

Robeco High Yield Bonds EH EUR

Robeco High Yield Bonds is an actively managed fund that invests in high yield corporate bonds. The selection of these bonds is mainly based on fundamental analysis. The fund's objective is to provide long-term capital growth. The fund invests in corporate bonds with a sub-investment grade rating, issued primarily by issuers from developed markets (Europe/US). The portfolio is broadly diversified, with a structural bias towards 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	3.16%	2.37%
3 m	-3.89%	-4.22%
Ytd	-12.19%	-13.80%
1 Year	-11.95%	-13.30%
2 Years	-3.25%	-2.67%
3 Years	-1.99%	-1.41%
5 Years	-0.63%	-0.24%
10 Years	2.64%	2.65%
Since 02-2006	4.29%	4.45%

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 last page.

Calendar year performance

	Fund	Index
2021	2.38%	4.21%
2020	2.68%	4.62%
2019	11.11%	10.56%
2018	-5.16%	-4.55%
2017	5.56%	5.42%
2019-2021	5.31%	6.42%
2017-2021	3.18%	3.93%

Annualized (years)

Index

Bloomberg US Corporate High Yield + Pan Euro HY ex Financials 2.5% Issuer Cap

General facts

Morningstar	★★★★★
Type of fund	Bonds
Currency	EUR
Total size of fund	EUR 7,059,097,434
Size of share class	EUR 34,471,472
Outstanding shares	405,158
1st quotation date	06-02-2006
Close financial year	31-12
Ongoing charges	1.31%
Daily tradable	Yes
Dividend paid	Yes
Ex-ante tracking error limit	5.00%
Management company	Robeco Institutional Asset Management B.V.

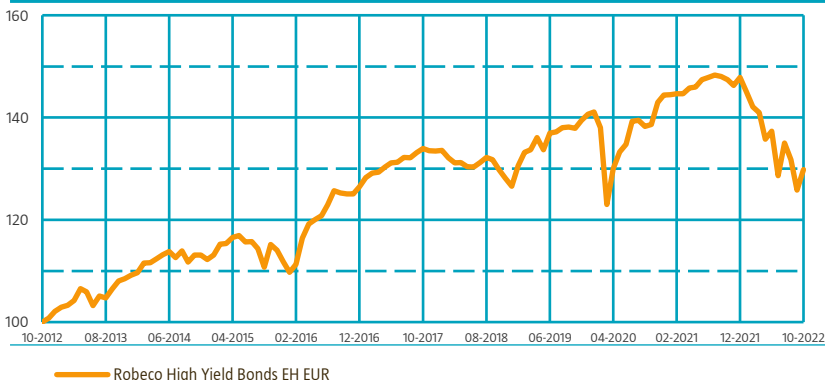
Sustainability profile

- Exclusions
- ESG Integration
- Engagement

For more information on exclusions see <https://www.robeco.com/exclusions/>

Performance

Indexed value (until 31-10-2022) - Source: Robeco



Performance

Based on transaction prices, the fund's return was 3.16%.

The high yield bond index had a positive total return in October of 2.37% on the back of tighter spreads in combination with higher underlying rates. The fund outperformed its benchmark this month. For the year, total returns of the market are still very negative. The fund delivered a strong outperformance year-to-date. The outperformance was mainly on the back of issuer selection, as beta policy had a small negative. Our financial sector overweight had a small negative, as corporates outperformed. Our quality bias made a small positive contribution for the month, as the recovery was mainly driven by tighter BB spreads. We did not benefit from our regional overweight in Europe versus the US. On an issuer level, we gained 7 bps from our overweight position in Faurecia, as sentiment surrounding global car sales improved. For that reason, we lost 3 bps on our underweight in Ford Motor. Our underweight in Bausch Health also contributed 7 bps. We closed our underweight a bit in this name, as valuations became attractive. Earnings were decent, but there are still many uncertainties. The gaming segment was beaten down due to the Covid restriction policy in China. Not owning Las Vegas Sands and Wynn Resorts added 4 bps each.

Market development

After a horrendous third quarter, the global high yield market recovered a bit in October, which proved to be a strong month for financial assets. Spreads and yields tightened 83 and 47 bps respectively. The key driver behind this was again the speculation of the Fed pivoting away from its current aggressive rate hike path. This narrative got further support as other central banks like Australia and Canada unexpectedly reduced their pace with 25 bps compared to expectations. But underlying data coming in for the US regarding CPI's again looked stronger than expected and Fed speakers swiftly pushed back on any possible pivot. The ECB had dovish elements in its own press conference, resurrecting pivoting sentiment, but in the end that also faded away as flash CPI in the Eurozone came in at 10.7%, with core CPI also hitting a record high 5.0%. Strong inflation readings will limit the ability of central banks to move away from a hawkish direction. On a positive note, we saw European natural gas prices decline on the back of the unusually warm weather in October. High yield bond issuance was again soft this month and there were no new defaults.

Expectation of fund manager

We are entering a phase of re-globalization. Secular trends overlay cyclical trends in which central banks continue their own war on inflation. Central banks believe they have to inflict pain on the economy, on the demand side, to bring down inflation expectations. The Fed will only stop hiking when one of three conditions is satisfied: inflation comes down, the economy slows or financial conditions need to tighten more. The credit cycle has to unwind a little further and there is a risk that central banks will overreact. We do acknowledge that the corporate sector is healthier at the start of this recession compared to previous cycles. But we need more proof that a full-blown recession is priced in, we are not there yet. Technically, central banks will hike more and in many cases QT still has to start. We are aware of wider spreads and in some pockets of the market we do see valuations becoming attractive. But a bit more patience is prudent before making a long beta call. We focus on quality and still favor more stable non-cyclical companies. Beta has been increased a bit and we are watching derivatives for the next big step.

Top 10 largest positions

Our top ten holdings consist mostly of BB-rated large caps in the automotive and communications sectors. In automotive, we own large overweight positions in ZF Friedrichshafen and Goodyear, which we consider top-tier suppliers. In communications, positions are in some of the large US telecom operators like Sprint, Charter and Level 3. Other top holdings are in US supermarket operator Albertsons, Australian mining giant Fortescue and Netflix.

Fund price

31-10-22	EUR	85.60
High Ytd (04-01-22)	EUR	100.30
Low Ytd (29-09-22)	EUR	82.89

Fees

Management fee	1.10%
Performance fee	None
Service fee	0.16%
Expected transaction costs	0.00%

Legal status

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

Registered in

Austria, Belgium, Finland, France, Germany, Ireland, Italy, 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

In principle, the fund will distribute dividend annually. This fund aims to pay an annual dividend of 6%. The dividends referred to are target dividends and may be subject to change as a result of market conditions.

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	LU0243182812
Bloomberg	RGCHYBE LX
Sedol	BOYBC80
WKN	A0JC4P
Valoren	2424576

Top 10 largest positions

Holdings

Sprint Capital Corp	
CCO Holdings LLC / CCO Holdings Capital Corp	
Albertsons Cos Inc / Safeway Inc / New Albertsons	
FMG Resources August 2006 Pty Ltd	
Level 3 Financing Inc	
ZF Europe Finance BV	
Faurecia SE	
Standard Industries Inc/NJ	
Goodyear Tire & Rubber Co/The	
Vmed O2 UK Financing I PLC	
Total	14.17

Sector	%
Communications	2.11
Communications	2.05
Consumer Non Cyclical	1.51
Basic Industry	1.46
Communications	1.28
Consumer Cyclical	1.23
Consumer Cyclical	1.16
Capital Goods	1.15
Consumer Cyclical	1.13
Communications	1.08
Total	14.17

Statistics

	3 Years	5 Years
Tracking error ex-post (%)	1.61	1.46
Information ratio	0.26	0.47
Sharpe ratio	-0.06	0.10
Alpha (%)	0.26	0.66
Beta	0.90	0.90
Standard deviation	10.11	8.20
Max. monthly gain (%)	5.18	5.18
Max. monthly loss (%)	-10.77	-10.77

Above mentioned ratios are based on gross of fees returns

Hit ratio

	3 Years	5 Years
Months outperformance	17	31
Hit ratio (%)	47.2	51.7
Months Bull market	21	36
Months outperformance Bull	7	15
Hit ratio Bull (%)	33.3	41.7
Months Bear market	15	24
Months Outperformance Bear	10	16
Hit ratio Bear (%)	66.7	66.7

Above mentioned ratios are based on gross of fees returns.

Characteristics

	Fund	Index
Rating	BA1/BA2	BA3/B1
Option Adjusted Modified Duration (years)	3.8	3.9
Maturity (years)	4.7	5.3
Yield to Worst (% , Hedged)	5.9	7.0
Green Bonds (% , Weighted)	2.6	1.7

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)

Sustainability

The fund incorporates sustainability in the investment process via exclusions, ESG integration, a minimum allocation to ESG-labeled bonds, and engagement. The fund does not invest in credit issuers that are in breach of international norms or where activities have been deemed detrimental to society following Robeco's exclusion policy. Financially material ESG factors are integrated in the bottom-up security analysis to assess the impact on the issuer's fundamental credit quality. In the credit selection the fund limits exposure to issuers with an elevated sustainability risk profile. Furthermore, the fund invests at least 2% in green, social, sustainable, and/or sustainability-linked bonds. Lastly, where issuers are flagged for breaching international standards in the ongoing monitoring, the issuer will become subject to engagement.

Sector allocation

Overweights are in less cyclical sectors like food and paper & packaging, as well as in financials, which is an off-benchmark position. Underweights are in sectors that are exposed to consumer discretionary spending like retail, leisure and gaming. The energy sector is still underweight, but not to the same extent as in the past. We also have underweights in pharma and telecom & cable, but this is largely driven by idiosyncratic risk.

Sector allocation		Deviation index
Capital Goods	16.3%	5.7%
Communications	15.2%	-4.5%
Consumer Cyclical	12.9%	-12.0%
Consumer Non Cyclical	12.3%	-0.1%
Basic Industry	10.9%	5.6%
Energy	9.2%	-2.6%
Technology	4.5%	-2.3%
Banking	3.8%	3.8%
Transportation	1.4%	-2.2%
REITS	0.9%	0.9%
Industrial Other	0.8%	-0.8%
Other	3.6%	0.3%
Cash and other instruments	8.1%	8.1%

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
U.S. Dollar	62.9%	-15.4%
Euro	26.1%	6.6%
Pound Sterling	2.4%	0.3%

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
U.S. Dollar	3.0	-0.2
Euro	0.7	0.0
Pound Sterling	0.1	0.0

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, as well as positions lower in the capital structure of European banks.

Rating allocation		Deviation index
A	0.2%	0.2%
BAA	10.9%	10.9%
BA	54.7%	3.3%
B	18.8%	-19.6%
CAA	6.6%	-3.1%
CA		-0.5%
C		-0.1%
NR	0.2%	0.2%
Cash and other instruments	8.1%	8.1%

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 valuations.

Country allocation		Deviation index
United States	58.7%	-12.7%
France	5.5%	1.2%
Germany	5.0%	1.9%
United Kingdom	4.5%	-0.7%
Netherlands	2.7%	1.2%
Canada	2.5%	-0.7%
Italy	2.1%	-0.3%
Belgium	1.8%	1.5%
Australia	1.5%	1.0%
Switzerland	1.3%	0.8%
Luxembourg	1.0%	-0.8%
Other	5.2%	-0.6%
Cash and other instruments	8.1%	8.1%

Investment policy

Robeco High Yield Bonds is an actively managed fund that invests in high yield corporate bonds. The selection of these bonds is mainly based on fundamental analysis. The fund's objective is to provide long-term capital growth. The fund promotes E&S (i.e. Environmental and Social) characteristics within the meaning of Article 8 of the European Sustainable Finance Disclosure Regulation, integrates sustainability risks in the investment process and applies Robeco's Good Governance policy. The fund applies sustainability indicators, including but not limited to, normative, activity-based and region-based exclusions, and engagement. The fund invests in corporate bonds with a sub-investment grade rating, issued primarily by issuers from developed markets (Europe/US). The portfolio is broadly diversified, with a structural bias towards the higher rated part in high yield. Performance drivers are the top-down beta positioning as well as bottom-up issuer selection. The majority of bonds selected will be components of the benchmark, but bonds outside the Benchmark index may be selected too. The fund can deviate substantially from the weightings of the benchmark. The fund aims to outperform the benchmark over the long run, while still controlling relative risk through the application of limits (on currencies and issuers) to the extent of the deviation from the benchmark. This will consequently limit the deviation of the performance relative to the benchmark. The Benchmark is a broad market-weighted index that is not consistent with the ESG characteristics promoted by the fund.

Fund manager's CV

Sander Bus is Co-Head of the Credit team and Lead Portfolio Manager Global High Yield Bonds. He has been dedicated to High Yield at Robeco since 1998. Previously, Sander worked for two years as a Fixed Income Analyst at Rabobank where he started his career in the industry in 1996. He holds a Master's in Financial Economics from Erasmus University Rotterdam and he is a CFA® charterholder. Roeland Moraal is Lead Portfolio Manager European High Yield in the Credit team. Before assuming this role, he was Portfolio Manager in the Robeco Duration team and worked as an Analyst with the Institute for Research and Investment Services. Roeland started his career in the industry in 1997. He holds a Master's in Applied Mathematics from the University of Twente and a Master's in Law from Erasmus University Rotterdam.

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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