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royal london asset management

Royal London Bond Funds ICVC

Short Final Report to 31 October 2013

Good thinking. Well applied.

Contents

Economic Background

During the past year, growth remained relatively modest in much of the developed world, while the tail risk of a return to global recession waned.

The latter months of 2012 were dominated by the US fiscal cliff debate and a gradual easing in Eurozone tensions, following the European Central Bank's (ECB) announcement of an Outright Monetary Transactions (OMT) programme to purchase short-term euro-area government bonds. Global growth prospects remained subdued during the early months of 2013, particularly in the euro area, as the divergence between the United States and the euro area became more marked: the US economy continued to grow at a moderate pace, with the level of GDP above its pre-crisis peak, while the Eurozone remained in recession. From the second quarter of 2013, there was a marked improvement in UK and Eurozone economic news. The United States continued to recover, despite headwinds from sharp fiscal consolidation, and the Japanese economy rebounded under more expansionary policies.

Monetary policy remained supportive in advanced economies during the period, and some central banks loosened policy further: the ECB cut its main interest rate by 25 basis points in May 2013 and again in November 2013, while the Bank of Japan launched a major new monetary stimulus package, as part of a wider set of policy measures involving both fiscal stimulus and structural reform. In December 2012, the US Federal Reserve committed to continue its open-ended purchases of assets until it observed a substantial improvement in the outlook for the labour market. From May 2013 onwards, the focus turned to the possible timing of a slowing in the pace of this monetary expansion, however as of November 2013 there has been no reduction. In the UK, the MPC kept its policy rate and the stock of purchased assets unchanged and introduced Conditional Forward Guidance in August 2013.

Financial market sentiment continued to be heavily dependent on investors' expectations of central bank policy and the increase in "riskier" asset prices across much of the period was in part driven by expectations that monetary policy would remain accommodative. Improvements in the outlook for the United States, and statements from Ben Bernanke (Federal Reserve Chairman) in May 2013 regarding the possible timing of a slowing (Tapering) in the pace of monetary expansion by the central bank, led to rises in US Treasury yields. There was also a significant impact on emerging debt and equity markets, which has highlighted the difficulties facing a number of emerging economies, especially those with large current account deficits and most reliant on portfolio inflows. These pressures eased during the autumn, as Tapering failed to materialise.

UK

UK GDP growth resumed in the first quarter of 2013 and our base case scenario is for a modest pick-up in GDP over the course of this year (1.4%) and next (2.1%). The pace of expansion is expected to remain low relative to previous recovery episodes. Structural imbalances, including excessive debt levels in the household and public sectors still need to be worked off, consumer spending (which accounts for the largest share of GDP) is constrained by low real income growth, while demand remains weak in the Eurozone, the UK's main export market.

The rate of CPI inflation was 2.2% in October 2013, down from a recent high of 2.9% in June 2013. Downward pressure from fuel prices and a lower impact from tuition fees were the main reasons behind the recent fall. Despite a lengthy period of above target CPI, inflation expectations remain stable and there are few signs of a classic wage inflation spiral taking hold.

In August 2013, the Bank of England (BoE) has issued forward guidance on interest rates, subsequently updated in November 2013. We expect interest rates to remain on hold until 2015, in line with the BoE's current guidance.

US

Recent data suggests that GDP growth remains a little lower than our base case of +2%. Some sectors of the economy, such as housing, have shown a significant bounce over the past two years, however other evidence suggests that growth in the middle part of the year has been curtailed as the economy absorbed cuts in government spending and tax rises. The public sector shutdown in October 2013 will have had only a temporary effect on economic activity, however the broader political dispute over the public finances remains unresolved.

Headline inflation remains low at under 2%, while core inflation, which in the past has tended to be a better predictor of future inflation, is also close to 2%. We expect economic slack to persist for some time and, in the absence of a spike in the oil price, remain relaxed about the outlook for inflation. Longer-term inflation expectations have remained stable according to surveys of households and economic forecasters.

Current Fed guidance states that it expects to maintain an exceptionally low level of the federal funds rate, as long as the unemployment rate remains above 6.5%. Inflation one to two years ahead is projected to be no more than 2.5%, and longer-term inflation expectations continue to be well anchored. We assume the Fed will reduce the pace at which it buys Treasuries and Mortgage backed securities (currently $85bn/month) during 2014.

Looking ahead, we expect economic growth to pick up a little next year, although the rate will remain low relative to the pace of past recoveries.

Europe

Over the past two years, the risk of a disorderly outcome to the euro crisis has impacted confidence and bank funding costs across the region. These factors, together with on-going fiscal consolidations, have weighed on activity. Euro-area GDP fell by 0.2% in 2013 Q1, however it rose by 0.3% in Q2 and 0.1% in Q3. Business surveys suggest another positive number for Q4, as the impact of reduced uncertainty around the euro feeds through to household and business confidence. Looking ahead, we assume growth rates in the Eurozone remain modest. Inflation remains well below the ECB's 2% target, and prompted an unexpected rate cut in November 2013.

Far East

The main business surveys in China have suggested some pick-up in activity and electricity production growth has risen. Headline GDP growth was at 7.8% year on year (yoy) in Q2, slightly stronger than the 7.5% yoy in Q2. In October 2013, Industrial Production grew by 10.3% yoy, retail sales accelerated to 13.0% yoy, while Fixed Asset Investment rose by 20% yoy.

During the first 30 years of economic reform, the Chinese economy achieved an average of 10% GDP growth. Demographic change is now helping to lower China's medium term potential growth rate, as the supply of migrant labour declines and China loses much of its low cost advantages. The new government's GDP growth target is 7.5%, while beyond 2020, a shrinking labour force and slowdown in capital stock growth will mean even lower potential growth rates. The major challenge will be how to rebalance the economy from investment to consumption, without allowing the overall growth rate to fall too far.

Japan

Japanese output grew by 0.5% quarter on quarter (qoq) in Q3, on the back of considerable fiscal and monetary stimulus. A more durable improvement in nominal demand growth will depend on further structural reforms to the labour and product markets.

At the beginning of 2013, the new government confirmed a fiscal stimulus package of around 2% of GDP, while the Bank of Japan (BoJ) announced further asset purchases and an inflation target of 2%. The appointment of Mr Haruhiko Kuroda as BoJ governor has signalled a much more dovish monetary policy, although achieving the new 2% CPI target by 2015 will be difficult.

Despite these new stimulus measures, we need to see an end to deflation to become more confident on the outlook for the economy. The total amount of government debt is greater than GDP, and in a situation of deflation, debt serving costs remain higher than long term nominal growth. This is unsustainable in the long run, although with the economy in current account surplus, the crisis point could be some time in the future. The low level of Japanese bond yields suggests that markets are assuming action to correct the situation over the coming decades.

Royal London Cash Plus Fund

Investment Objective and Policy

The investment objective of the Fund is to produce an attractive level of capital growth and income mainly by investing in cash, deposits, money market instruments and short dated government securities.

Assets

To achieve this objective the Fund will invest mainly in cash, deposits, money market instruments and short dated government securities. It may also invest in transferable securities. It may also hold derivatives for the purposes of EPM only.

Risk Profile

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For more details of the investment risks that affect this Fund please refer to your copy of the Fund's Key Investor Information Document. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

Fund Performance

Over the period under review the fund returned 0.8% versus a 0.5% return for the 7 Day LIBID.

Portfolio and Market Commentary

The fund comprises certificates of deposit, held in high quality names with a minimum credit rating of A1/P1 or A (long term). The fund also invests in covered bonds, supranational debt and gilts, where appropriate, to add value on a strategic and tactical basis. As at the end of the reporting period, over 40% of the portfolio was invested in these bonds.

In November, the Bank of England announced that excess Asset Purchase Facility cash and future coupons would be transferred to HM Treasury; this was interpreted as a soft form of quantitative easing, pushing gilt yields to 1.7%.

A one notch downgrade in February of the UK's credit rating by Moody's to Aa1 was largely ignored by the market, and February's Budget was interpreted as mildly inflationary due to assistance for homebuyers. In addition, a review of UK monetary policy resulted in the planned use of forward guidance on rates. Italian elections resulted in a hung parliament in February while the Cyprus "bail-in" gave a bid to core bond markets as the head of the eurogroup suggested that this format would be adopted in future.

The views expressed are the author's own and do not constitute investment advice and are not an indicator of future Fund performance.

Source: RLAM

Early in the period, following a sustained rally in covered bonds and with gilt yields falling, the fund used this opportunity to reduce its exposure to these areas and crystallise profits. Proceeds were invested in longer dated certificates of deposit offering good rates of interest.

The money market seemed to have escaped from any fallout in respect of any of these issues.

Gilt yields had moved lower through March and April on softer US data, European Central Bank rate cut rhetoric and an asset purchase plan by the Bank of Japan. We used this opportunity to reduce the fund's exposure to gilts, investing again in covered bonds and longer dated certificates of deposit. Purchases of AAA rated covered bonds, together with strong performance, pushed the fund's position in covered floating rate notes (linked to 3 month LIBOR) to over 28% of assets. Gilt yields subsequently rose, with 10 year gilt yields rising by around 0.5% in June alone. We used the volatility in yields to actively manage the fund's exposure to medium dated gilts, capturing yield advantage and realising gains on a daily basis.

LIBOR rates were again largely unchanged as were yields on certificates of deposit.

Throughout the reporting period the fund tactically traded in short and medium dated gilts, incrementally enhancing performance. Allocation to covered bonds and supranational debt was also beneficial to overall returns.

Investment Outlook

Our central case is for gilt yields to rise marginally over the next 12 months. We remain cautious on the outlook for global growth as the deleveraging process will take several years. Recent improvement in UK growth is encouraging, but the economy still remains some way below the long term trend.

We expect gilt market volatility to continue, given the continued high levels of global supply, political concerns and concerns over the impact of fiscal and monetary tightening on future growth.

We believe interest rates will remain low by past standards as we expect inflation will not be a major threat over the next few years. As a result, the peak in base rates will be much lower than usual during the current economic cycle, resulting in a flatter yield curve.

The fund will continue to take advantage of the steep money curve by investing in safe names at the longer maturities. In addition the fund will continue to tactically trade in gilts to add value from volatility within gilt markets.

Craig Inches
Fund Manager

December 2013

Royal London Cash Plus Fund

(continued)

Fund Facts

	As at	M Inc Shares	Z Inc Shares	Z Acc Shares
Sedol Number		B545JR5	B4X2895	B4VPT26
Initial Charge		0.00%	0.00%	0.00%
Initial Commission		0.00%	0.00%	0.00%
Annual Management Charge (AMC)		0.25%	0.00%	0.00%
Ongoing Charges Figure (OCF)[1]	31/10/13	0.29%	0.04%	0.04%
Portfolio Turnover Rate	31/10/13	n/a	n/a	n/a
Synthetic Risk Reward Indicator (SRRI)[2]	31/10/13	1	1	1
Launch Date (See notes overleaf)		13/12/12	22/05/12	22/06/11
Fund Type				Authorised OEIC Fund
Domiciled				UK
Distribution Calculation Dates (XD)				1 May & 1 November
Distribution Payment Dates				30 June & 31 December

[1] The OCF replaces the TER as at 1 July 2012. The OCF consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

[2] The SRRI is monitored on a weekly basis, for further information and commentary on this please see the fund Key Investor Information Document (KIID) on our website http://www.rlam.co.uk/Fund-Performance–Prices.

Fund Performance Data

Share Class	Net Asset Value as at 31/10/13 £'000	Net Asset Value per share as at 31/10/13 p
M Inc Shares	65,617	101.54
Z Inc Shares	56,656	100.47
Z Acc Shares	142,429	102.23

Price and Net Income Comparison

Year	Share Class	High Price p	Low Price p	Income p
2013[1]	M Inc Shares	101.87	101.60	0.47
	Z Inc Shares	100.98	100.57	0.75
	Z Acc Shares	102.29	101.70	0.76
2012	M Inc Shares[2]	101.71	101.61	n/a
	Z Inc Shares[3]	101.72	100.00	0.43
	Z Acc Shares	101.70	100.00	1.04
2011[4]	Z Acc Shares	100.10	99.89	0.00

Single priced ICVC sub-fund
[1] To 31 October 2013
[2] From launch on 13 December 2012
[3] From launch on 22 May 2012
[4] From launch on 22 June 2011

Royal London Cash Plus Fund

(continued)

Fund vs Sector Average Out-Performance

	1 year %
Royal London Cash Plus Fund	0.78

The sub-fund was launched on 15 June 2011 and first priced on 16 June 2011.

Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is net of fees and is cumulative over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

Top Ten Holdings

Holding	31/10/13 % Holding
Yorkshire Building Society FRN 23/3/2016	6.68
Standard Chartered 0.5% 4/11/2013	3.78
Rabobank Nederland 0.74% 26/8/2014	3.77
Lloyds Bank FRN 22/3/2017	3.50
Coventry Building Society FRN 10/2/2015	3.47
Deutsche Bank 0.65% 7/5/2014	3.02
Muenchener Hypothekenbank FRN 25/4/2016	3.01
Abbey National FRN 5/4/2017	2.89
Royal Bank of Scotland 0.84% 19/3/2014	2.84
Barclays Bank 0.82% 19/3/2014	2.83

Holding	31/10/12 % Holding
KFW FRN 9/3/2015	14.84
Nordea Bank 0.98% 12/7/2013	9.77
Treasury 4.5% 7/3/2013	6.52
European Investment Bank FRN 19/2/2015	5.15
Rabobank Nederland 1.07% 11/7/2013	5.01
ING non voting 1.63% 12/7/2013	5.01
Standard Chartered 0.86% 28/7/2013	5.00
ING 1.21% 17/9/2013	4.51
Nationwide Building Society 0.86% 14/1/2013	4.51
Leeds Building Society FRN 20/3/2015	4.11

Sector Breakdown

	31/10/13 %	31/10/12 %
Certificates of Deposit	59.87	59.02
Corporate Bonds	38.05	33.86
Government Bonds	0.92	6.52
Cash and net other assets	1.16	0.60
Total[1]	**100.00**	**100.00**

[1] Subject to rounding

Royal London Corporate Bond Fund

Investment Objective and Policy

The investment objective of the Fund is to maximise investment return (predominantly income with some capital growth) over the medium to long term from a portfolio comprising mainly of corporate fixed interest securities.

Assets

To achieve this 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 purposes of EPM and redemption of units). It may also hold derivatives for purposes of EPM only.

Risk Profile

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For more details of the investment risks that affect this Fund please refer to your copy of the Fund's Key Investor Information Document. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

The views expressed are the author's own and do not constitute investment advice and are not an indicator of future Fund performance.

Source: RLAM

Fund Performance

During the period under review the fund returned 5.8% versus a 3.8% return for the IMA Sterling Corporate Bond sector average. The return of the fund in the period is a combination of consistent income generation, together with unit price appreciation.

Market and Portfolio Commentary

Corporate bonds started the period buoyant, extending the phase of strength and improved sentiment in the asset class which started in the summer of 2012. In the first half of the period, with gilt yields supported by the background of low short term interest rates, moribund economic performance and subdued domestic inflation pressures, corporate bond performance was reinforced by a further move lower in gilt yields and the attraction of income. The strong performance of the asset class was reflected by a fall in the fund's yield, although a significant yield premium over the benchmark remained. Over the second half of the period, returns were more moderate, reflecting the rise in underlying gilt yields along with a reversal, in June, of some of the rapid spread tightening that was seen towards the end of the first half.

The average yield differential of sterling investment grade corporate bonds over gilts fell in the closing months of 2012 from 1.9% to 1.8%, the low point for 2012 but broadly mid-range for the period 2010 to mid 2011. The new year saw the rally of corporate bonds continue with spreads contracting moderately over the first three months to 1.7% before contracting more sharply in April, reaching 1.4% by early May. Spreads widened sharply over June to 1.6%, with the sterling credit market suffering its worst month of performance since 2009. From here, spreads tightened to end the period at 1.2%, their tightest level since 2007. While at pre-crisis levels, spread levels are wider than those required to compensate for default risk even in the more dire historic economic conditions.

Having started the period broadly neutral versus benchmark, portfolio duration (sensitivity to interest rates) was gradually reduced to 0.4 years below that of the benchmark by the middle of the period. While the overall bias over the rest of the period was to be short duration, the extent of the position was reduced in the latter part of the period, reflecting our view that the rise in government yields in the first half of 2013 had taken gilt valuations closer to fair value. Duration positioning detracted from fund performance.

Reflecting the long held RLAM view that secured debt is undervalued, the fund retained its bias towards bonds supported by a claim on assets or cash flows, highlighted by its weighting within the investment trust (3.3%), social housing (4.2%), property (5.8%) and structured (22.2%) sectors. Equally, we have maintained our preference for covered bonds despite a previous strong rally having reduced the relative attractions of the sector. These senior obligations of banks and building societies, backed by a first claim on a specific over-collateralised pool of prime, seasoned, fully performing UK residential mortgages, are typically AAA or AA rated, and currently make up 6.0% of the fund's weighting. These sectors continued to perform strongly and have remained a key driver of returns.

The fund maintained an overweight exposure to financial sectors (insurance and banking), with a bias towards subordinated securities. Extending their phase of especially strong performance throughout the period, these sectors were the best performing areas and supported fund performance. Additionally, the fund benefitted from the low weighting in senior bonds as a series of events in early 2013 (Cyprus "bail-in", nationalisation of the Dutch bank SNS and Anglo Irish) yet again highlighted the vulnerability of senior and subordinated holders of bank debt in times of extreme financial stress. While the impact on subordinated debt was to a large extent already priced in, the subordination of senior debt in the Cyprus "bail-in" highlighted the fact that investors are not rewarded enough, given the heightened threat of further occurrences.

Furthermore, liability management exercises (bond buy-backs) by issuers have continued, with the fund benefiting from several tenders during the period, including Yorkshire Building Society and Nationwide Building Society, resulting in significant uplifts in valuations of the issues concerned.

By credit rating, the bias of the fund was broadly unchanged over the period; there remains a significant underweight to AAA rated securities, balanced by an off-benchmark position (12.1%) in unrated bonds. An increase over the course of the period in the A rated bond exposure predominantly reflected the downgrade of the UK sovereign rating and subsequent downgrades to entities whose credit rating benefitted from sovereign support e.g. housing associations.

Sterling corporate bond issuance provided attractive investment opportunities despite the relatively subdued levels, particularly later in the period and compared to the record levels seen in early 2012. Purchases within the primary market included social housing bonds from WM, Great Places and Sustainable Communities for Leeds. Issuance was dominated by asset backed securities and corporate hybrids around the middle of the period, and purchases included structured sector bonds from High Speed Rail Finance, UPP and AA, and hybrid bonds from Electricite De France, Veolia Environnement, America Movil and Enel. New issues generally performed well post launch, benefitting fund performance.

The investment orientation of the fund remains focused on diversifying risk across a large number of holdings (218 as at 31 October), thereby reducing the potential effect on overall fund performance of any individual bond.

Royal London Corporate Bond Fund

(continued)

Investment Outlook

We expect economic conditions in many developed nations to remain challenging over the medium term, although the performance of emerging countries seems likely to underpin the growth in the global economy.

In the UK, we expect economic progress to be fairly subdued, despite the support of loose monetary policy and recent signs of an improvement in economic activity. While public spending cuts are still in progress, political positioning ahead of the 2015 general election appears likely to gain momentum in the coming months. Meanwhile, we expect inflation to remain around target level, and we do not anticipate significant wage pressures developing.

UK gilt yields are close to our short term targets, but we forecast a further move up over the medium term from their still subdued current levels. Volatility seems likely to remain high.

We believe that the present pricing of corporate bonds is still very attractive over the medium term, while their level of income generation is also appealing with the prospect of short term interest rates staying low. Economic conditions in the UK seem likely to remain challenging and, in these circumstances, we believe bond characteristics which mitigate risk – structural enhancements or a claim on assets or cash flows – are an especially important aspect underlying investment performance over the medium term.

Sajiv Vaid
Fund Manager

December 2013

Fund Facts

	As at	A Inc Shares	M Inc Shares	M Acc Shares	Z Inc Shares
Sedol Number		B3P2K89	B6XZQT4	B87FJ40	B3MBXC4
Initial Charge		3.00%	0.00%	0.00%	0.00%
Initial Commission		3.00%	0.00%	0.00%	0.00%
Annual Management Charge (AMC)		0.90%	0.45%	0.45%	0.30%
Ongoing Charges Figure (OCF)[1]	31/10/13	0.94%	0.50%	0.51%	0.34%
Portfolio Turnover Rate	31/10/13	26%	26%	26%	26%
Synthetic Risk Reward Indicator (SRRI)[2]	31/10/13	4	4	4	4
Launch Date (See notes overleaf)		30/04/10	01/05/12	26/11/12	30/04/10
Fund Type					Authorised OEIC Fund
Domiciled					UK
Distribution Calculation Dates (XD)					1 February, 1 May, 1 August & 1 November
Distribution Payment Dates					31 March, 30 June, 30 September & 31 December

[1] The OCF replaces the TER as at 1 July 2012. The OCF consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

[2] The SRRI is monitored on a weekly basis, for further information and commentary on this please see the fund Key Investor Information Document (KIID) on our website http://www.rlam.co.uk/Fund-Performance-Prices.

Fund Performance Data

Share Class	Net Asset Value as at 31/10/13 £'000	Net Asset Value per share as at 31/10/13 p
A Shares	335,957	91.56
M Inc Shares	29,331	108.78
M Acc Shares	6,517	104.48
Z Shares	112,879	93.50

Price and Net Income Comparison

Year	Share Class	High Price p	Low Price p	Income p
2013[1]	A Shares	95.86	88.81	3.86
	M Inc Shares	113.60	105.50	4.56
	M Acc Shares	106.40	99.78	3.94
	Z Shares	97.61	90.63	3.93
2012	A Shares	92.66	84.32	4.07
	M Inc Shares[2]	109.70	101.20	2.37
	M Acc Shares[3]	101.10	99.92	n/a
	Z Shares	94.16	85.25	4.11
2011	A Shares	86.27	82.08	4.31
	Z Shares	86.93	82.47	4.34
2010[4]	A Shares	87.97	82.07	2.14
	Z Shares	88.21	82.09	2.15

Single priced ICVC sub-fund
[1] To 31 October 2013
[2] From launch on 1 May 2012
[3] From launch on 26 November 2012
[4] From launch on 30 April 2010

Royal London Corporate Bond Fund
(continued)

Fund vs Sector Average Out-Performance

	1 year %	3 years %	5 years %
Royal London Corporate Bond Fund A	5.80	7.17	10.03
IMA £ Corporate Bond sector average	3.82	5.12	8.38
Relative Out-Performance	**+1.98**	**+2.05**	**+1.65**

The sub-fund was launched on 30 April 2010, however the performance track record and income information are linked to the previous merging unit trust the Royal London Corporate Bond Trust launched on 29 March 1999.

Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is net of fees and is cumulative over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

Top Ten Holdings

Holding	31/10/13 % Holding
Lloyds Bank 5.125% 7/3/2025	1.32
Electricite De France 6% variable perpetual	1.01
Equity Release 5.7% 26/2/2031	0.95
Great Rolling Stock 6.875% 27/7/2035	0.88
Imperial Tobacco 9% 17/2/2022	0.88
Heathrow Funding 5.875% 13/5/2041	0.81
AA Bond 6.269% 2/7/2043	0.79
Commonwealth Bank of Australia 3% 4/9/2026	0.78
Premiertel 6.175% 8/5/2032	0.76
Porterbrook Rail Finance 5.5% 20/4/2019	0.76

Holding	31/10/12 % Holding
Lloyds Bank 5.125% 7/3/2025	1.46
Royal Bank of Scotland 7.5% 29/4/2024	1.11
Heathrow Funding 5.875% 13/5/2041	1.05
Imperial Tobacco 9% 17/2/2022	1.03
Nationwide Building Society 5.625% 28/1/2026	0.93
Great Rolling Stock 6.875% 27/7/2035	0.90
Electricite De France 5.5% 17/10/2041	0.88
Abbey National 5.75% 2/3/2026	0.85
Porterbrook Rail Finance 5.5% 20/4/2019	0.83
Aviva 6.625% variable 3/6/2041	0.81

Sector Breakdown

	31/10/13 %	31/10/12 %
Corporate Bonds	98.17	96.37
Commercial Mortgage Backed Securities	1.32	1.68
Cash and net other assets	0.51	1.95
Total[1]	**100.00**	**100.00**

[1] Subject to rounding

Royal London Duration Hedged Credit Fund

Investment Objective and Policy

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. The Fund will be actively managed, with the majority of assets in investment grade corporate bonds across a range of maturities. Derivatives will be used to protect against interest rate risk and a duration of zero years will be targeted.

Assets

To achieve this objective the Fund will invest the majority of its assets in investment grade corporate bonds. It may also invest in UK government securities, other sovereign bonds, other debt securities (including securities such as residential mortgage backed securities, commercial mortgage backed securities, floating rate notes and whole business securitisations), other transferable securities, cash, near cash, collective investment schemes and money market instruments. It may hold derivatives for the purposes of EPM.

Risk Profile

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For more details of the investment risks that affect this Fund please refer to your copy of the Fund's Key Investor Information Document. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

The views expressed are the author's own and do not constitute investment advice and are not an indicator of future Fund performance.

Source: RLAM

Fund Performance

Over the period under review the fund returned 6.4% versus a 0.5% return for the 3 month LIBOR.

Market and Portfolio Commentary

Corporate bonds started the period buoyant, extending the phase of strength and improved sentiment in the asset class which started in the summer of 2012. In the first half of the period, with gilt yields supported by the background of low short term interest rates, moribund economic performance and subdued domestic inflation pressures, corporate bond performance was reinforced by a further move lower in gilt yields and the attraction of income. Over the second half of the period, returns were more moderate, reflecting the rise in underlying gilt yields along with a reversal, in June, of some of the rapid spread tightening that was seen towards the end of the first half.

The average yield differential of sterling investment grade corporate bonds over gilts fell in the closing months of 2012 from 1.9% to 1.8%, the low point for 2012 but broadly mid-range for the period 2010 to mid 2011. The new year saw the rally of corporate bonds continue with spreads contracting moderately over the first three months to 1.7% before contracting more sharply in April, reaching 1.4% by early May. Spreads widened sharply over June to 1.6%, with the sterling credit market suffering its worst month of performance since 2009. From here, spreads tightened to end the period at 1.2%, their tightest level since 2007. While at pre-crisis levels, spread levels are wider than those required to compensate for default risk even in the more dire historic economic conditions.

Over the period, the main characteristics of the fund were maintained, including the strong bias towards secured bonds supported by a claim on assets or cash flows. Reflecting the long held RLAM view that secured debt is undervalued, around 50% of the portfolio was invested in asset backed or secured bonds, split across the investment trust (11.6%), social housing (4.3%), property (6.7%) and structured (26.3%) sectors. These sectors performed strongly and were a key driver of returns.

Following a previous strong rally of covered bonds, senior obligations of banks and building societies backed by a first claim on a specific over-collateralised pool of prime, seasoned, fully performing UK residential mortgages, and typically AAA or AA rated, the relative attractions of the sector had been reduced. We used this opportunity to crystallise profits on a number of holdings, reducing our exposure from 7.5% to 0.9% over the period.

The fund broadly maintained its exposure to financial sectors (insurance and banking), although established a notable bias towards subordinated securities. Extending their phase of especially strong performance throughout the period, the financial sectors were the best performing areas and supported fund performance with subordinated bonds performing especially strongly. The fund also benefitted from the low weighting in senior bonds as a series of events during the first quarter of 2013 (Cyprus "bail-in", nationalisation of the Dutch bank SNS and Anglo Irish) yet again highlighted the vulnerability of senior and subordinated holders of bank debt in times of extreme financial stress. While the impact on subordinated debt was to a large extent already priced in, the subordination of senior debt in the Cyprus "bail-in" re-ignited the fact that investors are not rewarded enough, given the heightened threat of further occurrences.

By credit rating, the orientation of the fund was broadly unchanged, with a strong bias towards A and BBB rated bonds. As at 31 October, sub-investment grade debt accounted for 2.5% of total assets while 18.3% of the fund was invested in unrated bonds, many of which were secured bonds.

Sterling corporate bond issuance provided attractive investment opportunities despite the relatively subdued levels, particularly later in the period and compared to the record levels seen in early 2012. Purchases within the primary market included social housing bonds from WM and Sustainable Communities for Leeds, and natural resources companies Rio Tinto and APA Group. With issuance dominated by asset backed securities and corporate hybrids towards the end of the period, structured sector bonds from High Speed Rail Finance, UPP and AA, and hybrid bonds from Electricite De France, Veolia Environnement, America Movil, Enel and NGG. New issues generally performed well post launch, benefitting fund performance.

The investment orientation of the fund remains focused on diversifying risk across a large number of credit holdings (250 as at 31 October), thereby reducing the potential effect on overall fund performance of any individual bond.

Investment Outlook

We expect economic conditions in many developed nations to remain challenging over the medium term, although the performance of emerging countries seems likely to underpin the growth in the global economy.

In the UK, we expect economic progress to be fairly subdued, despite the support of loose monetary policy and recent signs of an improvement in economic activity. While public spending cuts are still in progress, political positioning ahead of the 2015 general election appears likely to gain momentum in the coming months. Meanwhile, we expect inflation to remain around target level, and we do not anticipate significant wage pressures developing.

UK gilt yields are close to our short term targets, but we forecast a further move up over the medium term from their still subdued current levels. Volatility seems likely to remain high.

Royal London Duration Hedged Credit Fund

(continued)

We believe that the present pricing of corporate bonds is still very attractive over the medium term, while their level of income generation is also appealing with the prospect of short term interest rates staying low. Economic conditions in the UK seem likely to remain challenging and, in these circumstances, we believe bond characteristics which mitigate risk – structural enhancements or a claim on assets or cash flows – are an especially important aspect underlying investment performance over the medium term.

Paola Binns
Fund Manager

December 2013

Fund Facts

	As at	Z Acc Shares
Sedol Number		B4K6P77
Initial Charge		0.00%
Initial Commission		0.00%
Annual Management Charge (AMC)		0.50%
Ongoing Charges Figure (OCF)[1]	31/10/13	0.56%
Portfolio Turnover Rate	31/10/13	89%
Synthetic Risk Reward Indicator (SRRI)[2]	31/10/13	7
Launch Date (See notes overleaf)		24/09/12
Fund Type		Authorised OEIC Fund
Domiciled		UK
Distribution Calculation Dates (XD)		1 February, 1 May, 1 August & 1 November
Distribution Payment Dates		31 March, 30 June, 30 September & 31 December

[1] The OCF replaces the TER as at 1 July 2012. The OCF consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

[2] The SRRI is monitored on a weekly basis, for further information and commentary on this please see the fund Key Investor Information Document (KIID) on our website http://www.rlam.co.uk/Fund-Performance–Prices.

Fund Performance Data

Share Class	Net Asset Value as at 31/10/13 £'000	Net Asset Value per share as at 31/10/13 p
Z Shares	112,177	107.14

Price and Net Income Comparison

Year	Share Class	High Price p	Low Price p	Income p
2013[1]	Z Shares	108.00	101.80	2.95
2012[2]	Z Shares	102.30	99.77	0.29

Single priced ICVC sub-fund

[1] To 31 October 2013

[2] From launch on 24 September 2012

Royal London Duration Hedged Credit Fund

(continued)

Fund vs Sector Average Out-Performance

	1 Year %
Royal London Duration Hedged Credit Z Acc	6.42

The sub-fund was launched on 24 September 2012 and first priced on 25 September 2012.

Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is net of fees and is cumulative over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

Top Ten Holdings

Holding	31/10/13 % Holding
Treasury 4.25% 7/3/2014	5.38
Finance for Residence Social Housing 'A1' 11.126% 5/10/2058	1.65
Telereal Securitisation FRN 10/12/2031	1.34
Law Debenture 6.125% 12/10/2034	1.16
Juturna Euro Loan Conduit 5.0636% 10/8/2033	0.85
Premier Transport 5.2022% 31/3/2030	0.84
Barclays Bank 10% 21/5/2021	0.83
Temple Bar Investment Trust 9.875% 31/12/2017	0.83
Co-operative Bank 4.75% 11/11/2021	0.81
South East Water 5.6577% 30/9/2019	0.81

Holding	31/10/12 % Holding
Treasury 2.25% 7/3/2014	3.57
Treasury 4.75% 7/9/2015	2.28
BlackRock Smaller Companies 7.75% 31/7/2022	1.37
Finance for Residence Social Housing 'A1' 11.126% 5/10/2058	1.34
Fintrust Debenture 9.25% 20/5/2023	1.10
Equity Release Funding 5.88% 26/5/2032	1.01
Scottish Mortgage Investment Trust 12% 30/6/2026	1.00
Leeds Building Society 4.25% 17/12/2018	0.98
Permanent Master Issuer 4.805% 15/7/2017	0.98
Value and Income Trust 9.375% 30/11/2026	0.98

Sector Breakdown

	31/10/13 %	31/10/12 %
Corporate Bonds	92.49	89.94
Government Bonds	5.38	5.85
Commercial Mortgage Backed Securities	1.27	1.52
Interest Rate Swaps	(2.48)	0.00
Cash and net other assets	3.34	2.69
Total[1]	**100.00**	**100.00**

[1] Subject to rounding

Royal London Ethical Bond Fund

Investment Objective and Policy

The investment objective of the Fund is to maximise income and maintain capital over the medium to long term by investing in mainly Sterling denominated fixed interest securities issued by companies and organisations which meet the Fund's predefined ethical criteria. (A full specification of the ethical criteria is available from the ACD upon request).

Assets

To achieve this objective the Fund may hold transferable securities, government and public securities, deposits and cash (for the purposes of EPM and redemption of units). It may hold derivatives for the purposes of EPM only.

Ethical Criteria

A full specification of the ethical criteria is available from the Manager upon request.

Risk Profile

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For more details of the investment risks that affect this Fund please refer to your copy of the Fund's Key Investor Information Document. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

The views expressed are the author's own and do not constitute investment advice and are not an indicator of future Fund performance.

Source: RLAM

Fund Performance

During the period under review the fund returned 5.0% compared to a 3.8% average return for funds in the IMA Sterling Corporate Bond sector. The fund's return is a combination of strong and consistent income generation, together with unit price appreciation.

The fund invests predominantly in investment grade UK corporate bonds which meet predefined ethical criteria.

Market and Portfolio Commentary

Corporate bonds started the period buoyant, extending the phase of strength and improved sentiment in the asset class which started in the summer of 2012. In the first half of the period, with gilt yields supported by the background of low short term interest rates, moribund economic performance and subdued domestic inflation pressures, corporate bond performance was reinforced by a further move lower in gilt yields and the attraction of income. The strong performance of the asset class was reflected by a fall in the fund's yield, although a significant yield premium over the benchmark remained. Over the second half of the period, returns were more moderate, reflecting the rise in underlying gilt yields along with a reversal, in June, of some of the rapid spread tightening that was seen towards the end of the first half.

The average yield differential of sterling investment grade corporate bonds over gilts fell in the closing months of 2012 from 1.9% to 1.8%, the low point for 2012 but broadly mid-range for the period 2010 to mid 2011. The new year saw the rally of corporate bonds continue with spreads contracting moderately over the first three months to 1.7% before contracting more sharply in April, reaching 1.4% by early May. Spreads widened sharply over June to 1.6%, with the sterling credit market suffering its worst month of performance since 2009. From here, spreads tightened to end the period at 1.2%, their tightest level since 2007. While at pre-crisis levels, spread levels are wider than those required to compensate for default risk even in the more dire historic economic conditions.

Throughout the period the duration of the fund has been maintained slightly longer than that of its benchmark, the iBoxx Sterling Non Gilts All Maturities Index. While this stance enabled the fund to participate fully in the buoyancy of sterling corporate bond markets and from the modest fall in gilt yields in the first half of the period, the rise in underlying gilt yields during the second half, on concerns over tapering of quantitative easing in the US, has meant that the long bias has detracted slightly from returns. The main feature of the long bias is the fund's low weighting in short dated bonds, with less than five years to maturity. These offer lower yields and also have lower sensitivity both to the fall in gilt yields and narrowing yield differentials of corporate bonds over gilts.

The fund remains diversified, with 264 holdings at the end of the period, so that should any individual holding deliver disappointing performance, its effect on overall fund returns will be limited. Moreover, the fund remains orientated towards those sectors where risk is mitigated by a claim on assets or cash flows, or by structure or restraints on the issuer which protect the position of bondholders. Such sectors encompass investment trusts (7.3%), social housing (9.0%), property (6.0%), 'covered' (6.2%) and structured (20.6%) sectors. 'Covered' bonds are senior obligations of banks and building societies, backed by a first claim on a specific over-collateralised pool of prime, seasoned, fully performing UK residential mortgages – they typically command AAA or AA credit ratings.

We have maintained a very low level of exposure to 'supranational' bonds, such as those of the European Investment Bank, which produced relatively low performance in the period under review. Weighting in the banking sector is below benchmark, but the fund has benefitted from the very strong performance of subordinated bonds, which seem to us to offer the best balance of risk and return in this sector. Weighting in insurance, the best performing sector, has been kept above the benchmark level, while exposure to the utilities sector has been moved from below to above benchmark – it now represents 13.6% of fund assets.

In addition to the opportunities to purchase existing bonds by market purchases, there was a steady flow of attractively priced new issues of sterling corporate bonds. These included social housing bonds from WM, Together Housing, Poplar HARCA, asset backed securities of High Speed Rail Finance, student accommodation business UPP and property company Intu, and 'hybrid' bonds from Electricite De France, Veolia Environnement and NGG. Hybrid bonds offer higher yields to investors, whilst providing the issuer with flexibility on repayment date, albeit that the option to defer repayment is typically accompanied by a penal rate of interest which then accrues on the bonds. New issues generally performed well post launch, benefitting fund performance.

Sales focussed on crystallising capital profits on holdings which appeared fully valued with better investment opportunities available elsewhere. In addition the fund benefitted from several 'liability management exercises' (bond buy-backs within the banking sector), including Yorkshire Building Society, Nationwide Building Society, HSBC and RBS, which resulted in significant uplifts in the value of the relevant holdings. We expect further liability management exercises across the capital structure to continue throughout 2013. Elsewhere, the realisation of senior bonds in Center Parcs, the leisure business, crystallised a capital profit in excess of 20% since purchase at issue early in 2012

Royal London Ethical Bond Fund

(continued)

Investment Outlook

We expect economic conditions in many developed nations to remain challenging over the medium term, although the performance of emerging countries seems likely to underpin the growth in the global economy.

In the UK, we expect economic progress to be fairly subdued, despite the support of loose monetary policy and recent signs of an improvement in economic activity. While public spending cuts are still in progress, political positioning ahead of the 2015 general election appears likely to gain momentum in the coming months. Meanwhile, we expect inflation to remain around target level, and we do not anticipate significant wage pressures developing.

UK gilt yields are close to our short term targets, but we forecast a further move up over the medium term from their still subdued current levels. Volatility seems likely to remain high.

We believe that the present pricing of corporate bonds is still very attractive over the medium term, while their level of income generation is also appealing with the prospect of short term interest rates staying low. Economic conditions in the UK seem likely to remain challenging and, in these circumstances, we believe bond characteristics which mitigate risk – structural enhancements or a claim on assets or cash flows – are an especially important aspect underlying investment performance over the medium term.

Eric Holt
Fund Manager

December 2013

Fund Facts

	As at	A Inc Shares	M Inc Shares	M Acc Shares	Z Inc Shares
Sedol Number		B4WSJK2	B7MT2J6	B8K6PK8	B4TDBC6
Initial Charge		3.00%	0.00%	0.00%	0.00%
Initial Commission		3.00%	0.00%	0.00%	0.00%
Annual Management Charge (AMC)		0.90%	0.45%	0.45%	0.30%
Ongoing Charges Figure (OCF)[1]	31/10/13	0.94%	0.50%	0.50%	0.34%
Portfolio Turnover Rate	31/10/13	12%	12%	12%	12%
Synthetic Risk Reward Indicator (SRRI)[2]	31/10/13	4	4	4	4
Launch Date (See notes overleaf)		30/10/09	01/05/12	26/11/12	30/10/09
Fund Type					Authorised OEIC Fund
Domiciled					UK
Distribution Calculation Dates (XD)					1 February, 1 May, 1 August & 1 November
Distribution Payment Dates					31 March, 30 June, 30 September & 31 December

[1] The OCF replaces the TER as at 1 July 2012. The OCF consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

[2] The SRRI is monitored on a weekly basis, for further information and commentary on this please see the fund Key Investor Information Document (KIID) on our website http://www.rlam.co.uk/Fund-Performance-Prices.

Fund Performance Data

Share Class	Net Asset Value as at 31/10/13 £'000	Net Asset Value per share as at 31/10/13 p
A Shares	24,730	101.09
M Inc Shares	9,585	108.43
M Acc Shares	3,949	103.77
Z Shares	144,864	102.33

Price and Net Income Comparison

Year	Share Class	High Price p	Low Price p	Income p
2013[1]	A Shares	105.90	98.31	3.81
	M Inc Shares	113.50	105.50	4.27
	M Acc Shares	106.10	99.43	3.70
	Z Shares	107.10	99.51	4.10
2012	A Shares	102.50	93.21	4.03
	M Inc Shares[2]	109.76	100.35	2.18
	M Acc Shares[3]	101.00	99.90	n/a
	Z Shares	103.50	93.90	4.30
2011	A Shares	94.42	89.55	4.29
	Z Shares	94.97	89.91	4.54
2010	A Shares	95.61	86.91	4.41
	Z Shares	95.95	86.99	4.64
2009[4]	A Shares	87.82	85.93	n/a
	Z Shares	87.86	85.93	n/a

Single priced ICVC sub-fund
[1] To 31 October 2013
[2] From launch on 1 May 2012
[3] From launch on 26 November 2012
[4] From launch on 30 October 2009

Royal London Ethical Bond Fund

(continued)

Fund vs Sector Average Out-Performance

	1 year %	3 years %	5 years %
Royal London Ethical Bond Fund A	5.05	7.20	9.76
IMA £ Corporate Bond sector average	3.82	5.12	8.38
Relative Out-Performance	**+1.23**	**+2.08**	**+1.38**

The sub-fund was launched on 30 October 2009, however the performance track record and income information are linked to the previous merging unit trust the Royal London Ethical Bond Trust launched on 30 January 2007.

Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is net of fees and is cumulative over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

Top Ten Holdings

Holding	31/10/13 % Holding
First Hydro Finance 9% 31/7/2021	1.22
Equity Release 5.7% 26/2/2031	1.20
Finance for Residence Social Housing ‘A1’ 11.126% 5/10/2058	1.14
Electricite De France 6% variable perpetual	1.02
Housing Finance Corporation 8.625% 13/11/2023	1.01
THFC Funding 5.2% 11/10/2043	1.00
Peabody Capital 5.25% 17/3/2043	0.96
Longstone Finance 4.791% 19/4/2036	0.85
Eversholt Funding 6.697% 22/2/2035	0.85
Nationwide Building Society 5.625% 28/1/2026	0.80

Holding	31/10/12 % Holding
Equity Release 5.7% 26/2/2031	1.52
Finance for Residence Social Housing ‘A1’ 11.126% 5/10/2058	1.36
Royal Bank of Scotland 7.5% 29/4/2024	1.27
Peabody Capital 5.25% 17/3/2043	1.21
Longstone Finance 4.791% 19/4/2036	1.12
Nationwide Building Society 5.625% 28/1/2026	1.05
Eskmuir Properties 9.25% 24/2/2020	0.98
First Debenture Finance 11.125% 2/1/2018	0.92
Lloyds Banking Group 5.125% 7/3/2025	0.89
SL Finance 6.75% variable perpetual	0.89

Sector Breakdown

	31/10/13 %	31/10/12 %
Corporate Bonds	95.57	94.67
Commercial Mortgage Backed Securities	1.25	2.23
Corporate Preference Shares	0.47	0.51
Corporate Preference Bonds	0.33	0.37
Cash and net other assets	2.38	2.22
Total[1]	**100.00**	**100.00**

[1] Subject to rounding

Royal London European Corporate Bond Fund

Investment Objective and Policy

The investment objective of the Fund is to maximise investment return (including income and capital growth) over the medium to long term from a portfolio comprising primarily investment grade corporate fixed-interest securities denominated in Euros.

Assets

To achieve this objective, the Fund will invest primarily in euro denominated investment grade debt securities issued by companies, although it may also invest in subinvestment grade securities. It may also invest in debt securities issued by European governments, government agencies and supra-nationals as well as other transferable securities, deposits and cash. It may hold derivatives for the purpose of EPM only.

Risk Profile

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For more details of the investment risks that affect this Fund please refer to your copy of the Fund's Key Investor Information Document. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

The views expressed are the author's own and do not constitute investment advice and are not an indicator of future Fund performance.

Source: RLAM

Fund Performance

The fund achieved a return of 11.1% versus an IMA Global Bonds Sector Average return of 1.6%. The return of the fund in the period is a combination of consistent income generation together with unit price appreciation. European corporate bonds, as an asset class, performed strongly versus the IMA Global Bonds Sector Average, generating a return of 9.6% over the year.

Market and Portfolio Commentary

European corporate bonds, supported by strong peripheral European government bond markets, continued their rally which started earlier in 2012 following the European Central Bank's (ECB) Outright Monetary Transactions announcement.

Credit spreads, the average yield differential of corporate bonds over government securities, contracted in the closing months of 2012 from 1.5% to 1.4%, the low point for 2012 but broadly mid-range for the period 2010 to mid 2011. The new year saw the rally of corporate bonds continue with spreads contracting moderately over the first three months to 1.3% before contracting more sharply in April, reaching 1.1% by early May. Spreads widened sharply over June to 1.5%, with the European corporate bond market suffering its worst month of performance since November 2011. From here, spreads tightened to end the period at 1.3%. While at a pre-crisis levels, spreads levels are wider than those required to compensate for default risk even in the more dire historic economic conditions.

The performance of the asset class was reflected by a fall in the fund's yield, although a yield premium over the benchmark remained.

Having started the period with a moderately long duration position, sensitivity to interest rates was maintained above that of the benchmark index. While this stance enabled the fund to participate fully in the recovery of euro corporate bond markets and from the fall in government bond yields in the first half of the period, duration was reduced during the period as focus returned to the ongoing issues of peripheral countries, in particular the Cyprus bailout and inconclusive Italian elections resulting in a hung parliament. The fund ended April with a broadly neutral duration stance. Following a rise in yields through June, the duration of the fund was returned to a moderate long position. Overall duration positioning during the period supported fund returns.

The fund remained diversified throughout the period, with 239 holdings as at 31 October, limiting the potential impact on the overall portfolio should any individual holding's performance be particularly disappointing.

By sector, the key characteristics of the fund were broadly maintained, namely an underweight exposure to consumer related debt and, within financials (banks and insurance), a strong bias to subordinated and covered bonds over senior debt. This positioning supported returns during the period as consumer goods and services lagged the broader credit market and subordinated financial bonds, the strongest performing area, extended their period of especially strong returns. Furthermore, the fund benefitted from the low weighting in senior financial bonds as a series of events during the first quarter of 2013 (Cyprus "bail-in", nationalisation of the Dutch bank SNS and Anglo Irish) yet again highlighted the vulnerability of senior and subordinated holders of bank debt in times of extreme financial stress. While the impact on subordinated debt was to a large extent already priced in, the subordination of senior debt in the Cyprus "bail-in" highlighted the fact that investors are not rewarded enough, given the heightened threat of further occurrences.

By credit rating, the bias of the fund was towards lower rated investment grade bonds with an underweight exposure to AA securities. The fund increased exposure to sub-investment grade and unrated bonds during the period, supporting overall returns as these were the best performing areas.

After a robust start to 2013, a lull in issuance resulted in significantly lower than expected levels of new deals in the following months, limiting fund activity. Within primary markets, however, of particular note was the amount of peripheral corporate issuance as risk appetite amongst investors increased.

Following the ECB's actions in 2012 and the subsequent rally in peripheral corporates, we used this opportunity to gradually increase exposure to peripheral Europe, raising the fund's weighting to over 14%.

Supporting performance during the period, we also increased the fund's exposure to corporate hybrid bonds. These bonds offer higher yields to investors, whilst providing the issuer with flexibility on repayment date, albeit that the option to defer repayment is typically accompanied by a penal rate of interest which then accrues on the bonds.

New peripheral corporate issue purchases during the period included IMSER, a sales and lease back of Telecom Italia's strategic assets, corporate hybrid bonds from Iberdrola, the Spanish utility operator, Portuguese electricity transmission company Redes Energeticas, Spanish telecoms company Telefonica and Italian electricity utility Enel. Outside peripheral corporates, the fund participated in a debut issue from the Australian property company Goodman, airport operator Melbourne Airport, and debut corporate hybrid issues from French utility operators Electricite De France and Veolia Environnement, and a new issue from global software company Microsoft. New issues generally performed strongly following the placing.

Investment Outlook

We expect economic conditions in many developed nations to remain challenging over

Royal London European Corporate Bond Fund
(continued)

the medium term, although the performance of emerging countries seems likely to underpin the growth in the global economy.

In the UK, we expect economic progress to be fairly subdued, despite the support of loose monetary policy.

In the Eurozone, we expect economic strength in Germany offset by weakness elsewhere. The ECB has cut interest rates to 0.5% and hinted at further reductions, however a more important stimulus is coming from a reduction in peripheral debt yields, with the market now pricing out the risk of an imminent break-up in the Euro.

In line with weakness in other core government bond markets, we expect bond yields to rise by the end of the year, however markets should remain reasonably well supported given the weak economic situation and the prospect of further easing from the ECB.

We believe that the present pricing of corporate bonds is still very attractive over the medium term, while their level of income generation is also appealing with the prospect of short term interest rates staying low. Economic conditions in the UK seem likely to remain challenging and, in these circumstances, we believe bond characteristics which mitigate risk – structural enhancements or a claim on assets or cash flows – are an especially important aspect underlying investment performance over the medium term.

Sajiv Vaid
Fund Manager

December 2013

Fund Facts

	As at	M Inc Shares	Z Inc Shares
Sedol Number		B8CWHS6	B7TFLF6
Initial Charge		0.00%	0.00%
Initial Commission		0.00%	0.00%
Annual Management Charge (AMC)		0.50%	0.35%
Ongoing Charges Figure (OCF)[1]	31/10/13	0.54%	0.39%
Portfolio Turnover Rate	31/10/13	58%	58%
Synthetic Risk Reward Indicator (SRRI)[2]	31/10/13	3	3
Launch Date (See notes overleaf)		13/08/12	13/08/12
Fund Type			Authorised OEIC Fund
Domiciled			UK
Distribution Calculation Dates (XD)			1 May & 1 November
Distribution Payment Dates			30 June & 31 December

[1] The OCF replaces the TER as at 1 July 2012. The OCF consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

[2] The SRRI is monitored on a weekly basis, for further information and commentary on this please see the fund Key Investor Information Document (KIID) on our website http://www.rlam.co.uk/Fund-Performance–Prices.

Fund Performance Data

Share Class	Net Asset Value as at 31/10/13 £'000	Net Asset Value per share as at 31/10/13 p
M Shares	9	112.94
Z Shares	168,948	113.15

Price and Net Income Comparison

Year	Share Class	High Price p	Low Price p	Income p
2013[1]	M Shares	116.70	107.60	2.99
	Z Shares	116.76	107.71	2.99
2012[2]	M Shares	108.81	99.03	0.58
	Z Shares	108.87	99.03	0.58

Single priced ICVC sub-fund,
[1] To 31 October 2013
[2] From launch on 13 August 2012

Royal London European Corporate Bond Fund

(continued)

Fund vs Sector Average Out-Performance

	1 Year %
Royal London European Corporate Bond Fund Z	11.14
IMA Global Bonds	1.57
Relative Out-Performance	**+9.57**

The sub-fund was launched on 13 August 2012 and first priced on 14 August 2012.

Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is net of fees and is cumulative over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

Top Ten Holdings

Holding	31/10/13 % Holding
Lloyds Bank 3.5% 11/1/2017	1.18
Australia Pacific Airport 3.125% 26/9/2023	1.05
Royal Bank of Scotland 3.375% 23/11/2016	0.96
Allianz Finance 5.75% 8/7/2041	0.92
General Electric Capital 4.62% 15/9/2066	0.92
Bank of America 2.5% 27/7/2020	0.91
ING Bank 6.125% variable 29/5/2023	0.90
Rabobank Nederland 4.125% 14/9/2022	0.85
Nordea Bank 2.25% 3/5/2019	0.85
Nordea Bank 4% 11/7/2019	0.85

Holding	31/10/12 % Holding
Barclays Bank 4.25% 2/3/2022	1.00
German Postal Pensions 3.75% 18/1/2021	0.98
Co-operative Bank 2.375% 23/10/2015	0.93
Allianz Finance 5.75% 8/7/2041	0.76
ING 6.125% variable 29/5/2023	0.76
Siemens Financial 5.25% variable 14/9/2066	0.76
Royal Bank of Scotland 3.375% 23/11/2016	0.75
General Electric Capital 4.62% 15/9/2066	0.74
Teva Pharmaceutical 2.875% 15/4/2019	0.74
General Electric Capital 6% 15/1/2019	0.72

Sector Breakdown

	31/10/13 %	31/10/12 %
Corporate Bonds	99.80	98.55
Commercial Mortgage Backed Securities	0.22	0.00
Cash and net other liabilities/ assets	(0.02)	1.45
Total[1]	**100.00**	**100.00**

[1] Subject to rounding

Royal London Global Index Linked Fund

Investment Objective and Policy

The Fund seeks to maximise total investment return (including income and capital growth) over the medium to long term by investing mainly in global index linked bonds.

Assets

To achieve this objective the Fund may hold transferable securities (including Exchange Traded Funds which are closed ended funds, but not those which are collective investment schemes), government and public securities, deposits and cash (for the purposes of EPM and redemption of units). It may hold derivatives for the purposes of EPM only.

Risk Profile

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For more details of the investment risks that affect this Fund please refer to your copy of the Fund's Key Investor Information Document. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

The views expressed are the author's own and do not constitute investment advice and are not an indicator of future Fund performance.

Source: RLAM

Fund Performance

The fund returned -1.2% versus a return of 1.6% for the IMA Global Bond sector average. Global index linked government bonds, as an asset class, underperformed the IMA Global Bonds Sector Average, generating a return of -2.3% over the year.

Portfolio and Market Commentary

The fund started the period positioned for an increase in yields, flatter yield curves and an outperformance of UK index linked bonds.

With bond markets supported by the US election and uncertainty over a timely resolution to the US "fiscal cliff" negotiations, along with the European Central Bank's Outright Monetary Transactions programme, the fund's duration position was actively managed. The original short stance was reduced at the beginning of the period with the purchase of Swedish index linked assets, which weakened into supply and represented good relative value for a high quality credit. A more aggressive short duration position was subsequently re-established through a sale of UK index linked gilts, which had performed well post supply, as concerns over the inflation linkage abated, and where the fund had been overweight. The fund's duration positioning was actively managed over the rest of the period within a broad view that inflation linked bonds were fair valued. In the summer, small positions were taken as market ranges developed and, later in the period as supply picked up once more, an overweight duration position was established. This overweight was removed as bonds found support at the end of the period, the fund had a small long duration position, with a large underweight in ultra long dated UK index linked assets offset by overweights in US, European and medium dated UK markets.

Reflecting our view that yields at short and medium maturities were too low, the fund began the period with an underweight in these maturities in US and UK markets. Relative exposures to the various economic regions were modified over the rest of the period, with an initial underweight to the US reversed and, at the end of the period, this represented the largest overweight allocation within the fund. Conversely, an overweight exposure to Canada was removed and an overweight exposure to Sweden was reduced. An aggressive underweight exposure to UK index linked gilts was reduced through purchases of medium dated index linked gilts; we maintained a marked underweight to ultra long UK index linked gilts.

A plunge over the US “fiscal cliff” was averted in the opening days of 2013, and the debt ceiling was further suspended near the end of the period. Political pressures rose once more in Europe, with Spain’s Prime Minister Mariano Rajoy under fire following a corruption scandal and no clear winner in the Italian election, while in the UK Moody’s downgraded the sovereign rating from Aaa.

Given the relative attractiveness of index linked government bonds relative to conventional bonds, the fund was fully invested within the asset class. The holding in Swedish government bonds was switched into index linked bonds as valuations returned towards less stretched levels.

Asset allocation was generally beneficial to fund performance over the reporting period, partially offset by the negative effect of duration positioning and detrimental yield curve positioning.

Investment Outlook

We expect that global economic growth will be subdued over the near term although, in our view, there will be no significant double dip recession.

Events in Europe will continue to dominate market sentiment. Given the historic political capital invested in the region and the extremely negative consequences of a breakup, we expect the eurozone to survive but the transition to greater fiscal and political unity to be volatile. Near term, however, the situation remains unpredictable.

Given the low level of real yields, we expect a moderate rise from current levels though this will be limited by anaemic global growth prospects and a broadly supportive backdrop for bonds.

In the wake of a very deep recession, we do not see an immediate period of sustained inflation, unless economic growth turns out to be much faster than we expect. In the medium term, however, we see upside risks to inflation given the large amount of recent monetary and fiscal stimulus.

We expect no change in rates from major central banks over the near term and, when they do rise, we expect them to plateau at a very low level compared with past standards.

George Henderson
Fund Manager

December 2013

Royal London Global Index Linked Fund
(continued)

Fund Facts

	As at	A Inc Shares	M Inc Shares	Z Inc Shares
Sedol Number		B530C83	B772RM8	B53R4H7
Initial Charge		4.00%	0.00%	0.00%
Initial Commission		4.00%	0.00%	0.00%
Annual Management Charge (AMC)		0.70%	0.40%	0.30%
Ongoing Charges Figure (OCF)[1]	31/10/13	0.76%	0.47%	0.36%
Portfolio Turnover Rate	31/10/13	380%	380%	380%
Synthetic Risk Reward Indicator (SRRI)[2]	31/10/13	4	4	4
Launch Date (See notes overleaf)		27/01/10	01/05/12	27/01/10
Fund Type				Authorised OEIC Fund
Domiciled				UK
Distribution Calculation Dates (XD)				1 May & 1 November
Distribution Payment Dates				30 June & 31 December

[1] The OCF replaces the TER as at 1 July 2012. The OCF consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

[2] The SRRI is monitored on a weekly basis, for further information and commentary on this please see the fund Key Investor Information Document (KIID) on our website http://www.rlam.co.uk/Fund-Performance–Prices.

Fund Performance Data

Share Class	Net Asset Value as at 31/10/13 £'000	Net Asset Value per share as at 31/10/13 p
A Shares	5,333	111.36
M Shares	8,274	98.97
Z Shares	21,363	113.33

Price and Net Income Comparison

Year	Share Class	High Price p	Low Price p	Income p
2013[1]	A Shares	120.40	107.60	1.28
	M Shares	106.90	95.55	1.16
	Z Shares	122.30	109.40	1.30
2012	A Shares	116.80	111.40	0.73
	M Shares[2]	103.81	99.95	0.24
	Z Shares	118.60	112.70	0.79
2011	A Shares	112.00	101.40	2.34
	Z Shares	113.20	101.90	2.22
2010[3]	A Shares	106.87	99.01	1.68
	Z Shares	107.30	99.03	1.67

Single priced ICVC sub-fund

[1] To 31 October 2013

[2] From launch on 1 May 2012

[3] From launch on 27 January 2010

Royal London Global Index Linked Fund

(continued)

Fund vs Sector Average Out-Performance

	1 year %	3 years %
Royal London Global Index Linked Fund A	-1.57	3.67
IMA Global Bonds	1.57	2.38
Relative Out-Performance	**-3.14**	**+1.29**

The sub-fund was launched on 27 January 2010 and first priced on 28 January 2010.

Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is net of fees and is cumulative over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

Top Ten Holdings

Holding	31/10/13 % Holding
US Treasury 0.125% 15/1/2023	12.99
Treasury 2.5% 26/7/2016	7.92
US Treasury 2.375% 15/1/2025	7.36
US Treasury 0.75% 15/2/2042	4.90
Swedish Government 0.25% 1/6/2022	4.78
Swedish Government 4% 1/12/2020	4.32
US Treasury 2.125% 15/1/2019	3.54
Treasury 1.875% 22/11/2022	3.36
Government of France 1% 25/7/2017	2.89
Government of New Zealand 3% 20/9/2030	2.87

Holding	31/10/12 % Holding
US Treasury 2.5% 15/1/2029	6.89
Treasury 0.25% 22/3/2052	6.25
US Treasury 2% 15/1/2014	5.28
US Treasury 1.875% 15/7/2013	4.93
US Treasury 1.875% 15/7/2015	4.87
Bundesobligation 2.25% 15/4/2013	4.56
Deutschland 1.5% 15/4/2016	4.27
Swedish Government Index Linked 4% 1/12/2020	3.82
US Treasury 1.625% 15/1/2018	3.80
Government of Canada 4% 1/12/2031	3.70

Sector Breakdown

	31/10/13 %	31/10/12 %
Government Index Linked Bonds	95.44	93.99
Government Bonds	3.21	2.82
Forward Currency Contracts	(0.31)	(0.29)
Cash and net other assets	1.66	3.48
Total[1]	**100.00**	**100.00**

[1] Subject to rounding

Royal London Index Linked Fund

Investment Objective and Policy

The investment objective of the Fund is to maximise total investment return (income and capital growth) over the medium to long term by investing mainly in index linked securities.

Assets

To achieve this 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 purposes of EPM and redemption of units). It may also hold derivatives for purposes of EPM only.

Risk Profile

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For more details of the investment risks that affect this Fund please refer to your copy of the Fund's Key Investor Information Document. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

The views expressed are the authors' own and do not constitute investment advice and are not an indicator of future Fund performance.

Source: RLAM

Fund Performance

The fund returned 7.1% versus a return of 7.5% for the IMA UK Index Linked Gilt sector average.

Portfolio and Market Commentary

The fund began the period 0.6 years long duration versus the benchmark index, and positioned for a flattening of the real yield curve (a relative outperformance by longer dated bonds) with an overweight position in ultra-long dated bonds. With strong demand for longer dated assets towards the end of 2012 to meet duration extensions in the major index linked gilt indices, this led to a flattening of the yield curve and supported fund returns. Having reached a peak of 0.4% in October, real yields fell to end 2012 at 0.1%. Duration was reduced towards neutral, 10 year index linked gilts were switched into a combination of Canadian, Swedish and German index linked government bonds and, with breakeven rates having risen by 25 basis points over the final quarter of 2012, longer dated index linked bonds were switched into conventional gilts in anticipation of breakeven rates falling on the announcement conclusion of the consultation on the RPI calculation methodology, due in early 2013.

The final decision on the calculation of RPI was made on 10 January and, after months of consultation and deliberation, the decision was to make no changes. The UK market had been discounting a significant change to the calculation and as a consequence the index linked market was re-valued with real yields falling significantly on the day. The strong outperformance of index linked versus conventional gilts detracted from relative fund performance.

Following the RPI announcement, duration was shortened by around a year and 10 year index linked gilts, having been switched from overseas index linked bonds earlier in January, were switched back into US, Canadian, Swedish and

German index linked bonds, where on average the real yield pick-up was 1.0%. Index linked gilts, however, continued to outperform, detracting from fund performance.

A one notch downgrade in February of the UK's credit rating by Moody's to Aa1 was largely ignored by the market, and real yields, supported by overseas buying, a general flight to quality in the wake of the Cyprus banking crisis and the return of focus on Euro stresses continued to fall, led by the 10 year sector, which reached a low of -1.6% in April. Reflecting our long term view that 10 year real yields of below -1.0% are unsustainable, the short duration stance was maintained, leaving the fund 1.1 years below that of the benchmark at the end of March, and duration was shortened further to significantly below that of the peer group.

As yields rose from the record low levels, the short duration position was profitably reduced through the purchase of 10 year bonds, and, following the strong performance of 10 year overseas bonds, relative to UK gilts, these exposures were switched back into longer dated index linked gilts. Following a sharp flattening of the yield curve in June, followed by the announcement of two upcoming long syndications, longer dated bonds were switched shorter. As real yields rose ahead of the 2044 syndication in July, the fund moved to a neutral duration position; demand for index linked bonds was expected to increase in August following the all stock benchmark duration increasing by one year as the 2013 issue redeemed.

As the market subsequently rallied, a fresh short position was re-established prior to the first ever issue of a 55 year index linked gilt in September. The magnitude of the short duration position was moderated at the time of the syndication as longer dated real yields approached 0.2%. Exposure to US index linked securities was reduced following strong performance following the announcement of the US Federal Reserve to not begin 'tapering' its monthly asset purchases. Overweight exposure to 30 year maturity bonds relative to ultra-long dated bonds was reduced at the time of the 2068 index linked gilt syndication in September. The duration of the fund ended the period 0.3 years below benchmark.

Throughout the period, on-going market volatility around auctions and syndications continued to offer opportunities to position the fund around specific stocks, supporting overall returns.

Investment Outlook

UK real yields at the longer end of the market do not reflect long term economic fundamentals, with real yields remaining close to zero whilst analysts' forecasts for real GDP are generally rising. Demand remains for longer dated real yields from pension funds. With supply concentrated at the longer end of the market, we would anticipate a marginal steepening of the yield curve towards the end of 2013. Long breakeven rates of around 3.5% are 0.1% above our year-end target, and we expect them to fall as RPI inflation falls towards the end of 2013. Overseas markets offer significantly better value, with real yields between 1.0% and 1.5% higher than the UK.

Our real yield forecasts for 10 and 30 year index linked gilts at the end of 2013 are -0.1% and 0.5% respectively, significantly higher than at the end of 2012. We expect that inflation in the UK could remain sticky and will average around 2.5% over the longer term.

Paul Rayner & Craig Inches
Fund Managers

December 2013

Royal London Index Linked Fund

(continued)

Fund Facts

	As at	A Inc Shares	M Inc Shares	M Acc Shares
Sedol Number		B3MYR65	B3MZ207	B8DDWW7
Initial Charge		4.00%	0.00%	0.00%
Initial Commission		4.00%	0.00%	0.00%
Annual Management Charge (AMC)		0.40%	0.25%	0.25%
Ongoing Charges Figure (OCF)[1]	31/10/13	0.43%	0.28%	0.29%
Portfolio Turnover Rate	31/10/13	1314%	1314%	1314%
Synthetic Risk Reward Indicator (SRRI)[2]	31/10/13	4	4	4
Launch Date (See notes overleaf)		30/04/10	30/04/10	26/11/12
Fund Type				Authorised OEIC Fund
Domiciled				UK
Distribution Calculation Dates (XD)				1 May & 1 November
Distribution Payment Dates				30 June & 31 December

[1] The OCF replaces the TER as at 1 July 2012. The OCF consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

[2] The SRRI is monitored on a weekly basis, for further information and commentary on this please see the fund Key Investor Information Document (KIID) on our website http://www.rlam.co.uk/Fund-Performance–Prices.

Fund Performance Data

Share Class	Net Asset Value as at 31/10/13 £'000	Net Asset Value per share as at 31/10/13 p
A Shares	198,134	186.96
M Inc Shares	229,904	186.89
M Acc Shares	1,006	104.77

Price and Net Income Comparison

Year	Share Class	High Price p	Low Price p	Income p
2013[1]	A Shares	200.40	178.20	1.04
	M Inc Shares	200.40	178.20	1.26
	M Acc Shares	111.62	99.27	0.66
2012	A Shares	185.80	174.10	1.20
	M Inc Shares	185.80	174.10	1.41
	M Acc Shares[2]	102.17	99.78	n/a
2011	A Shares	183.60	147.80	1.29
	M Shares	183.60	147.80	1.48
2010[3]	A Shares	154.20	139.10	0.72
	M Shares	154.30	142.30	0.93

Single priced ICVC sub-fund

[1] To 31 October 2013

[2] From launch on 26 November 2012

[3] From launch on 30 April 2010

Royal London Index Linked Fund

(continued)

Fund vs Sector Average Out-Performance

	1 year %	3 years %	5 years %
Royal London Index Linked Fund A	7.07	8.77	8.77
IMA UK Index Linked Gilt	7.45	9.06	8.98
Relative Out-Performance	**-0.38**	**-0.29**	**-0.21**

The sub-fund was launched on 30 April 2010 , however the performance track record and income information are linked to the previous merging unit trust the Royal London Index Linked Trust class A launched on 15 February 1990.

Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is net of fees and is cumulative over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

Top Ten Holdings

Holding	31/10/13 % Holding
Treasury 2.5% 26/7/2016	10.79
Treasury 2.5% 17/7/2024	9.67
Treasury 1.25% 22/11/2055	8.14
Treasury 0.75% 22/11/2047	7.02
Treasury 0.125% 22/11/2019	6.00
Treasury 1.125% 22/11/2037	6.00
Treasury 2% 26/1/2035	5.29
Treasury 0.75% 22/3/2034	5.22
Treasury 0.125% 22/3/2044	4.58
Treasury 4.125% 22/7/2030	4.54

Holding	31/10/12 % Holding
Treasury 2.5% 26/7/2016	14.46
Treasury 1.25% 22/11/2032	9.47
Treasury 0.625% 22/3/2040	7.60
Treasury 1.25% 22/11/2055	5.90
Treasury 1.25% 22/11/2017	5.77
Treasury 0.75% 22/11/2047	5.55
Treasury 0.25% 22/3/2052	5.05
Treasury 0.125% 22/3/2024	5.02
Treasury 1.875% 22/11/2022	4.94
Treasury 0.75% 22/3/2034	4.64

Sector Breakdown

	31/10/13 %	31/10/12 %
Government Index-Linked Bonds	97.51	97.95
Government Bonds	2.00	0.00
Corporate Bonds	0.00	0.41
Corporate Index-Linked Bonds	0.00	0.07
Forward Currency Contracts	(0.02)	0.00
Cash and net other assets	0.51	1.57
Total[1]	**100.00**	**100.00**

[1] Subject to rounding

Royal London International Government Bond Fund

Investment Objective and Policy

The Fund seeks to maximise total investment return (both income and capital growth) over the medium to longer term by investing primarily in international government bonds.

Assets

To achieve this objective, the Fund will invest primarily in investment grade international government bonds. It may also invest in UK government bonds, investment grade non-government bonds, other transferable securities, deposits and cash. It may hold derivatives for the purposes of EPM only.

Risk Profile

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For more details of the investment risks that affect this Fund please refer to your copy of the Fund's Key Investor Information Document. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

The views expressed are the author's own and do not constitute investment advice and are not an indicator of future Fund performance.

Source: RLAM

Fund Performance

The fund returned 1.4% versus a return of 1.6% for the IMA Global Bond sector average.

Portfolio and Market Commentary

Starting the period defensively positioned with a short duration of 0.2 years, expressed predominantly through underweights in US and Japanese markets, the fund's duration was actively managed. Activity was focused on relative value opportunities, as markets continued to move in a dis-jointed fashion. At the end of December the fund remained 0.2 years short duration, with the position expressed in European and US government bond markets. At the end of March, the fund's duration was 0.6 years below benchmark, increasing to a more aggressive stance as yields fell in to the end of April following weak data from the US and the announcement from the Bank of Japan of a significant increase of their monetary stimulus. Following strong government bond performance in April, the fund increased its short position before reversing this strategy, predominately though purchases of US assets, as government bond markets sold off in May and June, and the fund was near neutral duration, reflecting our view that bond markets broadly reached fair value given the current economic climate and prospects. At the end of the summer, following an increase in yields and a re-pricing of base rate hikes to occur between late 2015 and early 2016, the fund established a long duration stance. The decision by the US Federal Reserve, in early September, not to taper their monthly bond purchases triggered a rally in government bond markets. We used this opportunity to reduce the fund's duration, ending the period short versus the benchmark index.

A plunge over the US “fiscal cliff” was averted in the opening days of 2013, and the debt ceiling was further suspended near the end of the period. Political pressures rose once more in Europe, with Spain’s Prime Minister Mariano Rajoy under fire following a corruption scandal and no clear winner in the Italian election, while in the UK Moody’s downgraded the sovereign rating from Aaa.

The fund retained a bias towards medium dated securities to maximise the advantage of the steep yield curve and to benefit from any wider bond market rally. The yield curve steepened aggressively following the US Fed’s decision not to taper their quantitative easing asset purchase programme, and we used this opportunity to switch some of the overweight in medium dated government bonds into longer dated maturities.

Off-benchmark positions were increased around the middle of the period through purchases of index linked bonds as implied inflation levels declined significantly. US inflation linked assets were purchased on both an outright basis and from switch trades out of conventional bonds. These purchases were targeted at the 10 year maturity point. Having built up an overweight exposure to off-benchmark Italian index linked bonds, the position was reduced as the market moved towards more normal pricing. The fund retained an overweight position in Swedish government bonds, and an off-benchmark allocation to Slovenian government bonds, and an underweight in the US. Off-benchmark UK conventional gilts were purchased towards the end of the period as base rate hikes were priced particularly aggressively.

Asset allocation and active duration management were generally beneficial to fund performance over the reporting period, partially offset by the negative effect of yield curve positioning.

Investment Outlook

We expect that global economic growth will be subdued over the near term although, in our view, there will be no significant double dip recession.

Events in Europe will continue to dominate market sentiment. Given the historic political capital invested in the region and the extremely negative consequences of a breakup, we expect the eurozone to survive but the transition to greater fiscal and political unity to be volatile. Near term, however, the situation remains unpredictable.

Given the low level of real yields, we expect a moderate rise from current levels though this will be limited by anaemic global growth prospects and a broadly supportive backdrop for bonds.

In the wake of a very deep recession, we do not see an immediate period of sustained inflation, unless economic growth turns out to be much faster than we expect. In the medium term, however, we see upside risks to inflation given the large amount of recent monetary and fiscal stimulus.

We expect no change in rates from major central banks over the near term and, when they do rise, we expect them to plateau at a very low level compared with past standards.

George Henderson
Fund Manager

December 2013

Royal London International Government Bond Fund

(continued)

Fund Facts

	As at	M Inc Shares
Sedol Number		B45XHL1
Initial Charge		0.00%
Initial Commission		0.00%
Annual Management Charge (AMC)		0.45%
Ongoing Charges Figure (OCF)[1]	31/10/13	0.53%
Portfolio Turnover Rate	31/10/13	422%
Synthetic Risk Reward Indicator (SRRI)[2]	31/10/13	3
Launch Date (See notes overleaf)		01/11/11
Fund Type		Authorised OEIC Fund
Domiciled		UK
Distribution Calculation Dates (XD)		1 May & 1 November
Distribution Payment Dates		30 June & 31 December

[1] The OCF replaces the TER as at 1 July 2012. The OCF consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

[2] The SRRI is monitored on a weekly basis, for further information and commentary on this please see the fund Key Investor Information Document (KIID) on our website http://www.rlam.co.uk/Fund-Performance–Prices.

Fund Performance Data

Share Class	Net Asset Value as at 31/10/13 £'000	Net Asset Value per share as at 31/10/13 p
M Shares	70,552	103.12

Price and Net Income Comparison

Year	Share Class	High Price p	Low Price p	Income p
2013[1]	M Shares	105.30	101.40	1.15
2012	M Shares	103.90	100.40	0.89
2011[2]	M Shares	100.80	99.18	n/a

Single priced ICVC sub-fund

[1] To 31 October 2013

[2] From launch on 4 November 2011

Royal London International Government Bond Fund

(continued)

Fund vs Sector Average Out-Performance

	1 year %
Royal London International Government Bond Fund	1.39
IMA Global Bonds sector average	1.57
Relative Out-Performance	**-0.18**

The sub-fund was launched on 1 November 2011 and first priced on 2 November 2011.

Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is net of fees and is cumulative over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

Top Ten Holdings

Holding	31/10/13 % Holding
US Treasury 3.25% 31/5/2016	8.72
Treasury 2.25% 7/3/2014	6.02
US Treasury 2% 15/7/2014	5.53
Government of Japan 1.9% 20/6/2016	5.08
Government of Japan 0.8% 20/12/2022	4.20
US Treasury 1.75% 15/5/2023	3.75
Bundesschatzanweisungen 0% 13/6/2014	3.68
Deutschland 1.5% 15/4/2016	3.05
Bundesschatzanweisungen 0% 12/12/2014	3.01
US Treasury 6.875% 15/8/2025	2.99

Holding	31/10/12 % Holding
US Treasury 3.25% 31/5/2016	11.46
Government of Japan 1.9% 20/6/2016	5.55
Government of Japan 0.5% 20/12/2014	5.41
US Treasury 2.25% 30/11/2017	5.20
Bundesrepublik Deutschland 4% 4/1/2018	4.87
Bundesschatzanweisungen 1% 14/12/2012	3.76
Government of Austria 4% 15/9/2016	3.70
Government of Japan 0.4% 20/9/2016	3.33
US Treasury 2% 15/2/2022	3.15
Government of Japan 1.8% 20/9/2030	3.06

Sector Breakdown

	31/10/13 %	31/10/12 %
Government Bonds	87.66	94.09
Government Index-Linked Bonds	11.72	3.85
Forward Currency Contracts	(0.42)	0.25
Cash and net other assets	1.04	1.81
Total[1]	**100.00**	**100.00**

[1] Subject to rounding

Royal London Short-Term Money Market Fund

Investment Objective and Policy

The investment objective of the Fund is to provide stability of principal and to provide an income in line with money market rates by investing wholly in money markets.

Assets

To achieve this objective the Fund may hold money market instruments, cash and deposits. It may also hold derivatives for the purposes of EPM only.

Risk Profile

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For more details of the investment risks that affect this Fund please refer to your copy of the Fund's Key Investor Information Document. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

The views expressed are the author's own and do not constitute investment advice and are not an indicator of future Fund performance.

Source: RLAM

Fund Performance

Over the period under review the fund returned 0.1% versus an IMA Short Term Money Market return of 0.1%

Economic and market background

The bank rate remained unchanged at 0.5% through the period under review and is almost certainly going to record five years at that level in March 2014. We have not witnessed such a prolonged period of unaltered and exceptionally low rates for over half a century. This situation has been enforced by the Bank of England as part of its on-going experiment to prevent the worst of the financial crisis of 2007-2009 from spilling over into the real economy.

The Bank of England, under the influence of its new Governor Mark Carney, introduced a policy of forward guidance in respect of monetary policy this autumn and indicated that bank rate was not likely to increase until 2016. However, almost simultaneously with this announcement, the UK economy, which had been slowly recovering, suddenly began to show signs of stronger and more deeply rooted growth which looks set to continue into 2014. Given this evidence of recovery, the assertion that rates could be held at 0.50% for another three years looks increasingly difficult to maintain. Markets are beginning to price in a rate rise in 2015 or possibly in late 2014.

Money market rates for maturities up to three months are largely unaltered from a year ago while longer maturities up to twelve months have fallen slightly. Until there is more confidence as to the likely timing of a rate rise we do not expect to see market rates moving up significantly from current levels. Unfortunately this means that the actual return on the fund will remain historically low for some time to come.

Portfolio commentary and outlook

The majority of the fund continues to be invested in certificates of deposit of different maturities and short dated deposits. The fund is diversified across 15 banks.

Our investment policy means that we continue to only lend to counterparties that are highly rated in their own right and who additionally have the potential backing of credible governments although we are aware that governments are likely to be less willing and able to provide support to banks in any future crisis.

In an environment where there is still a great deal of uncertainty we will continue to manage the Fund so that it provides security and liquidity as well as investment performance. Our primary objective is to maintain the capital value of the fund while providing a return in line with money market rates.

Tom Meade
Fund Manager

December 2013

Royal London Short-Term Money Market Fund

(continued)

Fund Facts

	As at	A Inc Shares	A Acc Shares
Sedol Number		B3P2RZ5	B8XYYQ8
Initial Charge		0.00%	0.00%
Initial Commission		0.00%	0.00%
Annual Management Charge (AMC)		0.25%	0.25%
Ongoing Charges Figure (OCF)[1]	31/10/13	0.45%	0.45%
Portfolio Turnover Rate	31/10/13	n/a	n/a
Synthetic Risk Reward Indicator (SRRI)[2]	31/10/13	1	1
Launch Date (See notes overleaf)		30/04/10	26/11/12
Fund Type			OEIC
Domiciled			UK
Distribution Calculation Dates (XD)			1 November & 1 May
Distribution Payment Dates			31 December & 30 June

[1] The OCF replaces the TER as at 1 July 2012. The OCF consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

[2] The SRRI is monitored on a weekly basis, for further information and commentary on this please see the fund Key Investor Information Document (KIID) on our website http://www.rlam.co.uk/Fund-Performance–Prices.

Fund Performance Data

Share Class	Net Asset Value as at 31/10/13 £'000	Net Asset Value per share as at 31/10/13 p
A Inc Shares	8,381	98.04
A Acc Shares	655	99.96

Price and Net Income Comparison

Year	Share Class	High Price p	Low Price p	Income p
2013[1]	A Inc Shares	98.51	98.24	0.41
	A Acc Shares	100.02	99.99	0.38
2012	A Inc Shares	99.66	98.42	0.80
	A Acc Shares[2]	100.00	100.00	n/a
2011	A Shares	99.55	98.90	0.77
2010[3]	A Shares	99.84	99.47	0.32

Single priced ICVC sub-fund,

[1] To 31 October 2013

[2] From launch on 26 November 2012

[3] From launch on 30 April 2010

Royal London Short-Term Money Market Fund
(continued)

Fund vs Sector Average Out-Performance

	1 year %	3 years %	5 years %
Royal London Short-Term Money Market Fund	0.09	0.18	0.48
IMA Short Term Money Market	0.09	0.16	0.30
Relative Out-Performance	**+0.00**	**+0.02**	**+0.18**

The sub-fund was launched on 30 April 2010, however the performance track record and income information are linked to the previous merging unit trust the Royal London Cash Trust launched on 22 July 1999.

Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is net of fees and is cumulative over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

Top Ten Holdings

Holding	31/10/13 % Holding
Lloyds London 0.44% 13/1/2014	16.60
Nordea Bank 0.50% 29/11/2013	8.85
Bank of America 0.48% 4/11/2013	8.30
BNP Paribas 0.47% 14/11/2013	8.30
Credit Agricole 0.52% 2/12/13	6.64
Barclays Bank 0.44% 1/11/2013	4.43
Standard Chartered 0.50% 15/11/2013	4.43
Svenska Handelsbanken 0.48% 13/11/2013	4.43
ING 0.51% 3/1/2014	4.43
Societe Generale 0.50% 31/12/2013	4.43

Holding	31/10/12 % Holding
Lloyds London 0.44% 11/1/2013	16.16
Deutschebank 0.50% 15/11/2012	8.08
Barclays Bank 0.47% 15/1/2013	7.00
Nationwide Building Society 0.54% 3/1/2013	5.38
Rabobank Nederland 0.90% 12/8/2013	5.37
Royal Bank of Scotland 1.29% 12/11/2012	4.85
Bank of Nova Scotia 0.35% 31/1/2013	4.31
HSBC 1.50% 23/11/2012	4.31
ING 0.52% 9/1/2013	4.31
Nordea Bank 0.58% 28/3/2013	4.31

Sector Breakdown

	31/10/13 %	31/10/12 %
Certificates of deposits	67.51	67.84
Time deposits	16.60	16.16
Cash and net other assets	15.89	16.00
Total[1]	**100.00**	**100.00**

[1] Subject to rounding

Royal London Sterling Credit Fund

Investment Objective and Policy

The Fund seeks to maximise long term returns mainly through investment in sterling fixed interest securities. UK government bonds or non-sterling bonds may be held as the Investment Adviser deems appropriate.

Assets

To achieve this objective the Fund may hold transferable securities (including Exchange Traded Funds which are closed-ended funds), government and public securities, deposits and cash (for the purposes of EPM and redemption of units). It may hold derivatives for the purposes of EPM only.

Risk Profile

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For more details of the investment risks that affect this Fund please refer to your copy of the Fund's Key Investor Information Document. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

The views expressed are the author's own and do not constitute investment advice and are not an indicator of future Fund performance.

Source: RLAM

Fund Performance

The fund returned 6.0% versus a return of 3.8% for the IMA Sterling Corporate Bond sector average. The return of the fund during the period is a combination of consistent income generation, together with unit price appreciation.

Market and Portfolio Commentary

Corporate bonds started the period buoyant, extending the phase of strength and improved sentiment in the asset class which started in the summer of 2012. In the first half of the period, with gilt yields supported by the background of low short term interest rates, moribund economic performance and subdued domestic inflation pressures, corporate bond performance was reinforced by a further move lower in gilt yields and the attraction of income. The strong performance of the asset class was reflected by a fall in the fund's yield, although a significant yield premium over the benchmark remained. Over the second half of the period, returns were more moderate, reflecting the rise in underlying gilt yields along with a reversal, in June, of some of the rapid spread tightening that was seen towards the end of the first half.

The average yield differential of sterling investment grade corporate bonds over gilts fell in the closing months of 2012 from 1.9% to 1.8%, the low point for 2012 but broadly mid-range for the period 2010 to mid 2011. The new year saw the rally of corporate bonds continue with spreads contracting moderately over the first three months to 1.7% before contracting more sharply in April, reaching 1.4% by early May. Spreads widened sharply over June to 1.6%, with the sterling credit market suffering its worst month of performance since 2009. From here, spreads tightened to end the period at 1.2%, their tightest level since 2007. While at a pre-crisis levels, spreads levels are wider than those required to compensate for default risk even in the more dire historic economic conditions.

Duration (sensitivity to interest rates) was maintained broadly in line with the benchmark and was not a significant factor in the overall performance of the fund.

Reflecting the long held RLAM view that secured debt is undervalued, the fund retained a marked bias towards bonds supported by a claim on assets or cash flows. Accounting for more than 40% of total assets, the exposure was split across the investment trust (4.4%), social housing (5.9%), property (4.2%) and structured (28.5%) sectors. We maintained our preference for covered bonds despite a previous strong rally having reduced the relative attractions of the sector. These senior obligations of banks and building societies, backed by a first claim on a specific over-collateralised pool of prime, seasoned, fully performing UK residential mortgages, and typically AAA or AA rated, made up 4.6% of the fund's weighting as at 31 October. These sectors continued to perform strongly, driving returns during the period.

The fund maintained an overweight exposure to financial sectors (insurance and banking), with a bias towards subordinated securities. Extending their phase of especially strong performance throughout the period, these sectors were the best performing areas and supported fund performance. Additionally, the fund benefitted from the low weighting in senior bonds as a series of events in early 2013 (Cyprus "bail-in", nationalisation of the Dutch bank SNS and Anglo Irish) yet again highlighted the vulnerability of senior and subordinated holders of bank debt in times of extreme financial stress. While the impact on subordinated debt was to a large extent already priced in, the subordination of senior debt in the Cyprus "bail-in" highlighted the fact that investors are not rewarded enough, given the heightened threat of further occurrences.

By credit rating, the bias of the fund was broadly unchanged over the period; there remains a significant underweight to AAA rated securities, reflecting the marked underweight exposure to supranational debt, securities with a low credit spread premium and generally more sensitive to changes in the level of government bond yields. The fund maintained an off-benchmark allocation to sub-investment grade (4.2%) and unrated (11.0%) bonds.

Sterling corporate bond issuance provided attractive investment opportunities despite the relatively subdued levels, particularly later in the period and compared to the record levels seen in early 2012. Purchases within the primary market included social housing bonds from WM, Great Places and Sustainable Communities for Leeds, and with issuance dominated by asset backed securities and corporate hybrids towards the end of the period, structured sector bonds from High Speed Rail Finance, Intu, Tesco Property and AA, and hybrid bonds from Electricite De France, Veolia Environnement, NGG, America Movil and Enel. New issues generally performed well post launch, benefitting fund performance.

The investment orientation of the fund remains focused on diversifying risk across a large number of holdings (258 as at 31 October), thereby reducing the potential effect on overall fund performance of any individual bond.

Investment Outlook

We expect economic conditions in many developed nations to remain challenging over the medium term, although the performance of emerging countries seems likely to underpin the growth in the global economy.

In the UK, we expect economic progress to be fairly subdued, despite the support of loose monetary policy and recent signs of an improvement in economic activity. While public spending cuts are still in progress, political

Royal London Sterling Credit Fund

(continued)

positioning ahead of the 2015 general election appears likely to gain momentum in the coming months. Meanwhile, we expect inflation to remain around target level, and we do not anticipate significant wage pressures developing.

UK gilt yields are close to our short term targets, but we forecast a further move up over the medium term from their still subdued current levels. Volatility seems likely to remain high.

We believe that the present pricing of corporate bonds is still very attractive over the medium term, while their level of income generation is also appealing with the prospect of short term interest rates staying low. Economic conditions in the UK seem likely to remain challenging and, in these circumstances, we believe bond characteristics which mitigate risk – structural enhancements or a claim on assets or cash flows – are an especially important aspect underlying investment performance over the medium term.

Paola Binns
Fund Manager

December 2013

Fund Facts

	As at	M Inc Shares	M Acc Shares	Z Inc Shares
Sedol Number		B6X6GB9	B8GJ8S0	B4W1ZT2
Initial Charge		0.00%	0.00%	0.00%
Initial Commission		0.00%	0.00%	0.00%
Annual Management Charge (AMC)		0.45%	0.45%	0.30%
Ongoing Charges Figure (OCF)[1]	31/10/13	0.49%	0.49%	0.33%
Portfolio Turnover Rate	31/10/13	48%	48%	48%
Synthetic Risk Reward Indicator (SRRI)[2]	31/10/13	4	4	4
Launch Date (See notes overleaf)		01/05/12	26/11/12	30/10/09
Fund Type				Authorised OEIC Fund
Domiciled				UK
Distribution Calculation Dates (XD)				1 February, 1 May, 1 August & 1 November
Distribution Payment Dates				31 March, 30 June, 30 September & 31 December

[1] The OCF replaces the TER as at 1 July 2012. The OCF consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

[2] The SRRI is monitored on a weekly basis, for further information and commentary on this please see the fund Key Investor Information Document (KIID) on our website http://www.rlam.co.uk/Fund-Performance-Prices.

Fund Performance Data

Share Class	Net Asset Value as at 31/10/13 £'000	Net Asset Value per share as at 31/10/13 p
M Inc Shares	4,340	108.58
M Acc Shares	316	104.05
Z Shares	344,613	124.26

Price and Net Income Comparison

Year	Share Class	High Price p	Low Price p	Income p
2013[1]	M Inc Shares	113.90	105.30	4.50
	M Acc Shares	106.50	99.41	3.89
	Z Shares	130.30	120.50	5.17
2012	M Inc Shares[2]	110.04	100.37	2.29
	M Acc Shares[3]	101.20	99.92	n/a
	Z Shares	125.80	113.60	5.24
2011	Z Shares	114.20	108.30	5.22
2010	B Shares[4]	111.10	105.90	2.48
	Z Shares	116.30	105.30	5.07
2009[5]	B Shares	107.70	105.10	n/a
	Z Shares	107.30	104.60	n/a

Single priced ICVC sub-fund

[1] To 31 October 2013

[2] From launch on 1 May 2012

[3] From launch on 26 November 2010

[4] To 14 July 2010

[5] From launch on 30 October 2009

Royal London Sterling Credit Fund

(continued)

Fund vs Sector Average Out-Performance

	1 year %	3 years %	5 years %
Royal London Sterling Credit Fund Z	6.03	7.82	11.19
IMA £ Corporate Bond sector average	3.82	5.12	8.38
Relative Out-Performance	**+2.21**	**+2.70**	**+2.81**

The sub-fund was launched on 30 October 2009 and first priced on 2 November 2009, however the performance track record and income information are linked to the previous merging unit trust the Royal London Sterling Credit Trust class A launched on 1 September 2008 and the class B launched on 10 March 2010.

Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is net of fees and is cumulative over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

Top Ten Holdings

Holding	31/10/13 % Holding
Finance for Residence Social Housing 'A1' 11.126% 5/10/2058	1.28
Electricite De France 6% variable perpetual	0.89
Telereal Secured Finance 4.01% 10/12/2033	0.89
Commonwealth Bank of Australia 3% 4/9/2026	0.84
UPP Bond Issuer 4.9023% 28/2/2040	0.82
F&C Commercial 5.23% variable 30/6/2017	0.75
Octagon Healthcare 5.333% variable 31/12/2035	0.73
Equity Release 5.88% 26/5/2032	0.72
Abbey National 5.75% 2/3/2026	0.70
Longstone Finance 4.791% 19/4/2031	0.69

Holding	31/10/12 % Holding
Finance for Residence Social Housing 11.126% 5/10/2058	1.26
Longstone Finance 4.791% 19/4/2036	0.88
Abbey National 5.75% 2/3/2026	0.87
Equity Release 5.88% 26/5/2032	0.87
Lloyds Banking Group 6.5% 17/9/2040	0.85
Telereal Securitisation variable 10/12/2033	0.84
First Debenture Finance 11.125% 2/1/2018	0.84
Lloyds Banking Group 5.125% 7/3/2025	0.82
White City Property 5.1202% 17/4/2035	0.79
South East Water 5.6577% 30/9/2019	0.79

Sector Breakdown

	31/10/13 %	31/10/12 %
Corporate Bonds	97.35	98.18
Commercial Mortgage Backed Securities	1.68	1.48
Cash and net other assets	0.97	0.34
Total[1]	**100.00**	**100.00**

[1] Subject to rounding

Royal London UK Government Bond Fund

Investment Objective and Policy

The investment objective of the Fund is to maximise total investment return (income and capital growth) over the medium to long term by investing mainly in UK government bonds. Sterling corporate bonds may also be held.

Assets

To achieve this 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 purposes of EPM and redemption of units). It may also hold derivatives for purposes of EPM only.

Risk Profile

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For more details of the investment risks that affect this Fund please refer to your copy of the Fund's Key Investor Information Document. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

The views expressed are the authors' own and do not constitute investment advice and are not an indicator of future Fund performance.

Source: RLAM

Fund Performance

The fund returned -2.2% versus a return of -2.5% for the IMA UK Gilt sector average.

Portfolio and Market Commentary

In anticipation of rising government bond yields, the fund maintained a predominantly short duration stance throughout the reporting period. At the start of the period, with 10 year gilt yields at 1.9%, the fund duration was 0.3 years below benchmark. The announcement that cash and future coupons from the Bank of England Asset Purchase Facility would be transferred to HM Treasury was interpreted as a soft form of quantitative easing and pushed yields down to 1.7%. We used this strength to re-establish a more aggressive duration position 0.7 years below benchmark. During the final months of 2012, large index related buying of index linked assets, coupled with speculation around the long-awaited conclusion to a consultation on RPI calculation methodology, resulted in higher breakeven rates. We used this opportunity to take partial profits on an off benchmark exposure to index linked gilts.

In early 2013, a deal was agreed in the US to avoid tax hikes and, in the UK, the decision was made not to change the methodology for the calculation of RPI. 10 year gilt yields rose sharply to 2.1%, and a long duration position was established. Strong outperformance by index linked gilts also allowed the fund to further reduce its linker exposure. A one notch downgrade in February of the UK's credit rating by Moody's to Aa1 was largely ignored by the market, and February's Budget was interpreted as mildly inflationary due to assistance for homebuyers. In addition, a review of UK monetary policy resulted in the planned use of forward guidance on rates. Italian elections resulted in a hung parliament in February, and the Cyprus "bail-in" gave strength to core European bond markets as the head of the eurogroup suggested this format would be adopted in future. Gilt yields reached a low for the year of 1.8% in May on the expectation of a European Central Bank rate cut, indirect buying from the Bank of Japan quantitative easing package, and deteriorating economic data. We used this strength to build a short duration position of -1.1 years.

Stronger economic data and rising yields in May and June allowed us to profitably reduce our short duration stance, and the US Federal Reserve inferred that they may start 'tapering' their bond purchase program, leading to a sharp rise in yields and flattening of the curve in June. The fund extended duration by selling 7 years into 50 year gilts. Gilts looked expensive relative to their global counterparts, prompting us to hold Swedish, Australian and US government. This latter position struggled as strong US payrolls data and talk of tapering led to US underperformance. We switched the fund's conventional US treasuries into long dated US inflation linked bonds and profitably reduced exposure to Swedish and Australian government bonds.

Stronger economic data and heightened anticipation of US tapering at the end of the summer saw 10 year gilt yields reach 3.00% in early September, and we reduced the short duration exposure to broadly in line with benchmark. The fund benefitted from a strong performance from 7 and 30 year maturities, where the fund was overweight versus an underweight in 10, 20 and 50 year bonds. A subsequent underweight in 5 and 10 year maturities versus an overweight in 30 year bonds supported returns as the 5 to 10 year area of the curve underperformed. The weakness in short dated maturities was used to cover our short duration exposure and establish a curve steepening position, resulting in an underweight in the 50 year area that underperformed ahead of ultra-long index linked syndication. 30 year US inflation linked treasuries outperformed UK index linked gilts ahead of the 2044 index linked syndication. Following the syndication, inflation breakeven rates rose as index linked gilts outperformed. The US bond rally in September, spurred by a delay in tapering, and a UK 2068 index linked gilt syndication, allowed us to take profits on US holdings as they outperformed gilts. With little impact from the US government shutdown, gilt yields continued to fall through October, allowing us to re-establish a new short duration stance of 0.3 years below benchmark.

Investment Outlook

Our central case is for gilt yields to rise marginally over the next 12 months. We remain cautious on the outlook for global growth as the deleveraging process will take several years. Recent improvement in UK growth is encouraging, but the economy still remains some way below the long term trend.

We expect gilt market volatility to continue, given the continued high levels of global supply, political concerns and concerns over the impact of fiscal and monetary tightening on future growth.

We believe interest rates will remain low by past standards as we expect inflation will not be a major threat over the next few years. As a result, the peak in base rates will be much lower than usual during the current economic cycle, resulting in a flatter yield curve.

Our 31 December 2013 forecasts for 5, 10 and 30 year conventional gilt yields are 1.7%, 2.8% and 3.8% respectively; current yields are 1.4%, 2.6% and 3.5% respectively.

Craig Inches & Paul Rayner
Fund Managers

December 2013

Royal London UK Government Bond Fund
(continued)

Fund Facts

	As at	A Inc Shares	M Inc Shares	M Acc Shares	Z Inc Shares
Sedol Number		B3Q6WZ1	B7QFPL3	B881TW5	B63M5F4
Initial Charge		4.00%	0.00%	0.00%	0.00%
Initial Commission		4.00%	0.00%	0.00%	0.00%
Annual Management Charge (AMC)		0.75%	0.38%	0.38%	0.25%
Ongoing Charges Figure (OCF)[1]	31/10/13	0.78%	0.42%	0.41%	0.28%
Portfolio Turnover Rate	31/10/13	717%	717%	717%	717%
Synthetic Risk Reward Indicator (SRRI)[2]	31/10/13	4	4	4	4
Launch Date (See notes overleaf)		30/04/10	01/05/12	26/11/12	30/04/10
Fund Type					Authorised OEIC Fund
Domiciled					UK
Distribution Calculation Dates (XD)					1 May & 1 November
Distribution Payment Dates					30 June & 31 December

[1] The OCF replaces the TER as at 1 July 2012. The OCF consists of the AMC and any other additional expenses charged to a fund, such as Depositary fees.

[2] The SRRI is monitored on a weekly basis, for further information and commentary on this please see the fund Key Investor Information Document (KIID) on our website http://www.rlam.co.uk/Fund-Performance-Prices.

Fund Performance Data

Share Class	Net Asset Value as at 31/10/13 £'000	Net Asset Value per share as at 31/10/13 p
A Shares	386,012	83.32
M Inc Shares	9,118	97.39
M Acc Shares	779	97.78
Z Shares	63,353	84.75

Price and Net Income Comparison

Year	Share Class	High Price p	Low Price p	Income p
2013[1]	A Shares	88.73	82.03	2.24
	M Inc Shares	103.40	95.84	2.49
	M Acc Shares	101.30	94.91	2.40
	Z Shares	90.02	83.38	2.27
2012	A Shares	90.32	85.64	2.30
	M Inc Shares[2]	104.90	100.20	1.30
	M Acc Shares[3]	100.50	98.80	n/a
	Z Shares	91.29	86.41	2.33
2011	A Shares	88.55	77.20	2.35
	Z Shares	89.25	77.47	2.36
2010[4]	A Shares	83.00	77.27	1.14
	Z Shares	83.14	77.28	1.17

Single priced ICVC sub-fund
[1] To 31 October 2013
[2] From launch on 1 May 2012
[3] From launch on 26 November 2012
[4] From launch on 30 April 2010

Royal London UK Government Bond Fund

(continued)

Fund vs Sector Average Out-Performance

	1 year %	3 years %	5 years %
Royal London UK Government Bond Fund A	-2.23	4.17	5.48
IMA UK Gilt	-2.46	4.25	5.31
Relative Out-Performance	**+0.23**	**-0.08**	**+0.17**

The sub-fund was launched on 30 April 2010. However past performance and income information are linked to the previous merging unit trust, the Royal London UK Government Bond Trust, launched on 30 January 1990.

Please note that the above information relates to the past and that past performance is not a reliable indication of future returns.

Performance is net of fees and is cumulative over the period indicated.

(Source: Lipper Hindsight, Total Return in GBP).

Top Ten Holdings

Holding	31/10/13 % Holding
Treasury 5% 7/3/2025	9.09
Treasury 5% 7/9/2014	8.44
Treasury 2.25% 7/3/2014	8.39
Treasury 2.75% 22/1/2015	8.20
Treasury 4.5% 7/3/2019	7.69
Treasury 4.25% 7/3/2036	4.85
Treasury 4.5% 7/12/2042	3.75
Treasury 1% 7/9/2017	3.54
Treasury 4.25% 7/6/2032	3.40
Treasury 1.25% 22/7/2018	3.27

Holding	31/10/12 % Holding
Treasury 4.25% 7/3/2014	11.89
Treasury 2.75% 22/1/2015	9.45
Treasury 1.75% 22/1/2017	6.82
Treasury 3.75% 7/9/2021	6.44
Treasury 4.5% 7/3/2013	5.88
Treasury 2% 22/1/2016	5.82
Treasury 4.25% 7/3/2036	5.79
Treasury 4% 7/3/2022	5.58
Treasury 4.25% 7/9/2034	4.92
Treasury 5% 7/3/2018	4.27

Sector Breakdown

	31/10/13 %	31/10/12 %
Government Bonds	99.15	98.01
Government Index-Linked	0.30	1.39
Corporate Bonds	0.06	1.23
Forward Currency Contracts	0.03	(0.02)
Cash and net other assets/ liabilities	0.46	(0.61)
Total[1]	**100.00**	**100.00**

[1] Subject to rounding

Important Notes

Investments in fixed interest markets can go down as well as up. This can affect the price of shares within Open Ended Investment Companies and the income from them.

Where overseas securities are held the prices and income may also be affected by changes in currency exchange rates. It is possible that the value of an investment may fall below its original level.

Past performance should not be seen as a guide to future returns.

Your holding in an Open Ended Investment Company must be regarded as a medium to long term investment, this means for at least five years.

Risk Profile

Any stock market investment involves risks. Some of these risks are general, which means that they apply to all investments. Others are specific, which means that they apply to individual Funds. For more details of the investment risks that affect this Fund please refer to your copy of the Fund's Key Investor Information Document. Before you decide to invest, it is important to understand these risks. If you are unsure, please seek professional advice from a Financial Advisor.

Company Information

A copy of the Long Form Report and Accounts is available on request.

The Authorised Corporate Director (ACD) of the Royal London Bond Funds ICVC is Royal London Unit Trust Managers Ltd.

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The Auditor of the Royal London Bond Funds ICVC is Price Waterhouse Coopers LLP.

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