

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	0.51%	1.21%
3 m	0.43%	1.17%
Ytd	2.84%	4.22%
1 Year	5.51%	7.02%
2 Years	-4.06%	-4.10%
3 Years	0.23%	1.43%
5 Years	0.81%	1.17%
10 Years	2.77%	2.82%
Since 02-2006	4.39%	4.61%

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
2022	-10.75%	-12.59%
2021	2.38%	4.21%
2020	2.68%	4.62%
2019	11.11%	10.56%
2018	-5.16%	-4.55%
2020-2022	-2.10%	-1.59%
2018-2022	-0.23%	0.11%

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 6,594,789,363
Size of share class	EUR 32,852,956
Outstanding shares	381,606
1st quotation date	06-02-2006
Close financial year	31-12
Ongoing charges	1.33%
Daily tradable	Yes
Dividend paid	Yes
Ex-ante trading error limit	5.00%
Management company	Robeco Institutional Asset Management B.V.
Management company	Robeco Institutional Asset Management B.V.

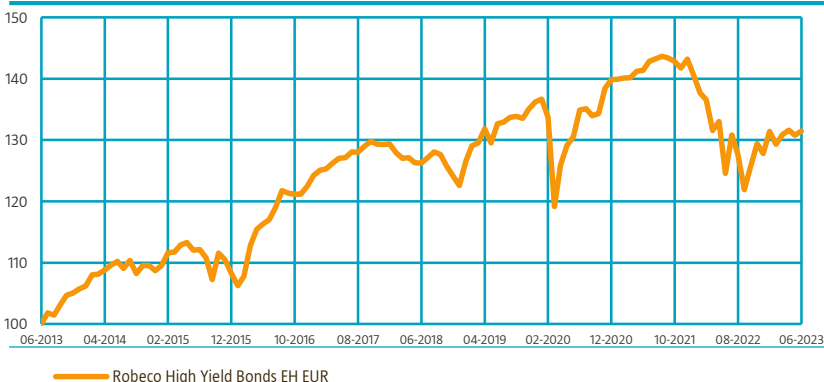
Sustainability profile

- Exclusions
- ESG Integration
- Engagement

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

Performance

Indexed value (until 30-06-2023) - Source: Robeco



Performance

Based on transaction prices, the fund's return was 0.51%.

The high yield bond index had a positive total return in June, with spreads tightening more than 50 bps. The negative contribution came from a widening underlying treasury on the back of hawkish central bank sentiment. The fund underperformed the benchmark. The contributions from beta and issuer selection were evenly split, both around -25 bps. All rating categories performed more or less in line on a risk-adjusted basis, with the exception of US CCCs, which underperformed the others. This made a marginal positive contribution to our implemented quality bias. Whereas our position to the investment grade category cost us some relative performance. That also holds for our financials position, as corporates outperformed on a risk-adjusted basis. The largest detractor for the month was our regional positioning: underweight US HY vs. overweight EUR HY. The US HY market outperformed last month, but is still lagging behind Europe YTD. On an issuer level, the detractors were not owning Carvana and cruise names like CCL and RCL. We benefited from large underweights in Bausch, Altice, Telecom Italia and Rakuten. The overweight in Olympus Water cost us, whereas the overweight in Level3 added 4 bps.

Market development

June proved a challenging month for markets. High-yield bond spreads tightened close to 60 bps to a level below 400. In the end, yield to worst was 20 bps tighter at 8.23%. The anticipated regional banking crisis remained compartmentalized, reassuring investors and guiding the VIX Index to its lowest since the pandemic's commencement. The resolution of the US debt ceiling, ratified at the beginning of June, also contributed to the observed volatility drop. Central banks had their hands full with the focus on persistent levels of inflation. Although headline inflation was coming down, core inflation remained much more stubborn. With the US labor market data showing resilience, the Fed held the rate steady for the first time in over a year; however, its hawkish stance suggested upcoming rate increases. In Europe, the ECB hiked 25 bps in June on the back of strong inflation data. US high-yield debt issuance was modest at USD 14.1 bln, decreasing from May. Five defaults and seven distressed exchanges, for a total of USD 9.1 bln between bonds and loans, served as a reminder of the ongoing economic turbulence.

Expectation of fund manager

Markets have been talking about the upcoming US recession for more than a year. Over the past few quarters, we have elaborated about the increased risks of a recession, too. As of yet, a recession has not arrived. In Europe, Germany did recently slip into a technical recession after we witnessed two consecutive quarters of negative GDP growth. Markets are stuck between a stubborn inflation environment and a pending recession. These are interconnected. To kill the inflation monster, central banks almost have to force the economy into a recession to cool off labor markets. The time-lags between central bank action and impact make it virtually impossible to avoid overshooting or undershooting. Ultimately, a mild recession itself is not the biggest problem. One needs to look for those parts of the market that are vulnerable to these much higher rates. Luckily we have not seen a capex cycle that has created over-supply situations. Banks have been held in check after the global financial crisis. However, we think accidents are likely to happen, and have seen this already. Stock picking is ever more important, as the current environment will certainly create winners and losers. For now, the beta is below one.

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. Sprint was actually upgraded to IG last month, meaning we will likely reduce the position. Other top holdings are in US supermarket operator Albertsons, Australian mining giant Fortescue and Netflix.

Fund price

30-06-23	EUR	86.12
High Ytd (02-02-23)	EUR	90.99
Low Ytd (25-05-23)	EUR	85.40

Fees

Management fee	1.10%
Performance fee	None
Service fee	0.16%

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

CCO Holdings LLC / CCO Holdings Capital Corp
 Forvia
 Albertsons Cos Inc / Safeway Inc / New Albertsons
 Crown European Holdings SA
 Sprint Capital Corp
 ZF Europe Finance BV
 Mauser Packaging Solutions Holding Co
 Olympus Water US Holding Corp
 Standard Industries Inc/NJ
 FMG Resources August 2006 Pty Ltd

Total

Sector	%
Communications	2.15
Consumer Cyclical	1.41
Consumer Non Cyclical	1.39
Capital Goods	1.27
Communications	1.25
Consumer Cyclical	1.25
Capital Goods	1.20
Basic Industry	1.19
Capital Goods	1.13
Basic Industry	1.12
Total	13.37

Statistics

	3 Years	5 Years
Tracking error ex-post (%)	1.49	1.53
Information ratio	0.04	0.60
Sharpe ratio	0.17	0.25
Alpha (%)	0.15	1.00
Beta	0.89	0.90
Standard deviation	7.41	8.41
Max. monthly gain (%)	5.18	5.18
Max. monthly loss (%)	-5.86	-10.77

Above mentioned ratios are based on gross of fees returns

Hit ratio

	3 Years	5 Years
Months outperformance	16	33
Hit ratio (%)	44.4	55.0
Months Bull market	21	37
Months outperformance Bull	6	17
Hit ratio Bull (%)	28.6	45.9
Months Bear market	15	23
Months Outperformance Bear	10	16
Hit ratio Bear (%)	66.7	69.6

Above mentioned ratios are based on gross of fees returns.

Characteristics

	Fund	Index
Rating	BA1/BA2	BA3/B1
Option Adjusted Modified Duration (years)	3.5	3.4
Maturity (years)	4.5	4.7
Yield to Worst (% , Hedged)	6.3	6.8
Green Bonds (% , Weighted)	3.6	2.3

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	16.8%	5.4%	
Communications	13.7%	-4.0%	
Consumer Cyclical	12.9%	-13.6%	
Consumer Non Cyclical	12.8%	-0.1%	
Basic Industry	11.2%	5.4%	
Energy	10.1%	-0.1%	
Banking	6.7%	6.7%	
Technology	4.0%	-2.8%	
Transportation	1.7%	-2.0%	
Owned No Guarantee	0.8%	0.8%	
Industrial Other	0.7%	-1.0%	
Other	1.7%	-1.6%	
Cash and other instruments	6.9%	6.9%	

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	
U.S. Dollar	59.3%	-18.3%	
Euro	31.1%	11.1%	
Pound Sterling	2.7%	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	2.7	0.0	
Euro	0.8	0.2	
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	13.9%	13.9%	
BA	53.5%	4.2%	
B	19.5%	-20.6%	
CAA	5.9%	-3.9%	
CA	0.0%	-0.7%	
NR	0.1%	0.1%	
Cash and other instruments	6.9%	6.9%	

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 valuations.

Country allocation		Deviation index	
United States	56.8%	-13.3%	
France	6.6%	2.1%	
Germany	5.7%	2.2%	
United Kingdom	4.9%	-0.7%	
Spain	2.5%	0.4%	
Canada	2.4%	-0.9%	
Italy	2.2%	-0.3%	
Netherlands	2.2%	0.8%	
Belgium	1.8%	1.5%	
Luxembourg	1.8%	-0.1%	
Switzerland	1.2%	0.7%	
Other	5.1%	0.8%	
Cash and other instruments	6.9%	6.9%	

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 CIO 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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