

Royal London Duration Hedged Credit Fund

30 June 2014



Overview

The fund aims to achieve a positive absolute return over the medium (5 years) to long (7 years) term in all market conditions. The fund does not offer any element of capital protection or guarantee that this return will be achieved.

Performance 12 Months Ending

	30/06/14	30/06/13	30/06/12	30/06/11	30/06/10
(Class Z Acc)	6.57%	-	-	-	-

Cumulative Performance to 30/06/2014

	3 months	6 months	1 Year	3 Years	5 Years
(Class Z Acc)	1.63%	2.94%	6.57%	-	-
Sector Average	1.25%	1.59%	6.71%	17.40%	54.35%
Quartile Ranking (Class Z)	2	1	3	-	-

Mid to mid, net of fees and taxes, net income reinvested unless otherwise stated. Information about past performance is not a reliable indicator of future results. The investor may not get back part, or all, of the amount originally invested. The value of your investment and the income from it is not guaranteed and can fall as well as rise. Please refer to the Key Investor Information Document (KIID) for a list of the relevant risks. All yields are net of expenses and gross of taxes.

Fund Commentary

The rise in gilt yields in June, most marked in the 5 year maturity area at almost 0.2%, was a significant factor in sterling corporate bond returns in the month. Compared to the index return for gilts of -0.53% in June, sterling investment grade corporate bonds posted an index return of -0.33%, with only the insurance and subordinated debt bank sectors managing positive returns in the month. By credit rating, BBB bonds came in with a return of -0.07% while AA bonds' return was -0.45%. This mundane performance in June brings returns in the first half of 2014 to 3.25% and 4.50% respectively for the two asset classes of gilts and sterling corporate bonds.

Fund Overview

General Information

Fund Manager:	Paola Binns
Fund size (mid basis)	£156.99m
Fund Type	OEIC
Fund domicile	GBR
ISA	Y
Duration	0.0
Benchmark Duration	-
Benchmark:	
Three month LIBOR.	

Share Class Z (Accumulation)

Initial charge	0%
Annual mgmt charge	0.50%
Min investment	£1,000,000
Min monthly contribution	£50,000
OCF	0.55%
Sedol number	B4K6P77
Mid price	111.90
Distribution yield	1.89
Underlying yield	1.89

Credit Breakdown	
	Fund (%)
AAA	1.6
AA	10.7
A	24.7
BBB	42.7
BB and below	4.3
Unrated	17.7
Derivatives	-1.8

Maturity Profile	
	Fund (%)
0-5 years	28.6
5-10 years	30.8
10-15 years	19.2
15+ years	21.4

Sector Breakdown	
	Fund (%)
Structured	23.9
Banks and financial services	21.7
Investment trusts	9.6
Insurance	9.1
Real estate	8.3
Utilities	8.3
Conventional gilts	6.6
Social housing	3.4
Telecommunications	3.1
Consumer services	2.9
General industrials	2.8
Consumer goods	1.0
Covered	0.7
Foreign sovereigns	0.3
Derivatives	-1.8

Asset Split	
	Fund (%)
Conventional corporate bonds**	94.9
Index linked corporate bonds	0.0
Foreign conventional sovereign	0.3
Sterling conventional gilts	6.6
Derivatives	-1.8

**Conventional corporate bond allocation includes exposure to non-sterling credit bonds and certificates of deposits, where applicable.

Top Ten Holdings	
	Fund (%)
(Excluding any derivatives held within the portfolio)	
UK Treasury Gilt 2.75% 22/01/2015	6.6
Electricite de France 6% 23/01/2114	1.5
Finance for Residence Soc Housing 8.369% 05/10/58	1.4
Equity Release 5.7% 26/02/2031	1.1
Telereal Securitisation 10/12/2031	1.1
British Land 5.264% 24/9/2035	1.0
Residential Mortgage Securities 16/12/2050	1.0
Grosvenor UK Finance 6.5% 29/09/2026	1.0
Scottish Mortgage and Trust 12% 30/06/2026	1.0
HSBC Bank 5.75% 20/12/2027	0.9
Total	16.6
Total No. of Holdings	294
(RLAM as at 30/06/2014)	

Risk Warnings

Derivatives are held to reduce the risk exposures within the fund although; at times they may behave unexpectedly or could expose the fund to losses that are significantly greater than the cost of the derivative. The issuers of certain bonds could become unable to make income or capital payments on their bonds.

Yield Definitions

The **distribution yield** reflects the amounts that maybe expected to be distributed over the next 12 months. The **underlying yield** reflects the annualised income net expenses of the fund as a percentage (Calculated in accordance with the relevant accounting standards). Both these yields are calculated as a (%) of the mid-price of the fund and are month end snap shots and do not include any preliminary charges and investors may be subject to tax on distributions

Contact Details

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Source: rlam, Financial Express and HSBC as at 30/06/2014, unless otherwise stated. Yield definitions are shown above.