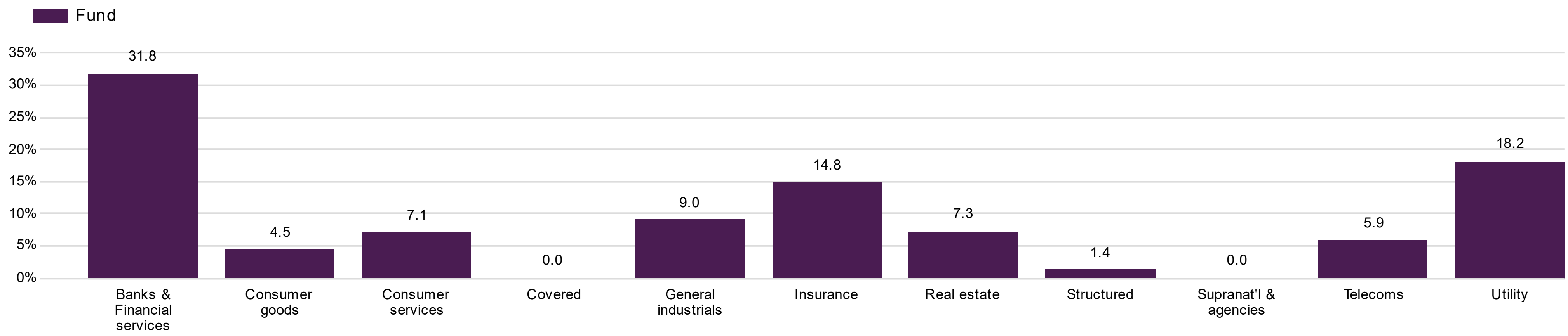
Maturity profile



Credit ratings



Sector breakdown



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/uk/individual-investors/policies-and-regulatory/

ESG characteristics

Royal London Asset Management has a controversial weapons exclusion across all investments. Our full policy can be found on our website:
www.rlam.com/globalassets/media/literature/policies/controversial-weapons-policy.pdf

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

Additional exclusions

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

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

Climate metrics

	Fund	Benchmark	Difference (%)
Financed emissions (tCO2e)	3,334	n/a	n/a
Financed emissions coverage	65.71%	n/a	n/a
Carbon footprint (tCO2e/$M invested)	21.11	64.15	(67.09)
Carbon footprint coverage	65.71%	76.67%	(14.29)
Weighted average carbon intensity (tCO2e/$M sales)	79.01	101.97	(22.51)
Weighted average carbon intensity coverage	98.16%	96.62%	1.60

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	66.08	77.56	(14.80)
% of portfolio below 2°C ITR	57.23	47.96	19.33
% of portfolio below 1.5°C ITR	30.65	18.10	69.37

SBTi net - zero

	Fund (%)	Benchmark (%)	Difference (%)
SBTi Net-Zero committed	19.02	19.25	(1.23)
SBTi Near-Term committed	12.53	8.80	42.44
SBTi Near-Term targets set	24.71	27.90	(11.46)

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	11	26
Number of engagements	18	75

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

Total engagements by theme and topic

Biodiversity	2
Climate	4
Climate - Transition Risk	4
Governance	6
Remuneration	5
Board	1
Health	1
Mental Health	1
Social & Financial Inclusion	7
Just transition	5
Labour & Human Rights	2
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

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.

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.

Fund Engagement

Engagement outcomes

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 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 Kamala 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.

As mentioned above, the Fed cut 50bps to 4.75%-5%. This was in contrast to most economist expectations, but in line with what the market had been increasingly pricing. As of their September meeting, the median forecast of participants showed another 50bps of cuts over the rest of 2024, then a further 100bps easing over 2025.

In the euro area, the ECB cut the deposit rate 25bps to 3.50% on the back of inflation data coming in “broadly as expected” and “still subdued” economic activity. French politics were a focus for the early part of the quarter with a hung parliament the end result from the July election. Following these election results Michel Barnier – who previously negotiated with the UK over the terms of Brexit - was selected as PM in September and delayed a target to bring the deficit back within EU rules until 2029.

UK data were consistent with the UK economy growing modestly, while inflation has been running close to the 2% target. 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.

Global corporate bonds saw positive returns in local currency terms over the quarter, with the impact of lower underlying government bond yields, slightly tighter credit spreads and positive carry on the asset class all contributing to returns. In local currency terms, the US was the best performing market, beating both euro and sterling equivalents.

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 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 further increase uncertainty.

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

Royal London Sterling credit ESG analysis

TCFD climate report

Find out more

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

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

Disclaimers

Important information

For professional clients only, not suitable for retail clients.

This is a financial promotion and is not investment advice.

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

Issued in October 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.

ICE indexes and data are the intellectual property of ICE Data Indices, LLC, its affiliates ("ICE Data") and/or its Third-Party Suppliers and has been licensed for use by Royal London Asset Management. ICE Data and its Third-Party Suppliers accept no liability in connection with its use. See https://www.theice.com/market-data/disclaimer for a full copy of the Disclaimer.

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.

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.

Responsible investment style risk

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

Performance to 30 September 2024

Cumulative (%)

	3 Month	6 Month	1 Year	3 Years	Since Inception
Fund (gross)	3.89	3.26	11.49	(2.78)	(3.79)
Fund (net)	3.80	3.10	11.13	(3.71)	(4.76)

Annualised (%)

	3 Years (p.a.)	Since Inception (p.a.)
Fund (gross)	(0.94)	(1.21)
Fund (net)	(1.25)	(1.52)

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)	11.49	3.46	(15.71)	-	-
Fund (net)	11.13	3.13	(15.98)	-	-

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 Royal London European Sustainable Credit Fund (Z Acc); Since inception date 29 July 2021.

Glossary

Asset allocation

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

Attribution

Attribution is shown for the most recent quarter. Attribution figures are based on end of business returns for both the fund and the index whereas performance figures are based on midday returns for the fund and end of business for the index. Therefore the performance will not include market moves between midday when the fund is priced, and end of business when the index is calculated. This may result in a different figure being shown for the quarterly performance vs attribution data.

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.

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.

Duration

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

ESG Integration

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

Exclusions

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

Financed emissions

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

Fund analytics

All figures exclude cash. Credit bonds include non-sterling bonds and CDs where held within the fund or benchmark.

This is applicable to the following sections: fund Asset Allocation, Duration, Yield curve, Sector breakdown, Financial holdings, Credit ratings.

Fund restrictions definitions

Adult Entertainment: Companies which own or produce adult entertainment services, or engage in the distribution or sale of adult entertainment services.
Alcohol: Companies which have involvement in brewing, distillation or sale of alcoholic drinks.
Animal Welfare: Companies that conduct animal testing (other than for purposes of human or animal health and/or where it is required by law or regulation).
Armaments: Companies who manufacture armaments or nuclear weapons or associated products.
Controversial Weapons: Weapons which have an indiscriminate and disproportional impact on civilians or weapons that are illegal and prohibited by international conventions and treaties.
Fossil Fuels: Companies involved in the exploration, extraction or refining of oil, or gas, or coal, plus any activity relating to thermal coal.
Gambling: Companies who promote irresponsible gambling which includes betting shops, casinos or amusement arcades.
High Environmental Impact: Companies which have a high environmental impact, and which have 'no evidence' of appropriate environmental management systems.
Human Rights Risks: Companies with a strategic presence operating in countries of concern and which have 'no evidence' of policies or systems to manage human rights risks.
Nuclear Power: Companies who generate energy from Nuclear Power.
Nuclear Weapons: Companies that manufacture, nuclear; or are involved in the production of intended-use parts, whole weapons systems, or exclusive delivery platforms.
Tobacco: Companies which are growing, processing or selling tobacco products.

Glossary

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.

Promotes environmental or social factors

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

SBTi

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

Sector breakdown

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

Sustainable fund objective

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

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.

ROYAL LONDON ASSET MANAGEMENT