



# STERLING BOND FUND

## January 2018 Factsheet

### FUND OBJECTIVE

The aim of the Fund is to seek to provide a regular income from a managed portfolio of sterling fixed interest securities with a particular emphasis on those securities on which interest is paid gross to non-residents of the United Kingdom.

### INVESTMENT MANAGER

Aberdeen Asset Investments Limited.

### FUND PERFORMANCE

	31/12/16 to 31/12/17 (%)	31/12/15 to 31/12/16 (%)	31/12/14 to 31/12/15 (%)	31/12/13 to 31/12/14 (%)	31/12/12 to 31/12/13 (%)
Sterling (£)	4.49	10.35	-0.35	11.20	0.65

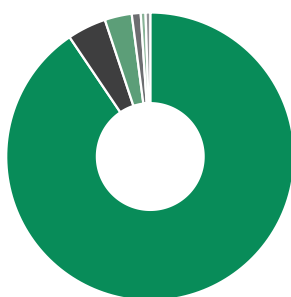
The figures show the performance growth over 5 years as discrete 12 month periods, on a mid price basis with gross income reinvested. All charges and fees, except any initial charge, have been included in the performance figures. Source: FE.

Sector is Lipper Sterling Fixed Interest

Past performance should not be seen as an indication of future performance.

The value of investments and the income from them can go down as well as up and cannot be guaranteed. Investments in a currency other than the shareholder's own currency, or in a fund that invests in securities denominated in currencies other than its own base currency, will be subject to the movements of foreign exchange rates, which may cause an additional favourable or unfavourable change in value. Consequently, investors may, on selling their shares, receive an amount greater or less than their original investment.

### SECTOR BREAKDOWN (%)



Corporate bonds	90.54
Cash	4.36
Supranational bonds	3.04
Government bonds	1.00
Public authorities	0.54
Overseas borrowers	0.52

### LARGEST INVESTMENTS (%)

European Investment Bank 6% 2028	3.04
Lloyds Bank Plc 7.625% 2025	2.51
Electricite de France 6.78% 2022	1.59
Heathrow Funding Ltd 6.45% 2031	1.46
E.ON International Finance 6.375% 2032	1.44
Meadowhall Finance 4.988% 2037	1.41
Centrica plc 6.375% 2022	1.36
NIE Finance PLC 6.375% 2026	1.35
HSBC 6.5% 2024	1.29
Trafford Centre Finance 6.5% 2033	1.21

### MARKET OVERVIEW

The final quarter of 2017 was another positive one for corporate bonds, capping an impressive year for the asset class. Many experts began the year with words of caution; it was difficult to view investment grade credit as cheap on any typical measures. However, benign government bond markets, loose monetary policies and improving levels of economic activity all helped create an environment which attracted investors into riskier assets. Sterling denominated corporate bonds delivered four successive quarters of positive returns as a result with the market being up over 1.5% in the final three months of the year.

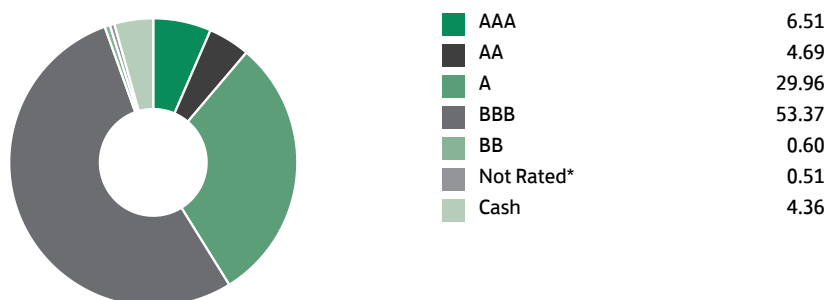
The Fund outperformed its benchmark as a result of strong asset allocation and good security selection. Ten year gilt yields fell over the quarter, with less prominent declines in five year and two year maturities. However, the Bank of England rate hike was well anticipated and economic activity remains subdued, while political uncertainty continues.

Corporate bonds outperformed government bonds. Investment grade credit delivered stronger returns than high yield globally, with the exception of Europe.

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### BOND RATINGS (%)



Bond ratings range from AAA to D, where AAA represents the highest level of credit worthiness.

\*Rating not requested by issuer or downgraded by credit rating agency.

### FUTURE POLICY

Although the Fund performed well, performance was hindered somewhat by negative effects in the yield curve. Overweight positions were held in the long end in 10 year and 30 year in anticipation that the curve would flatten, but it steepened instead.

Despite being underweight in corporates, strong asset allocation and security selection, particularly in financials, meant the Fund outperformed. The Fund was longer duration than benchmark, which was positive.

The Fund remained overweight relative to benchmark in utilities and financials, and underweight in industrials. Financials outperformed, and the underweight industrials added to returns. Meanwhile, utilities marginally underperformed.

Bond selection boosted performance, notably overweight positions in collateralised debt such as Annington Finance, where the spread tightened significantly. Spreads also tightened in Scottish and Southern Electric. Spread widening in Thames Water, where we were overweight, detracted from returns.

Please Note: The commentary contained in this document has been derived from sources, which we consider to be reasonable and appropriate. It may also include our views and expectations, which cannot be taken as fact. The forecast of future performance is not a reliable guide to actual future results.

### GENERAL INFORMATION

#### Value of Fund as at 31st December 2017

£20.09m

#### Dealing Price as at 31st December 2017

£1.5660

#### Estimated Yield

2.65%

#### Gross Redemption Yield as at 31st December 2017

2.33%

#### Average Bond Maturity Fund Duration/Benchmark

8.4 years / 8.36 years

#### Distribution Dates

22nd February, May, August & November

#### Ex Dividend Dates

1st January, April, July & October

#### Minimum Initial Investment

£5,000 or currency equivalent

#### Minimum Subsequent Investment

£500 or currency equivalent

#### Minimum Regular Savings Investment

£100 per month

#### Initial Charge

4%

#### Annual Management Charge

0.875%

#### Total Holdings

132

#### Sedol/ISIN

3072619/GB0030726193

### CONTACT DETAILS

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Collective investment funds are generally medium to long-term investments. They are traded at the dealing prices and may engage in borrowing and stocklending.

Details of any commissions payable and copies of the Prospectus are available free of charge upon request from the Manager.