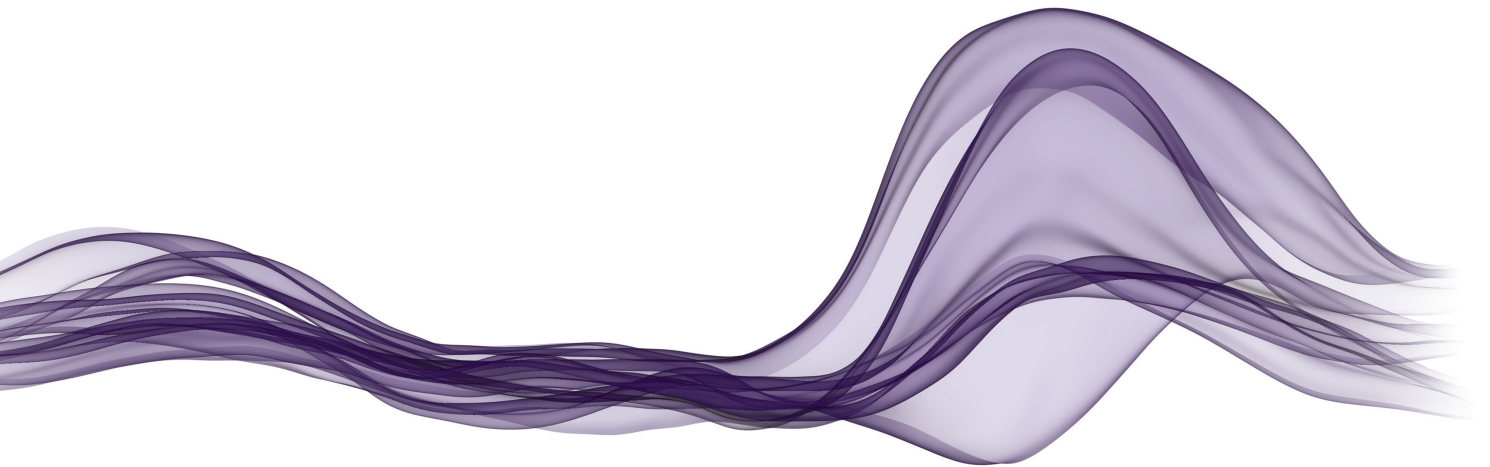


For professional clients only, not suitable for retail investors.

# Royal London Bond Funds II ICVC

## Annual Report

For the year ended 31 January 2024



## Contents

Company Information*	2
Directors' Report*	3
Statement of Authorised Corporate Director's Responsibilities in Relation to the Financial Statements of the Company*	4
Statement of Depositary's Responsibilities	5
Report of the Depositary to the Shareholders of the Royal London Bond Funds II ICVC	5
Independent Auditors' Report to the Shareholders of Royal London Bond Funds II ICVC	6
Summary of Significant Accounting Policies	9
Funds	
Royal London Ethical Bond Fund	12
Royal London Short Duration Credit Fund	33
Royal London Sustainable Short Duration Corporate Bond Fund	52
Fact File	
Constitution	68
Investment Objectives and Policies*	69
Remuneration Policy (unaudited)	71
General Information	72

\* The Authorised Corporate Director's report comprises these items, together with the following for each individual sub-fund: Manager's Investment Report; Investment Objective and Policy and Portfolio Statement.

## Company Information

### Company

#### Royal London Bond Funds II ICVC

Registered in England with Company Number IC001128

*Registered office:*

80 Fenchurch Street, London EC3M 4BY

### Director

**The Authorised Corporate Director (ACD) is Royal London Unit Trust Managers Limited which is the sole director.**

*Place of business and Registered office:*

80 Fenchurch Street, London EC3M 4BY

Authorised and regulated by the Financial Conduct Authority; a member of The Investment Association (IA).

T: 020 7506 6500

F: 020 7506 6503

### Directors

R.A.D. Williams (Resigned 26 April 2024)

A.L. Hunt

J.S. Glen (Appointed 1 April 2024)

R. Kumar

S. Spiller

J.M. Brett (Non-executive Director)

H.I. Georgeson

J.M. Jackson (Non-executive Director)

### Investment Adviser

#### Royal London Asset Management Limited

*Place of business and Registered office:*

80 Fenchurch Street, London EC3M 4BY

Authorised and regulated by the Financial Conduct Authority.

### Depositary

#### HSBC Bank plc

8 Canada Square, Canary Wharf, London E14 5HQ

Authorised and regulated by the Financial Conduct Authority.

### Registrar

#### SS&C Financial Services Europe Limited

The Register may be inspected at:

SS&C House, St Nicholas Lane, Basildon, Essex SS15 5FS

Authorised and Regulated by the Financial Conduct Authority.

### Independent Auditors

#### PricewaterhouseCoopers LLP

#### Chartered Accountants and Statutory Auditors

7 More London Riverside, London SE1 2RT

## Directors' Report

We are pleased to present the Annual Report and Financial Statements for Royal London Bond Funds II ICVC, covering the year from 1 February 2023 to 31 January 2024.

Royal London Bond Funds II ICVC ('the Company') is authorised and regulated by the Financial Conduct Authority and is structured as an umbrella investment company, in that the Company proposes to issue shares linked to different sub-funds which have been established. The Company is a UCITS umbrella scheme.

On 12 April 2019, the Royal London Short Duration Credit Fund and Royal London Ethical Bond Fund were launched via a scheme of arrangement where assets from the equivalent sub-funds of Royal London Bond Funds ICVC were transferred into the newly created sub-funds within the Royal London Bond Funds II ICVC. The main features of the sub-funds remain the same as the previous sub-funds.

The sub-funds in existence during the year from 1 February 2023 to 31 January 2024 were:

Royal London Ethical Bond Fund  
(launched 12 April 2019)

Royal London Short Duration Credit Fund  
(launched 12 April 2019)

Royal London Sustainable Short Duration Corporate Bond Fund  
(launched 23 November 2022)

An ICVC may comprise a single fund or may be structured as an umbrella with a number of different sub-funds, each with its own portfolio of underlying assets invested in accordance with the investment objective and policy applicable to that sub-fund.

Currently, the funds of an umbrella company are ring-fenced and consequently creditors of the Company may look to all the assets of the Company for payment regardless of the sub-fund in respect of which that creditor's debt has arisen.

Certain assets held or liabilities incurred by an umbrella company which are not attributable to a particular fund can be allocated between all the funds in a manner (the ACD) considers fair to shareholders.

Shareholders are not liable for the debts of the Company.

**This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority.**

**For and behalf of Royal London Unit Trust Managers Limited**

**Authorised Corporate Director**

**S. Spiller** (Director)

**R. Kumar** (Director)

**22 May 2024**

## **Statement of Authorised Corporate Director's Responsibilities in Relation to the Financial Statements of the Company**

The Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) ("the OEIC Regulations") and the Financial Conduct Authority Collective Investment Schemes Sourcebook (COLL) require the Authorised Corporate Director to prepare financial statements for each accounting period which give a true and fair view of the financial position of the Company for the year.

The financial statements are prepared on the basis that the Company will continue in operation unless it is inappropriate to assume this. In preparing the financial statements the Authorised Corporate Director is required to:

- select suitable accounting policies and then apply them consistently;
- make adjustments and estimates that are reasonable and prudent;
- comply with the requirements of the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (now referred to as The Investment Association) in May 2014 (the 2014 SORP), as amended in 2017;
- comply with the disclosure requirements of the prospectus;
- follow United Kingdom Generally Accepted Accounting Practice and applicable accounting standards;
- keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements; and
- take reasonable steps for the prevention and detection of fraud and other irregularities.

The Authorised Corporate Director is responsible for the management of the Company in accordance with its Prospectus and the FCA's rules.

## Statement of Depositary's Responsibilities

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors. The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Corporate Director ("the ACD"), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that Company is managed in accordance with the Regulations and Scheme documents in relation to the investment and borrowing powers applicable to the Company.

## Report of the Depositary to the Shareholders of the Royal London Bond Funds II ICVC

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the ACD:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

### HSBC Bank plc

This report is given on the basis that no breaches are subsequently advised to us before the distribution date. We therefore reserve the right to amend the report in the light of such circumstances.

# Independent Auditors' Report to the Shareholders of Royal London Bond Funds II ICVC

## Report on the audit of the financial statements

### Opinion

In our opinion, the financial statements of Royal London Bond Funds II ICVC (the "Company"):

- give a true and fair view of the financial position of the Company and each of the sub-funds as at 31 January 2024 and of the net revenue and the net capital gains on the scheme property of the Company and each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Royal London Bond Funds II ICVC is an Open Ended Investment Company ('OEIC') with three sub-funds. The financial statements of the Company comprise the financial statements of each of the sub-funds. We have audited the financial statements, included within the Annual Report (the "Annual Report"), which comprise: the Balance Sheets as at 31 January 2024; the Statements of Total Return and the Statements of Change in Net Assets Attributable to Shareholders for the year then ended; the Distribution Tables; the Summary of Significant Accounting Policies; and the Notes to the Financial Statements for each sub-fund.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's or any sub-funds' ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Authorised Corporate Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's or any sub-funds' ability to continue as a going concern.

Our responsibilities and the responsibilities of the Authorised Corporate Director with respect to going concern are described in the relevant sections of this report.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Authorised Corporate Director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on our work undertaken in the course of the audit, the Collective Investment Schemes sourcebook requires us also to report certain opinions as described below.

### Authorised Corporate Director's Report

In our opinion, the information given in the Authorised Corporate Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Independent Auditors' Report to the Shareholders of Royal London Bond Funds II ICVC (continued)

### Report on the audit of the financial statements – continued

#### Responsibilities for the financial statements and the audit Responsibilities of the Authorised Corporate Director for the financial statements

As explained more fully in the Statement of Authorised Corporate Director's Responsibilities in Relation to the Financial Statements of the Company, the Authorised Corporate Director is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Authorised Corporate Director is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Corporate Director is responsible for assessing the Company's and each of the sub-funds ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Corporate Director either intends to wind up or terminate the Company or individual sub-fund, or has no realistic alternative but to do so.

#### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company/industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the Collective Investment Schemes sourcebook, and we considered the extent to which non-compliance might have a material effect on the financial statements, in particular those parts of the sourcebook which may directly impact on the determination of amounts and disclosures in the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or to increase the net asset value of the Company or the sub-funds and judgements and assumptions made by management in their significant accounting estimates. Audit procedures performed included:

- Discussions with the Authorised Corporate Director, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes, including those of the Authorised Corporate Director's board of directors;
- Identifying and testing journal entries, specifically any journals posted as part of the financial year end close process; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### Use of this report

This report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



## **Independent Auditors' Report to the Shareholders of Royal London Bond Funds II ICVC** (continued)

### **Other required reporting**

#### **Opinion on matter required by the Collective Investment Schemes sourcebook**

In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

#### **Collective Investment Schemes sourcebook exception reporting**

Under the Collective Investment Schemes sourcebook we are also required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

**PricewaterhouseCoopers LLP**  
**Chartered Accountants and Statutory Auditors**  
**London**  
**22 May 2024**



## Summary of Significant Accounting Policies

For the year ended 31 January 2024

### 1. Accounting policies

#### Basis of preparation

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, in compliance with the Financial Conduct Authority's Collective Investment Schemes sourcebook. They have been prepared in accordance with the UK Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice for Authorised Funds (SORP) for Financial Statements of Authorised Funds issued by the Investment Management Association (now referred to as The Investment Association) in May 2014 (the 2014 SORP), as amended in 2017.

As stated in the Statement of Authorised Corporate Director's Responsibilities in Relation to the Financial Statements of the Company on page 4, the Authorised Corporate Director continues to adopt the going concern basis in the preparation of the financial statements of the Company.

The accounting policies outlined below have been applied on a consistent basis throughout the year.

Further analysis of the distribution and the net asset position can be found within the Financial Statements of the individual sub-funds.

#### Basis of valuation of investments

The investments of the Company have been valued at market value on 31 January 2024, the last valuation point in the accounting period. Market value is defined by the SORP as fair value, which is the bid value of each security.

The ACD has assigned the responsibility to review and approve fair value pricing decisions to the RLAM Valuation Oversight Committee. In accordance with the RLAM Pricing and Ensuring Fair Value Policy, the Committee provide regular governance and oversight on suspended, defaulted, delisted, unquoted or manually priced securities, taking into consideration where appropriate, latest dealing prices, valuations from reliable sources, financial performance and other relevant factors.

Derivative assets and liabilities are valued at the fair value price to close out the contract at the Balance Sheet date, using available market prices or an assessment of fair value based on counterparty valuations and appropriate pricing models.

#### Exchange rates

Assets and liabilities denominated in foreign currencies have been converted to sterling at the bid-market closing rates of exchange on 31 January 2024.

Foreign income and expenditure has been converted into sterling at the rate of exchange ruling at the date of transaction.

#### Recognition of revenue

Interest and revenue from bank balances and deposits, stock lending (net of fees paid) fixed interest stocks and other securities are recognised on an accruals basis.

Interest earned on interest bearing securities are determined on an effective yield basis. Effective yield is a revenue calculation that reflects the amount of amortisation of any discount or premium on the purchase price over the remaining life of the security.

#### Treatment of expenses

Expenses are recognised on an accruals basis.

The underlying sub-funds will hold a number of share classes. Each share class suffers a different Fund Management Fee, which can be found in the constitution starting on page 68. Consequently the level of expenses attributable to each share class will differ.

The costs and charges detailed in the Prospectus, including the ACD's own fee, will be met out of this fixed Fund Management Fee. In the event the actual costs incurred by a sub-fund exceed the level of the fixed Fund Management Fee applicable to that share class, the ACD shall bear any such excess. Where the actual costs incurred by a sub-fund fall below the fixed Fund Management Fee, the ACD shall be entitled to retain any amount by which the fixed Fund Management Fee exceeds those actual costs.

#### Taxation

The sub-funds satisfied the qualifying investments test of Statutory Instrument 2006/964 Authorised Investment Funds (Tax) Regulations 2006 paragraph 19 throughout the period. All distributions made are therefore made as interest distributions.

Provision is made for taxation at current rates on the excess of investment revenue over allowable expenses, with relief for overseas taxation taken where appropriate.

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax is not recognised on permanent differences.

Deferred tax assets are recognised only to the extent that it is more likely than not that there will be taxable profits from which the future reversal of the underlying timing differences can be deducted.

## Summary of Significant Accounting Policies (continued)

For the year ended 31 January 2024

### 1. Accounting policies – continued

#### Treatment of derivative contracts

The unrealised gains or losses on Forward Foreign Exchanges (FFX) are disclosed in the portfolio statements, where such contracts are held by an individual sub-fund.

Margins paid on these contracts are included in the amounts held at futures clearing houses and brokers.

Motives and circumstances are used to determine whether returns on derivative contracts should be treated as capital or revenue. Where positions are undertaken to protect or enhance capital and the circumstances support this, the returns are included within net capital gains/losses in the Statement of Total Return. Where they are undertaken for generating or protecting revenue and the circumstances support this, the returns are treated as revenue and are included within the net revenue in the Statement of Total Return. The basis of apportionment is typically made by reference to the yield on the underlying security, index or other appropriate source.

#### Dilution

In certain circumstances the ACD may charge a dilution adjustment on the sale or repurchase of shares. The adjustment is intended to cover certain dealing charges not included in the value of the sub-fund used in calculating the share price, which could have a dilutive effect.

Normally the Company will only charge such an adjustment on a sub-fund experiencing large levels of net purchases or net redemptions relative to its size. The ACD reserves the right to make a daily dilution adjustment, using swinging single pricing, for the sole purpose of reducing dilution in the Funds.

For further details please refer to the Prospectus.

### 2. Distribution policy

#### Basis of distribution

Revenue produced by the sub-funds' investments accumulates during each accounting period. If at the end of the accounting period, revenue exceeds expenses, the net revenue of each sub-fund is available to be distributed, at share class level, to shareholders.

The following sub-fund makes a distribution on a quarterly basis: Ethical Bond Fund.

The following sub-funds make distributions on a half yearly basis: Short Duration Credit Fund and Sustainable Short Duration Corporate Bond Fund.

#### Apportionment to multiple share classes

The allocation of revenue and expenses to each share class is based on the proportion of the sub-funds assets attributable to each share class on the day the revenue is earned or the expense is suffered. The Fund Management Fee is specific to each share class.

#### Revenue from debt securities

For the purposes of the calculation of the distribution, revenue from debt securities is computed on an effective yield basis for all sub-funds.

#### Expenses

In determining the net revenue available for distribution, expenses related to the purchase and sale of investments are borne wholly by capital.

In the case of the Short Duration Credit Fund and Sustainable Short Duration Corporate Bond Fund, the Fund Management Fee is borne by capital.

For Ethical Bond Fund 50% of the Fund Management Fee is borne by capital and 50% borne by revenue.

#### Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It represents the net accrued revenue included in the purchase price of the shares. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the shares for Capital Gains Tax purposes.

### 3. Risk management policies

In accordance with its investment objective, the Company holds financial instruments such as fixed interest securities, cash and has short-term debtors and creditors. The risks arising from the Company's financial Instruments are summarised below, and remain unchanged from the prior year.

#### Market and cash flow risk

Material exposure of the Company's assets and liabilities to interest bearing instruments results in the risk of changes in market interest rates which, in addition to other market price risk arising from the uncertainty of future prices, can cause the value of financial instruments to fluctuate. This, in combination with variable cash flows, can potentially significantly affect the Balance Sheet and Statement of Total Return.

The ACD adheres to the investment guidelines and investment and borrowing powers established in the Prospectus and in the Rules governing the operations of ICVCs. In this way the ACD monitors and controls the exposure to risk from any type of security, market sector or individual issuer.

## Summary of Significant Accounting Policies (continued)

For the year ended 31 January 2024

### 3. Risk management policies – continued

#### Credit and liquidity risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty and issuer risk. Cash and derivatives are held with reputable credit institutions and credit risk is assessed on a regular basis. Certain transactions in securities that the Company enters into expose it to the risk that a counterparty will not deliver the investment for a purchase, or cash for a sale after the Company has fulfilled its responsibilities. The Company only buys and sells investments through brokers which have been approved by the Manager as an acceptable counterparty and these are reviewed on an ongoing basis.

The Company's assets comprise mainly readily available realisable securities, which can be sold to meet funding requirements if and when necessary. The main liability of the Company is the redemption of any shares that investors wish to sell. Liquidity risk, mainly derived from the liability to shareholders, is minimised through holding cash and readily realisable securities which can meet the usual requirements of share redemptions. The Liquidity risk for all sub-funds has been deemed insignificant, therefore numerical disclosures are not required.

#### Currency risk

The value of the Company's investments may be affected by currency movements since a proportion of the assets are denominated in currencies other than sterling. The ACD may, from time to time, seek to mitigate the effect of these currency exposures by covering a proportion of its investments using forward currency hedges. The Company may also be subject to short-term exposure to exchange rate movements, for example, where there is a delay between dealing and subsequent settlement. However, the ACD considers that this does not pose a significant risk given the short-term nature of this exposure. The risk of currency movements on the income property of the Company is minimised by converting income received in foreign currency into sterling on the date of transaction.

#### Interest rate risk

The Company invests in fixed and variable rate securities and any changes to interest rate relevant for particular securities may result in either revenue increasing or decreasing. In general, if interest rates rise the revenue potential of the Company also rises but the value of fixed rate securities declines. A fall in interest rates will in general have the opposite effect. The ACD considers the credit rating, yield and maturity of each interest bearing security to ensure the yield reflects any perceived risk.

#### Derivatives risk

The ACD may employ derivatives solely for the purpose of efficient portfolio management and are not intended to increase the risk profile of the Funds. The Funds may enter into derivatives transactions or securities lending with a counterparty. There is a risk that the counterparty may fail to honour its contractual obligations. To mitigate this risk counterparties may be required to provide collateral to the Funds. The ACD has in place a collateral management policy which details the eligible categories of acceptable collateral and the haircuts which will typically be applied when valuing certain categories of collateral received.

The ACD uses a methodology known as the "commitment approach" to measure the global exposure to derivative instruments on a daily basis to ensure exposure does not exceed predetermined limits. Please refer to the Prospectus for further details.

#### Other

##### Potential implications of an epidemic and/or a pandemic

Epidemics and pandemics such as Covid-19, can seriously disrupt the global economy and markets. Pandemics and similar events could also have an acute effect on individual issuers or related groups of issuers and could adversely affect securities markets, interest rates, auctions, secondary trading, ratings, credit risk, inflation, deflation and other factors relating to a Fund's investments or the ACD's operations and the operations of the ACD's and the Company's service providers.

##### Political risk

Political conflicts and their consequences, including the economic sanctions on Russia, are having a significant impact on global financial markets and commodity pricing. Royal London Asset Management Limited is closely monitoring the associated internal political developments in relation to inflation, volatile markets and security pricing. Please refer to the Manager's Investment Reports for commentary on the impact and outlook.

In relation to the Ukraine conflict, the sub-funds have no direct exposure to Russian companies and Royal London Asset Management Limited is complying with all restrictions and sanctions issued by the relevant authorities.

### 4. Cross holding

There are no cross holdings within the Royal London Bond Funds II ICVC.

# Royal London Ethical Bond Fund

## Manager's Investment Report

### Fund performance

12 months to 31 January 2024

	1 year total return %	3 year total return %	5 year total return* %
Royal London Ethical Bond Fund, Class M Accumulation	4.96	-9.86	4.73
Royal London Ethical Bond Fund, Class M Income	4.95	-9.85	4.74
Royal London Ethical Bond Fund, Class R Accumulation	5.43	-8.57	7.19
Royal London Ethical Bond Fund, Class S Accumulation	5.51	-8.59	–
Royal London Ethical Bond Fund, Class S Income	5.49	-8.55	4.30
Royal London Ethical Bond Fund, Class Z Accumulation	5.17	-9.34	–
Royal London Ethical Bond Fund, Class Z Income	5.19	-9.38	5.57
Markit iBoxx Sterling Non-Gilts Overall All Maturity Index Total Return	3.91	-13.42	-0.51
IA Sterling Strategic Bond sector	4.64	-3.86	9.42

Class M Income and Accumulation launched on 12 April 2019, Class R Accumulation launched on 12 April 2019, Class S income and Accumulation launched on 7 May 2019, Class Z Income launched on 12 April 2019 and Z Acc launched on 7 September 2020.

\* The Royal London Ethical Bond Fund II was launched via a scheme of arrangement for the merger of the Royal London Ethical Bond Fund (a sub-fund of Royal London Bond Funds ICVC) into the Royal London Ethical Bond Fund II. The performance table includes historic performance for the original Royal London Ethical Bond Fund as the main features of the Fund remain the same as at the merger date 12 April 2019.

**Past performance is not necessarily a reliable indicator of future performance. 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.**

Source: Royal London Asset Management Limited and Lipper, as at 31 January 2024. Returns are net of management fees. Investors should note that the total return is calculated on the Fund's official midday price whereas the Fund has been valued as at close of business for the Net Asset Value quoted within the Comparative Table. For further information, including ongoing performance and Fund breakdown information, please refer to the latest factsheet at [www.rlam.com](http://www.rlam.com).

### Performance overview

During the 12-month period under review, the Fund has outperformed its benchmark and was ahead of the average fund in the Investment Association (IA) peer group. Over the longer three and five year periods, the Fund remains well ahead of its benchmark.

### Market commentary

Taming inflation was the priority for central banks during the period under review, with interest rate rises from the Federal Reserve (Fed), European Central Bank (ECB) and Bank of England (BoE). As 2023 came to an end, commentary from central banks and downside surprises in economic data led to expectations for rate cuts in 2024 increasing.

UK government bond yields started the review period continuing the rising trend that started in late 2021. This reflected market views that rising inflation could necessitate even higher interest rates. Yet, with inflation starting to come down, and growth remaining weak, expectations of rate cuts in 2024 contributed to significant falls in bond yields in the final months of 2023. As a result, overall returns for gilts were negative. Sterling corporate bonds produced positive returns, helped by the additional yield these offer and optimism that interest rate cuts would support the corporate sector.

### Portfolio commentary

Sector allocation and stock selection were the main contributors to the Fund's performance over the 12 months under review. The total returns were broad based across the Fund, with every sector seeing positive returns, led by consumer services.

By allocation, our overweight position in insurance and social housing bonds was a strong contributor to our performance, while our structured position was a drag on performance.

By security selection, banks, consumer services and insurance were the largest contributors, while social housing held performance back.

Relatively, versus the benchmark, our consumer goods, consumer services and general industrials holdings saw strong outperformance.

## Manager's Investment Report (continued)

### Investment outlook

Inflation came down significantly in 2023 but remains above the Bank of England's target, and now does not have the 'easy' wins of base effects to push this lower. In our view, wage inflation is the key metric to watch: we believe that the Bank will find it hard to start cutting rates if wages continue to rise at 5-6% per annum. Although the economic data remain very mixed, we still believe that past interest rate increases will contribute to a slowdown in the UK. This could impact company earnings and lead to some increase in pressure on credit markets. However, consumer resilience has been greater than expected in both the UK and globally, which has helped support growth and prevent a sharp recession.

We expect supply to weigh on credit markets in the first quarter of 2024 but think that underlying fundamentals will be supportive of markets.

Given the potential economic challenges, we remain focused on identifying companies with strong balance sheets, favouring issues with security and downside protection. Over the medium term we believe the superior yields available on corporate bonds, the credit risk management undertaken through sector and issuer diversification will support returns.

**Eric Holt**

**Fund Manager**

**Royal London Asset Management Limited**

**31 January 2024**

Please note that this commentary is written as at end of the review period. For insights into market events or positioning since then, please go to [www.rlam.com](http://www.rlam.com).

This report covers investment performance, activity and outlook. For a wider look at the Fund, our Annual Assessment of Value report is available at [www.rlam.com](http://www.rlam.com).

The Task Force on Climate-related Financial Disclosures Report can be found under the relevant Fund name at <https://www.rlam.com/uk/individual-investors/funds>. This report has been prepared in accordance with the recommendations of the TCFD, which aims to help the investment community build a more in-depth and consistent picture of the impact of climate change. A copy of Royal London Asset Management Limited's annual TCFD Report can also be found on our website.

The views expressed are the author's own and do not constitute investment advice and are not an indication of future Fund performance. Portfolio holdings are subject to change, for information only and are not investment recommendations.

Source: Royal London Asset Management Limited, unless otherwise stated.



## Comparative Tables

### Class M Accumulation

Change in net assets per share	31/01/24 (p)	31/01/23 (p)	31/01/22 (p)
Opening net asset value per share	134.28	152.29	156.22
Return before operating charges*	7.99	(17.25)	(3.07)
Operating charges	(0.74)	(0.76)	(0.86)
Return after operating charges*	7.25	(18.01)	(3.93)
Distributions on accumulation shares	(5.81)	(4.61)	(4.62)
Retained distributions on accumulation shares	5.81	4.61	4.62
<b>Closing net asset value per share</b>	<b>141.53</b>	<b>134.28</b>	<b>152.29</b>
* after direct transaction costs of:	–	0.01	–
<b>Performance</b>			
Return after charges	5.40%	(11.83)%	(2.52)%
<b>Other information</b>			
Closing net asset value (£'000)	406,095	493,475	599,731
Closing number of shares	286,935,658	367,498,493	393,796,903
Operating charges	0.55%	0.55%	0.55%
Direct transaction costs	–	–	–
<b>Prices<sup>^</sup></b>			
Highest share price	142.90	154.20	160.00
Lowest share price	128.30	118.70	152.60

### Class M Income

Change in net assets per share	31/01/24 (p)	31/01/23 (p)	31/01/22 (p)
Opening net asset value per share	102.95	120.79	127.65
Return before operating charges*	5.91	(13.64)	(2.44)
Operating charges	(0.56)	(0.59)	(0.69)
Return after operating charges*	5.35	(14.23)	(3.13)
Distributions on income shares	(4.38)	(3.61)	(3.73)
<b>Closing net asset value per share</b>	<b>103.92</b>	<b>102.95</b>	<b>120.79</b>
* after direct transaction costs of:	–	0.01	–
<b>Performance</b>			
Return after charges	5.20%	(11.78)%	(2.45)%
<b>Other information</b>			
Closing net asset value (£'000)	165,434	176,358	195,762
Closing number of shares	159,188,782	171,299,325	162,061,463
Operating charges	0.55%	0.55%	0.55%
Direct transaction costs	–	–	–
<b>Prices<sup>^</sup></b>			
Highest share price	106.10	122.30	128.80
Lowest share price	97.44	92.77	122.50

### Class R Accumulation

Change in net assets per share	31/01/24 (p)	31/01/23 (p)	31/01/22 (p)
Opening net asset value per share	102.63	115.87	118.31
Return before operating charges*	6.11	(13.14)	(2.32)
Operating charges	(0.10)	(0.10)	(0.12)
Return after operating charges*	6.01	(13.24)	(2.44)
Distributions on accumulation shares	(4.68)	(3.75)	(3.77)
Retained distributions on accumulation shares	4.68	3.75	3.77
<b>Closing net asset value per share</b>	<b>108.64</b>	<b>102.63</b>	<b>115.87</b>
* after direct transaction costs of:	–	–	–
<b>Performance</b>			
Return after charges	5.86%	(11.43)%	(2.06)%
<b>Other information</b>			
Closing net asset value (£'000)	164,446	179,616	223,015
Closing number of shares	151,363,536	175,018,164	192,475,772
Operating charges	0.10%	0.10%	0.10%
Direct transaction costs	–	–	–
<b>Prices<sup>^</sup></b>			
Highest share price	109.60	117.30	121.50
Lowest share price	98.27	90.62	115.60

### Class S Accumulation

Change in net assets per share	31/01/24 (p)	31/01/23 (p)	31/01/22 (p)
Opening net asset value per share	98.34	111.04	113.40
Return before operating charges*	5.88	(12.60)	(2.25)
Operating charges	(0.10)	(0.10)	(0.11)
Return after operating charges*	5.78	(12.70)	(2.36)
Distributions on accumulation shares	(4.48)	(3.59)	(3.62)
Retained distributions on accumulation shares	4.48	3.59	3.62
<b>Closing net asset value per share</b>	<b>104.12</b>	<b>98.34</b>	<b>111.04</b>
* after direct transaction costs of:	–	–	–
<b>Performance</b>			
Return after charges	5.88%	(11.44)%	(2.08)%
<b>Other information</b>			
Closing net asset value (£'000)	107,918	104,911	237,589
Closing number of shares	103,652,906	106,682,277	213,969,709
Operating charges	0.10%	0.10%	0.10%
Direct transaction costs	–	–	–
<b>Prices<sup>^</sup></b>			
Highest share price	105.10	112.40	116.40
Lowest share price	94.18	86.84	110.80

## Comparative Tables (continued)

### Class S Income

Change in net assets per share	31/01/24 (p)	31/01/23 (p)	31/01/22 (p)
Opening net asset value per share	87.19	102.07	107.62
Return before operating charges*	5.02	(11.53)	(2.05)
Operating charges	(0.09)	(0.09)	(0.11)
Return after operating charges*	4.93	(11.62)	(2.16)
Distributions on income shares	(3.91)	(3.26)	(3.39)
<b>Closing net asset value per share</b>	<b>88.21</b>	<b>87.19</b>	<b>102.07</b>
* after direct transaction costs of:	–	–	–
<b>Performance</b>			
Return after charges	5.65%	(11.38)%	(2.01)%
<b>Other information</b>			
Closing net asset value (£'000)	61,262	66,844	98,357
Closing number of shares	69,450,724	76,667,808	96,364,132
Operating charges	0.10%	0.10%	0.10%
Direct transaction costs	–	–	–
<b>Prices<sup>^</sup></b>			
Highest share price	90.04	103.30	108.80
Lowest share price	82.63	78.55	103.60

### Class Z Accumulation

Change in net assets per share	31/01/24 (p)	31/01/23 (p)	31/01/22 (p)
Opening net asset value per share	88.84	100.61	102.97
Return before operating charges*	5.30	(11.41)	(1.94)
Operating charges	(0.36)	(0.36)	(0.42)
Return after operating charges*	4.94	(11.77)	(2.36)
Distributions on accumulation shares	(3.91)	(3.11)	(3.15)
Retained distributions on accumulation shares	3.91	3.11	3.15
<b>Closing net asset value per share</b>	<b>93.78</b>	<b>88.84</b>	<b>100.61</b>
* after direct transaction costs of:	–	–	–
<b>Performance</b>			
Return after charges	5.56%	(11.70)%	(2.29)%
<b>Other information</b>			
Closing net asset value (£'000)	16,183	13,542	634
Closing number of shares	17,257,440	15,243,056	630,335
Operating charges	0.40%	0.40%	0.40%
Direct transaction costs	–	–	–
<b>Prices<sup>^</sup></b>			
Highest share price	94.65	101.80	105.60
Lowest share price	84.97	78.52	100.60

### Class Z Income

Change in net assets per share	31/01/24 (p)	31/01/23 (p)	31/01/22 (p)
Opening net asset value per share	97.82	114.69	121.10
Return before operating charges*	5.61	(12.95)	(2.30)
Operating charges	(0.38)	(0.41)	(0.48)
Return after operating charges*	5.23	(13.36)	(2.78)
Distributions on income shares	(4.24)	(3.51)	(3.63)
<b>Closing net asset value per share</b>	<b>98.81</b>	<b>97.82</b>	<b>114.69</b>
* after direct transaction costs of:	–	–	–
<b>Performance</b>			
Return after charges	5.35%	(11.65)%	(2.30)%
<b>Other information</b>			
Closing net asset value (£'000)	331,235	346,760	370,606
Closing number of shares	335,211,931	354,501,435	323,149,679
Operating charges	0.40%	0.40%	0.40%
Direct transaction costs	–	–	–
<b>Prices<sup>^</sup></b>			
Highest share price	100.90	116.10	122.30
Lowest share price	92.62	88.14	116.30

<sup>^</sup> The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year. The net asset value per share price is based on the net asset value in the published financial statements and may be different due to the prior year end accounting adjustments.

It should be remembered that past performance is not a reliable indicator of future performance and that the value of shares, and the income derived from them, can vary.



## Portfolio Statement

As at 31 January 2024

Holding	Investment	Bid-market value (£'000)	Total net assets (%)	Holding	Investment	Bid-market value (£'000)	Total net assets (%)
<b>Commercial Mortgage Backed Securities – 3.92% (31/01/23 – 3.00%)</b>				£7,200,000	BPCE 2.5% variable 30/11/2032	6,293	0.50
£4,100,000	Equity Release FRN 14/7/2045	2,738	0.22	£1,700,000	BPCE 5.25% 16/4/2029	1,663	0.13
£6,393,000	Finance for Residence Social Housing 'A1' 8.369% 4/10/2058*	4,739	0.38	£5,000,000	BPCE 6% variable 29/9/2028	5,105	0.41
£5,264,360	Finance for Residence Social Housing 'A2' 8.569% 5/10/2058*	3,384	0.27	£4,900,000	BPCE 6.125% 24/5/2029	5,021	0.40
£22,758,000	Income Contingent Student Loan 2 FRN 24/7/2058	2,268	0.18	£7,186,000	British Land 5.264% 24/9/2035	6,918	0.55
£6,807,000	Income Contingent Student Loan 2.5% 24/7/2056	3,829	0.31	£2,587,000	British Land 5.357% 31/3/2028	2,562	0.20
£7,623,000	Income Contingent Student Loan 2.5% 24/7/2058	4,493	0.36	£4,500,000	British Land 5.357% 31/3/2028	4,457	0.36
£24,918,000	Income Contingent Student Loan FRN 24/7/2056	1,399	0.11	£2,543,500	Brunwood Bond 2 6% 25/2/2025	2,416	0.19
£10,631,000	International Finance Facility for Immunisation 2.75% 7/6/2025	10,316	0.82	£7,800,000	BUPA Finance 4% variable perpetual	5,392	0.43
£2,630,000	Last Mile Logistics CMBS 2023-1 17/8/2033	2,646	0.21	£6,676,000	BUPA Finance 4.125% 14/6/2035	5,466	0.44
£4,004,000	Magenta 2020 FRN 20/12/2024	3,520	0.28	£4,858,000	Cadent Finance 2.25% 10/10/2035	3,503	0.28
£4,065,000	Sage AR Funding FRN 17/11/2030	4,004	0.32	£3,200,000	Cadent Finance 2.625% 22/9/2038	2,247	0.18
£2,778,000	Stark Financing 2023-1 FRN 17/8/2033	2,783	0.22	£1,434,000	Cadent Finance 5.625% 11/1/2036	1,442	0.12
£3,194,000	Taurus 2019-2 FRN 17/11/2029	3,018	0.24	£4,400,000	CaixaBank 6.875% variable 25/10/2033	4,474	0.36
	<b>Total Commercial Mortgage Backed Securities</b>	<b>49,137</b>	<b>3.92</b>	£3,700,000	Canary Wharf Finance 5.952% 22/10/2037	1,940	0.15
				£1,248,000	Catalyst Housing 3.125% 31/10/2047	862	0.07
				£5,000,000	Centrica 5.25% variable 10/4/2075	4,931	0.39
				£1,240,000	Channel Link Enterprises Finance FRN 30/12/2050	916	0.07
				£950,000	Cheltenham & Gloucester 11.75% perpetual	1,473	0.12
				£1,653,000	Clarion Funding 1.875% 22/1/2035	1,206	0.10
				£2,370,000	Clarion Funding 1.875% 7/9/2051	1,178	0.09
				£2,867,000	Close Brothers Finance 1.625% 3/12/2030	2,212	0.18
				£2,300,000	Close Brothers Finance 2.75% 19/10/2026	2,118	0.17
				£6,133,000	Close Brothers Group 2% variable 11/9/2031	5,197	0.41
				£1,650,000	Close Brothers Group 7.75% 14/6/2028	1,710	0.14
				£1,702,000	Close Brothers Group 11.125% variable perpetual	1,670	0.13
				£2,700,000	Commerzbank 8.625% variable 28/2/2033	2,871	0.23
				£6,569,000	Connect M77 GSO 5.404% 31/3/2034	3,996	0.32
				£5,907,000	Co-operative Bank Finance 9.5% variable 24/5/2028	6,335	0.51
				£18,608,657	Co-operative Group 0% 20/12/2025	316	0.03
				£11,518,000	Co-operative Wholesale Society 7.5% Step 8/7/2026	11,345	0.91
				£1,094,000	CPUK Finance 3.588% 28/2/2042	1,058	0.08
				£4,900,000	CPUK Finance 3.69% 28/2/2047	4,533	0.36
				£2,226,000	CPUK Finance 6.136% 28/2/2047	2,273	0.18
				£2,000,000	Credit Agricole 1.874% variable 9/12/2031	1,780	0.14
				£2,600,000	Credit Agricole 7.5% variable perpetual	2,569	0.21
				£2,593,000	Credit Suisse 2.125% variable 15/11/2029	2,288	0.18
				£1,932,000	Credit Suisse 2.25% variable 9/6/2028	1,760	0.14
				£2,808,000	CYBG 4% variable 25/9/2026	2,715	0.22
				£1,096,000	CYBG 9.25% variable perpetual	1,096	0.09
				£7,950,000	Daily Mail & General 6.375% 21/6/2027	7,530	0.60
				£15,100,000	Delamare Finance 5.5457% 19/2/2029	7,968	0.64
				£7,480,000	Delamare Finance 6.067% 19/2/2029	7,671	0.61
				£7,906,000	Derby Healthcare 5.564% 30/6/2041	7,145	0.57
				£4,351,000	Derwent London 1.875% 17/11/2031	3,409	0.27
				£4,100,000	Deutsche Bank 1.875% variable 22/12/2028	3,549	0.28
				£3,000,000	Deutsche Bank 4% variable 24/6/2026	2,924	0.23
				£7,748,000	Dignity Finance 3.5456% 31/12/2034	4,456	0.36
				£1,692,000	Direct Line Insurance 4% 5/6/2032	1,372	0.11
				£5,752,000	DWR Cymru Financing 2.375% 31/3/2034	4,229	0.34
				£7,300,000	Électricité de France 5.875% variable perpetual	6,810	0.54
				£6,600,000	Électricité de France 6% 23/1/2114	6,087	0.49
				£6,200,000	Électricité de France 6% variable perpetual	6,046	0.48
				£1,650,000	Eskmuir Group Finance 4.255% 12/12/2047*	1,035	0.08
				€4,920,000	European Energy FRN 8/9/2026	4,302	0.34
				£13,585,000	Eversholt Funding 2.742% 30/6/2040	9,541	0.76
				£4,880,000	Eversholt Funding 6.697% 22/2/2035	4,234	0.34
				£6,391,000	Fidelity International 7.125% 13/2/2024	6,391	0.51
				£4,873,000	Folio Residential Finance 1.246% 31/10/2037	4,249	0.34
				£9,540,000	Freshwater Finance 4.556% 3/4/2036	8,429	0.67
				£8,366,343	Freshwater Finance 4.607% 17/10/2036	7,238	0.58
				£2,664,000	Freshwater Finance 5.182% 20/4/2035	2,558	0.20
				£400,000	Freshwater Finance 6.057% 17/10/2036	299	0.02
				£5,414,000	Gatwick Funding 2.875% 5/7/2051	3,407	0.27

**Portfolio Statement** (continued)

As at 31 January 2024

Holding	Investment	Bid-market value (£'000)	Total net assets (%)	Holding	Investment	Bid-market value (£'000)	Total net assets (%)
<b>Corporate Bonds – 90.56% (31/01/23 – 92.73%) – continued</b>							
£6,025,000	GB Social Housing 5.193% 12/2/2038	5,857	0.47	£3,000,000	Metropolitan Housing Trust 1.875% 28/7/2036	2,088	0.17
£2,435,000	General Electric Capital 4.875% 18/9/2037	2,221	0.18	£1,451,000	MIELI London 4.82% 12/8/2027*	1,386	0.11
£2,815,000	Genfinance II 6.064% 21/12/2039	3,008	0.24	£6,433,000	Morhomes 3.4% 19/2/2040	5,120	0.41
£3,650,000	Great Rolling Stock 6.5% 5/4/2031	2,770	0.22	£2,318,000	Motability Operations Group 5.625% 24/1/2054	2,417	0.19
£7,523,000	Great Rolling Stock 6.875% 27/7/2035	4,158	0.33	£4,726,000	MPT Operating Partnership 3.375% 24/4/2030	2,735	0.22
£2,201,000	GreenSquareAccord 5.25% 30/11/2047	2,082	0.17	£2,269,000	MPT Operating Partnership 3.692% 5/6/2028	1,517	0.12
£4,367,000	Guinness Trust 7.5% 30/11/2037	3,640	0.29	£2,964,000	Myriad Capital 4.75% 20/12/2043	2,642	0.21
£4,746,000	Gwynt y Môr OFTO 2.778% 17/2/2034	2,779	0.22	£3,097,000	National Australia Bank 1.699% variable 15/9/2031	2,766	0.22
£8,228,860	Harbour Funding 5.28% 31/3/2044	8,221	0.66	£1,800,000	National Exhibition Center 7.5625% 30/9/2027	1,800	0.14
£3,133,000	Hastoe Capital 5.6% 27/3/2042	3,103	0.25	£1,344,000	National Express 2.375% 20/11/2028	1,167	0.09
£7,255,328	Haven Funding 8.125% 30/9/2037	7,097	0.57	£4,639,000	National Express 4.25% variable perpetual	4,223	0.34
£3,000,000	Heathrow Finance 3.875% 1/3/2027	2,824	0.23	£3,942,000	NatWest 2.105% variable 28/11/2031	3,530	0.28
£2,079,000	Heathrow Finance 4.125% 1/9/2029	1,896	0.15	£3,177,000	NatWest 3.619% variable 29/3/2029	2,982	0.24
£2,060,000	Heathrow Finance 4.75% 1/3/2024	2,055	0.16	£2,970,000	NGG Finance 5.625% variable 18/6/2073	2,928	0.23
£2,587,000	Heathrow Funding 2.625% 16/3/2028	2,308	0.18	£5,674,000	Nordea Bank Abp 1.625% variable 9/12/2032	4,869	0.39
£5,000,000	Heathrow Funding 4.625% 31/10/2046	4,389	0.35	£2,337,000	Northern Gas Networks Finance 6.125% 2/6/2033	2,475	0.20
£2,459,000	Hexagon Housing Association 3.625% 22/4/2048	1,762	0.14	£2,229,000	Northumbrian Water Finance 2.375% 5/10/2027	2,013	0.16
£3,000,000	High Speed Rail Finance 4.375% 1/11/2038	2,746	0.22	£2,092,000	Northumbrian Water Finance 6.375% 28/10/2034	2,213	0.18
£4,551,000	Holcim Sterling Finance 2.25% 4/4/2034	3,478	0.28	£3,306,000	Notting Hill Genesis 2% 3/6/2036	2,338	0.19
£6,550,534	Home Group 0% 11/5/2027	5,202	0.42	£1,900,000	Opus Chartered variable 31/3/2025	468	0.04
£2,561,000	Home Group 3.125% 27/3/2043	1,830	0.15	£1,844,000	Orbit Capital 3.375% 14/6/2048	1,342	0.11
£1,224,127	Home Group 8.75% 11/5/2037	1,480	0.12	£8,032,000	Orsted 2.5% variable 18/2/3021	5,667	0.45
£8,266,000	Housing and Care 3.288% 8/11/2049	5,854	0.47	£3,590,000	OSB 8.875% variable 16/1/2030	3,676	0.29
£1,850,000	Housing Finance 5% 30/9/2027	1,839	0.15	£3,406,000	OSB 9.5% variable 7/9/2028	3,548	0.28
£4,240,000	Housing Finance 5.125% 21/12/2037	4,258	0.34	£4,446,000	OSB Group 9.993% variable 27/7/2033	4,445	0.35
£4,321,000	HSBC 1.75% variable 24/7/2027	3,959	0.32	£1,750,000	Peabody Capital 5.25% 17/3/2043	1,710	0.14
£2,900,000	HSBC 3% variable 22/7/2028	2,692	0.21	£7,808,672	Peel Land & Property Investments 8.375% Step 30/4/2040	7,726	0.62
£4,102,000	HSBC 5.875% variable perpetual	3,912	0.31	£2,710,418	Peel South East 10% 30/4/2026	2,712	0.22
£2,267,000	HSBC 6.8% variable 14/9/2031	2,445	0.20	£3,683,000	Pension Insurance 3.625% 21/10/2032	2,954	0.24
£9,330,000	HSBC 8.201% variable 16/11/2034	10,251	0.82	£3,703,000	Pension Insurance 4.625% 7/5/2031	3,263	0.26
£5,100,000	ING Groep NV 6.25% variable 20/5/2033	5,115	0.41	£3,676,000	Pension Insurance 8% 13/11/2033	3,928	0.31
£4,250,000	Intesa Sanpaolo SpA 6.5% 14/3/2029	4,337	0.35	£15,664,000	Peterborough Progress Health 5.581% 2/10/2042	10,686	0.85
£1,850,000	Intu Debenture 5.562% 31/12/2027	646	0.05	£2,302,000	Phoenix Group 5.625% 28/4/2031	2,170	0.17
£13,701,000	Intu Metrocentre Finance 4.125% 6/12/2028	8,014	0.64	£2,169,000	Phoenix Group 5.867% 13/6/2029	2,122	0.17
£8,945,000	Investec 1.875% variable 16/7/2028	7,655	0.61	£2,070,000	Phoenix Life 5.75% variable perpetual	1,796	0.14
£2,335,000	Investec 2.625% variable 4/1/2032	2,007	0.16	£4,900,000	Phoenix Life 7.75% variable 06/12/2053	5,090	0.41
£4,348,000	Investec 9.125% variable 6/3/2033	4,561	0.36	£10,230,000	Places for People Homes 3.625% 22/11/2028	9,551	0.76
£6,204,000	John Lewis 4.25% 18/12/2034	4,421	0.35	£3,000,000	Places for People Homes 5.875% 23/5/2031	3,092	0.25
£2,416,000	John Lewis 6.125% 21/1/2025	2,407	0.19	£3,000,000	Places for People Homes 6.625% 30/9/2038	2,285	0.18
£2,088,000	JRP Group 9% 26/10/2026	2,250	0.18	£2,526,000	Places For People Treasury 6.25% 6/12/2041	2,654	0.21
£1,217,000	Jupiter Fund Management 8.875% variable 27/7/2030	1,212	0.10	£6,180,000	Poplar Housing & Regeneration Community 4.843% 30/9/2043	5,283	0.42
£1,113,000	Just Group 7% variable 15/4/2031	1,118	0.09	£1,900,000	Porterbrook Rail Finance 4.625% 4/4/2029	1,852	0.15
£7,110,000	Juturna Euro Loan Conduit 5.0636% 10/8/2033	4,744	0.38	£10,206,000	Premiertel 6.175% 8/5/2032	7,149	0.57
£2,878,000	Legal & General 4.5% variable 1/11/2050	2,638	0.21	£7,700,000	Prudential 6.125% 19/12/2031	7,908	0.63
£8,027,000	Legal & General 5.125% variable 14/11/2048	7,817	0.62	£6,888,000	QBE Insurance 2.5% variable 13/9/2038	5,820	0.46
£2,080,000	Legal & General 5.5% variable 27/6/2064	2,000	0.16	£4,800,000	Quadrant Housing 7.93% Step 10/2/2033	4,068	0.32
£4,551,000	Legal & General 5.625% variable perpetual	3,971	0.32	£1,243,000	RAC Bond 8.25% 6/5/2046	1,342	0.11
£2,056,000	Lendinvest Secured Income II 11.5% 3/10/2026	2,030	0.16	£1,982,000	Radian Capital 6% 5/3/2042	1,970	0.16
£2,950,000	Libra Treasury 3.25% 15/5/2043	2,143	0.17	£3,233,000	RCB Bonds 3.5% 8/12/2033	2,813	0.22
£2,391,000	Lloyds Bank 1.985% variable 15/12/2031	2,147	0.17	£1,528,000	Realty Income 1.625% 15/12/2030	1,225	0.10
£2,503,000	Lloyds Bank 2% variable 12/4/2028	2,266	0.18	£3,030,000	Realty Income 1.875% 14/1/2027	2,761	0.22
£8,908,000	Lloyds Bank 2.707% variable 3/12/2035	7,154	0.57	£2,093,000	Realty Income 2.5% 14/1/2042	1,398	0.11
£4,836,000	Lloyds Bank 8.5% variable perpetual	4,872	0.39	£1,750,000	Retail Charity Bonds 3.25% 22/7/2031	1,314	0.10
£2,608,000	Lloyds Bank 8.5% variable perpetual	2,615	0.21	£732,400	Retail Charity Bonds 3.9% 23/11/2029	642	0.05
£3,706,000	Logicor 2019 1.875% 17/11/2031	3,387	0.27	£4,682,600	Retail Charity Bonds 4% 31/10/2029	4,085	0.33
£2,400,000	London & Quadrant Housing Trust 2.25% 20/7/2029	2,086	0.17				
£2,701,000	London Merchant Securities 6.5% 16/3/2026	2,721	0.22				
£7,700,000	Longstone Finance 4.791% 19/4/2036	2,664	0.21				
£3,828,000	M&G 5% variable 20/7/2055	3,456	0.28				
£5,844,000	M&G 5.7% variable 19/12/2063	5,497	0.44				
£8,254,000	M&G 6.25% variable 20/10/2068	7,633	0.61				
£1,750,000	Martlet Homes 3% 9/5/2052	1,181	0.09				
£8,100,000	Meadowhall Finance 4.986% 12/1/2032	3,674	0.29				
£629,557	Metrocentre New Money Note Sonia + 11% PIK 6/12/2023*	611	0.05				

**Portfolio Statement** (continued)

As at 31 January 2024

Holding	Investment	Bid-market value (£'000)	Total net assets (%)	Holding	Investment	Bid-market value (£'000)	Total net assets (%)
<b>Corporate Bonds – 90.56% (31/01/23 – 92.73%) – continued</b>							
£4,060,000	Retail Charity Bonds 4.25% 30/3/2026	3,745	0.30	£6,000,000	Tesco Property 5.6611% 13/10/2041	5,572	0.44
£2,572,700	Retail Charity Bonds 4.25% 6/7/2028	2,360	0.19	£7,300,000	Tesco Property 5.744% Sink 13/4/2040	6,554	0.52
£2,632,200	Retail Charity Bonds 4.4% 30/4/2027	2,505	0.20	£4,998,000	Tesco Property 5.8006% 13/10/2040	4,573	0.37
£4,550,000	Retail Charity Bonds 4.5% 20/6/2026	4,188	0.33	£7,000,000	Tesco Property 6.0517% 13/10/2039	5,303	0.42
£4,625,000	Retail Charity Bonds 5% 17/12/2030	3,804	0.30	£3,290,000	Thames Water 6.75% 16/11/2028	3,267	0.26
£5,279,000	Rothesay Life 3.375% 12/7/2026	5,002	0.40	£8,193,000	Thames Water Kemble Finance 4.625% 19/5/2026	3,110	0.25
£2,667,000	Rothesay Life 5% variable perpetual	1,940	0.15	£2,588,000	Thames Water Utilities 2.375% 22/4/2040	1,532	0.12
£6,635,000	Rothesay Life 5.5% variable 17/9/2029	6,579	0.53	£2,000,000	Thames Water Utilities 2.875% 3/5/2027	1,493	0.12
£1,879,000	Rothesay Life 7.734% 16/5/2033	1,999	0.16	£2,166,000	Thames Water Utilities 3.5% 25/2/2028	1,920	0.15
£3,610,000	Royal Bank of Scotland Group 3.125% variable 28/3/2027	3,444	0.27	£5,683,000	Thames Water Utilities 7.738% 9/4/2058	6,049	0.48
£3,665,000	RSL Finance 6.625% 31/3/2038	3,142	0.25	£1,966,000	Thames Water Utilities 7.75% 30/4/2044	2,000	0.16
£2,800,000	Sanctuary 8.375% 1/9/2031	2,453	0.19	£1,680,000	Thames Water Utilities 8.25% 25/4/2040	1,837	0.15
£4,613,000	Santander 10.0625% perpetual	5,812	0.46	£2,719,000	THFC Funding 5.2% 11/10/2043	2,659	0.21
£3,554,000	Santander UK 2.421% variable 17/1/2029	3,165	0.25	£3,797,000	TP ICAP 2.625% 18/11/2028	3,206	0.26
£3,255,000	Saxon Weald Capital 5.375% 6/6/2042	3,232	0.26	£1,929,000	TP ICAP 5.25% 29/5/2026	1,873	0.15
£2,000,000	Scot Roads Partnership Finance 5.591% 16/3/2045	1,848	0.15	£2,903,000	TP ICAP Finance 7.875% 17/4/2030	3,133	0.25
£1,795,000	Scottish Hydro Electric Transmission 5.5% 15/1/2044	1,800	0.14	£2,010,000	Trafford Centre 6.5% 28/7/2033	1,257	0.10
£2,700,000	Scottish Power 6.375% Step 31/5/2041	2,893	0.23	£4,750,000	Trafford Centre FRN 28/7/2035	3,776	0.30
£5,500,000	Scottish Widows 7% 16/6/2043	5,967	0.48	£3,163,000	Uliving@essex3 LLP NEW ISSUE 2.72% 31/8/2066 FIX*	1,841	0.15
£4,131,000	Skipton Building Society 2% variable 2/10/2026	3,870	0.31	£2,375,000	Unifund 5.32% 7/12/2047	1,995	0.16
£2,500,000	Skipton Building Society 6.25% variable 25/4/2029	2,509	0.20	£5,950,000	UPP Bond Issuer 4.9023% 28/2/2040	4,654	0.37
£5,300,000	Skipton Building Society 8.5% perpetual	6,135	0.49	£4,545,000	Vattenfall AB 2.5% variable 29/6/2083	3,858	0.31
£5,341,000	Society of Lloyds 4.875% variable 7/2/2047	5,169	0.41	£6,795,000	Vattenfall AB 6.875% variable 17/8/2083	6,923	0.55
£2,759,000	South East Water 5.5834% 29/3/2029	2,729	0.22	£1,446,000	Virgin Money 2.625% variable 19/8/2031	1,302	0.10
£3,562,000	Southern Housing Group 2.375% 8/10/2036	2,590	0.21	£1,540,000	Virgin Money 3.375% variable 24/4/2026	1,483	0.12
£2,971,000	Southern Water Services Finance 1.625% 30/3/2027	2,603	0.21	£3,694,000	Virgin Money 5.125% variable 11/12/2030	3,586	0.29
£7,262,000	Southern Water Services Finance 2.375% 28/5/2028	6,298	0.50	£1,563,000	Virgin Money UK 7.625% variable 23/8/2029	1,669	0.13
£2,440,000	Southern Water Services Finance 7.375% 12/12/2041	2,525	0.20	£3,867,000	Vodafone Group 8% variable 30/8/2086	4,162	0.33
£4,304,000	SSE 3.74% variable perpetual	4,091	0.33	£3,600,000	Volkswagen Financial Services 2.125% 18/1/2028	3,187	0.25
£3,671,000	St James Oncology Financing 2.804% 31/3/2037	2,301	0.18	£2,500,000	Volkswagen Financial Services 3.25% 13/4/2027	2,349	0.19
£3,300,000	Standard Chartered 5.125% 6/6/2034	3,105	0.25	€2,500,000	Volkswagen International Finance 7.875% variable perpetual	2,398	0.19
£2,900,000	Suez 6.625% 5/10/2043	3,225	0.26	£1,769,000	Weir Group 6.875% 14/6/2028	1,848	0.15
£4,661,000	Summit Finance 6.484% 31/3/2028	1,404	0.11	£4,600,000	Wells Fargo 4.875% 29/11/2035	4,266	0.34
£5,806,000	Sunderland 6.38% 31/3/2042	5,935	0.47	£2,280,000	Welltower 4.5% 1/12/2034	2,103	0.17
£2,230,000	Sustainable Communities for Leeds Finance 5.069% 30/9/2032	1,357	0.11	£3,170,000	Welltower 4.8% 20/11/2028	3,141	0.25
£2,177,000	Svenska Handelsbanken 4.625% variable 23/8/2032	2,090	0.17	£2,617,000	Wessex Water Services 1.5% 17/9/2029	2,139	0.17
£6,913,000	Swan Housing Capital 3.625% 5/3/2048	5,225	0.42	£3,320,000	Western Power Distribution 5.75% 16/4/2032	3,455	0.28
£8,703,000	Telereal Secured Finance 4.01% 10/12/2033	4,332	0.35	£4,311,000	Westfield Stratford City 1.642% 4/8/2031	3,895	0.31
£2,446,000	Telereal Securitisation 1.3657% 10/12/2033	1,455	0.12	£6,531,000	White City Property 5.1202% 17/4/2035	4,847	0.39
£5,878,000	Telereal Securitisation 1.9632% variable 10/12/2033	5,436	0.43	£2,440,000	Worcestershire Hospital 5.87% 31/12/2030	1,077	0.09
£6,225,000	Telereal Securitisation 3.507% variable 10/12/2033	5,602	0.45	£2,800,000	Yorkshire Building Society 1.5% variable 15/9/2029	2,335	0.19
£1,764,600	Telereal Securitisation 3.5625% 10/12/2036	1,583	0.13	£6,700,000	Yorkshire Building Society 3.375% variable 13/9/2028	6,081	0.49
£3,158,400	Telereal Securitisation 3.5625% 10/12/2036	2,849	0.23	£4,149,000	Yorkshire Building Society 6.375% variable 15/11/2028	4,244	0.34
£5,338,000	Telereal Securitisation 4.9741% 10/12/2033	1,945	0.16	£2,367,000	Yorkshire Building Society 7.375% variable 12/9/2027	2,444	0.19
£4,752,000	Telereal Securitisation 5.3887% 10/12/2033	1,781	0.14	£2,166,000	Yorkshire Water Finance 1.75% 27/10/2032	1,601	0.13
£5,933,000	Telereal Securitisation 6.1645% 10/12/2033	4,892	0.39	£3,154,000	Yorkshire Water Finance 5.25% 28/4/2030	3,102	0.25
£3,195,000	Telereal Securitisation FRN 10/12/2033	2,314	0.18	£1,999,000	Yorkshire Water Finance 5.5% 28/4/2035	1,935	0.15
£3,600,000	Telereal Securitisation FRN 10/12/2033	2,821	0.22	£1,300,000	Yorkshire Water Services 4.965% 13/6/2033	1,173	0.09
				€5,900,000	Ziton FRN 9/6/2028	5,133	0.41
				£3,373,000	Zurich Finance 5.125% variable 23/11/2052	3,235	0.26
				<b>Total Corporate Bonds</b>		<b>1,134,295</b>	<b>90.56</b>

## Portfolio Statement (continued)

As at 31 January 2024

Holding	Investment	Bid-market value (£'000)	Total net assets (%)
<b>Index-Linked Bonds – 0.17% (31/01/23 – 0.20%)</b>			
£1,145,000	Coventry & Rugby 3.246% IL 30/6/2040	1,179	0.09
£1,530,000	Road Management Services 3.642% IL 31/3/2028*	988	0.08
<b>Total Index-Linked Bonds</b>		<b>2,167</b>	<b>0.17</b>
<b>Preference Shares – 3.35% (31/01/23 – 3.02%)</b>			
8,256,617	Ecclesiastical Insurance 8.625% preference perpetual	10,899	0.87
5,131,803	Lloyds Bank 9.25% non cumulative preference perpetual	6,989	0.56
4,597,407	NatWest Bank 9% preference perpetual	5,977	0.48
9,034,355	Santander UK Preference 10.375% perpetual	12,558	1.00
4,850,000	Standard Chartered 8.25% preference	5,495	0.44
<b>Total Preference Shares</b>		<b>41,918</b>	<b>3.35</b>
<b>Forward Currency Contracts – 0.02% (31/01/23 – 0.00%)</b>			
	Buy £12,100,509 & Sell €13,951,206†	172	0.02
	Buy £1,544,063 & Sell \$1,900,000†	52	0.00
<b>Total Forward Currency Contracts</b>		<b>224</b>	<b>0.02</b>
<b>Total value of investments</b>		<b>1,227,741</b>	<b>98.02</b>
<b>Net other assets</b>		<b>24,832</b>	<b>1.98</b>
<b>Total net assets</b>		<b>1,252,573</b>	<b>100.00</b>

† Unlisted

\* Level 3 Investments

Other than forward currency contracts, all investments are listed on recognised stock exchanges and are “approved securities” within the meaning of the FCA rules unless otherwise stated.

## Summary of Material Portfolio Changes

For the year ended 31 January 2024

### Significant Purchases

	Cost £'000
Intu Metrocentre Finance 4.125% 6/12/2028	6,741
Vattenfall AB 6.875% variable 17/8/2083	6,698
Co-operative Bank Finance 9.5% variable 24/5/2028	5,907
Ziton FRN 9/6/2028	5,132
ING Groep NV 6.25% variable 20/5/2033	5,099
Banco Bilbao Vizcaya Argenta 8.25% variable 30/11/2033	4,993
BPCE 6.125% 24/5/2029	4,891
Phoenix Life 7.75% variable 6/12/2053	4,865
OSB 9.993% variable 27/7/2033	4,446
Intesa Sanpaolo SpA 6.5% 14/3/2029	4,238
<b>Subtotal</b>	<b>53,010</b>
<b>Total cost of purchases, including the above, for the year</b>	<b>191,934</b>

### Significant Sales

	Proceeds £'000
UK Municipal Bonds Agency Finance FRN 12/3/2025	11,006
Shaftesbury Chinatown 2.348% 30/9/2027	9,463
Intermediate Capital Group 5% 24/3/2023	6,956
Industrial Commercial Bank of China 1.625% 28/12/2025	6,933
Shaftesbury Carnaby 2.487% 30/9/2031	6,868
BNP Paribas 2.875% 24/2/2029	6,790
AXA 5.625% variable 16/1/2054	6,300
Virgin Money 7.875% variable 14/12/2028	5,928
Grosvenor UK Finance 6.5% 29/9/2026	5,892
BNP Paribas 5.75% 13/6/2032	5,564
<b>Subtotal</b>	<b>71,700</b>
<b>Total proceeds from sales, including the above, for the year</b>	<b>330,176</b>



## Financial Statements

### Statement of Total Return

For the year ended 31 January 2024

	Note	31 Jan 2024 £'000	31 Jan 2023 £'000
<b>Income</b>			
Net capital gains/ (losses)	2	10,643	(256,434)
Revenue	3	58,563	54,932
Expenses	4	(4,987)	(5,794)
Interest payable and similar charges		(23)	(16)
Net revenue before taxation		53,553	49,122
Taxation	5	–	–
Net revenue after taxation		53,553	49,122
Total return/(deficit) before distributions		64,196	(207,312)
Distributions	6	(56,043)	(52,019)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>8,153</b>	<b>(259,331)</b>

### Balance Sheet

As at 31 January 2024

	Note	31 Jan 2024 £'000	31 Jan 2023 £'000
<b>Assets</b>			
Investments		1,227,741	1,366,958
<b>Current assets:</b>			
Debtors	7	31,708	20,578
Cash and bank balances	8	2,773	1,783
<b>Total assets</b>		<b>1,262,222</b>	<b>1,389,319</b>
<b>Liabilities</b>			
Investment liabilities		–	3
<b>Creditors:</b>			
Other creditors	9	3,383	2,090
Distribution payable		6,266	5,720
<b>Total liabilities</b>		<b>9,649</b>	<b>7,813</b>
<b>Net assets attributable to shareholders</b>		<b>1,252,573</b>	<b>1,381,506</b>

### Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 January 2024

	31 Jan 2024 £'000	31 Jan 2023 £'000
<b>Opening net assets attributable to shareholders</b>	<b>1,381,506</b>	<b>1,725,694</b>
Amounts receivable on creation of shares	111,604	241,089
Amounts payable on cancellation of shares	(280,151)	(357,242)
	(168,547)	(116,153)
Dilution adjustment charged	890	984
<b>Change in net assets attributable to shareholders from investment activities</b>	<b>8,153</b>	<b>(259,331)</b>
Retained distributions on accumulation shares	30,571	30,312
<b>Closing net assets attributable to shareholders</b>	<b>1,252,573</b>	<b>1,381,506</b>

## Notes to the Financial Statements

For the year ended 31 January 2024

### 1. Accounting policies

The accounting policies are set out in note 1 on pages 9 and 10.

### 2. Net capital gains/(losses)

	31 Jan 2024 £'000	31 Jan 2023 £'000
<b>The net capital gains/(losses) during the year comprise:</b>		
Non-derivative securities	10,257	(256,394)
Currency (losses)/gains	(18)	49
Activity fees	–	10
Forward currency contracts	404	(99)
<b>Net capital gains/(losses)</b>	<b>10,643</b>	<b>(256,434)</b>

### 3. Revenue

	31 Jan 2024 £'000	31 Jan 2023 £'000
UK dividends	2,878	2,627
Interest on debt securities	55,514	52,264
Bank interest	171	41
<b>Total revenue</b>	<b>58,563</b>	<b>54,932</b>

### 4. Expenses

	31 Jan 2024 £'000	31 Jan 2023 £'000
<b>Payable to the Authorised Corporate Director or associates of the Authorised Corporate Director and agents of either of them:</b>		
Fund Management Fee*	4,987	5,794
<b>Total expenses</b>	<b>4,987</b>	<b>5,794</b>

\* Audit fee £18,832 (31/01/23: £17,935) inclusive of VAT is paid from the Fund Management Fee.

### 5. Taxation

#### a) Analysis of charge for the year

	31 Jan 2024 £'000	31 Jan 2023 £'000
Corporation tax	–	–
<b>Total tax charge for the year</b>	<b>–</b>	<b>–</b>

#### b) Factors affecting total tax charge for the year

The tax assessed for the year is lower (31/01/23: lower) than the standard rate of corporation tax in the UK for an Open Ended Investment Company (20%).

The differences are explained below:

	31 Jan 2024 £'000	31 Jan 2023 £'000
Net revenue before taxation	53,553	49,122
Corporation tax at 20% (31/01/23: 20%)	10,711	9,824

Effects of:

Revenue not subject to taxation	(576)	(525)
Tax deductible interest distributions	(10,135)	(9,299)

<b>Total tax charge for the year</b>	<b>–</b>	<b>–</b>
--------------------------------------	----------	----------

Authorised Open Ended Investment Companies are exempt from tax on capital gains, therefore any capital gains/(losses) are not included in the reconciliation above.

#### c) Provision for deferred tax

There was no provision required for deferred tax at the balance sheet date (31/01/23: same).

#### d) Factors that may affect future tax charges

There was no provision required for deferred tax at the balance sheet date (31/01/23: same).



## Notes to the Financial Statements (continued)

For the year ended 31 January 2024

### 6. Distributions

The distributions take account of income received on the issue of shares and income deducted on the cancellation of shares and comprise:

	31 Jan 2024 £'000	31 Jan 2023 £'000
<b>Accumulation shares</b>		
First Interim	7,274	7,657
Second Interim	7,712	7,433
Third Interim	7,836	7,597
Final	7,749	7,625
	30,571	30,312
<b>Income shares</b>		
First Interim	5,812	4,722
Second Interim	6,170	5,137
Third Interim	6,231	5,400
Final	6,266	5,720
	24,479	20,979
<b>Net distributions for the year</b>	<b>55,050</b>	<b>51,291</b>
Add: Amounts deducted on cancellation of shares	1,612	1,715
Deduct: Amounts received on the creation of shares	(619)	(987)
<b>Gross interest distributions for the year</b>	<b>56,043</b>	<b>52,019</b>

The difference between the net revenue after taxation and the distribution paid is as follows:

	31 Jan 2024 £'000	31 Jan 2023 £'000
Net revenue after taxation	53,553	49,122
Expenses charged to capital	2,493	2,897
Equalisation on conversions	(3)	–
<b>Gross interest distributions for the year</b>	<b>56,043</b>	<b>52,019</b>

Details of the distribution per share are set out on pages 29 to 32.

### 7. Debtors

	31 Jan 2024 £'000	31 Jan 2023 £'000
Amounts receivable on creation of shares	4,439	550
Sales awaiting settlement	7,587	–
Accrued revenue	19,682	20,028
<b>Total debtors</b>	<b>31,708</b>	<b>20,578</b>

### 8. Cash and bank balances

	31 Jan 2024 £'000	31 Jan 2023 £'000
Cash and bank balances	2,773	1,783
<b>Total cash and bank balances</b>	<b>2,773</b>	<b>1,783</b>

### 9. Other creditors

	31 Jan 2024 £'000	31 Jan 2023 £'000
Amounts payable on cancellation of shares	1,470	523
Purchases awaiting settlement	1,498	1,103
Accrued expenses	415	464
<b>Total other creditors</b>	<b>3,383</b>	<b>2,090</b>

## Notes to the Financial Statements (continued)

For the year ended 31 January 2024

### 10. Reconciliation of number of shares

	Class M Accumulation	Class M Income
Opening shares at 01/02/2023	367,498,493	171,299,325
Shares issued	1,579,826	20,060,352
Shares cancelled	(82,149,928)	(31,944,153)
Shares converted	7,267	(226,742)
<b>Closing shares at 31/01/24</b>	<b>286,935,658</b>	<b>159,188,782</b>

	Class R Accumulation
Opening shares at 01/02/2023	175,018,164
Shares issued	27,009,194
Shares cancelled	(50,663,822)
Shares converted	–
<b>Closing shares at 31/01/24</b>	<b>151,363,536</b>

	Class S Accumulation	Class S Income
Opening shares at 01/02/2023	106,682,277	76,667,808
Shares issued	14,443,149	4,144,291
Shares cancelled	(17,472,520)	(2,521,807)
Shares converted	–	(8,839,568)
<b>Closing shares at 31/01/24</b>	<b>103,652,906</b>	<b>69,450,724</b>

	Class Z Accumulation	Class Z Income
Opening shares at 01/02/2023	15,243,056	354,501,435
Shares issued	4,533,080	42,254,891
Shares cancelled	(2,518,696)	(69,659,535)
Shares converted	–	8,115,140
<b>Closing shares at 31/01/24</b>	<b>17,257,440</b>	<b>335,211,931</b>

All classes within the Fund have the same rights on winding up.

### 11. Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (31/01/23: same).

### 12. Related party transactions

The Fund's Authorised Corporate Director, Royal London Unit Trust Managers Limited, is a related party to the Fund as defined by Financial Reporting Standard 102 'Related Party Disclosures'.

Fund Management Fee fees charged by Royal London Unit Trust Managers Limited are shown in note 4 and details of shares created and cancelled by Royal London Unit Trust Managers Limited are shown in the Statement of Change in Net Assets Attributable to Shareholders and note 6.

At the year end the balance due to/from Royal London Unit Trust Managers Limited in respect of these transactions was £2,553,000 (31/01/23: £436,000).

At the year end, 31 January 2024, 9.97% (31/01/23: 10.15%) of the shares in issue were held by The Royal London Mutual Insurance Society Limited. Royal London Unit Trust Managers Limited is a wholly owned subsidiary of The Royal London Mutual Insurance Society Limited.

### 13. Financial Derivatives

The Fund has used financial derivatives for hedging and meeting investment objectives including risk reduction and implementation of investment policies.

The use of derivatives can create additional counterparty risks. Details of the policy adopted by the ACD for managing counterparty and other risks are set out in the Notes to the Financial Statements.

The types of derivatives held at the year end were forward currency contracts.

Details of the individual contracts are shown on the portfolio statement on pages 16 to 19, and the total position held by the counterparty at the year end is summarised below:

The underlying exposure for each category of derivatives were as follows:

Counterparty	Forward currency contracts	
	31 Jan 2024 £'000	31 Jan 2023 £'000
Barclays Bank	52	–
Royal Bank of Canada	172	–

Eligible collateral types are approved by the ACD and may consist of cash and government bonds only as eligible collateral with respect to derivative transactions.

At 31 January 2024 there was no collateral held in respect of the above derivatives (31/01/23: same).

## Notes to the Financial Statements (continued)

For the year ended 31 January 2024

### 14. Risk disclosures

The policies applied to the management of risk disclosures are set out on pages 10 and 11.

The fair values of the Fund's assets and liabilities are represented by the values shown in the balance sheet on page 21. There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

As most of the assets of the Fund are sterling denominated, exposure to foreign currency exchange risk is considered insignificant. The value of the Fund's assets/(liabilities) may be affected by currency movements.

If sterling to foreign currency exchange rates had increased by 10% as at the balance sheet date, the net asset value of the Fund would have decreased by £58,000 (31/01/23: £16,000). If sterling to foreign currency exchange rates had decreased by 10% as at the balance sheet date, the net asset value of the Fund would have increased by £58,000 (31/01/23: £16,000). These calculations assume all other variables remain constant.

If market prices had increased by 10% as at the balance sheet date, the net asset value of the Fund would have increased by £122,774,000 (31/01/23: £136,696,000). If market prices had decreased by 10% as at the balance sheet date, the net asset value of the Fund would have decreased by £122,774,000 (31/01/23: £136,696,000). These calculations assume all other variables remain constant.

### Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund's financial assets and liabilities at 31 January 2023 compared to the previous year end was:

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
<b>31 Jan 2024</b>				
Sterling	435,505	739,101	73,389	1,247,995
Euro	12,136	–	397	12,533
US dollar	1,630	–	64	1,694
<b>Total</b>	<b>449,271</b>	<b>739,101</b>	<b>73,850</b>	<b>1,262,222</b>

<b>31 Jan 2023</b>				
Sterling	413,428	909,225	62,266	1,384,919
Euro	4,350	–	50	4,400
<b>Total</b>	<b>417,778</b>	<b>909,225</b>	<b>62,316</b>	<b>1,389,319</b>

Currency	Floating rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
<b>31 Jan 2024</b>			
Sterling	–	9,649	9,649
<b>Total</b>	<b>–</b>	<b>9,649</b>	<b>9,649</b>
<b>31 Jan 2023</b>			
Sterling	–	7,810	7,810
Euro	–	3	3
<b>Total</b>	<b>–</b>	<b>7,813</b>	<b>7,813</b>

Based on 2023 Bank of England interest rate increases, if the coupon rate of floating rate instruments was to change by 3%, the income attributable to these investments at the year end 31/01/24, would change by £6,069,000 (31/01/23: £4,535,000). Another possible scenario would be if the coupon rate of floating rate instruments was to change by 1% in the future, the income attributable to these investments at the year end 31/01/24, would change by £4,228,000 (31/01/23: £2,619,000).

A change of 3% in the prevailing interest rates would result in a change of 17.78% (31/01/23: 18.80%) to the value of the Fund. Another possible scenario would be if a change of 1% in the prevailing interest rates would result in a change of 5.92% (31/01/23: 6.27%) to the value of the Fund.

These examples represent the ACD's best estimate of possible shifts in interest rates.

## Notes to the Financial Statements (continued)

For the year ended 31 January 2024

### 14. Risk disclosures – continued

#### Interest rate risk profile of financial assets and financial liabilities – continued

Interest rates and bond prices have an inverse relationship. As interest rates rise the value of bonds will decrease and vice versa.

Credit breakdown*	31 Jan 2024		31 Jan 2023	
	Bid-Market value £'000	Total net assets %	Bid-Market value £'000	Total net assets %
Investments of investment grade	838,452	66.93	999,644	72.36
Investments of below investment grade	127,720	10.20	112,762	8.16
Unrated bonds	219,427	17.52	212,815	15.41
<b>Total bonds</b>	<b>1,185,599</b>	<b>94.65</b>	<b>1,325,221</b>	<b>95.93</b>
Forward currency contracts – assets	224	0.02	–	–
Corporate preference shares	41,918	3.35	41,737	3.02
<b>Investments as shown in the balance sheet</b>	<b>1,227,741</b>	<b>98.02</b>	<b>1,366,958</b>	<b>98.95</b>
Forward currency contracts – liabilities	–	–	(3)	–
<b>Total value of investments</b>	<b>1,227,741</b>	<b>98.02</b>	<b>1,366,955</b>	<b>98.95</b>

\* Ratings supplied by S&P, followed by Moody's.

## Notes to the Financial Statements (continued)

For the year ended 31 January 2024

### 15. Portfolio transaction costs

For the year ended 31 January 2024

Analysis of total purchases costs	Value £'000	Commissions £'000	%	Taxes £'000	%	Other Expenses £'000	%	Total £'000
Equity transactions	9,805	–	–	4	0.04	–	–	9,809
Bond transactions	182,125	–	–	–	–	–	–	182,125
<b>Total</b>	<b>191,930</b>	<b>–</b>		<b>4</b>		<b>–</b>		<b>191,934</b>

Analysis of total sales costs	Value £'000	Commissions £'000	%	Taxes £'000	%	Other Expenses £'000	%	Total £'000
Bond transactions	288,628	–	–	–	–	–	–	288,628
Corporate actions	41,548	–	–	–	–	–	–	41,548
<b>Total</b>	<b>330,176</b>	<b>–</b>		<b>–</b>		<b>–</b>		<b>330,176</b>

The Fund had paid £nil as commission on purchases and sales derivative transactions for the year ended 31/01/24.

Commissions, taxes and fees as % of average net assets

Commissions	0.00%
Taxes	0.00%
Other expenses	0.00%

For the year ended 31 January 2023

Analysis of total purchases costs	Value £'000	Commissions £'000	%	Taxes £'000	%	Other Expenses £'000	%	Total £'000
Equity transactions	14,308	–	–	72	0.50	–	–	14,380
Bond transactions	260,153	–	–	–	–	–	–	260,153
<b>Total</b>	<b>274,461</b>	<b>–</b>		<b>72</b>		<b>–</b>		<b>274,533</b>

Analysis of total sales costs	Value £'000	Commissions £'000	%	Taxes £'000	%	Other Expenses £'000	%	Total £'000
Bond transactions	339,950	–	–	–	–	–	–	339,950
Corporate actions	279	–	–	–	–	–	–	279
<b>Total</b>	<b>340,229</b>	<b>–</b>		<b>–</b>		<b>–</b>		<b>340,229</b>

The Fund had paid £nil as commission on purchases and sales derivative transactions for the year ended 31/01/23.

Commissions, taxes and fees as % of average net assets

Commissions	0.00%
Taxes	0.00%
Other expenses	0.00%

At the balance sheet date the portfolio dealing spread was 1.07% (31/01/23: 1.17%).

The Fund is single priced throughout the year and therefore the dealing spread is not indicative of the full year.

## Notes to the Financial Statements (continued)

For the year ended 31 January 2024

### 16. Fair value of investments

The fair values of the Fund's assets and liabilities are represented by the values shown in the balance sheet. There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

The fair value of investments has been determined using the following hierarchy:

Level 1	The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
Level 3	Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

#### As at the year ended 31 January 2024

Level	1 £'000	2 £'000	3 £'000	Total £'000
<b>Investments</b>				
Equities*	41,918	–	–	41,918
Bonds	–	1,163,874	21,725	1,185,599
Derivatives	–	224	–	224
<b>Total</b>	<b>41,918</b>	<b>1,164,098</b>	<b>21,725</b>	<b>1,227,741</b>

#### As at the year ended 31 January 2023

Level	1 £'000	2 £'000	3 £'000	Total £'000
<b>Investments</b>				
Equities*	41,737	–	–	41,737
Bonds	–	1,302,745	22,476	1,325,221
<b>Total</b>	<b>41,737</b>	<b>1,302,745</b>	<b>22,476</b>	<b>1,366,958</b>
<b>Investment liabilities</b>				
Derivatives	–	(3)	–	(3)
<b>Total</b>	<b>–</b>	<b>(3)</b>	<b>–</b>	<b>(3)</b>

\* Preference shares

Where a price is unavailable or the price provided is not thought to be a fair reflection of the current market value of the asset, the Investment Adviser, via the RLAM Valuation Oversight Committee, at its discretion, may permit a different method of valuation to be used.

At the current year end, the level 3 assets held were the following debt securities: Aggregate Micro Power Infrastructure No.2 8% 17/10/2036, Eskmuir Group Finance 4.255% 12/12/2047, Finance for Residence Social Housing 'A1' 8.369% 4/10/2058, Finance for Residence Social Housing 'A2' 8.569% 5/10/2058, Metrocentre New Money Note Sonia +11% PIK 5/12/2024, MIELI London 4.82% 12/8/2027, Road Management Services 3.642% IL 31/3/2028 and Uliving@essex3 LLP NEW ISSUE 2.72% 31/8/2066 FIX.

At the prior period end, the level 3 assets held were the following debt securities: Aggregate Micro Power Infrastructure No.2 8% 17/10/2036, Eskmuir Group Finance 4.255% 12/12/2047, Finance for Residence Social Housing 'A1' 8.369% 4/10/2058, Finance for Residence Social Housing 'A2' 8.569% 5/10/2058, Metrocentre New Money Note Sonia +11% PIK 6/12/2023, MIELI London 4.82% 12/8/2027, Road Management Services 3.642% IL 31/3/2028 and Uliving@essex3 LLP NEW ISSUE 2.72% 31/8/2066 FIX.

The fair value of: Aggregate Micro Power Infrastructure No.2 8% 17/10/2036, Road Management Services 3.642% IL 31/3/2028, SCAST 2016 1 FRN 25/7/2021 and Uliving@essex3 LLP NEW ISSUE 2.72% 31/8/2066 FIX securities at both current year end and prior year end (if held) were based on a single broker quote at the last valuation point of the current and prior accounting year.

Finance for Residence Social Housing 'A1' 8.368% 4/10/2058, Finance for Residence Social Housing 'A2' 8.569% 5/10/2058, MIELI London 4.82% 12/8/2027 and Eskmuir Group Finance 4.255% 12/12/2047, these four bonds are priced by the Investment Adviser using internal models. To estimate a fair value price for these illiquid assets the model uses several buckets of peer group companies. It then derives a credit spread from this group. Based on this and future cashflows of these bonds, a fair value is derived for these bonds.

Metrocentre New Money Note Sonia +11% PIK 6/12/2023 is currently unlisted and priced at cost. The Investment Adviser continues to review the availability of a fair value market.

### 17. Events after the balance sheet date

Subsequent to the Fund's year end, 31 January 2024, factors such as inflation and geopolitical events could cause the Fund to be impacted by resulting volatility in stock markets and adverse investor sentiment.

The net asset value (NAV) of the Fund as at 17 May 2024 was £1,280,112,460. The impact of the market movements on the Fund's NAV between the end of the reporting period 31 January 2024 and the date of which the financial statements were authorised for issue was 1.67%.

There have been no significant redemptions during this period.

## Distribution Tables

For the year ended 31 January 2024

### Distribution in pence per share

#### First Interim

Group 1: Shares purchased prior to 1 February 2023

Group 2: Shares purchased between 1 February 2023 and 30 April 2023

	Net income	Equalisation	Distribution paid 30/06/23	Distribution paid 30/06/22
<b>Class M Accumulation</b>				
Group 1	1.3140	–	1.3140	1.0456
Group 2	0.6843	0.6297	1.3140	1.0456
<b>Class M Income</b>				
Group 1	1.0075	–	1.0075	0.8294
Group 2	0.4063	0.6012	1.0075	0.8294
<b>Class R Accumulation</b>				
Group 1	1.0610	–	1.0610	0.8579
Group 2	0.2907	0.7703	1.0610	0.8579
<b>Class S Accumulation</b>				
Group 1	1.0168	–	1.0168	0.8222
Group 2	0.6995	0.3173	1.0168	0.8222
<b>Class S Income</b>				
Group 1	0.9015	–	0.9015	0.7558
Group 2	0.4473	0.4542	0.9015	0.7558
<b>Class Z Accumulation</b>				
Group 1	0.8858	–	0.8858	0.7094
Group 2	0.3532	0.5326	0.8858	0.7094
<b>Class Z Income</b>				
Group 1	0.9753	–	0.9753	0.8081
Group 2	0.5455	0.4298	0.9753	0.8081



**Distribution Tables** (continued)

For the year ended 31 January 2024

**Distribution in pence per share****Second Interim**

Group 1: Shares purchased prior to 1 May 2023

Group 2: Shares purchased between 1 May 2023 and 31 July 2023

	Net income	Equalisation	Distribution paid 29/09/23	Distribution paid 30/09/22
<b>Class M Accumulation</b>				
Group 1	1.4211	–	1.4211	1.1036
Group 2	0.7229	0.6982	1.4211	1.1036
<b>Class M Income</b>				
Group 1	1.0786	–	1.0786	0.8693
Group 2	0.5114	0.5672	1.0786	0.8693
<b>Class R Accumulation</b>				
Group 1	1.1449	–	1.1449	0.9020
Group 2	0.3068	0.8381	1.1449	0.9020
<b>Class S Accumulation</b>				
Group 1	1.0972	–	1.0972	0.8642
Group 2	1.0561	0.0411	1.0972	0.8642
<b>Class S Income</b>				
Group 1	0.9624	–	0.9624	0.7884
Group 2	0.2000	0.7624	0.9624	0.7884
<b>Class Z Accumulation</b>				
Group 1	0.9572	–	0.9572	0.7472
Group 2	0.1253	0.8319	0.9572	0.7472
<b>Class Z Income</b>				
Group 1	1.0432	–	1.0432	0.8454
Group 2	0.4830	0.5602	1.0432	0.8454

**Distribution Tables** (continued)

For the year ended 31 January 2024

**Distribution in pence per share****Third Interim**

Group 1: Shares purchased prior to 1 August 2023

Group 2: Shares purchased between 1 August 2023 and 31 October 2023

	Net income	Equalisation	Distribution paid 29/12/23	Distribution paid 30/12/22
<b>Class M Accumulation</b>				
Group 1	1.5243	–	1.5243	1.1906
Group 2	0.8013	0.7230	1.5243	1.1906
<b>Class M Income</b>				
Group 1	1.1448	–	1.1448	0.9300
Group 2	0.6245	0.5203	1.1448	0.9300
<b>Class R Accumulation</b>				
Group 1	1.2253	–	1.2253	0.9650
Group 2	0.5285	0.6968	1.2253	0.9650
<b>Class S Accumulation</b>				
Group 1	1.1743	–	1.1743	0.9248
Group 2	1.0841	0.0902	1.1743	0.9248
<b>Class S Income</b>				
Group 1	1.0187	–	1.0187	0.8363
Group 2	0.3533	0.6654	1.0187	0.8363
<b>Class Z Accumulation</b>				
Group 1	1.0258	–	1.0258	0.8034
Group 2	0.3590	0.6668	1.0258	0.8034
<b>Class Z Income</b>				
Group 1	1.1061	–	1.1061	0.9019
Group 2	0.6778	0.4283	1.1061	0.9019

**Distribution Tables** (continued)

For the year ended 31 January 2024

**Distribution in pence per share****Final**

Group 1: Shares purchased prior to 1 November 2023

Group 2: Shares purchased between 1 November 2023 and 31 January 2024

	Net income	Equalisation	Distribution payable 28/03/24	Distribution paid 31/03/23
<b>Class M Accumulation</b>				
Group 1	1.5477	–	1.5477	1.2666
Group 2	0.7850	0.7627	1.5477	1.2666
<b>Class M Income</b>				
Group 1	1.1492	–	1.1492	0.9804
Group 2	0.6886	0.4606	1.1492	0.9804
<b>Class R Accumulation</b>				
Group 1	1.2478	–	1.2478	1.0244
Group 2	0.3310	0.9168	1.2478	1.0244
<b>Class S Accumulation</b>				
Group 1	1.1957	–	1.1957	0.9815
Group 2	0.1588	1.0369	1.1957	0.9815
<b>Class S Income</b>				
Group 1	1.0249	–	1.0249	0.8790
Group 2	0.3926	0.6323	1.0249	0.8790
<b>Class Z Accumulation</b>				
Group 1	1.0428	–	1.0428	0.8543
Group 2	0.3569	0.6859	1.0428	0.8543
<b>Class Z Income</b>				
Group 1	1.1111	–	1.1111	0.9497
Group 2	0.5353	0.5758	1.1111	0.9497

# Royal London Short Duration Credit Fund

## Manager's Investment Report

### Fund performance

12 months to 31 January 2024

	1 year total return %	3 year total return %	5 year total return* %
Royal London Short Duration Credit Fund, Class M Accumulation	6.58	2.62	12.17
Royal London Short Duration Credit Fund, Class M Income	6.62	2.64	12.12
Royal London Short Duration Credit Fund, Class R Accumulation	6.92	3.44	13.60
Royal London Short Duration Credit Fund, Class S Accumulation	6.90	3.43	–
Royal London Short Duration Credit Fund, Class S Income	6.88	3.49	–
Royal London Short Duration Credit Fund, Class Z Accumulation	6.67	2.81	12.36
Royal London Short Duration Credit Fund, Class Z Income	6.66	2.81	12.31
ICE BofAML 1-5yr Sterling Non-Gilt All Stocks Index	4.55	-1.95	4.43
IA £ Strategic Bond TR	4.64	-3.86	9.42

Class M Income and Accumulation launched on 12 April 2019, Class R Accumulation launched on 12 April 2019, Class S Income and Accumulation launched on 7 May 2019 and Class Z income and Accumulation launched on 12 April 2019.

\* The Royal London Short Duration Credit Fund II was launched via a scheme of arrangement for the merger of the Royal London Short Duration Credit Fund (a sub-fund of Royal London Bond Funds ICVC) into the Royal London Short Duration Credit Fund II. The performance table includes historic performance for the original Royal London Short Duration Credit Fund as the main features of the Fund remain the same as at the merger date 12 April 2019.

**Past performance is not necessarily a reliable indicator of future performance. 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.**

Source: RLAM and Lipper, as at 31 January 2024. Returns are net of management fees. Investors should note that the total return is calculated on the Fund's official midday price whereas the Fund has been valued as at close of business for the Net Asset Value quoted within the Comparative Table. For further information, including ongoing performance and Fund breakdown information, please refer to the latest factsheet at [www.rlam.com](http://www.rlam.com).

### Performance overview

During the 12-month period under review, the Fund has outperformed its benchmark and was ahead of the average fund in the Investment Association (IA) peer group. Over the longer three- and five-year periods, the Fund remains well ahead of both the benchmark and peers.

### Market overview

Taming inflation was the priority for central banks during the period under review, with interest rate rises from the Federal Reserve (Fed), European Central Bank (ECB) and Bank of England (BoE). As 2023 came to an end, commentary from central banks and downside surprises in economic data saw markets sharply move to increase their expectations for rate cuts in 2024.

UK government bond yields started the review period continuing the rising trend that started in late 2021. This reflected market views that rising inflation could necessitate even higher interest rates. Yet, with inflation starting to come down, and growth remaining weak, expectations of rate cuts in 2024 contributed to significant falls in bond yields in the final months of 2023. As a result, overall returns for gilts were negative. Sterling corporate bonds produced positive returns, helped by the additional yield these offer and optimism that interest rate cuts would support the corporate sector.

### Portfolio commentary

The driver of the Fund's performance over the 12 months under review came from sector allocation and stock selection. The total returns were broad based across the Fund, with every sector seeing positive returns, led by telecommunications.

By allocation, our heavy overweight position in structured and large underweight in supranationals were strong contributors to our performance, while our overweight insurance position also seen nice returns.

By security selection, banks, insurance and utilities were the largest contributors.

Relatively, versus the benchmark, our telecommunications, consumer goods, and utility holdings all saw strong outperformance.

## Manager's Investment Report (continued)

### Investment outlook

Inflation came down significantly in 2023 but remains above the BoE's target, and now does not have the 'easy' wins of base effects to push this lower. In our view, wage inflation is the key metric to watch: we believe that the Bank will find it hard to start cutting rates if wages continue to rise at 5-6% per annum. Although the economic data remain very mixed, we still believe that higher interest rates will contribute to a slowdown in the UK. This could impact company earnings and lead to some increase in pressure on credit markets. However, consumer resilience has been greater than expected in both the UK and globally, which has helped support growth and prevent a sharp recession.

We expect supply to weigh on credit markets in the first quarter but think that underlying fundamentals will limit spread widening.

Given the potential economic challenges, we remain focused on identifying companies with strong balance sheets, favouring issues with security and downside protection. Over the medium term the superior yields available on credit bonds and the credit risk mitigation undertaken through sector and issuer diversification should support further outperformance.

**Paola Binns**

**Fund Manager**

**Royal London Asset Management Limited**

**31 January 2024**

Please note that this commentary is written as at end of the review period. For insights into market events or positioning since then, please go to [www.rlam.com](http://www.rlam.com).

This report covers investment performance, activity and outlook. For a wider look at the Fund, our Annual Assessment of Value report is available at [www.rlam.com](http://www.rlam.com).

The Task Force on Climate-related Financial Disclosures Report can be found under the relevant Fund name at <https://www.rlam.com/uk/individual-investors/funds>. This report has been prepared in accordance with the recommendations of the TCFD, which aims to help the investment community build a more in-depth and consistent picture of the impact of climate change. A copy of Royal London Asset Management Limited's annual TCFD Report can also be found on our website.

The views expressed are the author's own and do not constitute investment advice and are not an indication of future Fund performance. Portfolio holdings are subject to change, for information only and are not investment recommendations.

Source: Royal London Asset Management Limited, unless otherwise stated.

## Comparative Tables

### Class M Accumulation

Change in net assets per share	31/01/24 (p)	31/01/23 (p)	31/01/22 (p)
Opening net asset value per share	106.03	110.10	109.99
Return before operating charges*	8.03	(3.70)	0.50
Operating charges	(0.38)	(0.37)	(0.39)
Return after operating charges*	7.65	(4.07)	0.11
Distributions on accumulation shares	(5.83)	(4.04)	(3.47)
Retained distributions on accumulation shares	5.83	4.04	3.47
<b>Closing net asset value per share</b>	<b>113.68</b>	<b>106.03</b>	<b>110.10</b>
* after direct transaction costs of:	–	–	–
<b>Performance</b>			
Return after charges	7.21%	(3.70)%	0.10%
<b>Other information</b>			
Closing net asset value (£'000)	116,851	160,802	67,124
Closing number of shares	102,788,236	151,656,608	60,968,203
Operating charges	0.35%	0.35%	0.35%
Direct transaction costs	–	–	–
<b>Prices<sup>^</sup></b>			
Highest share price	113.90	110.50	112.30
Lowest share price	104.70	99.18	110.20

### Class M Income

Change in net assets per share	31/01/24 (p)	31/01/23 (p)	31/01/22 (p)
Opening net asset value per share	91.14	98.34	101.38
Return before operating charges*	6.75	(3.29)	0.49
Operating charges	(0.32)	(0.33)	(0.36)
Return after operating charges*	6.43	(3.62)	0.13
Distributions on income shares	(4.94)	(3.58)	(3.17)
<b>Closing net asset value per share</b>	<b>92.63</b>	<b>91.14</b>	<b>98.34</b>
* after direct transaction costs of:	–	–	–
<b>Performance</b>			
Return after charges	7.06%	(3.68)%	0.13%
<b>Other information</b>			
Closing net asset value (£'000)	231,543	338,840	350,212
Closing number of shares	249,954,278	371,776,712	356,141,241
Operating charges	0.35%	0.35%	0.35%
Direct transaction costs	–	–	–
<b>Prices<sup>^</sup></b>			
Highest share price	95.44	98.73	103.40
Lowest share price	89.02	87.04	100.40

### Class R Accumulation

Change in net assets per share	31/01/24 (p)	31/01/23 (p)	31/01/22 (p)
Opening net asset value per share	106.70	110.51	110.13
Return before operating charges*	8.09	(3.70)	0.49
Operating charges	(0.11)	(0.11)	(0.11)
Return after operating charges*	7.98	(3.81)	0.38
Distributions on accumulation shares	(5.87)	(4.06)	(3.48)
Retained distributions on accumulation shares	5.87	4.06	3.48
<b>Closing net asset value per share</b>	<b>114.68</b>	<b>106.70</b>	<b>110.51</b>
* after direct transaction costs of:	–	–	–
<b>Performance</b>			
Return after charges	7.48%	(3.45)%	0.35%
<b>Other information</b>			
Closing net asset value (£'000)	103,927	96,696	141,424
Closing number of shares	90,623,988	90,623,988	127,973,304
Operating charges	0.10%	0.10%	0.10%
Direct transaction costs	–	–	–
<b>Prices<sup>^</sup></b>			
Highest share price	114.90	110.90	112.70
Lowest share price	105.50	99.73	110.40

### Class S Accumulation

Change in net assets per share	31/01/24 (p)	31/01/23 (p)	31/01/22 (p)
Opening net asset value per share	104.00	107.72	107.37
Return before operating charges*	7.89	(3.62)	0.46
Operating charges	(0.11)	(0.10)	(0.11)
Return after operating charges*	7.78	(3.72)	0.35
Distributions on accumulation shares	(5.72)	(3.96)	(3.39)
Retained distributions on accumulation shares	5.72	3.96	3.39
<b>Closing net asset value per share</b>	<b>111.78</b>	<b>104.00</b>	<b>107.72</b>
* after direct transaction costs of:	–	–	–
<b>Performance</b>			
Return after charges	7.48%	(3.45)%	0.33%
<b>Other information</b>			
Closing net asset value (£'000)	134,261	71,492	81,522
Closing number of shares	120,112,329	68,744,679	75,678,810
Operating charges	0.10%	0.10%	0.10%
Direct transaction costs	–	–	–
<b>Prices<sup>^</sup></b>			
Highest share price	112.00	108.10	109.80
Lowest share price	102.80	97.20	107.60



## Comparative Tables (continued)

### Class S Income

Change in net assets per share	31/01/24 (p)	31/01/23 (p)	31/01/22 (p)
Opening net asset value per share	91.41	98.38	101.16
Return before operating charges*	6.79	(3.30)	0.49
Operating charges	(0.09)	(0.09)	(0.10)
Return after operating charges*	6.70	(3.39)	0.39
Distributions on income shares	(4.96)	(3.58)	(3.17)
<b>Closing net asset value per share</b>	<b>93.15</b>	<b>91.41</b>	<b>98.38</b>
* after direct transaction costs of:	–	–	–
<b>Performance</b>			
Return after charges	7.33%	(3.45)%	0.39%
<b>Other information</b>			
Closing net asset value (£'000)	13,937	92,529	99,527
Closing number of shares	14,962,315	101,220,165	101,164,640
Operating charges	0.10%	0.10%	0.10%
Direct transaction costs	–	–	–
<b>Prices<sup>^</sup></b>			
Highest share price	95.97	98.77	103.40
Lowest share price	89.41	87.24	100.40

### Class Z Accumulation

Change in net assets per share	31/01/24 (p)	31/01/23 (p)	31/01/22 (p)
Opening net asset value per share	106.16	110.20	110.05
Return before operating charges*	8.03	(3.71)	0.50
Operating charges	(0.33)	(0.33)	(0.35)
Return after operating charges*	7.70	(4.04)	0.15
Distributions on accumulation shares	(5.84)	(4.05)	(3.47)
Retained distributions on accumulation shares	5.84	4.05	3.47
<b>Closing net asset value per share</b>	<b>113.86</b>	<b>106.16</b>	<b>110.20</b>
* after direct transaction costs of:	–	–	–
<b>Performance</b>			
Return after charges	7.25%	(3.67)%	0.14%
<b>Other information</b>			
Closing net asset value (£'000)	303,773	258,211	195,358
Closing number of shares	266,797,525	243,222,867	177,277,271
Operating charges	0.31%	0.31%	0.31%
Direct transaction costs	–	–	–
<b>Prices<sup>^</sup></b>			
Highest share price	114.10	110.60	112.40
Lowest share price	104.80	99.29	110.30

### Class Z Income

Change in net assets per share	31/01/24 (p)	31/01/23 (p)	31/01/22 (p)
Opening net asset value per share	91.61	98.80	101.82
Return before operating charges*	6.79	(3.31)	0.49
Operating charges	(0.28)	(0.29)	(0.32)
Return after operating charges*	6.51	(3.60)	0.17
Distributions on income shares	(4.97)	(3.59)	(3.19)
<b>Closing net asset value per share</b>	<b>93.15</b>	<b>91.61</b>	<b>98.80</b>
* after direct transaction costs of:	–	–	–
<b>Performance</b>			
Return after charges	7.11%	(3.64)%	0.17%
<b>Other information</b>			
Closing net asset value (£'000)	280,558	142,178	171,603
Closing number of shares	301,183,104	155,195,598	173,679,484
Operating charges	0.31%	0.31%	0.31%
Direct transaction costs	–	–	–
<b>Prices<sup>^</sup></b>			
Highest share price	95.98	99.20	103.90
Lowest share price	89.50	87.48	100.90

<sup>^</sup> The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year. The net asset value per share price is based on the net asset value in the published financial statements and may be different due to the prior year end accounting adjustments.

It should be remembered that past performance is not a reliable indicator of future performance and that the value of shares, and the income derived from them, can vary.

## Portfolio Statement

As at 31 January 2024

Holding	Investment	Bid-market value (£'000)	Total net assets (%)	Holding	Investment	Bid-market value (£'000)	Total net assets (%)
<b>Commercial Mortgage Backed Securities – 4.23% (31/01/23 – 6.63%)</b>							
£4,250,000	Atom Mortgage Securities FRN 22/7/2031	3,160	0.27	£3,918,000	Barclays 9.25% variable perpetual	3,918	0.33
£6,682,000	Canary Wharf Finance II (A7) FRN 22/10/2037	5,173	0.44	£3,149,000	Blackstone Property Partners Euro 2.625% 20/10/2028	2,695	0.23
£13,300,000	Equity Release Funding FRN 14/7/2045	8,880	0.75	£13,800,000	BNP Paribas 2% variable 24/5/2031	12,524	1.06
£3,113,136	Finance for Residence Social Housing FRN 10/4/2027*	79	0.01	£5,000,000	BNP Paribas 2.875% 24/2/2029	4,505	0.38
£4,058,762	Finance for Residence Social Housing 'A1' 8.369% 4/10/2058*	3,009	0.25	£2,000,000	BNP Paribas 6% variable 18/8/2029	2,091	0.18
£2,200,000	Finance for Residence Social Housing 'A2' 8.569% 5/10/2058*	1,414	0.12	£7,757,000	BP Capital Markets 4.25% variable perpetual	7,304	0.62
£33,294,000	Income Contingent Student Loan FRN 24/7/2056	1,869	0.16	£4,800,000	BPCE 2.5% variable 30/11/2032	4,195	0.35
£41,610,000	Income Contingent Student Loan 2 FRN 24/7/2058	4,146	0.35	£4,100,000	BPCE 6% variable 29/9/2028	4,186	0.35
£3,640,000	Magenta 2020 FRN 20/12/2024	3,200	0.27	£4,100,000	BPCE 6.125% 24/5/2029	4,202	0.35
£4,740,000	Sage AR Funding FRN 17/11/2030	4,669	0.39	£5,135,000	British Land 5.357% 31/3/2028	5,086	0.43
£4,313,000	Sage AR Funding FRN 17/11/2051	4,172	0.35	£4,310,000	Broadgate 4.999% 5/10/2033	4,179	0.35
£1,481,000	Scorpio European Loan Conduit No.34 FRN 17/5/2029	1,407	0.12	£5,350,000	BUPA Finance 5% 8/12/2026	5,251	0.44
£2,389,000	Stark Financing 2023-1 FRN 17/8/2033	2,394	0.20	£4,500,000	CaixaBank 6.875% variable 25/10/2033	4,576	0.39
£2,101,000	Taurus FRN 17/5/2030	2,080	0.17	£6,405,000	Canary Wharf Finance II FRN 22/10/2037	4,834	0.41
£3,375,000	Taurus FRN 17/5/2031	3,291	0.28	£50,505,000	Canary Wharf Finance II 6.455% 22/10/2033	3,262	0.28
£3,537,000	Towd Point Mortgage Funding FRN 20/2/2045	1,143	0.10	£3,275,000	Canary Wharf Group Investment 3.375% 23/4/2028	2,348	0.20
<b>Total Commercial Mortgage Backed Securities</b>		<b>50,086</b>	<b>4.23</b>	£9,295,000	Centrica 5.25% variable 10/4/2075	9,167	0.77
<b>Corporate Bonds – 94.61% (31/01/23 – 90.80%)</b>				£3,000,000	Centrica 6.4% 4/9/2026	3,062	0.26
£4,541,000	AA Bond 6.269% 2/7/2043	4,544	0.38	£2,549,000	Channel Link Enterprises Finance FRN 30/12/2050	1,882	0.16
£1,080,000	AA Bond 7.375% 31/7/2050	1,104	0.09	£6,302,000	Cheung Kong Infrastructure Finance 4.2% perpetual	3,479	0.29
£3,316,000	AA Bond 8.45% 31/7/2050	3,523	0.30	£2,555,000	Close Brothers Group 2% variable 11/9/2031	2,165	0.18
£2,306,000	A2D Funding II 4.5% 30/9/2026	2,236	0.19	£4,386,000	Close Brothers Group 7.75% 14/6/2028	4,546	0.38
€2,100,000	Abertis Infraestructuras Finance 3.248% variable perpetual	1,729	0.15	£2,280,000	Close Brothers Group 11.125% variable perpetual	2,237	0.19
£3,977,000	Abrdn 5.25% variable perpetual	3,355	0.28	\$7,211,000	Cloverie 5.625% variable 24/6/2046	5,656	0.48
£2,003,000	Affinity Water Finance 2004 5.875% 13/7/2026	2,028	0.17	£5,500,000	Commerzbank 1.75% 22/1/2025	5,305	0.45
£6,625,000	Aggregate Micro Power Infrastructure No.2 8% 17/10/2036*	5,778	0.49	£6,800,000	Commerzbank 8.625% variable 28/2/2033	7,230	0.61
£4,400,000	Akelius Residential Property 2.375% 15/8/2025	4,151	0.35	£6,798,000	Connect M77 GSO 5.404% 31/3/2034	4,136	0.35
£8,339,000	Anglian Water Osprey Financing 4% 8/3/2026	7,851	0.66	£3,000,000	Co-operative Rabobank 1.875% variable 12/7/2028	2,715	0.23
£5,952,000	Annington Funding 2.646% 12/7/2025	5,714	0.48	£534,000	Co-operative Bank 9.5% variable 25/4/2029	535	0.05
\$5,300,000	Argentum Netherlands 4.625% variable perpetual	4,017	0.34	£6,330,000	Co-operative Bank Finance 6% variable 6/4/2027	6,175	0.52
£3,832,000	Aroundtown 4.75% variable perpetual	1,993	0.17	£3,175,000	Co-operative Bank Finance 9.5% variable 24/5/2028	3,405	0.29
£2,954,000	Arqiva Finance 4.882% 31/12/2032	1,711	0.14	£30,965,000	Co-operative Group 0% 20/12/2025	526	0.04
£5,760,000	Arqiva Financing 7.21% 30/6/2045	6,174	0.52	£8,834,000	Co-operative Wholesale Society 7.5% Step 8/7/2026	8,702	0.73
£9,600,000	Assicurazioni Generali 6.269% perpetual	9,679	0.82	£3,378,000	Coventry Building Society 6.875% variable perpetual	3,315	0.28
£5,777,000	Australia and New Zealand Banking Group 1.809% variable 16/9/2031	5,182	0.44	£1,100,000	CPUK Finance 3.588% 28/2/2042	1,063	0.09
£5,770,000	Aviva 6.125% variable 14/11/2036	5,864	0.50	£1,574,000	CPUK Finance 4.5% 28/8/2027	1,404	0.12
£8,965,000	AXA 5.453% variable perpetual	8,932	0.75	£1,932,000	CPUK Finance 6.136% 28/2/2047	1,973	0.17
€4,166,000	AXA 6.375% variable perpetual	3,620	0.31	£2,300,000	Credit Agricole 1.874% variable 9/12/2031	2,047	0.17
£11,529,000	AXA 6.6862% variable perpetual	11,774	0.99	£3,800,000	Credit Agricole 5.375% variable 15/1/2029	3,835	0.32
£5,600,000	Banco Bilbao Vizcaya Argentia 8.25% variable 30/11/2033	5,986	0.51	£2,500,000	Credit Suisse 2.125% variable 12/9/2025	2,448	0.21
£5,700,000	Banco Santander 1.5% 14/4/2026	5,250	0.44	£9,658,000	Credit Suisse 7% variable 30/9/2027	10,085	0.85
£3,900,000	Banco Santander 2.25% variable 4/10/2032	3,397	0.29	£4,566,000	Credit Suisse 7.75% 10/3/2026	4,792	0.40
£1,800,000	Banco Santander 3.125% variable 6/10/2026	1,728	0.15	£4,100,000	CYBG 4% variable 25/9/2026	3,964	0.33
£3,000,000	Banco Santander 4.75% variable 30/8/2028	2,956	0.25	£1,325,000	CYBG 9.25% variable perpetual	1,325	0.11
£1,885,000	Barclays 3.75% variable 22/11/2030	1,793	0.15	£6,700,000	Daily Mail & General 6.375% 21/6/2027	6,346	0.54
\$12,580,000	Barclays 6.278% variable perpetual	9,928	0.84	£2,458,000	Danske Bank 2.25% 14/1/2028	2,249	0.19
£1,844,000	Barclays 6.369% variable 31/1/2031	1,922	0.16	£17,780,000	Delamare Finance 5.5457% 19/2/2029	9,383	0.79
£1,713,000	Barclays 6.375% variable perpetual	1,627	0.14	£2,000,000	Derwent London 1.5% 12/6/2025	1,895	0.16
£2,199,000	Barclays 7.09% variable 6/11/2029	2,336	0.20	£5,900,000	Deutsche Bank 2.625% 16/12/2024	5,746	0.49
£3,913,000	Barclays 7.125% variable perpetual	3,805	0.32	£5,600,000	Deutsche Bank 4% variable 24/6/2026	5,457	0.46
£10,394,000	Barclays 8.407% variable 14/11/2032	11,062	0.93	£8,019,000	DNB Bank 4% variable 17/8/2027	7,809	0.66
£2,596,000	Barclays 8.875% variable perpetual	2,596	0.22	£6,800,000	Électricité de France 5.875% variable perpetual	6,344	0.54
				£15,200,000	Électricité de France 6% variable perpetual	14,823	1.25

**Portfolio Statement** (continued)

As at 31 January 2024

Holding	Investment	Bid-market value (£'000)	Total net assets (%)	Holding	Investment	Bid-market value (£'000)	Total net assets (%)
<b>Corporate Bonds – 94.61% (31/01/23 – 90.80%)</b>				£3,444,000	Lendinvest Secured Income II 11.5% 3/10/2026	3,401	0.29
€1,749,000	Eni SpA 2.75% variable perpetual	1,308	0.11	NOK38,871,012	Lime Petroleum FRN 7/7/2025	2,992	0.25
£5,111,000	Equity Release Funding 5.7% 26/2/2031	2,150	0.18	£3,380,000	Liverpool Victoria Friendly Society 6.5% variable 22/5/2043	3,304	0.28
£10,786,000	Equity Release Funding 5.88% 26/5/2032	6,010	0.51	£4,495,000	Lloyds Bank 2.707% variable 3/12/2035	3,610	0.30
£5,050,000	Esure Group 6% variable perpetual	3,494	0.30	£0,500,000	Lloyds Bank 5.125% variable perpetual	482	0.04
£3,614,000	Esure Group 12% variable 20/12/2033	3,773	0.32	£3,868,000	Lloyds Bank 8.5% variable perpetual	3,897	0.33
£1,115,000	Esure Group 6.75% 19/12/2024	1,104	0.09	£3,000,000	Lloyds Bank 1.985% variable 15/12/2031	2,694	0.23
£3,280,000	European Energy FRN 8/9/2026	2,868	0.24	£2,617,000	Lloyds Banking Group 6.625% variable 2/6/2033	2,659	0.22
£10,754,000	Eversholt Funding 6.697% 22/2/2035	9,329	0.79	£9,500,000	Logicor 2019 1.875% 17/11/2031	8,682	0.73
£4,500,000	Fidelity International 7.125% 13/2/2024	4,500	0.38	£4,028,000	London & Quadrant 2.625% 5/5/2026	3,814	0.32
£2,700,000	Folio Residential Finance 1.246% 31/10/2037	2,354	0.20	£2,994,000	London Merchant Securities 6.5% 16/3/2026	3,016	0.25
£1,964,000	Fuller Smith & Turner 6.875% 30/4/2028	2,011	0.17	£3,200,000	Longstone 4.896% 19/4/2036	2,975	0.25
£2,500,000	Gatwick Funding 6.125% 2/3/2028	2,543	0.21	£18,750,000	Longstone Finance 4.791% 19/4/2036	6,488	0.55
£6,946,000	Great Rolling Stock 6.5% 5/4/2031	5,272	0.45	£13,670,000	M&G 5.625% variable 20/10/2051	12,965	1.09
£2,435,000	Great Rolling Stock 6.875% 27/7/2035	1,346	0.11	£12,650,000	Marstons Issuer FRN 15/10/2031	5,274	0.45
£2,367,000	Greene King 5.318% 15/9/2031	1,223	0.10	£5,185,000	Meadowhall Finance FRN 12/7/2037	2,897	0.24
£4,489,000	Grosvenor UK Finance 6.5% 29/9/2026	4,651	0.39	£2,982,000	Merchants Trust 5.875% 20/12/2029	3,080	0.26
£6,200,000	Groupama 6.375% variable perpetual	5,293	0.45	£2,867,978	Metrocentre New Money Not Sonia + 11% PIK 5/12/2024*	2,782	0.24
£1,656,000	Harbour Funding 5.28% 31/3/2044	1,654	0.14	£1,133,000	MIELI London 4.82% 12/8/2027*	1,083	0.09
£6,332,524	Haven Funding 8.125% 30/9/2037	6,194	0.52	£12,291,000	Mitchells & Butlers 5.574% 15/12/2030	2,813	0.24
£3,865,000	Heathrow Finance 3.875% 1/3/2027	3,639	0.31	£9,400,000	Mitchells & Butlers Finance FRN 15/12/2030	2,424	0.20
£3,726,000	Heathrow Finance 4.125% 1/9/2029	3,398	0.29	£7,277,000	Mitchells & Butlers FRN 15/12/2028	3,408	0.29
£1,997,000	Heathrow Funding 2.625% 16/3/2028	1,782	0.15	£4,709,000	Mitchells & Butlers FRN 15/12/2030	1,530	0.13
£3,412,000	Heathrow Funding 6.75% 3/12/2028	3,553	0.30	£1,550,000	Mitchells & Butlers FRN 15/12/2033	1,111	0.09
£4,477,811	Home Group 0% 11/5/2027	3,556	0.30	£3,257,000	Mizuho Financial 5.628% 13/6/2028	3,344	0.28
£5,601,000	HSBC 1.75% variable 24/7/2027	5,131	0.43	£6,500,000	MPT Operating Partnership 2.5% 24/3/2026	5,168	0.44
£2,583,000	HSBC 3% variable 22/7/2028	2,398	0.20	£7,240,000	National Australia Bank 1.699% variable 15/9/2031	6,466	0.55
£1,452,000	HSBC 5.875% variable perpetual	1,385	0.12	£7,378,000	National Express 4.25% variable perpetual	6,716	0.57
£4,960,000	HSBC 6.8% variable 14/9/2031	5,348	0.45	£2,605,000	Nationwide Building Society 5.75% variable perpetual	2,405	0.20
£15,628,000	HSBC 8.201% variable 16/11/2034	17,171	1.45	£3,270,000	Nationwide Building Society 5.769% perpetual	3,207	0.27
£5,650,000	IG GROUP 3.125% 18/11/2028	4,882	0.41	£1,582,000	Nationwide Building Society 6.178% variable 7/12/2027	1,617	0.14
£4,317,000	Industrial Commercial Bank of China 1.625% 28/12/2025	3,988	0.34	£2,433,000	Nationwide Building Society 6.25% variable perpetual	2,360	0.20
£2,800,000	ING Groep 5% variable 30/8/2026	2,783	0.24	£2,400,000	NatWest 1.043% variable 14/9/2032	1,808	0.15
\$3,000,000	ING Groep 6.75% variable perpetual	2,350	0.20	£7,207,000	NatWest 2.105% variable 28/11/2031	6,454	0.54
£7,700,000	ING Groep 6.25% variable 20/5/2033	7,723	0.65	£1,846,000	NatWest 3.619% variable 29/3/2029	1,732	0.15
£5,546,000	Integrated Accommodation Service 6.48% 31/3/2029	1,886	0.16	£2,500,000	NatWest 4.5% variable perpetual	2,098	0.18
£4,244,000	InterContinental Hotels 3.375% 8/10/2028	3,931	0.33	£3,413,000	NatWest 6.375% 8/11/2027	3,572	0.30
€2,546,000	Intermediate Capital Group 1.625% 17/2/2027	2,001	0.17	£5,382,000	NatWest 7.416% variable 6/6/2033	5,600	0.47
£5,699,000	Intesa Sanpaolo SpA 6.5% 14/3/2029	5,815	0.49	£2,000,000	NatWest 7.5% 29/4/2024	2,005	0.17
£12,530,000	Intu Metrocentre Finance 4.125% 6/12/2028	7,329	0.62	£10,780,000	NGG Finance 5.625% variable 18/6/2073	10,628	0.90
£8,595,000	Investec 1.875% variable 16/7/2028	7,355	0.62	£1,950,000	Octagon Healthcare 5.333% 31/12/2035	1,367	0.12
£1,654,000	Investec 2.625% variable 4/1/2032	1,421	0.12	€2,000,000	Oeyfjellet Wind Investment 2.75% 14/9/2026	1,476	0.12
£2,364,000	Investec 9.125% variable 6/3/2033	2,480	0.21	£1,474,000	OneSavings Bank 4.6007% variable perpetual	1,405	0.12
£9,247,000	John Lewis 6.125% 21/1/2025	9,211	0.78	£4,918,000	OP Corporate Bank 1.375% 4/9/2026	4,458	0.38
£2,798,000	JRP Group 9% 26/10/2026	3,015	0.25	£1,500,000	Opus Chartered variable 31/3/2025	369	0.03
£3,783,000	Jupiter Fund Management 8.875% variable 27/7/2030	3,768	0.32	£1,300,000	Orsted 2.5% variable 18/2/3021	917	0.08
£5,304,000	Just Group 7% variable 15/4/2031	5,330	0.45	£2,757,000	OSB 6% variable perpetual	2,123	0.18
£3,500,000	KBC 1.25% variable 21/9/2027	3,175	0.27	£3,375,000	OSB 8.875% variable 16/1/2030	3,456	0.29
£3,100,000	KBC 5.5% variable 20/9/2028	3,132	0.26	£2,689,000	OSB 9.5% variable 7/9/2028	2,801	0.24
£6,400,000	La Banque Postale 5.625% variable 21/9/2028	6,405	0.54	£4,946,000	OSB 9.993% variable 27/7/2033	4,944	0.42
€1,100,000	La Mondiale 0.75% 20/4/2026	880	0.07	£2,558,000	Pacific Life Global Funding II 5.375% 30/11/2028	2,623	0.22
£2,100,000	Landesbank BadenWuerttemberg 1.125% 8/12/2025	1,945	0.16	£3,828,321	Peel South East 10% 30/4/2026	3,830	0.32
£4,500,000	Legal & General 3.75% variable 26/11/2049	4,033	0.34	£4,472,000	Pension Insurance 8% 13/11/2033	4,779	0.40
£1,302,000	Legal & General 5.125% variable 14/11/2048	1,268	0.11	\$2,000,000	Phoenix Group Holdings 4.75% variable 4/9/2031	1,508	0.13
\$5,000,000	Legal & General 5.25% variable 21/3/2047	3,817	0.32				
£4,153,000	Legal & General 5.375% variable 27/10/2045	4,120	0.35				
£13,352,000	Legal & General 5.5% variable 27/6/2064	12,837	1.08				

## Portfolio Statement (continued)

As at 31 January 2024

Holding	Investment	Bid-market value (£'000)	Total net assets (%)	Holding	Investment	Bid-market value (£'000)	Total net assets (%)
<b>Corporate Bonds – 94.61% (31/01/23 – 90.80%)</b>				£4,950,000	Telereal Securitisation 4.9741% 10/12/2033	1,804	0.15
£1,589,000	Phoenix Group Holdings 5.867% 13/6/2029	1,554	0.13	£2,676,000	Telereal Securitisation 5.3887% 10/12/2033	1,003	0.08
£1,513,000	Places for People Treasury 2.875% 17/8/2026	1,430	0.12	£2,506,000	Telereal Securitisation 5.4252% 10/12/2033	2,021	0.17
£2,080,000	Premier Transmission Finance 5.2022% 31/3/2030	798	0.07	£7,009,000	Telereal Securitisation 6.1645% 10/12/2033	5,779	0.49
£3,500,000	Premiertel 5.683% 8/8/2029	1,780	0.15	£3,500,000	Telereal Securitisation FRN 10/12/2033	1,113	0.09
£10,141,000	Premiertel 6.175% 8/5/2032	7,104	0.60	£4,836,000	Telereal Securitisation FRN 10/12/2033	3,503	0.30
£2,151,000	Principality Building Society 8.625% 12/7/2028	2,334	0.20	£3,700,000	Telereal Securitisation FRN 10/12/2033	2,900	0.24
£3,578,000	Protective Life Global Funding 5.248% 13/1/2028	3,647	0.31	£2,000,000	Thames Water 6.75% 16/11/2028	1,986	0.17
£2,786,000	Punch Finance 6.125% 30/6/2026	2,678	0.23	£7,452,000	Thames Water Kemble Finance 4.625% 19/5/2026	2,828	0.24
£5,139,000	QBE Insurance 2.5% variable 13/9/2038	4,343	0.37	£2,900,000	Thames Water Utilities 2.875% 3/5/2027	2,165	0.18
£4,280,000	Quadrant Housing 7.93% Step 10/2/2033	3,628	0.31	£5,624,000	Thames Water Utilities 4% 19/6/2025	5,412	0.46
£2,600,000	RAC Bond 8.25% 6/5/2046	2,806	0.24	£3,915,000	Thames Water Utilities 7.125% 30/4/2031	3,906	0.33
£1,976,000	Realty Income 1.875% 14/1/2027	1,801	0.15	£3,783,000	TP ICAP 5.25% 29/5/2026	3,673	0.31
£1,949,500	Retail Charity Bonds 3.9% 23/11/2029	1,708	0.14	£1,706,000	TP ICAP Finance 7.875% 17/4/2030	1,841	0.16
£3,005,400	Retail Charity Bonds 4.25% 6/7/2028	2,756	0.23	£3,730,000	Trafford Centre 4.25% 28/4/2029	3,600	0.30
£4,956,000	Rothsay Life 3.375% 12/7/2026	4,696	0.40	£1,570,000	Trafford Centre 6.5% 28/7/2033	982	0.08
£3,403,000	Rothsay Life 5.5% variable 17/9/2029	3,374	0.28	£4,400,000	Trafford Centre 7.03% 28/1/2029	1,317	0.11
£6,287,000	Rothsay Life 6.875% variable perpetual	5,737	0.48	£9,400,000	Trafford Centre FRN 28/7/2038	7,473	0.63
£5,943,000	Rothschild Continuation Finance 9% perpetual	5,943	0.50	£1,071,000	Travis Perkins 3.75% 17/2/2026	1,007	0.09
£1,150,000	Royal Bank of Scotland 2.875% variable 19/9/2026	1,104	0.09	£2,240,000	UBS AG Jersey 8.75% 18/12/2025	2,341	0.20
£4,940,000	Royal Bank of Scotland 3.125% variable 28/3/2027	4,713	0.40	\$1,620,000	UBS Group 9.25% variable perpetual	1,386	0.12
£3,000,000	Royal Bank of Scotland 3.622% variable 14/8/2030	2,886	0.24	\$2,357,000	UniCredit SpA 2.569% 22/9/2026	1,753	0.15
\$4,500,000	Royal Bank of Scotland 6% variable perpetual	3,442	0.29	£65,699,000	Unique Pub Finance 5.659% 30/6/2027	23,559	1.99
£3,010,000	RSA Insurance 5.125% variable 10/10/2045	2,960	0.25	£16,772,000	Unique Pub Finance 7.395% 30/3/2024	1,535	0.13
£3,086,000	Sainsbury's Bank 10.5% variable 12/3/2033	3,331	0.28	£4,043,000	Unite USAF 3.921% 30/6/2030	3,933	0.33
£3,408,000	Santander UK 2.421% variable 17/01/2029	3,035	0.26	£1,905,000	Varsity Funding 8.7915% Step 24/7/2026*	208	0.02
£4,672,000	Santander UK 2.92% variable 8/5/2026	4,489	0.38	£1,897,000	Vattenfall 6.875% variable 17/8/2083	1,933	0.16
£4,499,075	Scottish Mortgage Investment Trust 12% 30/6/2026	5,141	0.43	£1,200,000	Vicinity Centres 3.375% 7/4/2026	1,154	0.10
£3,625,000	Skipton Building Society 2% variable 2/10/2026	3,396	0.29	£5,656,000	Virgin Money 2.625% variable 19/8/2031	5,092	0.43
£3,100,000	Societe Generale 5.75% variable 22/1/2032	3,125	0.26	£2,000,000	Virgin Money 5.125% variable 11/12/2030	1,941	0.16
\$3,684,000	Societe Generale 10% variable perpetual	3,086	0.26	£1,376,000	Virgin Money 7.625% variable 23/8/2029	1,469	0.12
£4,817,000	Society of Lloyds 4.875% variable 7/2/2047	4,662	0.39	£2,998,000	Virgin Money 8.25% variable perpetual	2,772	0.23
£5,750,000	Southern Water Services Finance 6.64% 31/3/2026	5,779	0.49	£3,095,000	Vodafone 4.875% variable 3/10/2078	3,015	0.25
£4,615,000	SSE 3.74% variable perpetual	4,386	0.37	£3,261,000	Vodafone 8% variable 30/8/2086	3,509	0.30
£1,355,000	Stagecoach 4% 29/9/2025	1,307	0.11	£4,700,000	Volkswagen Financial Services 3.25% 13/4/2027	4,415	0.37
\$5,000,000	Standard Chartered 6.409% variable perpetual	3,768	0.32	€2,100,000	Volkswagen International Finance 7.5% variable perpetual	1,944	0.16
£10,363,000	Stirling Water Seafield 5.822% 26/9/2026	2,216	0.19	\$4,159,091	Waldorf Energy Finance 12% 2/3/2026	2,613	0.22
£8,773,000	Summit Finance 6.484% 31/3/2028	2,644	0.22	\$1,853,318	Waldorf Production 9.75% 1/10/2024	1,434	0.12
£1,475,000	Svenska Handelsbanken 4.625% variable 23/8/2032	1,416	0.12	£3,876,000	Weir Group 6.875% 14/6/2028	4,048	0.34
£4,018,000	Swedbank 1.375% variable 8/12/2027	3,619	0.31	£3,500,000	Westfield America Management 2.125% 30/3/2025	3,353	0.28
£6,479,000	Swedbank 7.272% variable 15/11/2032	6,694	0.57	£12,241,000	Westfield Stratford City 1.642% 4/8/2031	11,059	0.93
£6,558,000	Telereal Secured Finance 4.01% 10/12/2033	3,264	0.28	£1,319,000	Whitbread Group 2.375% 31/5/2027	1,198	0.10
£6,139,000	Telereal Securitisation 1.3657% 10/12/2033	3,652	0.31	£4,513,000	White City Property 5.1202% 17/4/2035	3,349	0.28
£2,610,000	Telereal Securitisation 1.9632% variable 10/12/2033	2,414	0.20	£2,970,000	Worcestershire Hospital 5.57% 31/12/2030	1,311	0.11
£2,661,000	Telereal Securitisation 3.507% variable 10/12/2033	2,395	0.20	£3,100,000	Yorkshire Building Society 3.375% variable 13/9/2028	2,814	0.24
				£3,431,000	Yorkshire Building Society 6.375% variable 15/11/2028	3,510	0.30
				£2,043,000	Yorkshire Building Society 7.375% variable 12/9/2027	2,110	0.18
				£3,295,000	Yorkshire Water Finance 5.25% 28/4/2030	3,241	0.27
				<b>Total Corporate Bonds</b>		<b>1,121,015</b>	<b>94.61</b>

## Portfolio Statement (continued)

As at 31 January 2024

Holding	Investment	Bid-market value (£'000)	Total net assets (%)
<b>Index Linked Bonds – 0.32% (31/01/23 – 0.35%)</b>			
£1,260,000	Road Management Services 3.642% IL 31/3/2028*	813	0.07
£1,500,000	Tesco 3.322% IL 5/11/2025	3,013	0.25
<b>Total Index Linked Bonds</b>		<b>3,826</b>	<b>0.32</b>
<b>Preference Shares – 0.33% (31/01/23 – 0.32%)</b>			
2,500,000	Haleon FRN preference perpetual*	2,585	0.22
6,965,250	Jacktel preference	1,308	0.11
<b>Total Preference Shares</b>		<b>3,893</b>	<b>0.33</b>
<b>Forward Currency Contracts – 0.07% (31/01/23 – 0.07%)</b>			
	Buy £24,545,595 & Sell EUR28,328,139†	324	0.03
	Buy £4,839,806 & Sell NOK63,265,381†	84	0.01
	Buy £55,082,475 & Sell \$69,613,522†	439	0.03
	Buy \$6,050,000 & Sell £4,766,966†	(18)	–
	Buy EUR1,185,000 & Sell £1,014,529†	(1)	–
<b>Total Forward Currency Contracts</b>		<b>828</b>	<b>0.07</b>
<b>Total value of investments<sup>^</sup></b>		<b>1,179,648</b>	<b>99.56</b>
<b>Net other assets</b>		<b>5,202</b>	<b>0.44</b>
<b>Total net assets</b>		<b>1,184,850</b>	<b>100.00</b>

<sup>^</sup> Including investment liabilities

† Unlisted

\* Level 3 asset

Other than forward currency contracts, all investments are listed on recognised stock exchanges and are “approved securities” within the meaning of the FCA rules unless otherwise stated.



## Summary of Material Portfolio Changes

For the year ended 31 January 2024

### Significant Purchases

	Cost £'000
UK Treasury 3.5% 22/10/2025	21,423
Unique Pub Finance 5.659% 30/6/2027	15,732
Legal & General 5.5% variable 27/6/2064	12,218
Barclays 6.278% variable perpetual	9,579
BNP Paribas 2% variable 24/5/2031	8,990
Westfield Stratford City 1.642% 4/8/2031	8,307
M&G 5.625% variable 20/10/2051	8,105
ING Groep 6.25% variable 20/5/2033	7,463
Credit Suisse 7.75% 10/3/2026	6,926
Unique Pub Finance 7.395% 30/3/2024	6,880
<b>Subtotal</b>	<b>105,623</b>
<b>Total cost of purchases, including the above, for the year</b>	<b>516,793</b>

### Significant Sales

	Proceeds £'000
UK Treasury 3.5% 22/10/2025	21,405
BNP Paribas 2% variable 24/5/2031	11,874
M&G 3.875% variable 20/7/2049	10,968
DNB Bank 2.625% variable 10/6/2026	8,163
Places for People Homes 5.09% 31/7/2043	7,994
Principality Building Society 2.375% 23/11/2023	7,751
Scottish Widows 5.5% 16/6/2023	7,744
Intermediate Capital Group 5% 24/3/2023	7,489
Asciano Finance 5% 19/9/2023	7,363
Rothschild Continuation Finance 9% perpetual	7,185
<b>Subtotal</b>	<b>97,936</b>
<b>Total proceeds from sales, including the above, for the year</b>	<b>493,122</b>

## Financial Statements

### Statement of Total Return

For the year ended 31 January 2024

	Note	31 Jan 2024 £'000	31 Jan 2023 £'000
<b>Income</b>			
Net capital gains/ (losses)	2	21,189	(72,138)
Revenue	3	60,281	41,386
Expenses	4	(3,099)	(2,899)
Interest payable and similar charges		(39)	(8)
Net revenue before taxation		57,143	38,479
Taxation	5	–	(20)
Net revenue after taxation		57,143	38,459
Total return/(deficit) before distributions		78,332	(33,679)
Distributions	6	(60,242)	(41,358)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>18,090</b>	<b>(75,037)</b>

### Balance Sheet

As at 31 January 2024

	Note	31 Jan 2024 £'000	31 Jan 2023 £'000
<b>Assets</b>			
Investments		1,179,667	1,139,561
<b>Current assets:</b>			
Debtors	7	31,803	20,033
Cash and bank balances	8	4,202	21,810
<b>Total assets</b>		<b>1,215,672</b>	<b>1,181,404</b>
<b>Liabilities</b>			
Investment liabilities		19	13
<b>Creditors:</b>			
Other creditors	9	15,980	8,595
Distribution payable		14,823	12,048
<b>Total liabilities</b>		<b>30,822</b>	<b>20,656</b>
<b>Net assets attributable to shareholders</b>		<b>1,184,850</b>	<b>1,160,748</b>

### Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 January 2024

	31 Jan 2024 £'000	31 Jan 2023 £'000
<b>Opening net assets attributable to shareholders</b>	<b>1,160,748</b>	<b>1,106,770</b>
Amounts receivable on creation of shares	410,537	329,452
Amounts payable on cancellation of shares	(438,396)	(221,300)
	(27,859)	108,152
Dilution adjustment charged	2,055	822
<b>Change in net assets attributable to shareholders from investment activities</b>	<b>18,090</b>	<b>(75,037)</b>
Retained distributions on accumulation shares	31,816	20,041
<b>Closing net assets attributable to shareholders</b>	<b>1,184,850</b>	<b>1,160,748</b>



## Notes to the Financial Statements

For the year ended 31 January 2024

### 1. Accounting policies

The accounting policies are set out in note 1 on pages 9 and 10.

### 2. Net capital gains/(losses)

	31 Jan 2024 £'000	31 Jan 2023 £'000
<b>The net capital gains/(losses) during the year comprise:</b>		
Non-derivative securities	18,289	(67,934)
Currency (losses)/gains	(959)	1,553
Forward currency contracts	3,859	(5,757)
<b>Net capital gains/(losses)</b>	<b>21,189</b>	<b>(72,138)</b>

### 3. Revenue

	31 Jan 2024 £'000	31 Jan 2023 £'000
UK dividends	248	50
Interest on debt securities	59,831	41,264
Bank interest	202	72
<b>Total revenue</b>	<b>60,281</b>	<b>41,386</b>

### 4. Expenses

	31 Jan 2024 £'000	31 Jan 2023 £'000
<b>Payable to the Authorised Corporate Director or associates of the Authorised Corporate Director and agents of either of them:</b>		
Fund Management Fee*	3,099	2,899
<b>Total expenses</b>	<b>3,099</b>	<b>2,899</b>

\* Audit fee £15,106 (31/01/23: £14,387) inclusive of VAT is paid from the Fund Management Fee.

### 5. Taxation

#### a) Analysis of charge for the year

	31 Jan 2024 £'000	31 Jan 2023 £'000
Irrecoverable overseas tax	–	20
<b>Total tax charge for the year</b>	<b>–</b>	<b>20</b>

#### b) Factors affecting current tax charge for the year

The tax assessed for the year is lower (31/01/23: lower) than the standard rate of corporation tax in the UK for an Open Ended Investment Company (20%).

The differences are explained below:

	31 Jan 2024 £'000	31 Jan 2023 £'000
Net revenue before taxation	57,143	38,479
Corporation tax at 20% (31/01/23: 20%)	11,429	7,696
Effects of:		
Revenue not subject to taxation	(50)	(10)
Irrecoverable overseas tax	–	20
Tax deductible interest distributions	(11,379)	(7,686)
<b>Total tax charge for the year</b>	<b>–</b>	<b>20</b>

Authorised Open Ended Investment Companies are exempt from tax on capital gains, therefore any capital gains/(losses) are not included in the reconciliation above.

#### c) Provision for deferred tax

There was no provision required for deferred tax at the balance sheet date (31/01/23: same).

#### d) Factors that may affect future tax charges

At the year end, there is no potential deferred tax asset (31/01/23: same) in relation to surplus management expenses.

## Notes to the Financial Statements (continued)

For the year ended 31 January 2024

### 6. Distributions

The distributions take account of income received on the issue of shares and income deducted on the cancellation of shares and comprise:

	31 Jan 2024 £'000	31 Jan 2023 £'000
<b>Accumulation shares</b>		
Interim	13,764	7,958
Final	18,052	12,083
	31,816	20,041
<b>Income shares</b>		
Interim	14,137	10,363
Final	14,823	12,048
	28,960	22,411
<b>Net distributions for the year</b>	<b>60,776</b>	<b>42,452</b>
Add: Amounts deducted on cancellation of shares	4,588	1,853
Deduct: Amounts received on the creation of shares	(5,122)	(2,947)
<b>Gross interest distributions for the year</b>	<b>60,242</b>	<b>41,358</b>

The difference between the net revenue after taxation and the distribution paid is as follows:

	31 Jan 2024 £'000	31 Jan 2023 £'000
Net revenue after taxation	57,143	38,459
Expenses charged to capital	3,099	2,899
<b>Gross interest distributions for the year</b>	<b>60,242</b>	<b>41,358</b>

Details of the distribution per share are set out on pages 50 to 51.

### 7. Debtors

	31 Jan 2024 £'000	31 Jan 2023 £'000
Amounts receivable on creation of shares	460	2,089
Sales awaiting settlement	11,014	–
Foreign exchange sales awaiting settlement	1	–
Accrued revenue	20,328	17,944
<b>Total debtors</b>	<b>31,803</b>	<b>20,033</b>

### 8. Cash and bank balances

	31 Jan 2024 £'000	31 Jan 2023 £'000
Cash and bank balances	4,202	21,810
<b>Total cash and bank balances</b>	<b>4,202</b>	<b>21,810</b>

### 9. Other creditors

	31 Jan 2024 £'000	31 Jan 2023 £'000
Amounts payable on cancellation of shares	11,876	6,342
Purchases awaiting settlement	3,821	1,977
Accrued expenses	283	276
<b>Total other creditors</b>	<b>15,980</b>	<b>8,595</b>

### 10. Reconciliation of number of shares

	Class M Accumulation	Class M Income
Opening shares at 01/02/23	151,656,608	371,776,712
Shares issued	46,569,919	29,409,339
Shares cancelled	(94,906,360)	(150,623,784)
Shares converted	(531,931)	(607,989)
<b>Closing shares at 31/01/24</b>	<b>102,788,236</b>	<b>249,954,278</b>

	Class R Accumulation
Opening shares at 01/02/23	90,623,988
Shares issued	–
Shares cancelled	–
Shares converted	–
<b>Closing shares at 31/01/24</b>	<b>90,623,988</b>

	Class S Accumulation	Class S Income
Opening shares at 01/02/23	68,744,679	101,220,165
Shares issued	72,162,826	–
Shares cancelled	(20,795,176)	(86,257,850)
Shares converted	–	–
<b>Closing shares at 31/01/24</b>	<b>120,112,329</b>	<b>14,962,315</b>

	Class Z Accumulation	Class Z Income
Opening shares at 01/02/23	243,222,867	155,195,598
Shares issued	75,810,649	197,011,617
Shares cancelled	(52,767,127)	(51,628,898)
Shares converted	531,136	604,787
<b>Closing shares at 31/01/24</b>	<b>266,797,525</b>	<b>301,183,104</b>

All classes within the Fund have the same rights on winding up.

### 11. Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (31/01/23: same).

## Notes to the Financial Statements (continued)

For the year ended 31 January 2024

### 12. Related party transactions

The Fund's Authorised Corporate Director, Royal London Unit Trust Managers Limited, is a related party to the Fund as defined by Financial Reporting Standard 102 'Related Party Disclosures'.

Fund Management Fee fees charged by Royal London Unit Trust Managers Limited are shown in note 4 and details of shares created and cancelled by Royal London Unit Trust Managers Limited are shown in the Statement of Change in Net Assets Attributable to Shareholders and note 6.

At the year end the balance due to Royal London Unit Trust Managers Limited in respect of these transactions was £11,699,000 (31/01/23: £4,528,000).

At the year end, 31 January 2024, 7.90% (31/01/23: 7.66%) of the shares in issue were held by The Royal London Mutual Insurance Society Limited. Royal London Unit Trust Managers Limited is a wholly owned subsidiary of The Royal London Mutual Insurance Society Limited.

### 13. Financial Derivatives

The Fund has used financial derivatives for hedging and meeting investment objectives including risk reduction and implementation of investment policies.

The use of derivatives can create additional counterparty risks. Details of the policy adopted by the ACD for managing counterparty and other risks are set out in the Notes to the Financial Statements.

The types of derivatives held at the year end were forward currency contracts.

Details of the individual contracts are shown on the portfolio statement on pages 37 to 40, and the total position held by the counterparty at the year end is summarised below:

The underlying exposure for each category of derivatives were as follows:

Counterparty	Forward currency contracts	
	31 Jan 2024 £'000	31 Jan 2023 £'000
Barclays Bank	453	732
Goldman Sachs	84	102
RBC London	310	–

Eligible collateral types are approved by the ACD and may consist of cash and government bonds only as eligible collateral with respect to derivative transactions.

At 31 January 2024 there was no collateral held in respect of the above derivatives (31/01/23: £nil).

### 14. Risk disclosures

The policies applied to the management of risk disclosures are set out on pages 10 and 11.

The fair values of the Fund's assets and liabilities are represented by the values shown in the balance sheet on page 42. There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

As most of the assets of the Fund are sterling denominated, exposure to foreign currency exchange risk is considered insignificant. The value of the Fund's assets/(liabilities) may be affected by currency movements.

If sterling to foreign currency exchange rates had increased by 10% as at the balance sheet date, the net asset value of the Fund would have decreased by £190,000 (31/01/23: £285,000). If sterling to foreign currency exchange rates had decreased by 10% as at the balance sheet date, the net asset value of the Fund would have increased by £190,000 (31/01/23: £285,000). These calculations assume all other variables remain constant.

If market prices had increased by 10% as at the balance sheet date, the net asset value of the Fund would have increased by £117,965,000 (31/01/23: £113,955,000). If market prices had decreased by 10% as at the balance sheet date, the net asset value of the Fund would have decreased by £117,965,000 (31/01/23: £113,955,000). These calculations assume all other variables remain constant.

#### Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the Fund's financial assets and liabilities at 31 January 2024 compared to the previous year end was:

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
<b>31 Jan 2024</b>				
Sterling	611,478	487,923	35,662	1,135,063
Euro	18,577	4,357	809	23,743
Norwegian krone	3,277	–	1,638	4,915
US dollar	41,457	9,279	1,215	51,951
<b>Total</b>	<b>674,789</b>	<b>501,559</b>	<b>39,324</b>	<b>1,215,672</b>
<b>31 Jan 2023</b>				
Sterling	541,262	553,803	24,058	1,119,123
Euro	12,875	4,251	435	17,561
Norwegian krone	4,757	–	1,250	6,007
US dollar	28,584	8,925	1,204	38,713
<b>Total</b>	<b>587,478</b>	<b>566,979</b>	<b>26,947</b>	<b>1,181,404</b>

## Notes to the Financial Statements (continued)

For the year ended 31 January 2024

### 14. Risk disclosures – continued

#### Interest rate risk profile of financial assets and financial liabilities – continued

Currency	Floating rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
<b>31 Jan 2024</b>			
Sterling	–	(30,822)	(30,822)
<b>Total</b>	<b>–</b>	<b>(30,822)</b>	<b>(30,822)</b>
<b>31 Jan 2023</b>			
Sterling	–	(20,643)	(20,643)
Euro	–	(13)	(13)
<b>Total</b>	<b>–</b>	<b>(20,656)</b>	<b>(20,656)</b>

Based on 2023 Bank of England interest rate increases, if the coupon rate of floating rate instruments was to change by 3%, the income attributable to these investments at the year end 31/01/24, would change by £2,968,000 (31/01/23: £3,489,000). Another possible scenario would be if the coupon rate of floating rate instruments was to change by 1% in the future, the income attributable to these investments at the year end 31/01/24, would change by £989,000 (31/01/23: £1,163,000).

A change of 3% in the prevailing interest rates would result in a change of 8.44% (31/01/23: 7.77%) to the value of the Fund. Another possible scenario would be if a change of 1% in the prevailing interest rates would result in a change of 2.81% (31/01/23: 2.56%) to the value of the Fund.

These examples represent the ACD's best estimate of possible shifts in interest rates.

Interest rates and bond prices have an inverse relationship. As interest rates rise the value of bonds will decrease and vice versa.

Credit breakdown*	31 Jan 2024		31 Jan 2023	
	Bid-Market value £'000	Total net assets %	Bid-Market value £'000	Total net assets %
Investments of investment grade	792,991	66.91	775,304	66.73
Investments of below investment grade	202,748	17.14	165,960	14.34
Unrated bonds	179,188	15.11	193,780	16.71
<b>Total bonds</b>	<b>1,174,927</b>	<b>99.16</b>	<b>1,135,044</b>	<b>97.78</b>
Forward currency contracts – assets	847	0.07	834	0.08
Corporate preference shares	3,893	0.33	3,683	0.32
<b>Investments as shown in the balance sheet</b>	<b>1,179,667</b>	<b>99.56</b>	<b>1,139,561</b>	<b>98.18</b>
Forward currency contracts – liabilities	(19)	–	(13)	(0.01)
<b>Total value of investments</b>	<b>1,179,648</b>	<b>99.56</b>	<b>1,139,548</b>	<b>98.17</b>

\* Ratings supplied by S&P, followed by Moody's.

## Notes to the Financial Statements (continued)

For the year ended 31 January 2024

### 15. Portfolio transaction costs

For the year ended 31 January 2024

Analysis of total purchases costs	Value £'000	Commissions £'000	%	Taxes £'000	%	Other Expenses £'000	%	Total £'000
Bond transactions	516,325	–	–	–	–	–	–	516,325
Corporate actions	468	–	–	–	–	–	–	468
<b>Total</b>	<b>516,793</b>	<b>–</b>		<b>–</b>		<b>–</b>		<b>516,793</b>

Analysis of total sales costs	Value £'000	Commissions £'000	%	Taxes £'000	%	Other Expenses £'000	%	Total £'000
Bond transactions	493,088	–	–	–	–	–	–	493,088
Corporate actions	34	–	–	–	–	–	–	34
<b>Total</b>	<b>493,122</b>	<b>–</b>		<b>–</b>		<b>–</b>		<b>493,122</b>

The Fund had paid £nil as commission on purchases and sales derivative transactions for the year ended 31/01/24.

Commissions, taxes and fees as % of average net assets

Commissions	0.00%
Taxes	0.00%
Other expenses	0.00%

For the year ended 31 January 2023

Analysis of total purchases costs	Value £'000	Commissions £'000	%	Taxes £'000	%	Other Expenses £'000	%	Total £'000
Equity transactions	2,750	–	–	14	0.51	–	–	2,764
Bond transactions	482,877	–	–	–	–	–	–	482,877
Corporate actions	497	–	–	–	–	–	–	497
<b>Total</b>	<b>486,124</b>	<b>–</b>		<b>14</b>		<b>–</b>		<b>486,138</b>

Analysis of total sales costs	Value £'000	Commissions £'000	%	Taxes £'000	%	Other Expenses £'000	%	Total £'000
Bond transactions	373,201	–	–	–	–	–	–	373,201
Corporate actions	156	–	–	–	–	–	–	156
<b>Total</b>	<b>373,357</b>	<b>–</b>		<b>–</b>		<b>–</b>		<b>373,357</b>

The Fund had paid £nil as commission on purchases and sales derivative transactions for the year ended 31/01/23.

Commissions, taxes and fees as % of average net assets

Commissions	0.00%
Taxes	0.00%
Other expenses	0.00%

At the balance sheet date the portfolio dealing spread was 0.82% (31/01/23: 0.82%).

The Fund is single priced throughout the year and therefore the dealing spread is not indicative of the full year.

## Notes to the Financial Statements (continued)

For the year ended 31 January 2024

### 16. Fair value of investments

The fair values of the Fund's assets and liabilities are represented by the values shown in the balance sheet. There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

The fair value of investments has been determined using the following hierarchy:

- Level 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3 Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

#### As at the year ended 31 January 2024

Level	1 £'000	2 £'000	3 £'000	Total £'000
<b>Investments</b>				
Bonds	–	1,159,761	15,166	1,174,927
Corporate preference shares	1,308	–	2,585	3,893
Derivatives	–	847	–	847
<b>Total</b>	<b>1,308</b>	<b>1,160,608</b>	<b>17,751</b>	<b>1,179,667</b>
<b>Investment liabilities</b>				
Derivatives	–	(19)	–	(19)
<b>Total</b>	<b>–</b>	<b>(19)</b>	<b>–</b>	<b>(19)</b>

#### As at the year ended 31 January 2023

Level	1 £'000	2 £'000	3 £'000	Total £'000
<b>Investments</b>				
Bonds	–	1,119,943	15,101	1,135,044
Corporate preference shares	–	–	3,683	3,683
Derivatives	–	834	–	834
<b>Total</b>	<b>–</b>	<b>1,120,777</b>	<b>18,784</b>	<b>1,139,561</b>
<b>Investment liabilities</b>				
Derivatives	–	(13)	–	(13)
<b>Total</b>	<b>–</b>	<b>(13)</b>	<b>–</b>	<b>(13)</b>

Where a price is unavailable or the price provided is not thought to be a fair reflection of the current market value of the asset, the Investment Adviser, via the RLAM Valuation Oversight Committee, at its discretion, may permit a different method of valuation to be used.

At the current year end, the level 3 assets held were the following debt securities: Finance for Residence Social Housing 'A1' 8.369% 4/10/2058, Finance for Residence Social Housing 'A2' 8.569% 5/10/2058, Aggregate Micro Power Infrastructure No.2 8% 17/10/2036, Finance for Residence Social Housing FRN 10/4/2027, Metrocentre New Money Not Sonia +11% PIK 5/12/2024, MIELI London 4.82% 12/8/2027, Varsity Funding 8.7915% Step 24/7/2026 and Road Management Services 3.642% IL 31/3/2028.

At the current year end, the level 3 assets held for the corporate preference shares was Haleon FRN preference perpetual.

At the prior year end, the level 3 assets held were the following debt securities: Finance for Residence Social Housing 'A1' 8.369% 4/10/2058, Finance for Residence Social Housing 'A2' 8.569% 5/10/2058, Aggregate Micro Power Infrastructure No.2 8% 17/10/2036, Finance for Residence Social Housing FRN 10/4/2027, Metrocentre New Money Not Sonia +11% PIK 5/12/2024, MIELI London 4.82% 12/8/2027, Varsity Funding 8.7915% Step 24/7/2026 and Road Management Services 3.642% IL 31/3/2028.

The fair value of: Aggregate Micro Power Infrastructure No.2 8% 17/10/2036 and Road Management Services 3.642% IL 31/3/2028 securities at the current year end and prior year end (if held) were based on a single broker quote at the last valuation point in the current accounting year.

Metrocentre New Money Note Sonia +11% PIK 6/12/2023 is currently unlisted and priced at cost. The Manager continues to review the availability of a fair value market.

The Varsity Funding 8.7915% Step 24/7/2026 price is based on cash flows provided by the bond guarantor. The base valuation is framed by the price the bonds have been secured at which is then tested for reasonableness across the credit team. This stock has been reviewed by the Manager in line with their Fair Value Pricing Policy and has been deemed appropriate.

Finance for Residence Social Housing 'A1' 8.368% 4/10/2058, Finance for Residence Social Housing 'A2' 8.569% 5/10/2058 and MIELI London 4.82% 12/8/2027, these bonds are priced by the Investment Adviser using internal models. To estimate a fair value price for these illiquid assets the model uses several buckets of peer group companies. It then derives a credit spread from this group. Based on this and future cashflows of these bonds, a fair value is derived for these bonds.

## Notes to the Financial Statements (continued)

For the year ended 31 January 2024

### 17. Events after the balance sheet date

Subsequent to the Fund's year end, 31 January 2024, factors such as inflation and geopolitical events could cause the Fund to be impacted by resulting volatility in stock markets and adverse investor sentiment.

The net asset value (NAV) of the Fund as at 17 May 2024 was £1,213,003,622. The impact of the market movements on the Fund's NAV between the end of the reporting period 31 January 2024 and the date of which the financial statements were authorised for issue was 0.07%.

There have been no significant redemptions during this period.



## Distribution Tables

For the year ended 31 January 2024

### Distribution in pence per share

#### Interim

Group 1: Shares purchased prior to 1 February 2023

Group 2: Shares purchased between 1 February 2023 and 31 July 2023

	Net income	Equalisation	Distribution paid 29/09/23	Distribution paid 30/09/22
<b>Class M Accumulation</b>				
Group 1	2.7117	–	2.7117	1.8605
Group 2	1.5672	1.1445	2.7117	1.8605
<b>Class M Income</b>				
Group 1	2.3312	–	2.3312	1.6618
Group 2	1.1756	1.1556	2.3312	1.6618
<b>Class R Accumulation</b>				
Group 1	2.7306	–	2.7306	1.8687
Group 2	2.7306	0.0000	2.7306	1.8687
<b>Class S Accumulation</b>				
Group 1	2.6614	–	2.6614	1.8215
Group 2	2.6614	0.0000	2.6614	1.8215
<b>Class S Income</b>				
Group 1	2.3396	–	2.3396	1.6636
Group 2	2.3396	0.0000	2.3396	1.6636
<b>Class Z Accumulation</b>				
Group 1	2.7153	–	2.7153	1.8624
Group 2	1.3185	1.3968	2.7153	1.8624
<b>Class Z Income</b>				
Group 1	2.3434	–	2.3434	1.6699
Group 2	0.7479	1.5955	2.3434	1.6699

## Distribution Tables (continued)

For the year ended 31 January 2024

### Distribution in pence per share

#### Final

Group 1: Shares purchased prior to 1 August 2023

Group 2: Shares purchased between 1 August 2023 and 31 January 2024

	Net income	Equalisation	Distribution payable 28/03/24	Distribution paid 31/03/23
<b>Class M Accumulation</b>				
Group 1	3.1158	–	3.1158	2.1822
Group 2	1.5867	1.5291	3.1158	2.1822
<b>Class M Income</b>				
Group 1	2.6104	–	2.6104	1.9148
Group 2	1.4705	1.1399	2.6104	1.9148
<b>Class R Accumulation</b>				
Group 1	3.1412	–	3.1412	2.1946
Group 2	3.1412	0.0000	3.1412	2.1946
<b>Class S Accumulation</b>				
Group 1	3.0617	–	3.0617	2.1390
Group 2	0.7760	2.2857	3.0617	2.1390
<b>Class S Income</b>				
Group 1	2.6234	–	2.6234	1.9193
Group 2	2.6234	0.0000	2.6234	1.9193
<b>Class Z Accumulation</b>				
Group 1	3.1205	–	3.1205	2.1848
Group 2	1.2514	1.8691	3.1205	2.1848
<b>Class Z Income</b>				
Group 1	2.6248	–	2.6248	1.9245
Group 2	1.3955	1.2293	2.6248	1.9245

# Royal London Sustainable Short Duration Corporate Bond Fund

## Manager's Investment Report

### Fund performance

12 months to 31 January 2024

	1 year total return %	3 year total return %	5 year total return %
Royal London Sustainable Short Duration Corporate Bond, Class M Accumulation	5.97	–	–
Royal London Sustainable Short Duration Corporate Bond, Class M Income	5.93	–	–
Royal London Sustainable Short Duration Corporate Bond, Class R Accumulation	6.26	–	–
Royal London Sustainable Short Duration Corporate Bond, Class S Accumulation	6.36	–	–
Royal London Sustainable Short Duration Corporate Bond, Class S Income	6.23	–	–
Royal London Sustainable Short Duration Corporate Bond, Class Z Accumulation	5.97	–	–
Royal London Sustainable Short Duration Corporate Bond, Class Z Income	5.93	–	–
ICE BofAML 1-5yr Sterling Non-Gilt All Stocks Index	4.55	-1.95	4.43
IA £ Corporate Bond TR	4.28	-10.67	3.08

The Fund launched on 23 November 2022.

**Past performance is not necessarily a reliable indicator of future performance. 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.**

Source: RLAM and Lipper, as at 31 January 2024. Returns are net of management fees. Investors should note that the total return is calculated on the Fund's official midday price whereas the Fund has been valued as at close of business for the Net Asset Value quoted within the Comparative Table. For further information, including ongoing performance and Fund breakdown information, please refer to the latest factsheet at [www.rlam.com](http://www.rlam.com).

### Performance overview

The Fund performed well over the review period, beating both its benchmark and the average fund in the Investment Association (IA) peer group.

### Market overview

Taming inflation was the priority for central banks during the period under review, with interest rate rises from the Federal Reserve (Fed), European Central Bank (ECB) and Bank of England (BoE). As 2023 came to an end, commentary from central banks and downside surprises in economic data saw markets sharply move to increase their expectations for rate cuts in 2024.

UK government bond yields started the review period continuing the rising trend that started in late 2021. This reflected market views that rising inflation could necessitate even higher interest rates. Yet, with inflation starting to come down, and growth remaining weak, expectations of rate cuts in 2024 contributed to significant falls in bond yields in the final months of 2023. As a result, overall returns for gilts were negative. Sterling corporate bonds produced positive returns, helped by the additional yield these offer and optimism that interest rate cuts would support the corporate sector.

## Manager's Investment Report (continued)

### Portfolio commentary

All issuers within the Fund offer a net benefit to society or show Environmental, Social, and Governance (ESG) leadership. 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, sustainable credit provides access to critical sectors that most investors cannot 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 insurance products to support individuals through shocks) 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.

It is worth noting how the sustainable element impacts our financials exposure. Most banks will be well resourced to meet the needs of external ESG rating providers and will look very attractive on a scope 1 and 2 emissions basis, but we think there is no substitute for in-house primary research. Our more rigorous sustainable approach has led to lower financials exposure, helping us to avoid the likes of Credit Suisse, while pointing us towards more retail and SME focused banks, which we think is a far more credible outcome. One example of this during the review period being a new issue from Principality Building Society, these five-year senior bonds coming to market at a healthy credit spread, meaning a total yield in excess of 8%.

A typical short maturity sterling credit index is very focused on banks and supranational, with around a one-third weighting in each. There are clearly some very sustainable businesses within supranational, but we felt that the yields on offer were far too low. We can find great quality businesses elsewhere, with more attractive yields and security over assets to better protect us. We therefore had a lower weighting than the index, and this helped relative returns as supranational lagged the wider market.

### Investment outlook

Inflation came down significantly in 2023 but remains well above the Bank of England's target. In our view, wage inflation is the key metric to watch: we believe that the Bank will find it hard to start cutting rates if wages continue to rise at 5-6% per annum. Although the economic data remain very mixed, we still believe that higher interest rates will contribute to a slowdown in the UK. This could well impact company earnings and lead to some increase in pressure on credit markets. However, consumer resilience has been greater than expected in both the UK and globally, which has helped support growth and prevent a recession. How this continues into 2024 could prove critical.

We continue to feel that the total yield available on short-dated UK corporate bonds remains attractive, and that the excess yield available on investment grade credit compared to government bonds overcompensates for default risk. Further, the additional yield embedded in our credit strategies, over that available from credit benchmarks, gives us confidence in our ability to deliver long-term outperformance.

Our emphasis remains on building diversified portfolios, with a high relative exposure to asset backed and strongly covenanted bonds that offer attractive yields.

**Matt Franklin and Shalin Shah**  
**Fund Managers**  
**Royal London Asset Management Limited**  
**31 January 2024**

Please note that this commentary is written as at end of the review period. For insights into market events or positioning since then, please go to [www.rlam.com](http://www.rlam.com).

This report covers investment performance, activity and outlook. For a wider look at the Fund, our Annual Assessment of Value report is available at [www.rlam.com](http://www.rlam.com).

The Task Force on Climate-related Financial Disclosures Report can be found under the relevant Fund name at <https://www.rlam.com/uk/individual-investors/funds>. This report has been prepared in accordance with the recommendations of the TCFD, which aims to help the investment community build a more in-depth and consistent picture of the impact of climate change. A copy of Royal London Asset Management Limited's annual TCFD Report can also be found on our website.

The views expressed are the author's own and do not constitute investment advice and are not an indication of future Fund performance. Portfolio holdings are subject to change, for information only and are not investment recommendations.

Source: Royal London Asset Management Limited, unless otherwise stated.

## Comparative Tables

### Class M Accumulation

Change in net assets per share	31/01/24 (p)	31/01/23** (p)
Opening net asset value per share	101.94	100.00
Return before operating charges*	6.64	2.00
Operating charges	(0.37)	(0.06)
Return after operating charges*	6.27	1.94
Distributions on accumulation shares	(5.88)	(0.88)
Retained distributions on accumulation shares	5.88	0.88
<b>Closing net asset value per share</b>	<b>108.21</b>	<b>101.94</b>
* after direct transaction costs of:	–	–
<b>Performance</b>		
Return after charges	6.15%	1.94%
<b>Other information</b>		
Closing net asset value (£'000)	154	3
Closing number of shares	142,436	2,500
Operating charges	0.35%	0.35%
Direct transaction costs	–	–
<b>Prices<sup>^</sup></b>		
Highest share price	108.30	102.40
Lowest share price	99.92	99.94

\*\* Class M Accumulation launched on 23 November 2022.

### Class M Income

Change in net assets per share	31/01/24 (p)	31/01/23** (p)
Opening net asset value per share	101.07	100.00
Return before operating charges*	6.44	2.01
Operating charges	(0.36)	(0.06)
Return after operating charges*	6.08	1.95
Distributions on income shares	(5.74)	(0.88)
<b>Closing net asset value per share</b>	<b>101.41</b>	<b>101.07</b>
* after direct transaction costs of:	–	–
<b>Performance</b>		
Return after charges	6.02%	1.95%
<b>Other information</b>		
Closing net asset value (£'000)	979	3
Closing number of shares	965,134	2,500
Operating charges	0.35%	0.35%
Direct transaction costs	–	–
<b>Prices<sup>^</sup></b>		
Highest share price	104.50	102.40
Lowest share price	98.03	99.94

\*\* Class M Income launched on 23 November 2022.

### Class R Accumulation

Change in net assets per share	31/01/24 (p)	31/01/23** (p)
Opening net asset value per share	101.99	100.00
Return before operating charges*	6.66	2.00
Operating charges	(0.06)	(0.01)
Return after operating charges*	6.60	1.99
Distributions on accumulation shares	(5.89)	(0.88)
Retained distributions on accumulation shares	5.89	0.88
<b>Closing net asset value per share</b>	<b>108.59</b>	<b>101.99</b>
* after direct transaction costs of:	–	–
<b>Performance</b>		
Return after charges	6.47%	1.99%
<b>Other information</b>		
Closing net asset value (£'000)	131,769	54,479
Closing number of shares	121,346,949	53,414,634
Operating charges	0.06%	0.06%
Direct transaction costs	–	–
<b>Prices<sup>^</sup></b>		
Highest share price	108.70	102.50
Lowest share price	100.10	99.95

\*\* Class R Accumulation launched on 23 November 2022.

### Class S Accumulation

Change in net assets per share	31/01/24 (p)	31/01/23** (p)
Opening net asset value per share	102.00	100.00
Return before operating charges*	6.63	2.00
Operating charges	(0.02)	–
Return after operating charges*	6.61	2.00
Distributions on accumulation shares	(5.89)	(0.88)
Retained distributions on accumulation shares	5.89	0.88
<b>Closing net asset value per share</b>	<b>108.61</b>	<b>102.00</b>
* after direct transaction costs of:	–	–
<b>Performance</b>		
Return after charges	6.48%	2.00%
<b>Other information</b>		
Closing net asset value (£'000)	3	3
Closing number of shares	2,500	2,500
Operating charges	0.06%	0.06%
Direct transaction costs	–	–
<b>Prices<sup>^</sup></b>		
Highest share price	108.70	102.50
Lowest share price	100.10	99.95

\*\* Class S Accumulation launched on 23 November 2022.

## Comparative Tables (continued)

### Class S Income

Change in net assets per share	31/01/24 (p)	31/01/23** (p)
Opening net asset value per share	101.12	100.00
Return before operating charges*	6.38	2.00
Operating charges	(0.06)	–
Return after operating charges*	6.32	2.00
Distributions on income shares	(5.75)	(0.88)
<b>Closing net asset value per share</b>	<b>101.69</b>	<b>101.12</b>
* after direct transaction costs of:	–	–
<b>Performance</b>		
Return after charges	6.25%	2.00%
<b>Other information</b>		
Closing net asset value (£'000)	10,630	3
Closing number of shares	10,452,788	2,500
Operating charges	0.06%	0.06%
Direct transaction costs	–	–
<b>Prices<sup>^</sup></b>		
Highest share price	104.80	102.50
Lowest share price	98.19	99.95

\*\* Class S Income launched on 23 November 2022.

### Class Z Accumulation

Change in net assets per share	31/01/24 (p)	31/01/23** (p)
Opening net asset value per share	101.95	100.00
Return before operating charges*	6.65	2.01
Operating charges	(0.32)	(0.06)
Return after operating charges*	6.33	1.95
Distributions on accumulation shares	(5.88)	(0.88)
Retained distributions on accumulation shares	5.88	0.88
<b>Closing net asset value per share</b>	<b>108.28</b>	<b>101.95</b>
* after direct transaction costs of:	–	–
<b>Performance</b>		
Return after charges	6.21%	1.95%
<b>Other information</b>		
Closing net asset value (£'000)	2,841	3
Closing number of shares	2,623,540	2,500
Operating charges	0.31%	0.31%
Direct transaction costs	–	–
<b>Prices<sup>^</sup></b>		
Highest share price	108.40	102.40
Lowest share price	99.95	99.94

\*\* Class Z Accumulation launched on 23 November 2022.

### Class Z Income

Change in net assets per share	31/01/24 (p)	31/01/23** (p)
Opening net asset value per share	101.07	100.00
Return before operating charges*	6.37	2.01
Operating charges	(0.31)	(0.06)
Return after operating charges*	6.06	1.95
Distributions on income shares	(5.74)	(0.88)
<b>Closing net asset value per share</b>	<b>101.39</b>	<b>101.07</b>
* after direct transaction costs of:	–	–
<b>Performance</b>		
Return after charges	6.00%	1.95%
<b>Other information</b>		
Closing net asset value (£'000)	310	3
Closing number of shares	306,151	2,500
Operating charges	0.31%	0.31%
Direct transaction costs	–	–
<b>Prices<sup>^</sup></b>		
Highest share price	104.40	102.40
Lowest share price	98.01	99.94

\*\* Class Z Income launched on 23 November 2022.

<sup>^</sup> The high and low prices disclosed are the high and low prices for the accounting period and not the calendar year. The net asset value per share price is based on the net asset value in the published financial statements and may be different due to the prior year end accounting adjustments.

It should be remembered that past performance is not a reliable indicator of future performance and that the value of shares, and the income derived from them, can vary.

## Portfolio Statement

As at 31 January 2024

Holding	Investment	Bid-market value (£'000)	Total net assets (%)	Holding	Investment	Bid-market value (£'000)	Total net assets (%)
<b>Commercial Mortgage Backed Securities – 5.17% (31/01/23 – 6.31%)</b>				£722,000	CPUK Finance 3.588% 28/2/2042	698	0.48
£600,000	CPPIB Capital 4.375% 2/3/2026	598	0.41	£100,000	CPUK Finance 3.69% 28/2/2047	93	0.06
£1,266,000	Deco 2019-RAM DAC FRN 7/8/2030	419	0.28	£700,000	Credit Agricole 1.874% variable 9/12/2031	623	0.42
£1,100,000	Equity Release FRN 14/7/2045	734	0.50	£500,000	Credit Agricole 5.375% variable 15/1/2029	505	0.34
£790,000	Finance for Residence Social Housing 'A1' 8.369% 4/10/2058*	586	0.40	£158,000	Credit Agricole 7.5% variable perpetual	156	0.11
£700,000	Finance for Residence Social Housing 'A2' 8.569% 5/10/2058*	450	0.31	£250,000	Credit Agricole 7.5% variable perpetual	247	0.17
£260,000	Frost CMBS 2021 1 DAC FRN 22/11/2026	249	0.17	£431,000	CYBG 9.25% variable perpetual	431	0.29
£550,000	Income Contingent Student Loan 2 FRN 24/7/2058	55	0.04	£1,620,000	Delamare Finance 5.5457% 19/2/2029	855	0.58
£565,000	Income Contingent Student Loan 2.5% 24/7/2056	318	0.22	£192,000	Dignity Finance 3.5456% 31/12/2034	110	0.07
£2,850,000	Income Contingent Student Loan FRN 24/7/2056	160	0.11	£250,000	DWR Cymru Financing 1.625% 31/3/2026	230	0.16
£368,000	Last Mile Logistics CMBS 2023-1 FRN 17/8/2033	370	0.25	£620,000	East Japan Railway 1.162% 15/9/2028	536	0.37
£576,000	PCL Funding FRN 15/7/2026	578	0.39	£150,000	Eastern Power Networks 5.75% 8/3/2024	150	0.10
£242,000	PCL Funding FRN 15/5/2028	243	0.17	£358,000	Eastern Power Networks 8.5% 31/3/2025	368	0.25
£500,000	Sage AR Funding FRN 17/11/2030	492	0.33	£1,468,000	Electricity North West 8.875% 25/3/2026	1,583	1.08
£610,000	Sage AR Funding FRN 17/11/2030	601	0.41	£890,000	Equity Release Funding 3 5.05% 26/4/2033	795	0.54
£700,000	Sage AR Funding FRN 17/11/2051	677	0.46	£839,000	Equity Release Funding 5.7% 26/2/2031	353	0.24
£700,000	Scorpio European Loan Conduit No.34 FRN 17/5/2029	665	0.45	£1,660,000	Equity Release Funding 5.88% 26/5/2032	925	0.63
£389,000	Stark Financing 2023-1 FRN 17/8/2033	390	0.27	£650,000	Esure Group 6% variable perpetual	450	0.31
<b>Total Commercial Mortgage Backed Securities</b>		<b>7,585</b>	<b>5.17</b>	£418,000	Esure Group 12% variable 20/12/2033	436	0.30
<b>Corporate Bonds – 92.59% (31/01/23 – 91.89%)</b>				£680,000	Eversholt Funding 2.742% 30/6/2040	478	0.33
£539,000	A2D Funding II 4.5% 30/9/2026	523	0.36	£180,000	Eversholt Funding 6.359% 2/12/2025	184	0.13
£903,000	A2Dominion Housing Group 3.5% 15/11/2028	830	0.57	£2,200,000	Eversholt Funding 6.697% 22/2/2035	1,909	1.30
£850,000	AA Bond 6.269% 2/7/2043	851	0.58	£500,000	Fidelity National Information 2.25% 3/12/2029	434	0.30
£400,000	AA Bond 8.45% 31/7/2050	425	0.29	£991,000	Folio Residential Finance 1.246% 31/10/2037	864	0.59
£600,000	Abrdn 5.25% variable perpetual	506	0.34	£700,000	Grainger 3.375% 24/4/2028	641	0.44
£571,000	Affinity Water Finance 2004 5.875% 13/7/2026	578	0.39	£1,780,000	Great Rolling Stock 6.5% 5/4/2031	1,351	0.92
£890,000	Akelius Residential Property 2.375% 15/8/2025	840	0.57	£850,000	Great Rolling Stock 6.875% 2/7/2035	470	0.32
£350,000	Anglian Water Osprey Financing 4% 8/3/2026	330	0.22	£1,679,000	Greater Gabbard OFTO 4.137% 29/11/2032	1,042	0.71
£1,270,000	Annington Funding 2.646% 12/7/2025	1,219	0.83	£1,401,000	Grosvenor UK Finance 6.5% 29/9/2026	1,452	0.99
£150,000	Annington Funding 3.184% 12/7/2029	134	0.09	£200,000	Gwyn y Môr OFTO 2.778% 17/2/2034	117	0.08
£495,000	Arqiva Financing 5.34% 30/12/2037	489	0.33	£1,177,000	Harbour Funding 5.28% 31/3/2044	1,176	0.80
£240,000	Arqiva Financing 7.21% 30/6/2045	257	0.18	£100,000	Haven Funding 7% 30/11/2032	78	0.05
£850,000	Assicurazioni Generali 6.269% perpetual	857	0.58	£801,226	Haven Funding 8.125% 30/9/2037	784	0.53
£2,710,000	Aviva 6.125% variable 14/11/2036	2,754	1.88	£307,655	Home Group 0% 11/5/2027	244	0.17
£541,000	AXA 5.625% variable 16/1/2054	526	0.36	£126,000	Home Group 8.75% 11/5/2037	152	0.10
£411,000	AXA 5.453% variable perpetual	409	0.28	£165,000	Housing Finance 5% 30/9/2027	164	0.11
£1,290,000	AXA 6.6862% variable perpetual	1,317	0.90	£725,000	HSBC 1.75% variable 24/7/2027	664	0.45
£300,000	Banco Santander 2.25% variable 4/10/2032	261	0.18	£200,000	HSBC 2.256% variable 13/11/2026	190	0.13
£882,000	Bank of Scotland 4.875% 20/12/2024	878	0.60	£190,000	HSBC 3% variable 22/7/2028	176	0.12
£2,327,000	Bazalgette Finance 2.375% 29/11/2027	2,117	1.44	£1,796,000	HSBC 5.844% variable perpetual	1,875	1.28
£1,100,000	BNP Paribas 2% variable 24/5/2031	998	0.68	£1,700,000	HSBC 8.201% variable 16/11/2034	1,868	1.27
£200,000	BNP Paribas 6% variable 18/8/2029	209	0.14	£100,000	ING Groep NV 5% variable 30/8/2026	99	0.07
£900,000	BPCE 2.5% variable 30/11/2032	787	0.54	£1,200,000	ING Groep NV 6.25% variable 20/5/2033	1,204	0.82
£200,000	BPCE 6% variable 29/9/2028	204	0.14	£550,000	International Finance Facility for Immunisation 2.75% 7/6/2025	534	0.36
£300,000	BPCE 6.125% 24/5/2029	307	0.21	£500,000	Intu Metrocentre Finance 4.125% 6/12/2028	292	0.20
£100,000	British Land 5.357% 31/3/2028	99	0.07	£300,000	Investec 1.875% variable 16/7/2028	257	0.18
£1,390,000	British Land 5.357% 31/3/2028	1,377	0.94	£557,000	John Lewis 6.125% 21/1/2025	555	0.38
£400,000	Broadgate 4.851% 5/4/2033	326	0.22	£500,000	JRP Group 9% 26/10/2026	539	0.37
£100,000	BUFA Finance 5% 8/12/2026	98	0.07	£679,000	Just Group 7% variable 15/4/2031	682	0.46
£1,322,000	Close Brothers Group 2% variable 11/9/2031	1,120	0.76	£115,000	Just Group 8.125% 26/10/2029	119	0.08
£698,000	Close Brothers Group 7.75% 14/6/2028	723	0.49	£1,328,000	Juturna Euro Loan Conduit 5.0636% 10/8/2033	886	0.60
£409,000	Close Brothers Group 11.125% variable perpetual	401	0.27	£200,000	KBC Group 5.5% variable 20/9/2028	202	0.14
£1,050,000	Co-operative Bank Finance 6% variable 6/4/2027	1,024	0.70	£310,000	Land Securities 5.391% variable 31/3/2027	308	0.21
£100,000	Co-operative Bank 9.5% variable 25/4/2029	100	0.07	£1,475,000	Land Securities Capital Markets 1.974% 8/2/2026	1,474	1.00
£850,000	Co-operative Wholesale Society 7.5% Step 8/7/2026	837	0.57	£600,000	Land Securities Capital Market 2.375% 29/3/2029	555	0.38
£400,000	Coventry Building Society 6.875% variable perpetual	393	0.27	£1,000,000	Leeds Building Society 1.375% 6/10/2027	879	0.60
				£382,000	Legal & General 5.125% variable 14/11/2048	372	0.25
				£2,487,000	Legal & General 5.375% variable 27/10/2045	2,467	1.68
				£1,640,000	Legal & General 5.5% variable 27/6/2064	1,577	1.08
				£463,000	Lloyds Banking Group 1.875% variable 15/1/2026	447	0.30
				£500,000	Lloyds Banking Group 1.985% variable 15/12/2031	449	0.31
				£2,050,000	Lloyds Banking Group 6.625% variable 2/6/2033	2,083	1.42
				£400,000	Lloyds Banking Group 8.5% variable perpetual	403	0.27



**Portfolio Statement** (continued)

As at 31 January 2024

Holding	Investment	Bid-market value (£'000)	Total net assets (%)	Holding	Investment	Bid-market value (£'000)	Total net assets (%)
<b>Corporate Bonds – 92.59% (31/01/23 – 91.89%) – continued</b>				£450,000	Rothsay Life 6.875% variable perpetual	411	0.28
£200,000	Lloyds Banking Group 8.5% variable perpetual	200	0.14	£553,000	Royal Bank of Scotland 3.125% variable 28/3/2027	528	0.36
£1,005,000	London & Quadrant 2.625% 5/5/2026	952	0.65	£700,000	Royal Bank of Scotland 3.622% variable 14/8/2030	673	0.46
£300,000	London & Quadrant Housing Trust 2.625% 28/2/2028	274	0.19	£980,000	RSA Insurance 5.125% variable 10/10/2045	964	0.66
£410,000	London Merchant Securities 6.5% 16/3/2026	413	0.28	£511,000	RSL Finance 6.625% 31/3/2038	438	0.30
£2,350,000	Longstone Finance 4.791% 19/4/2036	813	0.55	£902,876	Sanctuary 8.375% 1/9/2031	791	0.54
£1,593,000	M&G 3.875% variable 20/7/2049	1,574	1.07	£375,000	Santander UK 2.92% variable 8/5/2026	360	0.25
£1,465,000	M&G 5.625% variable 20/10/2051	1,389	0.95	£350,000	Santander UK 3.625% 14/1/2026	338	0.23
£1,290,000	Meadowhall Finance 4.986% 12/1/2032	585	0.40	£500,000	Santander UK 7.098% variable 16/11/2027	517	0.35
£500,000	Meadowhall Finance FRN 12/7/2037	279	0.19	£828,000	Scentre Management 3.875% 16/7/2026	801	0.55
£1,115,000	Metropolitan Life Global Funding 3.5% 30/9/2026	1,082	0.74	£203,000	Skandinaviska Enskilda Banken 5.5% 1/6/2026	206	0.14
£500,000	Metropolitan Life Global Funding 4.5% 9/7/2027	498	0.34	£872,000	Skipton Building Society 2% variable 2/10/2026	817	0.56
£650,000	Metropolitan Life Global Funding 4.125% 2/9/2025	642	0.44	£150,000	Skipton Building Society 6.25% variable 25/4/2029	151	0.10
£300,000	MIELI London 4.82% 12/8/2027*	287	0.20	£247,500	Skipton Building Society 8.5% perpetual	286	0.19
£658,000	Mizuho Financial 5.628% 13/6/2028	676	0.46	£1,300,000	Society of Lloyds 4.875% variable 7/2/2047	1,258	0.86
£500,000	Muenchener Hypothekenbank 0.5% 11/12/2024	480	0.33	£600,000	South Eastern Power Networks 5.5% 5/6/2026	608	0.41
£530,000	National Australia Bank 1.699% variable 15/9/2031	473	0.32	£450,000	SPD Finance UK 5.875% 17/7/2026	460	0.31
£550,000	National Express 4.25% variable Perpetual	501	0.34	£720,000	SSE 3.74% variable perpetual	684	0.47
£800,000	Nationwide Building Society 5.769% perpetual	785	0.54	£150,000	St James Oncology Financing 2.804% 31/3/2037	94	0.06
£221,000	Nationwide Building Society 6.125% 21/8/2028	233	0.16	£851,000	Stagecoach 4% 29/9/2025	821	0.56
£106,000	Nationwide Building Society 6.178% variable 7/12/2027	108	0.07	£527,000	Stirling Water Seafield 5.822% 26/9/2026	113	0.08
£1,610,000	NatWest Group 2.105% variable 28/11/2031	1,442	0.98	£536,000	Sunderland 6.38% 31/3/2042	548	0.37
£100,000	NatWest Group 3.619% variable 29/3/2029	94	0.06	£150,000	Sustainable Communities for Leeds Finance 5.069% 30/9/2032	91	0.06
£100,000	NatWest Group 7.416% variable 6/6/2033	104	0.07	£657,000	Svenska Handelsbanken 4.625% variable 23/8/2032	631	0.43
£460,000	NatWest Markets 6.375% 8/11/2027	481	0.33	£1,270,000	TC Dudgeon OFTO 3.158% 12/11/2038	958	0.65
£300,000	NatWest Markets 6.625% 22/6/2026	309	0.21	£868,000	Telereal Secured Finance 4.01% 10/12/2033	432	0.29
£450,000	New York Life Global Funding 0.75% 14/12/2028	378	0.26	£833,000	Telereal Securitisation 1.3657% 10/12/2033	495	0.34
£544,000	New York Life Global Funding 1.5% 15/7/2027	492	0.34	£1,084,000	Telereal Securitisation 1.9632% variable 10/12/2033	1,003	0.68
£274,000	New York Life Global Funding 4.95% 7/12/2029	280	0.19	£150,000	Telereal Securitisation 3.507% variable 10/12/2033	135	0.09
£500,000	NGG Finance 5.625% variable 18/6/2073	493	0.34	£1,200,000	Telereal Securitisation 4.9741% 10/12/2033	437	0.30
£1,000,000	NIE Finance 6.375% 2/6/2026	1,028	0.70	£1,180,000	Telereal Securitisation 5.3887% 10/12/2033	442	0.30
£450,000	Nordea Bank Abp 1.625% variable 9/12/2032	386	0.26	£344,000	Telereal Securitisation 5.4252% 10/12/2033	277	0.19
£198,000	Nordea Bank Abp 6% variable 2/6/2026	200	0.14	£1,239,000	Telereal Securitisation 6.1645% 10/12/2033	1,022	0.70
£600,000	Northumbrian Water Finance 2.375% 5/10/2027	542	0.37	£1,350,000	Telereal Securitisation FRN 10/12/2033	429	0.29
£946,000	Notting Hill Genesis 2.875% 31/1/2029	861	0.59	£594,000	Telereal Securitisation FRN 10/12/2033	430	0.29
£120,000	OP Corporate Bank 1.375% 4/9/2026	109	0.07	£800,000	Telereal Securitisation FRN 10/12/2033	627	0.43
£250,000	OP Corporate Bank 3.375% 14/1/2026	243	0.17	£180,000	Thames Water 6.75% 16/11/2028	179	0.12
£378,000	Orsted 2.5% variable 18/2/3021	267	0.18	£600,000	Thames Water Kemble Finance 4.625% 19/5/2026	228	0.16
£600,000	OSB Group 6% variable perpetual	462	0.31	£100,000	Thames Water Utilities 2.875% 3/5/2027	75	0.05
£430,000	OSB Group 8.875% variable 16/1/2030	440	0.30	£1,035,000	Thames Water Utilities 4% 19/6/2025	996	0.68
£359,000	OSB Group 9.5% variable 7/9/2028	374	0.25	£489,000	Thames Water Utilities 7.125% 30/4/2031	488	0.33
£322,000	OSB Group 9.993% variable 27/7/2033	322	0.22	£500,000	Toronto Dominion Bank 2.875% 5/4/2027	471	0.32
£200,000	Phoenix Life 5.75% variable perpetual	174	0.12	£390,000	Trafford Centre 6.5% 28/7/2033	244	0.17
£1,000,000	Places for People Homes 3.625% 22/11/2028	934	0.64	£450,000	Trafford Centre FRN 28/7/2038	358	0.24
£1,800,000	Porterbrook Rail Finance 7.125% 20/10/2026	1,902	1.30	£350,000	Travis Perkins 3.75% 17/2/2026	329	0.22
£750,000	Premier Transmission Finance 5.2022% 31/3/2030	288	0.20	£400,000	TSB Bank FRN 22/06/2028	396	0.27
£1,578,000	Principality Building Society 8.625% 12/7/2028	1,712	1.17	£300,000	UK Municipal Bonds Agency Finance FRN 12/3/2025	300	0.20
£1,226,000	Protective Life Global Funding 5.248% 13/1/2028	1,250	0.85	£1,064,000	Unite USAF II 3.921% 30/6/2030	1,035	0.71
£1,300,000	PRS Finance 1.75% 24/11/2026	1,079	0.74	£700,000	Vicinity Centres 3.375% 7/4/2026	673	0.46
£470,000	Quadrant Housing 7.93% Step 10/2/2033	398	0.27	£437,000	Virgin Money 2.625% variable 19/8/2031	393	0.27
£142,000	RAC Bond 8.25% 6/5/2046	153	0.10	£300,000	Virgin Money 3.375% variable 24/4/2026	289	0.20
£700,000	Rothsay Life 3.375% 12/7/2026	663	0.45	£785,000	Virgin Money 5.125% variable 11/12/2030	762	0.52
£1,263,000	Rothsay Life 5.5% variable 17/9/2029	1,252	0.85	£125,000	Virgin Money 7.625% variable 23/8/2029	133	0.09
				£450,000	Vodafone 4.875% variable 3/10/2078	438	0.30
				£216,000	Welltower 4.8% 20/11/2028	214	0.15
				£950,000	Wessex Water 5.375% 10/3/2028	952	0.65
				£1,200,000	Western Power Distribution 3.875% 17/10/2024	1,185	0.81
				£1,720,000	Western Power Distribution 5.5% 9/5/2025	1,725	1.18
				£300,000	Westfield America Management 2.125% 30/3/2025	287	0.20

**Portfolio Statement** (continued)

As at 31 January 2024

Holding	Investment	Bid-market value (£'000)	Total net assets (%)
<b>Corporate Bonds – 92.59% (31/01/23 – 91.89%) – continued</b>			
£280,000	Westfield America Management 2.625% 30/3/2029	243	0.17
£1,294,000	Westfield Stratford City 1.642% 4/8/2031	1,169	0.80
£650,000	White City Property 5.1202% 17/4/2035	482	0.33
£800,000	Wods Transmission 3.446% 24/8/2034	511	0.35
£376,000	Yorkshire Building Society 3.511% variable 11/10/2030	336	0.23
£949,000	Yorkshire Building Society 6.375% variable 15/11/2028	971	0.66
£232,000	Yorkshire Building Society 7.375% variable 12/9/2027	240	0.16
£260,000	Yorkshire Water Finance 1.75% 26/11/2026	235	0.16
£523,000	Yorkshire Water Finance 5.25% 28/4/2030	514	0.35
£968,000	Yorkshire Water Services 6.454% 28/05/2027	988	0.67
<b>Total Corporate Bonds</b>		<b>135,815</b>	<b>92.59</b>
<b>Futures – 0.00% (31/01/23 – 0.01%)</b>			
(9)	ICF Long Gilt Future March 2024	1	–
<b>Total Futures</b>		<b>1</b>	<b>–</b>
<hr/>			
<b>Total value of investments</b>		<b>143,401</b>	<b>97.76</b>
<b>Net other assets</b>		<b>3,285</b>	<b>2.24</b>
<b>Total net assets</b>		<b>146,686</b>	<b>100.00</b>

\* Level 3 asset

All investments are listed on recognised stock exchanges and are “approved securities” within the meaning of the FCA rules unless otherwise stated.

## Summary of Material Portfolio Changes

For the year ended 31 January 2024

### Significant Purchases

	Cost £'000
UK Treasury 3.5% 22/10/2025	18,635
UK Treasury 0.125% 30/1/2026	7,041
UK Treasury 0.375% 22/10/2026	4,888
Legal & General 5.375% variable 27/10/2045	2,092
Lloyds Banking Group 6.625% variable 2/6/2033	1,991
HSBC 5.844% variable perpetual	1,807
Housing Finance 8.625% 13/11/2023	1,805
Bazalgette Finance 2.375% 29/11/2027	1,790
Places for People Homes 5.09% 31/7/2043	1,769
Eversholt Funding 6.697% 22/2/2035	1,720
<b>Subtotal</b>	<b>43,538</b>
<b>Total cost of purchases, including the above, for the year</b>	<b>152,343</b>

### Significant Sales

	Proceeds £'000
UK Treasury 3.5% 22/10/2025	18,644
UK Treasury 0.125% 30/1/2026	7,021
UK Treasury 0.375% 22/10/2026	4,872
Places for People Homes 5.09% 31/7/2043	2,565
Housing Finance 8.625% 13/11/2023	2,341
Principality Building Society 2.375% 23/11/2023	1,457
UK Treasury 0.625% 7/6/2025	1,130
Metropolitan Life Global Funding 1.625% 12/10/2028	1,107
Scottish Widows 5.5% 16/6/2023	900
Castell FRN 25/3/2053	869
<b>Subtotal</b>	<b>40,906</b>
<b>Total proceeds from sales, including the above, for the year</b>	<b>65,429</b>

## Financial Statements

### Statement of Total Return

For the year ended 31 January 2024

	Note	31 Jan 2024		31 Jan 2023*	
		£'000	£'000	£'000	£'000
<b>Income</b>					
Net capital gains	2		2,392		544
Revenue	3	6,248		440	
Expenses	4	(71)		(5)	
Interest payable and similar charges		(2)		–	
Net revenue before taxation		6,175		435	
Taxation	5	–		–	
Net revenue after taxation			6,175		435
Total return before distributions			8,567		979
Distributions	6		(6,246)		(440)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>2,321</b>		<b>539</b>

### Balance Sheet

As at 31 January 2024

	Note	31 Jan 2024		31 Jan 2023*	
		£'000	£'000	£'000	£'000
<b>Assets</b>					
Investments			143,401		53,521
<b>Current assets:</b>					
Debtors	7		2,317		1,560
Cash and bank balances	8		1,949		332
Total assets			147,667		55,413
<b>Liabilities</b>					
<b>Creditors:</b>					
Other creditors	9		632		919
Distribution payable			349		–
Total liabilities			981		919
<b>Net assets attributable to shareholders</b>			<b>146,686</b>		<b>54,494</b>

\* The Fund launched on 23 November 2022.

### Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 January 2024

	31 Jan 2024		31 Jan 2023	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>54,494</b>		<b>–</b>
Amounts receivable on creation of shares	86,237		53,477	
Amounts payable on cancellation of shares	(3,174)		–	
		83,063		53,477
Dilution adjustment charged		265		10
Change in net assets attributable to shareholders from investment activities		2,321		539
Retained distributions on accumulation shares		6,543		468
<b>Closing net assets attributable to shareholders</b>		<b>146,686</b>		<b>54,494</b>

\* The Fund launched on 23 November 2022.

## Notes to the Financial Statements

For the year ended 31 January 2024

### 1. Accounting policies

The accounting policies are set out in note 1 on pages 9 and 10.

### 2. Net capital gains

	31 Jan 2024 £'000	31 Jan 2023* £'000
<b>The net capital gains during the year comprise:</b>		
Non-derivative securities	2,191	540
Derivative securities	201	4
<b>Net capital gains</b>	<b>2,392</b>	<b>544</b>

### 3. Revenue

	31 Jan 2024 £'000	31 Jan 2023* £'000
Interest on debt securities	6,185	436
Bank interest	58	4
Interest received on amounts held with brokers	5	-
<b>Total revenue</b>	<b>6,248</b>	<b>440</b>

### 4. Expenses

	31 Jan 2024 £'000	31 Jan 2023* £'000
<b>Payable to the Authorised Corporate Director or associates of the Authorised Corporate Director and agents of either of them:</b>		
Fund Management Fee**	71	5
<b>Total expenses</b>	<b>71</b>	<b>5</b>

\*\* Audit fee £15,105.60 (31/01/23: £14,387) inclusive of VAT is paid from the Fund Management Fee.

### 5. Taxation

#### a) Analysis of charge for the year

	31 Jan 2024 £'000	31 Jan 2023* £'000
Corporation tax	-	-
<b>Total tax charge for the year</b>	<b>-</b>	<b>-</b>

#### b) Factors affecting current tax charge for the year

The tax assessed for the year is lower (31/01/23: lower) than the standard rate of corporation tax in the UK for an Open Ended Investment Company (20%).

The differences are explained below:

	31 Jan 2024 £'000	31 Jan 2023* £'000
Net revenue before taxation	6,175	435
Corporation tax at 20% (31/01/23: 20%)	1,235	87
Effects of:		
Tax deductible interest distributions	(1,235)	(87)
<b>Total tax charge for the year</b>	<b>-</b>	<b>-</b>

Authorised Open Ended Investment Companies are exempt from tax on capital gains, therefore any capital gains/(losses) are not included in the reconciliation above.

#### c) Provision for deferred tax

There was no provision required for deferred tax at the balance sheet date (31/01/23: same).

#### d) Factors that may affect future tax charges

At the year end, there is no potential deferred tax asset (31/01/23: same) in relation to surplus management expenses.

\* The Fund launched on 23 November 2022.

## Notes to the Financial Statements (continued)

For the year ended 31 January 2024

### 6. Distributions

The distributions take account of income received on the issue of shares and income deducted on the cancellation of shares and comprise:

	31 Jan 2024 £'000	31 Jan 2023* £'000
<b>Accumulation shares</b>		
Interim	2,705	–
Final	3,838	468
	6,543	468
<b>Income shares</b>		
Interim	326	–
Final	349	–
	675	–
<b>Net distributions for the year</b>	<b>7,218</b>	<b>468</b>
Add: Amounts deducted on cancellation of shares	71	–
Deduct: Amounts received on the creation of shares	(1,043)	(28)
<b>Gross interest distributions for the year</b>	<b>6,246</b>	<b>440</b>

The difference between the net revenue after taxation and the distribution paid is as follows:

	31 Jan 2024 £'000	31 Jan 2023* £'000
Net revenue after taxation	6,175	435
Expenses charged to capital	71	5
<b>Gross interest distributions for the year</b>	<b>6,246</b>	<b>440</b>

Details of the distribution per share are set out on pages 66 and 67.

### 7. Debtors

	31 Jan 2024 £'000	31 Jan 2023* £'000
Amounts receivable on creation of shares	35	–
Sales awaiting settlement	3	802
Accrued revenue	2,279	758
<b>Total debtors</b>	<b>2,317</b>	<b>1,560</b>

### 8. Cash and bank balances

	31 Jan 2024 £'000	31 Jan 2023* £'000
Cash and bank balances	1,927	194
Amounts held at futures clearing houses and brokers	22	138
<b>Total cash and bank balances</b>	<b>1,949</b>	<b>332</b>

### 9. Other creditors

	31 Jan 2024 £'000	31 Jan 2023* £'000
Amounts payable on cancellation of shares	5	–
Purchases awaiting settlement	619	916
Accrued expenses	8	3
<b>Total other creditors</b>	<b>632</b>	<b>919</b>

### 10. Reconciliation of number of shares

	Class M Accumulation	Class M Income
Opening shares at 01/02/23	2,500	2,500
Shares issued	139,936	962,634
Shares cancelled	–	–
Shares converted	–	–
<b>Closing shares at 31/01/24</b>	<b>142,436</b>	<b>965,134</b>

	Class R Accumulation
Opening shares at 01/02/23	53,414,634
Shares issued	69,416,551
Shares cancelled	(1,484,236)
Shares converted	–
<b>Closing shares at 31/01/24</b>	<b>121,346,949</b>

	Class S Accumulation	Class S Income
Opening shares at 01/02/23	2,500	2,500
Shares issued	–	11,471,611
Shares cancelled	–	(1,021,323)
Shares converted	–	–
<b>Closing shares at 31/01/24</b>	<b>2,500</b>	<b>10,452,788</b>

	Class Z Accumulation	Class Z Income
Opening shares at 01/02/23	2,500	2,500
Shares issued	3,159,439	343,839
Shares cancelled	(538,399)	(40,188)
Shares converted	–	–
<b>Closing shares at 31/01/24</b>	<b>2,623,540</b>	<b>306,151</b>

All classes within the Fund have the same rights on winding up.

\* The Fund launched on 23 November 2022.

## Notes to the Financial Statements (continued)

For the year ended 31 January 2024

### 11. Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (31/01/23: same).

### 12. Related party transactions

The Fund's Authorised Corporate Director, Royal London Unit Trust Managers Limited, is a related party to the Fund as defined by Financial Reporting Standard 102 'Related Party Disclosures'.

Fund Management Fee fees charged by Royal London Unit Trust Managers Limited are shown in note 4 and details of shares created and cancelled by Royal London Unit Trust Managers Limited are shown in the Statement of Change in Net Assets Attributable to Shareholders and note 6.

At the year end the balance due from/to Royal London Unit Trust Managers Limited in respect of these transactions was £22,000 (31/01/23: £3,000).

At the year end, 31 January 2024, 59.85% (31/01/23: 93.58%) of the shares in issue were held by The Royal London Mutual Insurance Society Limited. Royal London Unit Trust Managers Limited is a wholly owned subsidiary of The Royal London Mutual Insurance Society Limited.

### 13. Financial Derivatives

Motives and circumstances are used to determine whether returns on derivative contracts should be treated as capital or revenue. Where positions are undertaken to protect or enhance capital and the circumstances support this, the returns are included within net capital gains/losses in the Statement of Total Return. Where they are undertaken for generating or protecting revenue and the circumstances support this, the returns are treated as revenue and are included within the net revenue in the Statement of Total Return. The basis of apportionment is typically made by reference to the yield on the underlying security, index or other appropriate source.

The use of derivatives can create additional counterparty risks. Details of the policy adopted by the ACD for managing counterparty and other risks are set out in the Notes to the Financial Statements.

The types of derivatives held at the year end were index futures which are not classed as OTC derivatives and hence, no counterparty exposure has been disclosed.

Eligible collateral types are approved by the ACD and may consist of cash and government bonds only as eligible collateral with respect to derivative transactions.

At 31 January 2024 there was no collateral held in respect of the above derivatives (31/01/23: £nil).

### 14. Risk disclosures

The policies applied to the management of risk disclosures are set out on pages 10 and 11.

The fair values of the Fund's assets and liabilities are represented by the values shown in the balance sheet on page 60. There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

As most of the assets of the Fund are sterling denominated, exposure to foreign currency exchange risk is considered insignificant, therefore, no currency sensitivity has been disclosed in these financial statements.

If market prices had increased by 10% as at the balance sheet date, the net asset value of the Fund would have increased by £14,340,000 (31/01/23: £5,352,000). If market prices had decreased by 10% as at the balance sheet date, the net asset value of the Fund would have decreased by £14,340,000 (31/01/23: £5,352,000). These calculations assume all other variables remain constant.

#### Interest rate risk profile of financial assets and financial liabilities

The interest rate risk profile of the fund's financial assets and liabilities at 31 January 2024 compared to the previous year end was:

Currency	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
<b>31 Jan 2024</b>				
Sterling	62,768	82,580	2,319	147,667
<b>Total</b>	<b>62,768</b>	<b>82,580</b>	<b>2,319</b>	<b>147,667</b>

<b>31 Jan 2023</b>				
Sterling	23,385	30,464	1,564	55,413
<b>Total</b>	<b>23,385</b>	<b>30,464</b>	<b>1,564</b>	<b>55,413</b>

Currency	Floating rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
<b>31 Jan 2024</b>			
Sterling	–	(981)	(981)
<b>Total</b>	<b>–</b>	<b>(981)</b>	<b>(981)</b>

<b>31 Jan 2023</b>			
Sterling	–	(919)	(919)
<b>Total</b>	<b>–</b>	<b>(919)</b>	<b>(919)</b>



## Notes to the Financial Statements (continued)

For the year ended 31 January 2024

### 14. Risk disclosures – continued

#### Interest rate risk profile of financial assets and financial liabilities – continued

Based on 2023 Bank of England interest rate increases, if the coupon rate of floating rate instruments was to change by 3%, the income attributable to these investments at the year end 31/01/24, would change by £266,000 (31/01/23: £164,000). Another possible scenario would be if the coupon rate of floating rate instruments was to change by 1% in the future, the income attributable to these investments at the year end 31/01/24, would change by £89,000 (31/01/23: £55,000).

A change of 3% in the prevailing interest rates would result in a change of 8.85% (31/01/23: 7.25%) to the value of the Fund. Another possible scenario would be if a change of 1% in the prevailing interest rates would result in a change of 2.95% (31/01/23: 2.42%) to the value of the Fund.

These examples represent the ACD's best estimate of possible shifts in interest rates.

Interest rates and bond prices have an inverse relationship. As interest rates rise the value of bonds will decrease and vice versa.

Credit breakdown*	31 Jan 2024		31 Jan 2023	
	Bid-Market value £'000	Total net assets %	Bid-Market value £'000	Total net assets %
Investments of investment grade	122,902	83.80	42,666	78.29
Investments of below investment grade	5,805	3.95	2,432	4.46
Unrated bonds	14,693	10.01	8,419	15.45
<b>Total bonds</b>	<b>143,400</b>	<b>97.76</b>	<b>53,517</b>	<b>98.20</b>
Futures – assets	1	–	4	0.01
<b>Investments as shown in the balance sheet</b>	<b>143,401</b>	<b>97.76</b>	<b>53,521</b>	<b>98.21</b>
<b>Total value of investments</b>	<b>143,401</b>	<b>97.76</b>	<b>53,521</b>	<b>98.21</b>

\* Ratings supplied by S&P, followed by Moody's.

### 15. Portfolio transaction costs

For the year ended 31 January 2024

	31 Jan 2024 £'000	31 Jan 2023 £'000
There were no transaction costs for the year ended 31 January 2024.		
<b>Total purchases</b>	<b>152,343</b>	<b>62,382</b>
<b>Total sales</b>	<b>65,429</b>	<b>9,454</b>

The Fund had no corporate actions during the year (31/01/23: none).

At the balance sheet date the portfolio dealing spread was 0.57% (31/01/23: 0.62%).

The Fund is single priced throughout the year and therefore the dealing spread is not indicative of the full year.

### 16. Fair value of investments

The fair values of the Fund's assets and liabilities are represented by the values shown in the balance sheet. There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

The fair value of investments has been determined using the following hierarchy:

- Level 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3 Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

#### As at the year ended 31 January 2024

Level	1 £'000	2 £'000	3 £'000	Total £'000
<b>Investments</b>				
Bonds	–	142,077	1,323	143,400
Derivatives	1	–	–	1
<b>Total</b>	<b>1</b>	<b>142,077</b>	<b>1,323</b>	<b>143,401</b>

#### As at the year ended 31 January 2023

Level	1 £'000	2 £'000	3 £'000	Total £'000
<b>Investments</b>				
Bonds	–	52,708	809	53,517
Derivatives	4	–	–	4
<b>Total</b>	<b>4</b>	<b>52,708</b>	<b>809</b>	<b>53,521</b>

## Notes to the Financial Statements (continued)

For the year ended 31 January 2024

### 16. Fair value of investments – continued

Where a price is unavailable or the price provided is not thought to be a fair reflection of the current market value of the asset, the Investment Adviser, via the RLAM Valuation Oversight Committee, at its discretion, may permit a different method of valuation to be used.

At the current year end, the level 3 assets held were the following debt securities: Finance for Residence Social Housing 'A1' 8.369% 4/10/2058, Finance for Residence Social Housing 'A2' 8.569% 5/10/2058 and MIELI London 4.82% 12/8/2027.

At the prior period end, the level 3 assets held were the following debt securities: Finance for Residence Social Housing 'A1' 8.369% 4/10/2058, Finance for Residence Social Housing 'A2' 8.569% 5/10/2058 and MIELI London 4.82% 12/8/2027.

Finance for Residence Social Housing 'A1' 8.368% 4/10/2058, Finance for Residence Social Housing 'A2' 8.569% 5/10/2058 and MIELI London 4.82% 12/8/2027, these bonds are priced by the Investment Adviser using internal models. To estimate a fair value price for these illiquid assets the model uses several buckets of peer group companies. It then derives a credit spread from this group. Based on this and future cashflows of these bonds, a fair value is derived for these bonds.

### 17. Events after the balance sheet date

Subsequent to the Fund's year end, 31 January 2024, factors such as inflation and geopolitical events could cause the Fund to be impacted by resulting volatility in stock markets and adverse investor sentiment.

The net asset value (NAV) of the Fund as at 17 May 2024 was £149,219,083. The impact of the market movements on the Fund's NAV between the end of the reporting period 31 January 2024 and the date of which the financial statements were authorised for issue was 1.44%.

There have been no significant redemptions during this period.

## Distribution Tables

For the year ended 31 January 2024

### Distribution in pence per share

#### Interim

Group 1: Shares purchased prior to 1 February 2023

Group 2: Shares purchased between 1 February 2023 and 31 July 2023

	Net income	Equalisation	Distribution paid 29/09/23*
<b>Class M Accumulation</b>			
Group 1	2.7914	–	2.7914
Group 2	0.4319	2.3595	2.7914
<b>Class M Income</b>			
Group 1	2.7677	–	2.7677
Group 2	0.0124	2.7553	2.7677
<b>Class R Accumulation</b>			
Group 1	2.7947	–	2.7947
Group 2	0.8603	1.9344	2.7947
<b>Class S Accumulation</b>			
Group 1	2.7947	–	2.7947
Group 2	2.7947	0.0000	2.7947
<b>Class S Income</b>			
Group 1	2.7698	–	2.7698
Group 2	2.4593	0.3105	2.7698
<b>Class Z Accumulation</b>			
Group 1	2.7918	–	2.7918
Group 2	1.1984	1.5934	2.7918
<b>Class Z Income</b>			
Group 1	2.7678	–	2.7678
Group 2	0.7042	2.0636	2.7678

\* The Fund launched on 23 November 2022.

**Distribution Tables** (continued)

For the year ended 31 January 2024

**Distribution in pence per share****Final**

Group 1: Shares purchased prior to 1 August 2023

Group 2: Shares purchased between 1 August 2023 and 31 January 2024

	Net income	Equalisation	Distribution payable 28/03/24	Distribution paid 31/03/23
<b>Class M Accumulation</b>				
Group 1	3.0843	–	3.0843	0.8756
Group 2	0.8788	2.2055	3.0843	0.8756
<b>Class M Income</b>				
Group 1	2.9743	–	2.9743	0.8756
Group 2	0.7723	2.2020	2.9743	0.8756
<b>Class R Accumulation</b>				
Group 1	3.0927	–	3.0927	0.8757
Group 2	2.6137	0.4790	3.0927	0.8757
<b>Class S Accumulation</b>				
Group 1	3.0932	–	3.0932	0.8756
Group 2	3.0932	0.0000	3.0932	0.8756
<b>Class S Income</b>				
Group 1	2.9811	–	2.9811	0.8756
Group 2	2.9811	0.0000	2.9811	0.8756
<b>Class Z Accumulation</b>				
Group 1	3.0855	–	3.0855	0.8756
Group 2	1.0455	2.0400	3.0855	0.8756
<b>Class Z Income</b>				
Group 1	2.9747	–	2.9747	0.8756
Group 2	2.1950	0.7797	2.9747	0.8756

## Fact File

### Constitution

#### Royal London Ethical Bond Fund

<b>Launch date</b>	12 April 2019		
<b>Accounting end dates</b>	31 January (final)		
	31 July (interim)		
<b>Distribution dates</b>	31 March (final)		
	30 June (interim)		
	30 September (interim)		
	31 December (interim)		
<b>Minimum investment</b>	Class M	£100,000 (thereafter £1,000)	
	Class R	n/a	
	Class S	n/a	
	Class Z	£3,000,000 (thereafter £50,000)	
<b>Management charges:</b>	<b>Initial</b>	Class M	nil
		Class R	nil
		Class S	nil
		Class Z	nil
	<b>Annual</b>	Class M	0.55%
		Class R	0.10%
		Class S	0.10%
		Class Z	0.40%

#### Royal London Short Duration Credit Fund

<b>Launch date</b>	12 April 2019		
<b>Accounting end dates</b>	31 January (final)		
	31 July (interim)		
<b>Distribution dates</b>	31 March (final)		
	30 September (interim)		
<b>Minimum investment</b>	Class M	£100,000 (thereafter £1,000)	
	Class R	n/a	
	Class S	n/a	
	Class Z	£3,000,000 (thereafter £50,000)	
<b>Management charges:</b>	<b>Initial</b>	Class M	nil
		Class R	nil
		Class S	nil
		Class Z	nil
	<b>Annual</b>	Class M	0.35%
		Class R	0.10%
		Class S	0.10%
		Class Z	0.31%

#### Royal London Sustainable Short Duration Corporate Bond Fund

<b>Launch date</b>	23 November 2022		
<b>Accounting end dates</b>	31 January (final)		
	31 July (interim)		
<b>Distribution dates</b>	31 March (final)		
	30 September (interim)		
<b>Minimum investment</b>	Class M	£100,000 (thereafter £1,000)	
	Class R	n/a	
	Class S	n/a	
	Class Z	£3,000,000 (thereafter £50,000)	
<b>Management charges:</b>	<b>Initial</b>	Class M	nil
		Class R	nil
		Class S	nil
		Class Z	nil
	<b>Annual</b>	Class M	0.35%
		Class R	0.06%
		Class S	0.06%
		Class Z	0.31%

## Fact File (continued)

### Investment Objective and Policies

Please note that Synthetic Risk and Reward Indicators (SRRIs) are calculated on a share class basis. For SRI information in relation to a specific share class, please always refer to the relevant Key Investor Information Document (KIID) available on our website.

#### Royal London Ethical Bond Fund

The Fund's investment objective is to achieve a total return (combination of capital growth and income) over the medium term (3-5 years), by investing predominantly in sterling-denominated corporate bonds, which meet predetermined ethical criteria.

The Fund's performance target is to outperform the Markit iBoxx Sterling Non-Gilt Total Return GBP Index (the "Index") over a rolling 5-year period. The Index is regarded as a good measure of the performance of investment-grade corporate bonds denominated in sterling.

The Index is considered an appropriate benchmark for the Fund's performance, as many of the Fund's potential investments will be included in the Index.

The Fund is actively managed, meaning that the manager will use their expertise to select investments to meet the objective. (A full specification of the ethical criteria is available from the ACD upon request).

The Fund may hold transferable securities (including Exchange Traded Funds which are closed-ended funds), government and public securities, deposits and cash (for the purpose of Efficient Portfolio Management and redemption of shares). It may also hold derivatives for the purpose of Efficient Portfolio Management only.

#### Risk and reward profile



The Fund is ranked in risk category 4 because its share price has shown a low to medium level of volatility historically. As an investment, bonds are more volatile than money market instruments but are less volatile than shares. Bonds issued by corporations are more volatile than bonds issued by governments.

#### Royal London Short Duration Credit Fund

The Fund's investment objective is to achieve a total return (combination of capital growth and income) over the medium term (3-5 years), by investing predominantly in sterling-denominated bonds, of which primarily will be short-duration (5 years or less).

The Fund's performance target is to outperform, after the deduction of charges, the ICE Bank of America Merrill Lynch 1-5 Year Sterling Non-Gilt Total Return (GBP unhedged) Index (the "Index") over a rolling 5-year period. The Index is regarded as a good measure of the performance of short-dated sterling-denominated bonds, not including those issued by the UK government (gilts).

The Index is considered an appropriate benchmark for the Fund's performance, as the Fund's potential investments will predominantly be included in the Index.

The Fund is actively managed, meaning that the manager will use their expertise to select investments to meet the objective.

The Fund may hold transferable securities, including Exchange Traded Funds (but not those which are collective investment schemes), government and public securities, deposits and cash (for the purpose of Efficient Portfolio Management and redemption of shares). It may also hold derivatives for the purpose of Efficient Portfolio Management only.

#### Risk and reward profile



The Fund is ranked in risk category 3 because its share price has shown a low to medium level of volatility historically. As an investment, bonds are more volatile than money market instruments but are less volatile than shares. Bonds issued by governments are less volatile than bonds issued by corporations.

## Fact File (continued)

### Investment Objective and Policies (continued)

#### Royal London Sustainable Short Duration Corporate Bond Fund

The Fund's investment objective is to achieve a total return over the medium term (3-5 years), by investing predominantly in sterling-denominated corporate bonds, of which primarily will be short-duration (5 years or less).

The Fund's performance target is to outperform after the deduction of charges, the ICE Bank of America Merrill Lynch 1–5 Year Sterling Non-Gilt Total Return (GBP unhedged) Index (the "Index") over a rolling 5-year period. The Index is regarded as a good measure of the performance of investment grade shortdated bonds valued in sterling.

The Index is considered an appropriate benchmark for the Fund's performance, as the Fund's potential investments will predominantly be included in the Index.

The Fund is actively managed, meaning that the manager will use their expertise to select investments to meet the objective.

The Fund may hold transferable securities, including Exchange Traded Funds (but not those which are collective investment schemes), government and public securities, deposits and cash (for the purpose of Efficient Portfolio Management and redemption of shares). It may also hold derivatives for the purpose of Efficient Portfolio Management only.

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 Manager avoids investing in tobacco and armament manufacturers, nuclear power generators, and companies that conduct animal testing (other than for purposes of human or animal health, and/or where it is required by law or regulation). This exclusion policy helps to avoid companies the Investment Manager believes expose investors to unacceptable financial risk resulting from poor management of ESG issues.

The Fund is managed in line with ethical and sustainable investment policy. Investors can view the current policy at [www.rlam.com](http://www.rlam.com).

#### Risk and reward profile



The Fund is ranked in risk category 3 because its share price has shown a low to medium level of volatility historically. As an investment, bonds are more volatile than money market instruments but are less volatile than shares. Bonds issued by governments are less volatile than bonds issued by corporations.

The indicators have been calculated using historical data and may not be a reliable indication of the future risk profile of the Funds. The indicators are calculated using a standard methodology that is used by all companies offering such Funds in Europe.

The risk/reward indicators are an estimate and not a guarantee. Going forward, the Funds' actual volatility could be higher or lower, and their rated risk/reward profile could change. The lowest risk category does not mean the investment is risk free.

The Risk and Reward Profiles are published in each Fund's most recent Key Investor Information Document.



## Remuneration Policy (unaudited)

The Authorised Corporate Director (“ACD”) of the Royal London Bond Funds II ICVC, Royal London Unit Trust Managers Limited (“RLUTM”), is subject to remuneration policies, procedures and practices (together, the “Remuneration Policy”), as required under the UCITS Directive (“UCITS V”). RLUTM has appointed Royal London Asset Management Limited (“RLAM”) as the Investment Adviser to the Fund.

RLUTM and RLAM are wholly owned subsidiaries of The Royal London Mutual Insurance Society, “the Group”. The Group maintains a “Group Remuneration Policy” that RLUTM has adopted which is consistent with and promotes sound and effective risk management. It is designed so that risk-taking is not encouraged where this is inconsistent with the risk profiles or the instrument constituting the Fund or the Prospectus, as applicable, of the UCITS it manages. The Group has appointed a Remuneration Committee which is made up of Non-Executive Directors and is advised by independent remuneration consultants. The Committee considers the advice by independent remuneration consultants and the implications of remuneration policies across the Group, including for RLUTM.

The Remuneration Policy is in line with the business strategy, objectives, values and the interests of the ACD and the interests of the Royal London Bond Funds II ICVC and includes measures to avoid conflicts of interest. The Remuneration Policy adopts performance related pay, with salaries determined by reference to both individual performance and the external market. Total Remuneration comprises of a mix of fixed remuneration (including base salary and benefits), and variable remuneration in the form of incentives. The ratio between fixed and variable pay (both short-term and long-term incentives) is set by the Group to ensure that there is appropriate balance between the fixed and variable remuneration components. The Group Remuneration Policy applies to staff of the ACD whose professional activities have a material impact on the risk profile of the ACD or the ICVC and ensures that an individual cannot be involved in determining or approving their own remuneration. The UCITS Directive requires RLUTM to identify employees whose professional activities have a material impact on the risk profile of the RLUTM and the Fund. Identified staff includes senior management, risk takers, control functions, and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers.

The Remuneration Policy is updated annually and reviewed and approved by the Remuneration Committee. The most recent review included increases to the maximum incentive opportunities for executive directors of the Group, updates to reflect the Financial Conduct Authority’s (FCA) Consumer Duty principle and supporting rules which comes into effect in July 2023, as well as minor wording changes to improve clarity. Details of the Remuneration Policy (provided in the form of the “UCITS Summary Remuneration Policy”), includes a description on the purpose of the policy, how remuneration and benefits are calculated and the identity of persons responsible for awarding the remuneration and benefits. The UCITS Summary Remuneration Policy will be made available for inspection and a paper copy may be obtained, free of charge, at the registered office of the ACD, upon request.

RLUTM has a board of directors (the “Directors”). The Directors of the Company who are also employees of the Group do not receive any remuneration in respect of their services as directors of RLUTM. The other Non-Executive Directors receive fixed remuneration in respect of their services which is set at a level determined by the Group and is not performance related. None of the Directors are currently in receipt of variable remuneration in respect of their services as Directors of RLUTM. RLUTM has no employees and therefore there are no other controlled functions, or senior management employed and paid by RLUTM. However, for the financial year ending 31 December 2023, total remuneration of £32,720,486 was paid to 48 individuals whose actions may have a material impact on the risk profile of RLUTM, of which £8,986,030 related to senior management. The fixed element of the total remuneration mentioned above is £10,709,034 and the variable element is £22,011,452. In addition, the ICVC does not make any payments directly to any staff of the delegates. For the financial year ending 31 December 2022, total remuneration of £27,513,761 was paid to 50 individuals whose actions may have a material impact on the risk profile of RLUTM, of which £6,685,030 related to senior management. The fixed element of the total remuneration mentioned above is £10,370,339 and the variable element is £17,143,422. In addition, the ICVC does not make any payments directly to any staff of the delegates.

In accordance with the Remuneration Policy and the requirements of UCITS V, staff working for RLAM are not remunerated by the ACD but they are subject to remuneration requirements which are equally as effective as those in place under the UCITS Directive. RLAM is also subject to the Financial Conduct Authority’s Remuneration Codes.

## General Information

### Pricing and dealing

The prices of shares are determined by reference to the underlying market value of the net assets of each sub-fund at the relevant valuation point.

Share prices are normally calculated daily however, if the markets are exceptionally volatile the ACD may conduct more frequent valuations to reflect any significant changes in the value of a sub-fund's underlying assets.

Dealing prices, yields and details of risks and charges are published on our website, [www.rlam.com](http://www.rlam.com).

Dealing in shares is conducted between 9.00am and 5.00pm on a forward pricing basis.

### Buying shares

Shares may be bought on any business day via an authorised intermediary or from the ACD by telephoning the Dealing desk on 03456 04 04 04\*. Alternatively, an application form should be completed and sent to the ACD. Shares will be allocated at the price ruling at the next valuation point and a contract note confirming the purchase will be issued immediately thereafter.

### Selling shares

Shares may be sold back to the ACD on any business day. Shares can be sold by telephone by calling the Dealing desk on 03456 04 04 04\* or alternatively by putting your request in writing. The ACD will allocate the price calculated from the next valuation point and issue a contract note as evidence of the sale.

\* In the interest of investors' protection all telephone calls to the Dealing desk are recorded.

### Cancellation rights

Where a person purchases shares the Conduct of Business Sourcebook Instrument 2001 (as amended from time to time) may give the investor the right to cancel the relevant purchase within 14 days of receipt of the requisite notice of a right to cancel. The right to cancel does not arise if (a) the investor is not a private customer, (b) the investor is not an execution-only customer, (c) the agreement to purchase is entered into through a direct offer financial promotion, or (d) the agreement is entered into under a customer agreement or during negotiations (which are not ISA or PEP related) intended to lead to a client agreement.

### UK taxation

The Company is not subject to Capital Gains Tax.

Capital gains established when shares are sold are subject to tax, but at the present time investors are not liable unless their total gains in any tax year from all disposals of assets exceed the Capital Gains Tax annual exemption.

Investors receive a distribution of net revenue with tax credit equivalent to the lower rate of income tax. Where the distribution is retained within a sub-fund and not paid out it should be included in investors' Income Tax Return. No further liability exists if they pay at the lower or basic rate, but higher rate tax will be payable as appropriate. If investors are not liable to tax they are unable to claim repayment of the tax credit from HM Revenue & Customs. The treatment of distributions as received by corporate shareholders is detailed on the reverse of dividend warrants.

The first distribution received after purchasing shares includes an amount described as 'equalisation'. This is a repayment of capital and is therefore not liable to Income Tax. It should, however, be deducted from the initial cost of shares for Capital Gains Tax purposes.

### Authorisation

The Company was authorised by the Financial Conduct Authority on 30 October 2018. The Company is a UCITS umbrella scheme.

### Company Reports and Prospectus

Copies of the latest yearly and half yearly financial statements and copies of the Prospectus may be obtained from Royal London Unit Trust Managers Limited upon request.

## Contact Us

For further information  
please contact:

**Royal London  
Asset Management Limited**

80 Fenchurch Street  
London EC3M 4BY

020 3272 5950  
bdsupport@rlam.co.uk  
www.rlam.com

This report is issued by Royal London Asset Management Limited on behalf of RLUTM Limited.

Royal London Asset Management Limited is a marketing brand which includes Royal London Unit Trust Managers Limited, authorised and regulated by the Financial Conduct Authority and which manages collective investment schemes, registered in England and Wales number 2372439.

This company is a subsidiary of The Royal London Mutual Insurance Society Limited, registered in England and Wales number 99064.

Registered office: 80 Fenchurch Street, London EC3M 4BY.

Ref: SREP RLAM PD 0314

