

Royal London Diversified ABS Fund

The Royal London Duration Hedged Credit Fund was renamed the Royal London Diversified ABS Fund on 21 December 2020. The fund continues to follow the same investment strategy with a significant allocation to secured and securitised issues.

Fund investment parameters

Benchmark	SONIA
Target	SONIA + 2% (gross of fees)
Investment universe	Senior ABS, MBS, RMBS, CMBS, secured and covered bonds, UK corporate bonds (c.20%)
Duration	Duration hedged
Average credit rating	A-
Number of issues	>200
Fund management fee	0.425%*
Fund	Daily Dealing UCITS
Inception date	24 December 2012 [†]

* Fund management fee includes expenses.

[†] Launch date of Royal London Duration Hedged Credit Fund. Renamed the Royal London Diversified ABS Fund on 21 December 2020.

Our approach

- We are one of the most experienced managers in the sterling secured market and manage over £24bn across both secured credit and securitisations (Source: RLAM as at 31 December 2020.)
- The fund is designed to deliver secure, low volatility income and return
- Duration hedged to protect from impact of rising rates
- Sterling portfolio investing primarily in senior secured debt
- Diversified across broader range of sectors than typically seen in ABS funds
- Limited allocation to unsecured corporate bonds enables us to deliver

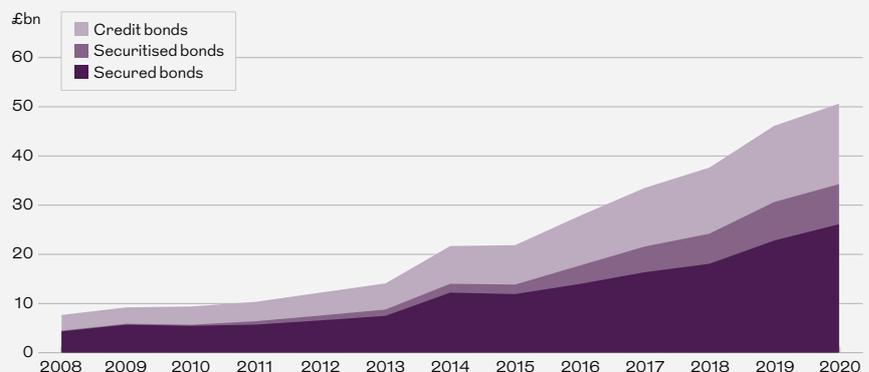
on liquidity and return objectives with a higher quality portfolio that avoids sub-prime RMBS, CLOs, credit card/auto debt and subordinated securitisation exposures

Fund manager



Shalin Shah joined the Fixed Income team in 2008. He has 18 years' experience and is responsible for managing over £6bn of corporate bond portfolios. Shalin holds a BSc in MORSE (Mathematics, Operational Research, Statistics and Economics) from the University of Warwick and is a qualified actuary.

Figure 1: RLAM credit AUM



Source: RLAM as at 31 December 2020.

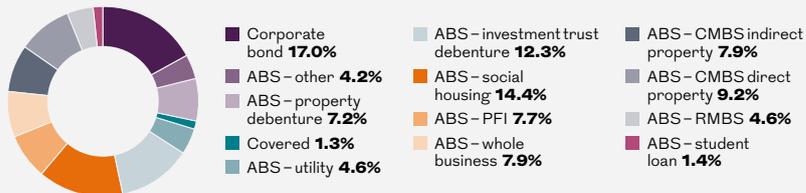
Secured bonds include covered bonds, investment trusts, real estate and social housing.

Diversified ABS portfolio characteristics

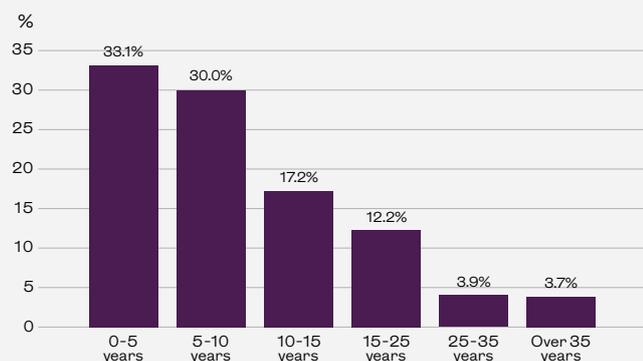
Fund facts

No. of holdings	203
Yield (%)	2.22
Secured (%)	>80.0 (excluding gilt collateral & derivatives exposure)
Duration	0.1

Structure breakdown*



Maturity profile



Credit rating profile



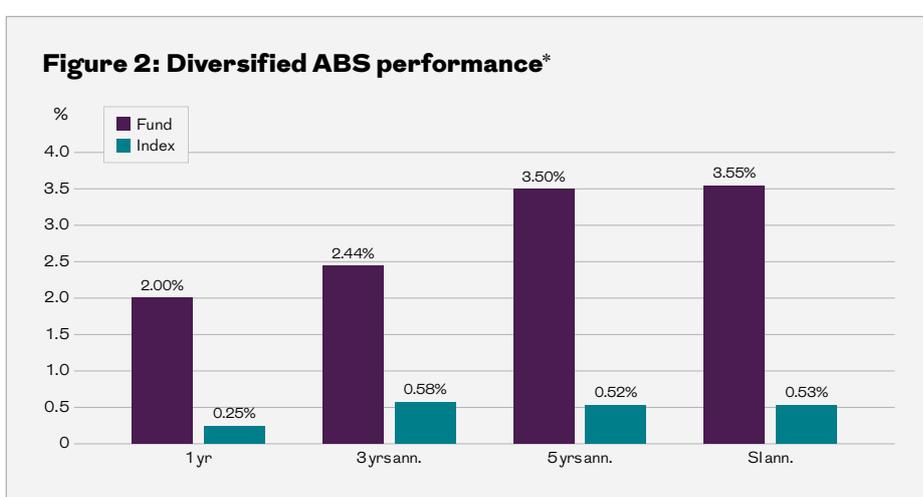
Source: RLAM as at 31 December 2020. Portfolio characteristics and holdings are subject to change without notice. This does not constitute an investment recommendation. For information purposes only. *Reweighted to exclude gilts. All figures are subject to rounding.

Diversified ABS fund overview

Our investment approach places a strong emphasis upon diversification. Within the sterling ABS market this means investing in both high-quality secured bonds and securitisations.

We target the inefficiencies across these distinct markets, which allows us to deliver on the yield objectives with a higher quality portfolio. This enables us to avoid the sector concentrations (sub-prime RMBS, CLOs and credit card/auto debt) in the more narrow securitised market and to build a portfolio with largely senior exposures compared to other funds that can be dominated by junior subordinated bonds. Our fund encompasses a much broader range of sectors including social housing, PFI, property debentures and student loans.

The fund aims to deliver secure, low volatility income and returns, and is duration hedged to help protect against the impact of rising rates whilst allowing us to select from the best credit opportunities across maturities. The



Source: RLAM as at 31 December 2020. The benchmark for the fund is SONIA.

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

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fund uses RLAM's long-established credit philosophy, which targets structural bond market inefficiencies and the valuation anomalies these create, to buy secured bonds that are often under-priced by the market. As a

value investor, we emphasise our own research and aim to invest in attractively valued bonds that offer additional protection from high quality security and protective covenants.

Glossary

ABS	Asset-backed securities
RMBS	Residential mortgage backed securities
CLOs	Collateralised loan obligations
PFI	Private finance initiatives

Investment risks

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

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.

EPM techniques: 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.

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.

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.

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

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.

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.

Contact us

For more information about our range of products and services, please contact us.

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The Fund is a sub-fund of Royal London Bond Funds ICVC, an open-ended investment company with variable capital with segregated liability between sub-funds, incorporated in England and Wales under registered number IC000797. The Company is a UCITS umbrella fund. The Authorised Corporate Director (ACD) is Royal London Unit Trust Managers Limited, authorised and regulated by the Financial Conduct Authority, with firm reference number 144037. For more information on the fund or the risks of investing, please refer to the Prospectus or Key Investor Information Document (KIID), available via the relevant Fund Information page on www.rlam.co.uk.

Telephone calls may be recorded. For further information please see the Legals notice at www.rlam.co.uk

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