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Royal London Multi-Asset Credit Fund

Quarterly Investment Report

31 March 2025

Quarterly Report

The fund as at 31 March 2025

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

Contents

ROYAL LONDON
ASSET MANAGEMENT

The fund

Fund performance objective and benchmark

The investment objective of the Fund is to generate a total return from a globally diversified portfolio of credit instruments. The Fund will seek to outperform its benchmark, SONIA, by 4-6% per annum over rolling three year periods (gross of fees).

Fund value

	Total £m
31 March 2025	791.06

Asset allocation

	Fund (%)
ABS	9.78
Conventional HY	12.35
IG	6.22
Loans	24.27
RoW	4.10
Secured	25.56
Short Dated HY	17.71

Fund analytics

	Fund
Fund launch date	3 July 2017
Fund base currency	GBP
Benchmark	Sterling Overnight Index Average (SONIA)
Duration to worst	2.04 years
FX adjusted yield (%)	8.04

Performance and activity

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Quarter	1.25	1.10	0.15
1 Year	7.86	4.90	2.97
3 Years (p.a.)	3.89	4.02	(0.13)
5 Years (p.a.)	6.96	2.45	4.51
Since inception (p.a.)	3.86	1.88	1.98

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 Z Inc GBP. Source: Royal London Asset Management; Gross performance; Since inception date of the share class is 9 October 2017.

Performance commentary

High yield markets were fairly benign towards the end of the fourth quarter and start of 2025. Spreads were tight, but still had room to tighten, default rates were low and issuance was high. There has been an improvement in the high yield market over the years, where it is now more established, deeper in liquidity, diversified and higher in quality than in decades past.

The fund saw strong performance in the first couple months of the year, continuing on from the themes seen in the second half of 2024. Spreads were rangebound and fresh leveraged buyouts kept public markets open, where buying opportunities were readily available.

As the quarter progressed, however, there was signs that the market was beginning to wobble. The policy path from Donald Trump’s administration in the US was beginning to affect markets – with the majority of this seen in government bond yields - as the threat of tariffs become more of a reality. This was somewhat weighing on the high yield market as corporates were starting to reconsidering their debt issuance plans.

Global high yield issuance in the first quarter can be thought about in two phases: heavy issuance in the first two months followed by a deceleration toward the back end of March. As a result, March saw $36.0bn issued, which is only slightly down from the $37.8bn issued in February. Year to date the global high yield market issuance was $112.4bn, which is $17.6bn less than the same period last year.

Spreads widened in the high yield market in March, with the lowest rated portion of the market – the CCC bucket – underperforming, as risk assets started to feel the squeeze from Trump’s proposed tariffs. On the other hand, investment grade bonds outperformed high yield in March, and the quarter overall. Credit dispersion gradually increased over the course of the month.

The loan market started the year on a solid footing, with the market active and open, and companies taking advantage of this to refinance at attractive terms. Yields remained tight in the first part of the quarter, hence the active primary market, but we started to see this slow in the latter part of the quarter – as both issuers and investors tried to digest the potential implications of Trump’s tariff proposals.

Our bias to B rated bonds and loans is focused on the higher quality part of the high yield market, which enabled us to outperform high yield but investment grade was assets overall had a stronger quarter.

Performance and activity

Top 10 holdings

	Weighting (%)
HTA GROUP LTD 7.5 04 Jun 2029	1.06
DEUCE FINCO PLC 5.5 15 Jun 2027	0.93
TECHEM VERWALTUNGSGESELLSCHAFT 674 6 30 Jul 2026	0.91
WALGREENS BOOTS ALLIANCE INC 3.6 20 Nov 2025	0.88
ZIGGO BV 4.875 15 Jan 2030	0.81
GALILEO GLOBAL EDUCATION OPERATION 10 Jul 2031	0.79
SABLE INTERNATIONAL FINANCE LTD 7.125 15 Oct 2032	0.78
INEOS QUATTRO HOLDINGS UK LIMITED 6.613 02 Oct 2031	0.77
CCO HOLDINGS LLC 5.125 01 May 2027	0.75
STADA(NIDDA HEALTHCARE HOLDING AG) 8.9741 21 Aug 2026	0.75
Total	**8.43**

Fund activity

The fund remains overweight B versus BB.

We see headwinds arising from slowing growth and inflationary policies pressuring spreads, but a higher-quality bias in high yield should help to mitigate some of the downside.

Companies that took advantage of the market conditions earlier in the quarter to refinance loans were able to provide greater capital structure and cash flow certainty going into a period of uncertainty.

With issuance slowing and uncertainty rising we have increased our selectivity of assets for the fund. As spreads tightened in the loan market, we were cautious in adding risk across most asset classes including loans, CLOs and high yield. As we benefitted from holding short-dated CLO assets, we have seen our holdings in that asset class reduce during the quarter, providing us with additional cash to deploy selectively when needed.

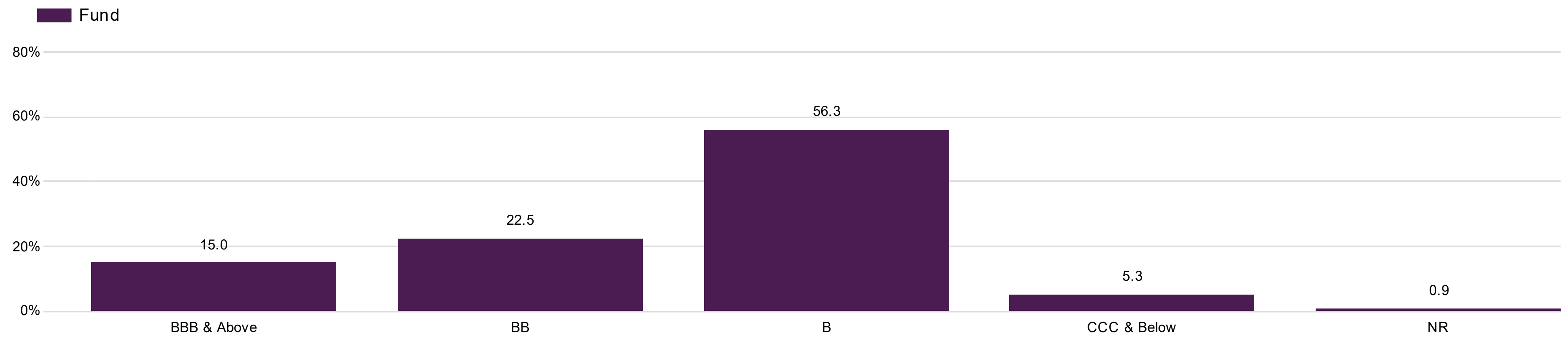
Additionally, the fund rotated out of some tight high yield bonds, opting into some attractive loans and also to build cash. Cash levels were around 5% towards the end of the quarter, as we felt a need to build a cushion in the fund with a view to keeping some headroom should market conditions see heightened volatility.

The fund retained its low exposure to cyclicals, such as the automotive sector, to avoid exposure to sectors that are more susceptible to being impacted by geopolitical factors and a material slowdown in the global economy.

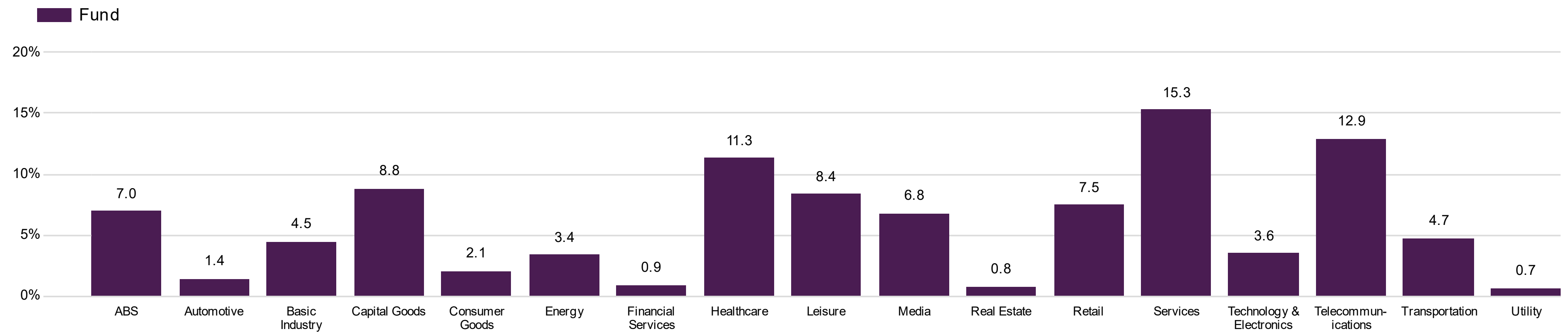
Despite the heightened volatility seen later in the quarter, the US high yield default rate remains at very low levels. The default rate ended March below 1.5% and was last above 2.0% in April 2024 and has not been above 2.5% since May 2021. At these well contained levels, the volatility in public markets is typically coming from CCC names. The CCC portion of the market is now a relatively small portion of the market, with issuers now typically larger and in better financial standing.

Fund breakdown

Credit ratings

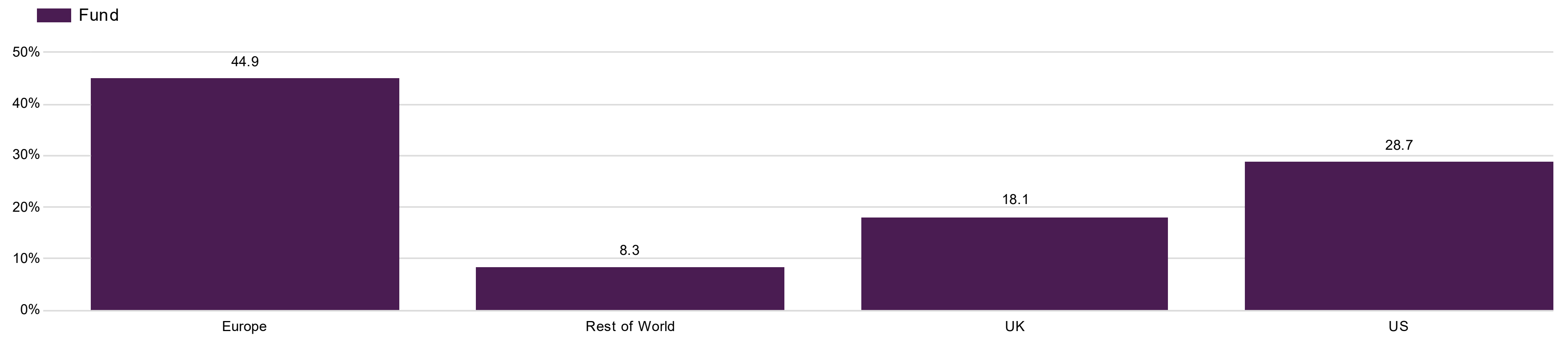


Sector breakdown



Fund breakdown

Regional weights



Market commentary

Market overview

The year kicked off with relative stability, following a turbulent fourth quarter of 2024, with the global economy seeing modest growth and central banks easing monetary policy. As the quarter progressed, however, we seen heightened volatility, primarily due to elevated policy uncertainty in the US, with President Donald Trump pivoting away from Europe; the spectre of aggressive tit-for-tat tariffs; and Europe's fiscal regime change, led by Germany looking to alter decades of fiscal policy stability and ramp up spending.

A very uncertain US policy backdrop and related disruptions to global trade seem likely to weigh on growth in the US and beyond. Fiscal stimulus may provide something of a shield in economies like the euro area and China. A few more rate cuts seem likely in major economies (except in Japan), albeit more gradual, careful ones, but the US inflation outlook is uncertain enough that US rate hikes can't be ruled out either.

This result of this was global equity indices seeing weakness due to US stocks posting a torrid quarter as tech stocks saw a dramatic sell-off following news of a competitor in China, DeepSeek. European and UK stocks fared much better, posting positive total returns for the three months. Government bond yields also suffered from the heightened volatility. In the UK and Germany, 10-year yields rose considerably, while US treasuries saw a significant increase.

Most major central banks are running with interest rates above neutral, but increasingly not by much. If growth remains positive but unimpressive and if inflation reassures somewhat then central banks can continue to cut towards neutral. But stickier than expected inflation, substantial policy uncertainty, and rates being closer to neutral suggests that at least some slowing of the pace makes sense beyond just the US.

In the high yield market, the ICE BofAML (BB-B) Global Non-Financial High Yield Index (sterling hedged) benchmark returned 1.34% in the quarter with spreads at 312bps, widening from 269bps at the start of the quarter. At the end of the period, the index's yield-to-worst stood at 6.78% (6.64%), drifting higher since the fourth quarter on the back of rising yields and widening spreads. In the broader-based high yield index, which includes CCC rated bonds, spreads widened to 372bps from 324ps, with a yield-to-worst of 7.4%.

Government bond markets suffered heightened volatility over the quarter, amid ongoing political noise across Europe and the US. In the US, 10-year treasury yields fell to 4.21% from 4.57%, while German 10-year bunds yields rose to 2.70% from 2.36%. Benchmark 10-year gilt yields increased to 4.68% from 4.57%.

In the US, at its final meeting of the quarter, the Federal Reserve, as expected, kept rates on hold with the Fed Funds target range at 4.25-4.50%. With them seeing the US economy as “strong overall”, the Fed feels they are in a good place. Chair Powell noted that they are at a position, where the bank can cut and they can hold (perhaps notably not mentioning a possible hike). Participant forecasts still have two rate cuts in them for 2025. Broader Fed commentary continued to indicate that they are not in a hurry to cut rates. In a very uncertain environment, it makes sense to wait until things are clearer and “we'll be adapting as we go,” said Powell.

US activity growth indicators have been mixed of late, but sentiment and survey indicators typically soft with worries about tariffs featuring in much of the commentary. The February US Employment Report didn't surprise by much but was a bit softer than expected overall. Non-farm payrolls rose 151K, so not far from consensus at 160K or the average increase of the past 12 months (168K). February's US CPI came in lower than expected at 0.2% month-on-month from 0.5%. Core was also 0.2% month-on-month after 0.4%. Both figures were a tenth less than expected and a bit more inflation target friendly. The data was likely somewhat reassuring, but with tariffs being implemented and likely to impact with a bit of a lag – alongside plenty of other US policy uncertainty – the most recent inflation data is unlikely to alter the Fed's thinking at this stage.

There are risks on all sides to the US outlook with President Trump bringing policy upheaval on multiple dimensions. To the extent that the surprisingly robust growth picture of the last couple of years was fiscal spending and immigration assisted, there are additional reasons to worry with the early targets for Trump's team including cutting Federal spending and immigration, alongside raising/threatening tariffs.

At its final meeting in the quarter, the European Central Bank cut rates 25bps, to 2.50% on the deposit rate, which was very much as expected. The ECB continues to describe the disinflation process as well on track and continues to “follow a data-dependent and meeting-by-meeting approach” without pre-committing to a particular path. They still see the skew of risks to growth as to the downside. Uncertainty was a recurring theme for the March press conference. ECB staff revised down their forecasts for euro area growth, but President Christine Lagarde admitted that staff had not had chance to incorporate any effects of increased fiscal stimulus. She was clear that, should the additional defence spending/infrastructure spending in Germany, following reform of the debt brake, and being discussed at a broader European level, come through, that would be a positive for aggregate demand. In comments in late March, however, President Lagarde flagged ECB analysis suggesting that a 25% US tariff on EU imports would lower Euro area GDP growth by about 0.3pp with more if retaliatory measures follow.

Euro area growth petered out at the end of last year, with the focus now on three drivers of growth: the consumer - where (ongoing) rate cuts and positive real income growth are

Market commentary

supportive; fiscal policy, where again things are looking positive; and, Trump and the external environment - where slower global trade, higher tariffs and greater trade policy uncertainty all have the potential to weigh on activity. CPI inflation surprised a little on the upside, but services inflation finally fell more significantly from the 3.9%-4.0Y range it has been stuck in for a while. Alongside slower forward looking pay indicators, that may be somewhat reassuring from an ECB perspective.

Outlook

While global geopolitical and macroeconomic uncertainties are affecting global government bond markets in different ways, and despite where credit markets have reached in spreads, global high yield markets still offer attractive sources of value for those prepared to look carefully.

Tariffs are likely to remain in the headlines for the foreseeable future with the direction of these tariffs likely to be the main focus for investors. How and when these tariffs become a reality is still up for debate at the end of the first quarter, but we will remain vigilant of ever-changing macroeconomic circumstances.

High yield fundamentals are well supported and that has resulted in a very moderate default climate up to now. Current US high yield default rates are very low, as are global high yield defaults. While companies are relatively comfortable with the strength of their balance sheets, the condition of the primary market going forward will become of increasing concern.

As long as public markets stay open, any maturity wall concerns will be swept away. And, as long as private markets are taking away the weakest parts of public markets, we believe defaults should stay low. Both of which were themes we seen play out in the past year.

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

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The Fund is a sub-fund of Royal London Asset Management Investment Funds ICAV, an Irish collective asset-management vehicle authorised by the Central Bank of Ireland pursuant to the Irish Collective Asset-management Vehicles Act 2015 and the AIFM Regulations, and has been established as an umbrella fund with segregated liability between Funds.

It is not a recognised scheme under the Financial Services and Markets Act 2000.

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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 available via the relevant Fund Information page on www.rlam.com.

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

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Risks and Warnings

Investment risk

The value of investments and any income from them may go down as well as up and is not guaranteed. Investors may not get back the amount invested.

Concentration risk

The price of Funds that invest in a reduced number of holdings, sectors, or geographical areas may be more heavily affected by events that influence the stockmarket and therefore more volatile.

Credit risk

Should the issuer of a fixed income security become unable to make income or capital payments, or their rating is downgraded, the value of that investment will fall. Fixed income securities that have a lower credit rating can pay a higher level of income and have an increased risk of default.

Derivative risk

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

EPM techniques risk

The Fund may engage in EPM techniques including holdings of derivative instruments. Whilst intended to reduce risk, the use of these instruments may expose the Fund to increased price volatility.

Exchange rate risk

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

Interest rate risk

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital. Unlike the income from a single fixed interest security, the level of income (yield) from a fund is not fixed and may go up and down. Bond yields (and as a consequence bond prices) are determined by market perception as to the appropriate level of yields given the economic background.

Liquidity risk

In difficult market conditions the value of certain fund investments may be difficult to value and harder to sell, or sell at a fair price, resulting in unpredictable falls in the value of your holding.

Emerging markets risk

Investing in Emerging Markets may provide the potential for greater rewards but carries greater risk due to the possibility of high volatility, low liquidity, currency fluctuations, the adverse effect of social, political and economic instability, weak supervisory structures and accounting standards.

Counterparty risk

The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

Risks and Warnings

Leverage risk

The Fund employs leverage with the aim of increasing the Fund's returns or yield, however it also increases costs and its risk to capital. In adverse market conditions the Fund's losses can be magnified significantly.

Performance to 31 March 2025

Cumulative (%) / Annualised (%)

	3 Month	6 Month	1 Year	3 Years	5 Years	3 Years (p.a.)	5 Years (p.a.)
Fund (gross)	1.25	2.93	7.86	12.15	40.03	3.89	6.96
Fund (net)	1.23	2.90	7.79	11.92	39.55	3.82	6.89

Year on year performance (%)

	31/03/2024 - 31/03/2025	31/03/2023 - 31/03/2024	31/03/2022 - 31/03/2023	31/03/2021 - 31/03/2022	31/03/2020 - 31/03/2021
Fund (gross)	7.86	8.75	(4.39)	2.38	21.96
Fund (net)	7.79	8.67	(4.46)	2.31	21.87

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

Source: RLAM as at 31 March 2025. All figures are mid-price to mid-price for the Royal London Multi-Asset Credit Fund Z Inc GBP share class.

Glossary

Asset allocation

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

Credit ratings

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

Duration

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

FX adjusted yield

FX adjusted yield is the gross rate of return to the expected maturity adjusted for hedging and excludes the impact of cash.

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.

Performance

Performance is calculated using the signed off NAV per share. The impact of fees or other charges including tax, where applicable, can be material on the performance of your investment. The impact of fees reduces the return.

RoW

Regional Breakdown - Rest of World (RoW) includes all non-North America, non-Europe and non-UK holdings, which includes emerging market debt as shown in asset class positioning.

Top 10 holdings

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