



ASSET MANAGEMENT

CREDIT INVESTING



**FOR PROFESSIONAL
INVESTORS ONLY,
NOT SUITABLE
FOR RETAIL INVESTORS.**

CREDIT INVESTING

Royal London Asset Management (RLAM) has a **highly experienced** fixed interest team that has developed a reputation as one of the UK's leading managers of credit bonds and has delivered **strong performance** through changing economic conditions and business cycles. We currently manage over £32bn of assets in corporate bonds. Our success is based on a **deep understanding** of our clients' investment objectives and the use of our in-depth market knowledge to **exploit investment opportunities** that help us meet these aims.

We offer a **range of credit strategies** seeking to meet a broad range of investor needs. Our offering spans investment and sub investment grade credit, including long dated, all maturities and short duration bonds as well as liability matching and ethical solutions. Our credit strategies are managed in a **collegiate** manner in line with a **distinctive, unconstrained approach**.

Source: RLAM as at 31 December 2017

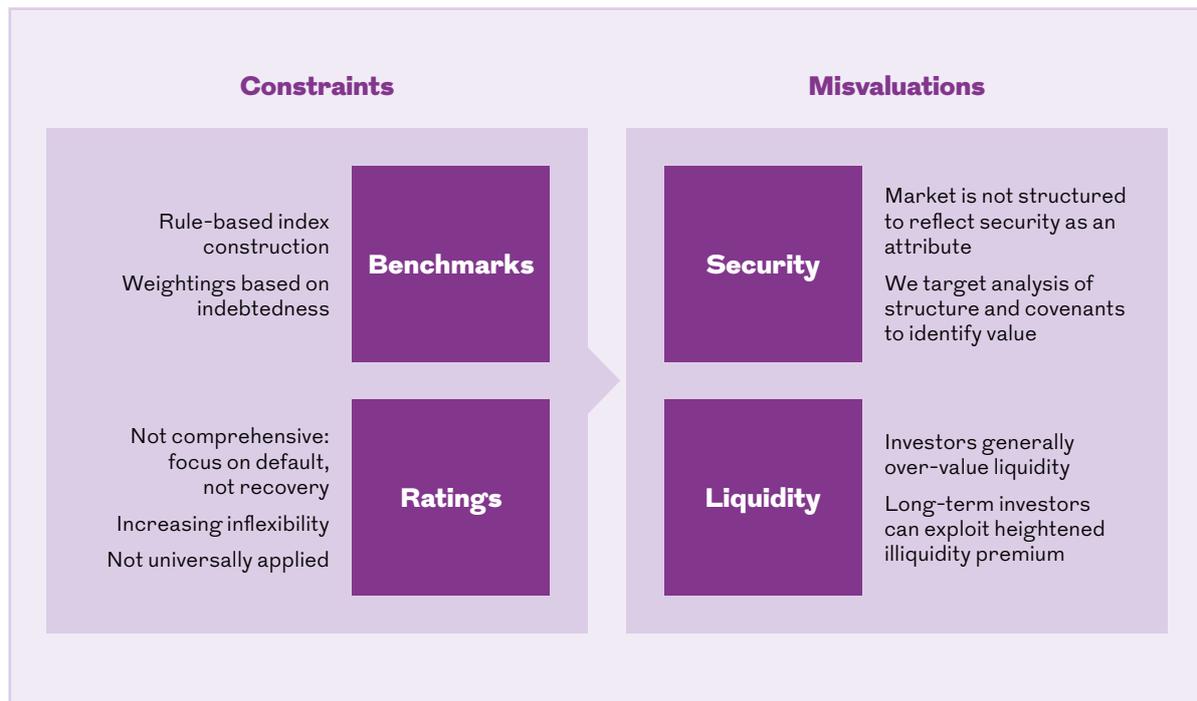
Investment philosophy

We firmly believe that our long held investment philosophy offers us a competitive advantage in the credit market. Key to our view is that credit markets offer the opportunity to exploit long-established inefficiencies. These inefficiencies, arise from:

- 1 the benchmark orientation of many managers;
- 2 the use of credit ratings as a key driver of security selection;
- 3 the inefficiency created by large scale managers having to focus on the most liquid issues and, the subsequent lack of research on less high profile issues and, above all;
- 4 the undervaluation of security.

These factors offer the focused manager great opportunities for potential outperformance. We believe that our emphasis on covenants, structure and security has underpinned our consistent outperformance. By considering a wider investment universe than many of our competitors – including unrated and asset backed bonds and loans – we can uncover value in many, often overlooked, areas.

Our credit philosophy – capturing market inefficiencies



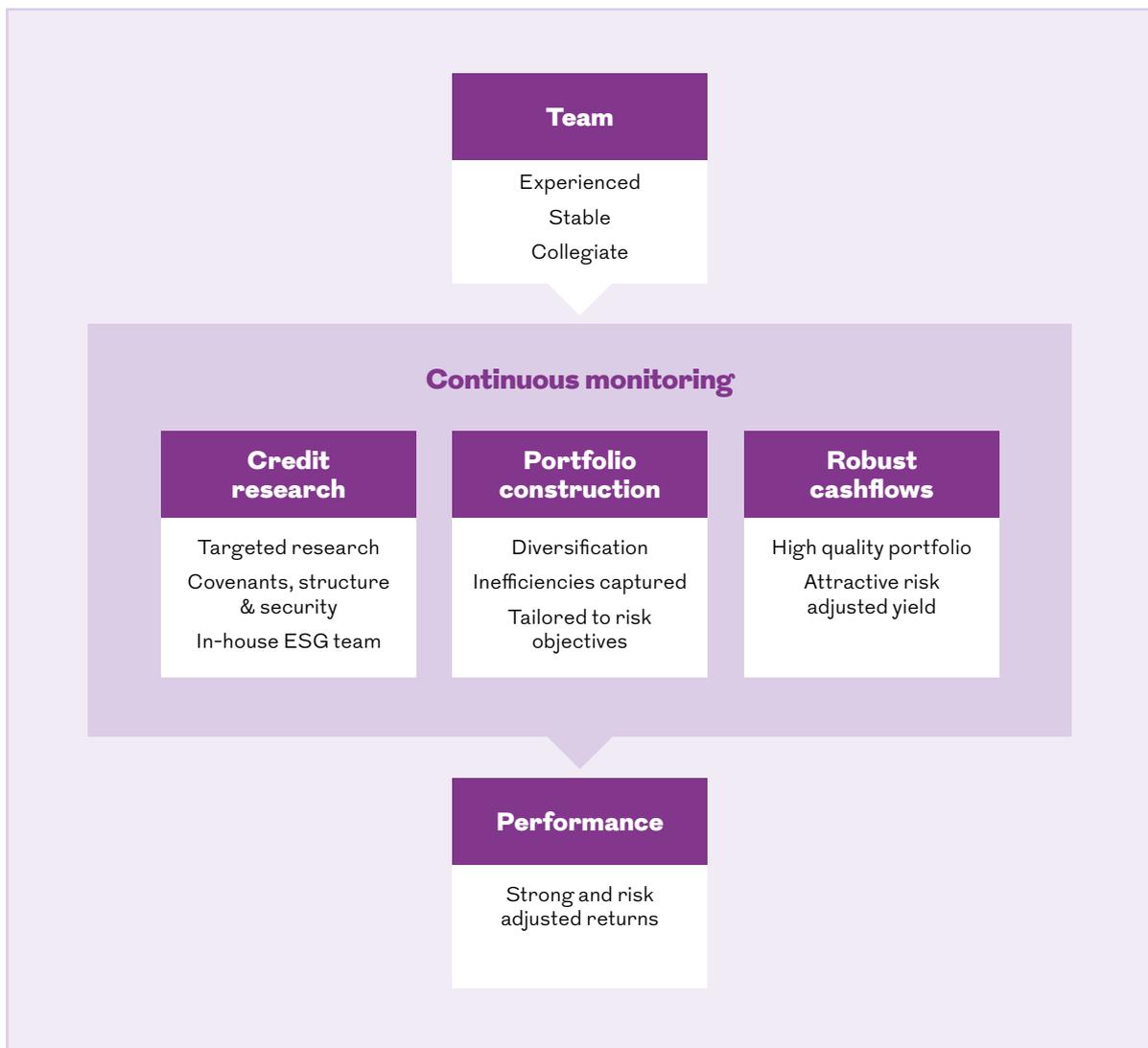
Investment process

RLAM’s credit team encompasses 10 credit specialists, in addition to 6 global high yield specialists, who identify and analyse opportunities across the whole sterling market; this is a broad and diverse universe which encapsulates a wide range of global issuers. Although it is largely investment grade by nature, RLAM’s credit team is also prepared to search wider for mis-priced risk within non-investment grade and unrated bonds.

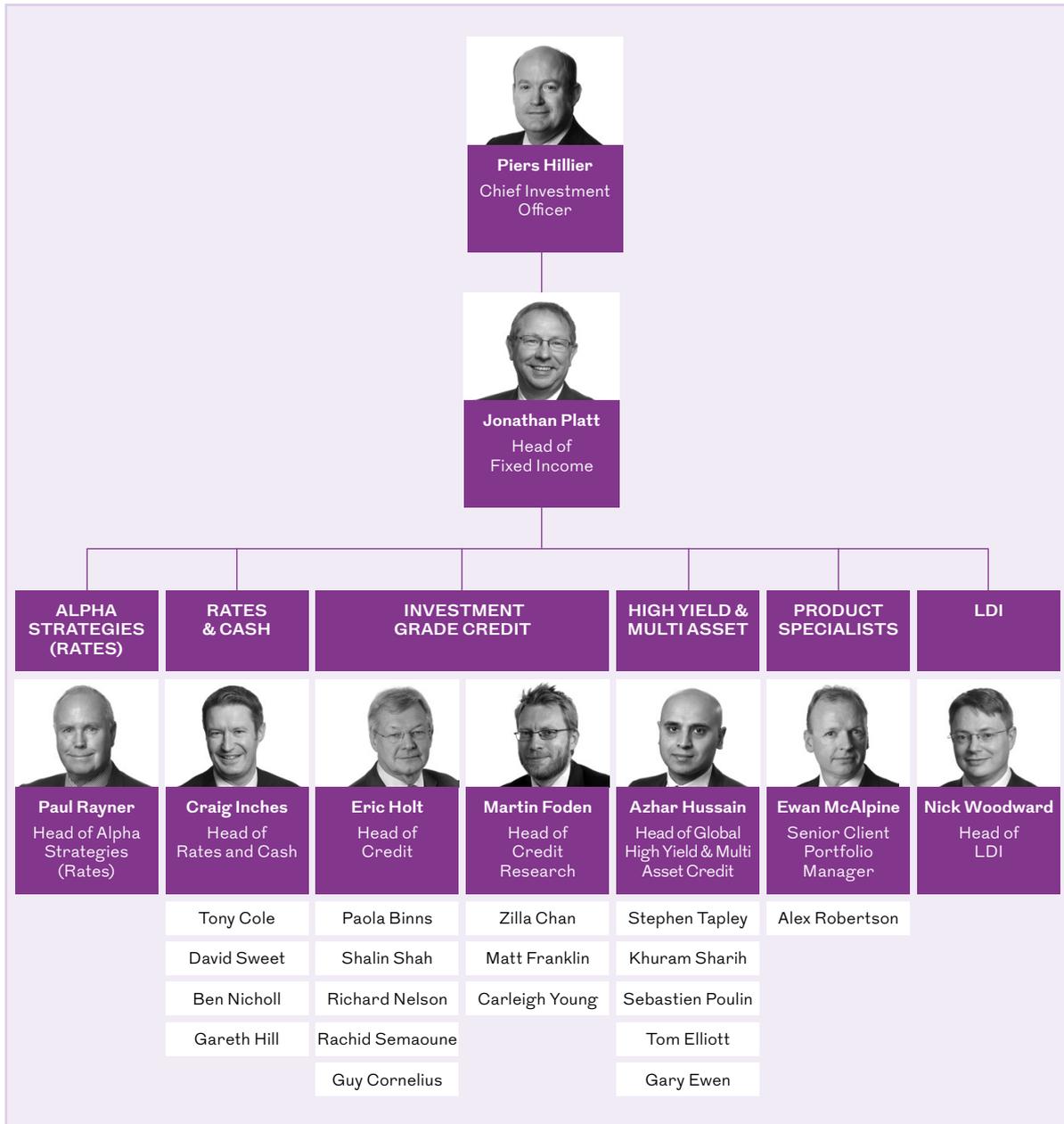
RLAM’s credit process has two key objectives. Firstly, the team seek to exploit market

inefficiencies in order to identify mis-priced credit risk. This is based on the premise that investors tend to be overly reliant on credit rating agencies, whose methodologies are too narrow and rigid. We also believe that the market under-values genuine credit enhancements and overvalues more superficial characteristics. Secondly, the team aims to identify and manage specific risk in portfolios by ensuring appropriate research coverage is maintained. This process is supplemented by our funds’ significant diversification and high proportion of secured exposure.

Summary of investment process



Fixed Income team



Source: RLAM as at 31 March 2018

Experienced, collegiate and focused

RLAM's 29 strong Fixed Income team has an average 17 years' investment experience and offers contrasting and complementary expertise. Our collegiate approach to fixed income investing is highly differentiated, established and repeatable. It is the experience, skill and stability of the team

that sets us apart, giving us an edge in a highly competitive market. We can demonstrate high and consistent outperformance in a wide variety of economic and market conditions and our many industry awards are further testament to the strength of our proposition.

Our capabilities

RLAM's credit range is typically regarded as our flagship investment offering. Our credit capabilities encompass a wider investment universe than our peers and our process is underpinned by the research of our team of analysts, whose research seeks to give our fund managers the opportunity to uncover value in often overlooked areas of the market. Our distinctive, team oriented process to managing credit is well-established.

We employ this process across a range of credit solutions spanning investment grade and high yield assets as well as different geographies, albeit with a core focus on the UK. We believe market inefficiencies provide an opportunity for longer-term investors to capitalise on attractive credit spreads in excess of government bonds, whilst maintaining an appropriate level of risk. Our credit strategies are focused on the delivery of attractive returns supported by reliable income over the longer term.

In addition to our range of all maturities strategies, we also have a number of shorter duration credit solutions. Duration is an important tool for bond fund managers. Allowing managers to compare potential price sensitivity across bonds with varying yields, prices and maturities, duration can be adjusted to control portfolio risk. Less exposed to economic cycles, shorter duration bonds can be invaluable in helping manage interest rate risk. In addition, the closer the bond maturity, the quicker the principal can be reinvested at a new interest rate, which can be beneficial when interest rates rise, offering potential for a higher yield.

We continue to expand our credit expertise to include a greater variety of strategies. Our buy

& maintain credit strategies apply the same investment philosophy as our other credit offerings to low turnover portfolios. They seek to exploit market inefficiencies while providing risk adjusted returns across an actively constructed, diversified portfolio of high quality corporate bonds. They also go some way to meeting the cashflow requirements of liabilities. We feel that corporate bonds can provide a genuine opportunity for pension schemes to match their liabilities and 'lock-in' excess return for the long term.

Building on the proven success of our investment grade credit and global high yield capabilities, RLAM has developed a multi asset credit (MAC) proposition to meet client demand for greater diversification of credit in a low yield environment. Our MAC strategy invests across a broad universe of assets including high yield and investment grade bonds as well as emerging market debt, loans and asset backed securities. We aim to build a portfolio focused on security of income, with sufficient income to bolster the portfolio against volatility.

In addition we offer a distinctive approach to cashflow aware investing, with a focus on bonds with protective features and certainty of cashflows. This encompasses a range of assets with the aim of sourcing predictable income over the nearer term. We have the flexibility to select from a broad mix of assets that are specifically identified to not only match the liability cashflows with a large degree of accuracy and certainty, but also do so cost effectively. Using this range of strategies means that we can cater to clients seeking a tailored approach to liability matching.

Award-winning approach



Contact us

For more information about our range of fixed income products, please contact us.

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For more information concerning the risks of investing, please refer to the Prospectus and Key Investor Information Document (KIID).

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