

Robeco High Yield Bonds DH CHF

Robeco High Yield Bonds is an actively managed fund that invests in corporate bonds with a sub-investment grade rating, issued primarily by issuers from developed markets (Europe/US). The selection of these bonds is mainly based on fundamental analysis. The portfolio is broadly diversified, with a structural bias to the higher rated part in high yield. Performance drivers are the top-down beta positioning as well as bottom-up issuer selection.



Sander Bus, Roeland Moraal
Fund manager since 01-03-2001

Performance

	Fund	Index
1 m	3.33%	3.90%
3 m	7.11%	9.19%
Ytd	-1.03%	-1.24%
1 Year	1.24%	0.64%
2 Years	2.69%	1.89%
3 Years	1.41%	1.25%
5 Years	3.36%	3.00%
Since 02-2012	4.62%	4.31%

Annualized (for periods longer than one year)

Note: due to a difference in measurement period between the fund and the index, performance differences may arise. For further info, see page 4.

Calendar year performance

	Fund	Index
2019	10.67%	10.16%
2018	-5.51%	-4.95%
2017	5.16%	4.90%
2016	12.52%	14.29%
2015	-1.07%	-5.31%
2017-2019	3.22%	3.18%
2015-2019	4.13%	3.52%

Annualized (years)

Fund price

31-07-20	CHF	146.57
High Ytd (19-02-20)	CHF	149.52
Low Ytd (23-03-20)	CHF	117.24

Index

Bloomberg Barclays US Corp. HY & Pan Eur. HY. ex Fin.
2.5% Issuer Cap (hedged into CHF)

General facts

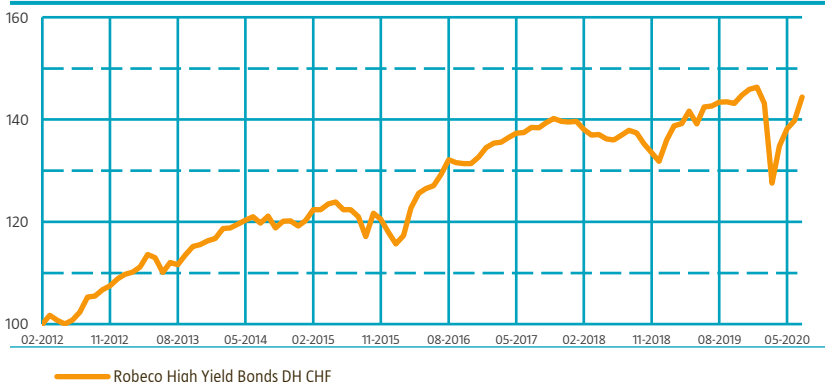
Morningstar	★★★★★
Type of fund	Bonds
Currency	CHF
Total size of fund	CHF 12,000,512,193
Size of share class	CHF 52,474,221
Outstanding shares	361,954
1st quotation date	16-02-2012
Close financial year	31-12
Ongoing charges	1.21%
Daily tradable	Yes
Dividend paid	No
Ex-ante tracking error limit	5.00%
Management company	Robeco Luxembourg S.A.

Fees

Management fee	1.00%
Performance fee	None
Service fee	0.16%
Expected transaction costs	0.00%

Performance

Indexed value (until 31-07-2020) - Source: Robeco



Performance

Based on transaction prices, the fund's return was 3.33%.

The global high yield index delivered a total return of around 4% in July, bringing the total return for the year close to -1%. During the month spreads tightened almost 120 bps. Underlying government bonds were more or less flat. The fund underperformed the index by around 100 bps, depending on the share class (gross of fees). Our cautious beta positioning was a detractor of 60 bps, issuer selection detracted another 40 bps. Our preference for EUR high yield at the expense of USD was the largest driver behind the underperformance. With this outperformance, US HY completely erased the year-to-date difference – both regions now have the same risk-adjusted return for the year. From a sector standpoint, the best-performing sectors were technology and communications, the worst-performing sector was transportation. On an issuer level, we lost around 14 bps by being overweight Europcar. The car rental space has been hit hard by Covid-19 and the tremendous decline in international travel. Second quarter figures were still disappointing and the medium-term outlook is very uncertain. Bonds dropped a few points as prior news on potential takeover interest was denied by Volkswagen.

Market development

We are back at square one. The recovery in high yield continued and accelerated in July. The backstop provided by governments and central banks, against 'common enemy' Covid-19, was exactly the medicine that financial markets needed. Government programs of unseen generosity were printed, focusing on supporting both companies and households, and funded by evermore and seemingly limitless money printing by the Fed and the ECB. Historic GDP contractions, US-China tensions and rising Covid-19 case counts across the globe did not weigh as heavily as a dovish Fed and some positive early-stage vaccine headlines. Second quarter earnings can best be explained as a mixed bag. Tech-related companies surprised on the upside and transportation-related names disclosed how bad things in large parts of the real economy are. In the end, markets seemed to disregard most of the bad signals. The asset class still witnessed USD 6 bln of inflows in July. New issuance also more than halved but still is strong with close to USD 27 bln being absorbed this month. Spreads finished the month 118 bps tighter at a level of 494 bps. The average yield to worst of the global high yield index ended the month at 5.22%.

Expectation of fund manager

The economic fallout that we saw in 20Q2 was unlike anything we have ever seen in our careers. The Covid-19 pandemic elicited a massive unconventional, coordinated series of stimulus by policy makers financed by central banks. Markets have since soared and are treating Covid-19 as a growth shock in an otherwise fine economic environment. But while Covid-19 is the proximate trigger, we firmly believe current events are not just about the virus. They have deep secular and cyclical roots. To justify this rally, we really need a normalization in earnings. We have our doubts that this will materialize. We see a high likelihood of a deep recession, with increasing numbers of defaults and heightened uncertainty surrounding corporate earnings, which will be with us for some time. We have gone underweight in high yield. Dispersion remains high and the accelerated downgrades into the lowest ratings make us cautious. Technicals rule for now but fundamentals matter, and they are not looking good.

SI fund classification

	Yes	No	N/A
Engagement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ESG Integration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Exclusion	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Top 10 largest positions

Our top ten holdings consist mostly of BB-rated large caps in sectors such as communications, packaging and housing. The telecom sector is highly concentrated, with a number of large issuers. We have a more cautious view on the sector as a whole, but there still are some investable large caps such as cable companies Level 3 and Charter. A large overweight in media is Netflix, a company we like for its strong content and distribution platform. Packaging is a sector that we like from a fundamental and relative value perspective, hence large positions in quality names such as Crown Cork & Seal and Ardagh Glass.

Legal status

Investment company with variable capital incorporated under Luxembourg law (SICAV)
 Issue structure Open-end
 UCITS V Yes
 Share class DH CHF
 This fund is a subfund of Robeco Capital Growth Funds, SICAV

Registered in

Austria, France, Germany, Luxembourg, Netherlands, Singapore, Switzerland, United Kingdom

Currency policy

All currency risks are hedged.

Risk management

Risk management is fully embedded in the investment process to ensure that positions always meet predefined guidelines.

Dividend policy

The fund does not distribute dividend. The income earned by the fund is reflected in its share price. The fund's entire result is thus reflected in its share price development.

Derivative policy

Robeco High Yield Bonds make use of derivatives for hedging purposes as well as for investment purposes. These derivatives are very liquid.

Fund codes

ISIN	LU0677789876
Bloomberg	RHYDHCH LX
WKN	A1JVWK
Valoren	13840896

ESG integration policy

Our analysis of issuers goes beyond the traditional financial factors and includes the issuers' performance on ESG factors. We deem it essential for a well-informed investment decision to take into account those ESG factors that have the potential to materially impact the financial performance of the issuer. This perfectly matches the basic need to avoid the losers in credit management, as many credit events in the past can be attributed to issues such as poorly designed governance frameworks, environmental issues, or weak health & safety standards. The aim of ESG integration is to improve the risk/return profile of the investments and does not have an impact goal. ESG analysis is fully integrated in the bottom-up security analysis. We have defined key ESG factors per industry, and for every company we analyze how the firm is positioned versus these key ESG factors, and how this impacts the fundamental credit quality.

Top 10 largest positions

Holdings	Sector	%
Sprint Corp	Communications	2.06
Kraft Heinz Foods Co	Consumer Non Cyclical	1.82
Cco Holdings Llc / Cco Holdings Capital Corp	Communications	1.61
Level 3 Financing Inc	Communications	1.57
Netflix Inc	Communications	1.56
Hca Inc	Consumer Non Cyclical	1.41
Lennar Corp	Consumer Cyclical	1.14
Crown European Holdings Sa	Capital Goods	1.12
Standard Industries Inc/Nj	Capital Goods	1.08
United Rentals North America Inc	Capital Goods	1.07
Total		14.44

Statistics

	3 Years	5 Years
Tracking error ex-post (%)	1.51	1.39
Information ratio	0.75	1.10
Sharpe ratio	0.38	0.72
Alpha (%)	1.29	1.84
Beta	0.89	0.90
Standard deviation	8.28	7.38
Max. monthly gain (%)	5.07	5.07
Max. monthly loss (%)	-10.80	-10.80

Above mentioned ratios are based on gross of fees returns.

Hit ratio

	3 Years	5 Years
Months outperformance	22	35
Hit ratio (%)	61.1	58.3
Months Bull market	23	39
Months outperformance Bull	13	19
Hit ratio Bull (%)	56.5	48.7
Months Bear market	13	21
Months Outperformance Bear	9	16
Hit ratio Bear (%)	69.2	76.2

Above mentioned ratios are based on gross of fees returns.

Characteristics

	Fund	Index
Rating	BA1/BA2	BA3/B1
Option Adjusted Modified Duration (years)	3.4	3.6
Maturity (years)	4.4	4.5
Yield to Worst (% , Hedged)	2.9	4.5

Changes

Benchmark changes: Since start - 31/3/2005 Barclays Global High Yield (Hedged into CHF) 1/4/2005 - 30/4/2005 Barclays US Corporate High Yield & Pan European High Yield (Hedged into CHF) 1/5/2005 - 31/3/2009 Barclays US Corporate High Yield & Pan European High Yield 2.5% Issuer Cap (Hedged into CHF) 1/4/2009 - now Barclays US Corporate High Yield & Pan European High Yield ex Financials 2.5% Issuer Cap (Hedged into CHF)

Sector allocation

Overweights are in less cyclical sectors such as food and packaging, as well as in financials, which is an off-benchmark position. The fund also holds a sizable overweight in the cyclical automotive sector, which trades at a wide spread premium to other sectors. Underweights are in sectors such as energy, telecom and pharma/healthcare.

Sector allocation		Deviation index	
Consumer Cyclical	16.4%	-6.5%	
Communications	14.8%	-5.2%	
Consumer Non Cyclical	12.1%	-3.0%	
Capital Goods	12.0%	1.5%	
Basic Industry	9.3%	2.4%	
Energy	7.2%	-4.2%	
Technology	4.7%	-1.4%	
Banking	3.3%	3.3%	
Transportation	2.5%	-0.1%	
Financial Other	1.2%	1.2%	
Industrial Other	0.9%	-0.6%	
Other	3.6%	0.6%	
Cash and other instruments	11.9%	11.9%	

Currency denomination allocation

All currency risks are hedged to the currency of the share class. The currency denomination allocation shows the currency distribution of the portfolio before hedging.

Currency denomination allocation		Deviation index	
US Dollar	67.4%	-11.2%	
European Euro	29.2%	10.0%	
United Kingdom Pound Sterling	2.6%	0.5%	
Swiss Franc	0.1%	0.0%	

Duration allocation

Robeco High Yield Bonds does not pursue an active duration policy. HY bonds tend to have a limited effective sensitivity to underlying moves in government bond yields. In our 0-duration share classes, the underlying rate risk is hedged to 0- to 6-month duration.

Duration allocation		Deviation index	
US Dollar	2.3	-0.5	
European Euro	0.9	0.2	
United Kingdom Pound Sterling	0.1	0.0	
Swiss Franc	0.1	0.1	

Rating allocation

Most exposure is in Ba and B issuers. The fund has a large underweight in the categories Caa and below. We have an allocation to BBBs, mainly consisting of former rising stars that still trade at attractive spread levels and positions in the lower capital structure of European banks.

Rating allocation		Deviation index	
A	0.4%	0.4%	
BAA	13.1%	12.9%	
BA	49.2%	-5.7%	
B	21.6%	-11.1%	
CAA	3.5%	-8.1%	
CA	0.0%	-0.5%	
C	0.0%	-0.2%	
NR	0.2%	0.2%	
Other	0.0%	0.1%	
Cash and other instruments	11.9%	11.9%	

Country allocation

Country risk analysis is incorporated in our proprietary credit research, but we do not implement any specific top-down country policy in the portfolio. We have a preference for Europe versus the United States based on fundamentals and valuations.

Country allocation		Deviation index	
United States	56.8%	-16.0%	
Germany	4.8%	2.0%	
United Kingdom	4.5%	-0.1%	
France	4.2%	1.1%	
Netherlands	3.0%	1.0%	
Italy	2.1%	-0.2%	
Luxembourg	1.6%	-0.6%	
Canada	1.6%	-1.6%	
Spain	1.5%	-0.4%	
Ireland	1.4%	0.8%	
Australia	1.1%	0.8%	
Other	5.6%	1.4%	
Cash and other instruments	11.9%	11.9%	

Investment policy

Robeco High Yield Bonds invests in corporate bonds with a sub-investment grade rating, issued primarily by US and European issuers. The portfolio is broadly diversified across circa 250 issuers, with a structural bias to the higher rated part in high yield (BB/B). Performance drivers are the top-down beta positioning as well as bottom-up issuer selection. The fund aims to outperform its index Barclays US Corporate High Yield & Pan European High Yield ex Financials 2.5% Issuer Cap. The index excludes high yield financials based on relatively high systematic risk, and applies an issuer cap to avoid concentration risk. The investment philosophy is based on managing a solid diversified portfolio with a long term view. Top-down beta positioning is based on the outcome of our credit quarterly outlook meeting, in which the team is discussing the fundamental market outlook, valuation of bond markets and market technicals. Bottom-up issuer research is executed by our credit analysts, who execute the fundamental analysis. The analysts research reports are being discussed in approx. 500 credit committees per year. In addition, a proprietary quant issuer selection model is used as an independent performance driver. The portfolio managers are responsible for the portfolio construction. A proprietary developed risk management approach avoids high risk concentration in the portfolio. Holdings in equities can only appear in the portfolio as a result of corporate actions and/or debt restructuring. It is not the intention of the portfolio manager to use options or swaptions. As the investment process is well-structured and proven over time, it contributes to repeatable performance delivery. The Robeco High Yield fund is managed by our credit team which consists of eight portfolio managers and thirteen credit analysts. Within the team, Sander Bus and Roeland Moraal are responsible for high yield. Sander has been involved in the fund since inception in 1998, Roeland joined in 2003. The portfolio managers are responsible for the construction and management of the credit portfolios, whereas the analysts cover the team's fundamental research. Duration of the portfolio is managed in line with the index and currency exposure is hedged.

Fund manager's CV

Mr. Bus is Head of the Credit team and manages our high yield portfolios. Prior to joining Robeco in 1998, Mr. Bus worked for Rabobank as a fixed income analyst for two years. Mr. Bus holds a Master's degree in Financial Economics from Erasmus University, Rotterdam. He became a CFA charter holder in 2003 and is registered with the Dutch Securities Institute. Mr. Bus has been active in the industry since 1996. Mr. Roeland Moraal, Vice President, CEFA, Portfolio Manager. Roeland is a Senior Portfolio Manager High Yield within Robeco's Credit team since January 2004. Before assuming this role, he was portfolio manager in our Rates team for two years and worked as an analyst with the Institute for Research and Investment Services for three years. Roeland started his career in the investment industry in 1997 at Robeco. He holds a Master's degree in applied mathematics from the University of Twente and a Master's degree in Law from Erasmus University, Rotterdam. Roeland became a CEFA charter holder in 2000 and he is registered with the Dutch Securities Institute.

Team info

The Robeco High Yield fund is managed within Robeco's credit team, which consists of nine portfolio managers and twenty-three credit analysts. The portfolio managers are responsible for the construction and management of the credit portfolios, whereas the analysts cover the team's fundamental research. Our analysts have long term experience in their respective sectors which they cover globally. Each analyst covers both investment grade and high yield, providing them an information advantage and benefiting from inefficiencies that traditionally exist between the two segmented markets. Furthermore, the credit team is supported by three dedicated quantitative researchers and four fixed income traders. On average, the members of the credit team have an experience in the asset management industry of seventeen years, of which eight years with Robeco.

Fiscal product treatment

The fund is established in Luxembourg and is subject to the Luxembourg tax laws and regulations. The fund is not liable to pay any corporation, income, dividend or capital gains tax in Luxembourg. The fund is subject to an annual subscription tax ('tax d'abonnement') in Luxembourg, which amounts to 0.05% of the net asset value of the fund. This tax is included in the net asset value of the fund. The fund can in principle use the Luxembourg treaty network to partially recover any withholding tax on its income.

Fiscal treatment of investor

The fiscal consequences of investing in this fund depend on the investor's personal situation. For private investors in the Netherlands real interest and dividend income or capital gains received on their investments are not relevant for tax purposes. Each year investors pay income tax on the value of their net assets as at 1 January if and inasmuch as such net assets exceed the investor's tax-free allowance. Any amount invested in the fund forms part of the investor's net assets. Private investors who are resident outside the Netherlands will not be taxed in the Netherlands on their investments in the fund. However, such investors may be taxed in their country of residence on any income from an investment in this fund based on the applicable national fiscal laws. Other fiscal rules apply to legal entities or professional investors. We advise investors to consult their financial or tax adviser about the tax consequences of an investment in this fund in their specific circumstances before deciding to invest in the fund.

Morningstar

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