

## Robeco High Yield Bonds DH EUR

Robeco High Yield Bonds 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	-1.08%	-0.96%
3 m	-1.01%	-0.46%
Ytd	-0.97%	-0.56%
1 Year	2.32%	2.24%
2 Years	8.96%	10.44%
3 Years	4.65%	3.81%
5 Years	5.04%	4.57%
10 Years	7.24%	7.12%
Since 04-1998	6.01%	
Annualized (for periods longer than one year)		

### Calendar year performance

	Fund	Index
2017	5.53%	5.42%
2016	13.14%	15.00%
2015	-0.44%	-4.36%
2014	2.75%	2.48%
2013	6.94%	7.47%
2015-2017	5.93%	5.06%
2013-2017	5.49%	5.01%
Annualized (years)		

### Fund price

28-02-18	EUR	144.77
High Ytd (08-01-18)	EUR	147.38
Low Ytd (15-02-18)	EUR	144.01

### Benchmark

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

### General facts

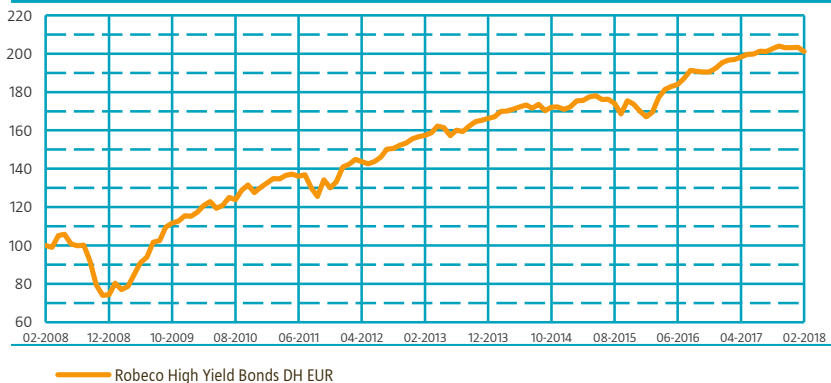
Morningstar	★★★★
Type of fund	Bonds
Currency	EUR
Total size of fund	EUR 8,435,270,967
Size of share class	EUR 348,814,794
Outstanding shares	2,409,186
1st quotation date	17-04-1998
Close financial year	31-12
Ongoing charges	1.18%
Daily tradable	Yes
Dividend paid	No
Ex-ante tracking error limit	5.00%
Management company	Robeco Luxembourg S.A.

### Fees

Management fee	1.00%
Performance fee	None
Service fee	0.12%
Expected transaction costs	0.00%

### Performance

Indexed value (until 28-02-2018) - Source: Robeco



### Performance

Based on transaction prices, the fund's return was -1.08%.

The Global High yield Index had a total return close to -100 bps in February. The fund underperformed its index by a few bps. On a risk-adjusted basis, financials underperformed corporates, and BBs underperformed Bs and CCCs slightly. The fund underperformed on its long European financials and the implemented quality bias. All sectors had a performance in negative territory last month. Communications had the least negative figure – recovering after being the worst performing sector last month. The rebound in distressed communications companies Intelsat and iHeart Communications – which we do not own – led to some underperformance. We have been avoiding these volatile distressed credits for some time now. Our quality bias in the energy space led to outperformance: some lower-rated energy names that we avoid, like Jupiter Resources and Sanchez Energy underperformed, while higher-rated portfolio positions like continental resources outperformed.

### Market development

Global High Yield bonds performed poorly in February amid the most severe sell-off in equities since the beginning of 2016, coinciding with an intra-month 4-year high for 10-year US Treasury yields. Total return was close to -1%, with both credit excess returns and underlying treasuries contributing negatively. Sentiment turned slightly more cautious amid concerns that higher US inflation could push the Fed to raise rates more quickly. The sell-off was initially triggered by the slightly hawkish tone of the FOMC statement at the Fed's latest meeting. From peak-to-trough, the S&P 500 declined by 12% during the first two weeks and recovered slightly more than half its losses by month-end. The strong correlation between equities and high yield was visible as high yield spreads showed the same movement during the month. In the Eurozone, the economic backdrop remained healthy, although data started consolidating at high levels indicating that the growth momentum might have peaked. Global high yield bond spreads and yields widened by 19 bps and 18 bps respectively – and are now at 333 bps with an average yield of 5.71%.

### Expectation of fund manager

The global economy delivered another good quarter in terms of growth. Even capital investment is finally contributing to growth. We are experiencing a synchronized economic upturn. The risks lie in the enormous debt build-up in the system. Debt levels keep increasing everywhere, while at the same time all central banks combined will massively reduce monetary stimulus during 2018 – and turn from buyers of fixed income assets to net sellers. The question is who will take over as a buyer of fixed income assets. If this cyclical upturn remains strong, central banks might even have to step up their tightening efforts. In our view, the current asset prices just do not offer enough room for such potential disappointment, and we see a clear risk of increased market volatility. February provided a first warning: slightly worse economic data and Fed talk led to a rather severe sell-off in risky assets. We may see more of this, and therefore we prefer a cautious stance, with a beta below one and a focus on quality names and stock picking. Idiosyncratic risks are rising, secular sector trends and decompression between credit categories provide alpha opportunities.

## 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

The top positions are dominated by US healthcare, European telecom and consumer-related sectors. The big US hospital chains are among the largest HY issuers in our benchmark. We favor these companies because of the stability of their earnings, their high margins and the favorable regulatory environment. European cable is another sector we favor for very similar reasons. We also have a tilt toward the recovery of the consumer, visible in more cyclical and/or consumer-oriented names like homebuilder DR Horton, retailer Limited Brands and car rental company Avis.

## Legal status

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

## Registered in

Austria, Belgium, Finland, France, Germany, Hong Kong, Ireland, Italy, Luxembourg, Netherlands, Norway, Peru, Poland, Singapore, Spain, 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	LU0085136942
Reuters	008513694X.LU
Bloomberg	RGCGMNA LX
Sedol	5496541
WKN	988158
Valoren	889017

## ESG integration policy

The prime goal of integrating ESG factors in our analysis is to strengthen our ability to assess the downside risk of our credit investments. Our analysts include RobecoSAM sustainability data and use external sources to make an ESG assessment as a part of the fundamental analysis.

## Top 10 largest positions

Holdings	Sector	%
Hca Inc	Consumer Non Cyclical	2.07
Equinix Inc	Technology	1.50
Cco Holdings Llc / Cco Holding	Communications	1.45
Lennar Corp	Consumer Cyclical	1.32
Sirius Xm Radio Inc	Communications	1.25
Crown European Holdings Sa	Capital Goods	1.24
Quintiles Ims Inc	Consumer Non Cyclical	1.22
Centurylink Inc	Communications	1.20
Ardagh Packaging Finance Plc /	Capital Goods	1.18
L Brands Inc	Consumer Cyclical	1.07
<b>Total</b>		<b>13.50</b>

## Statistics

	3 Years	5 Years
Tracking error ex-post (%)	1.07	0.98
Information ratio	1.93	1.72
Sharpe ratio	1.22	1.37
Alpha (%)	2.32	2.01
Beta	0.92	0.92
Standard deviation	5.04	4.66
Max. monthly gain (%)	4.88	4.88
Max. monthly loss (%)	-2.00	-2.47

Above mentioned ratios are based on gross of fees returns.

## Hit ratio

	3 Years	5 Years
Months outperformance	23	38
Hit ratio (%)	63.9	63.3
Months Bull market	22	39
Months outperformance Bull	11	19
Hit ratio Bull (%)	50.0	48.7
Months Bear market	14	21
Months Outperformance Bear	12	19
Hit ratio Bear (%)	85.7	90.5

Above mentioned ratios are based on gross of fees returns.

## Characteristics

	Fund	Index
Rating	BA1/BA2	BA3/B1
Option Adjusted Modified Duration (years)	3.9	4.0
Maturity (years)	5.4	5.0
Yield to Worst (%)	3.3	4.0

## Changes

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

### Sector allocation

Overweights are in consumer-related sectors such as food & beverages, healthcare and retail, but also in chemicals and paper/packaging. We are underweight energy, US telecommunications, and gaming.

Sector allocation		Deviation benchmark
Consumer Cyclical	18.8%	1.7%
Communications	14.3%	-8.4%
Consumer Non Cyclical	12.7%	-1.7%
Capital Goods	12.0%	1.6%
Basic Industry	9.0%	0.5%
Energy	6.9%	-6.2%
Banking	4.9%	4.9%
Technology	3.2%	-3.4%
Transportation	2.2%	0.2%
Electric	1.4%	-1.6%
Industrial Other	1.1%	-0.7%
Other	5.2%	4.8%
Cash and Cash Equivalents	8.2%	8.2%

### 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 benchmark
US Dollar	61.3%	-17.8%
European Euro	33.3%	15.6%
United Kingdom Pound Sterling	4.5%	1.6%
Swiss Franc	0.2%	0.1%
Swedish Krona	0.0%	-0.1%
Other	0.7%	0.6%

### 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 benchmark
US Dollar	2.8	-0.4
European Euro	0.9	0.2
United Kingdom Pound Sterling	0.2	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 rising stars (former HY) that still trade at attractive spread levels.

Rating allocation		Deviation benchmark
AAA	1.0%	1.0%
A	0.4%	0.4%
BAA	8.6%	8.6%
BA	52.5%	6.4%
B	27.0%	-12.7%
CAA	2.2%	-10.9%
CA	0.0%	-1.0%
C	0.0%	-0.1%
NR	0.3%	0.1%
Other	0.0%	0.2%
Cash and Cash Equivalents	8.0%	8.0%

### 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 benchmark	
United States	56.4%	-13.3%	
United Kingdom	6.0%	1.0%	
France	4.8%	1.3%	
Netherlands	3.7%	1.7%	
Germany	3.5%	0.5%	
Ireland	3.2%	2.1%	
Canada	2.3%	-1.4%	
Switzerland	2.2%	1.7%	
Spain	1.6%	-0.1%	
Luxembourg	1.4%	-1.7%	
Italy	1.0%	-2.2%	
Other	5.8%	2.3%	
Cash and Cash Equivalents	8.0%	8.0%	

## 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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