ROBECO

Factsheet | Figures as of 31-10-2022

Robeco SDG Credit Income Fund (AUD Hedged) – Class B

Robeco SDG Credit Income Fund (AUD Hedged) – Class B is an actively managed fund that invests in companies that contribute to realizing the UN Sustainable Development Goals (SDGs). The selection of these bonds is based on fundamental analysis. The fund's objective is to maximize current income.The fund will invest in a broad array of fixed income sectors and utilize income efficient implementation strategies. The fund takes explicitly into account the contribution of a company to the UN SDGs. The portfolio is built on the basis of the eligible investment universe and the relevant SDGs using an internally developed framework about which more information can be obtained via the website ww.robeco.com/si.

Victor Verberk, Reinout Schapers, Evert Giesen
Fund manager since 20-04-2018

Key Information

APIR Code	ETL7701AU
Type of fund	Fixed Income
Currency	AUD
Fund inception date	3/12/2020
Total size of fund	AUD $8,960,330
Total size of strategy	AUD $1,221,923,129
Daily tradable	Yes
Distribution paid	Yes
Responsible Entity	Equity Trustees Limited

Fees

Managementfee	0.66%
Buy/Sell spread	0.44% upon entry and nil upon exit

Net Performance (AUD)%

	Portfolio
1 month	0.02%
3 months	-7.80%
6 months	-7.94%
1 year	-15.66
3 years	-
Calendar to Date	-15.41%
Performance since inception*	-7.78%

*Annualised (for periods longer than one year)

Fund return after fees, before taxes. Past performance is not a reliable indicator of future performance.

Performance

Based on transaction prices, the fund's return was 0.02%.
The fund's total return was positive in October. Credit returns made a positive contribution to performance in the month. Positions in subordinated financials made a strong contribution to performance, whereby bank CoCos and subordinated insurance bonds made the largest contribution. Autostrade bonds did well after the upgrade to investment grade by Fitch. Bonds from French auto part manufacturer Faurecia did well in the better sentiment for European industrials. Holdings in Asian names like PCCW contributed negatively. Bonds issued by MPW were weaker due to the publication by a short-seller. The fund's duration exposure made a negative contribution to total returns.

Market development

October turned out to be a good month for risk assets in developed markets. Global high yield spreads declined 57 bps to 5.94%. Bank CoCos also showed good performance. Investment grade lagged the rally, with global corporates spreads increasing 2 bps to 1.82%. 5Y Treasury increased 14 bps to 4.23%. In Europe, gas prices declined due to warmer weather conditions and a decent supply of LNG volumes. In the UK, we saw a change in government. On the corporate front there were some disappointing numbers from tech companies, and analysts are starting to revise earnings expectations downwards. Banks' earnings are solid due to strong net interest income. Both the ECB and the Fed delivered a 75 bps rate hike in October. In October, most volatility was in emerging markets, with spreads widening 41 bps. In China, Xi Jinping secured a third term, with other positions in the Politburo also occupied by allies. This will most likely lead to less market-oriented policies. Credit markets in Asia were weak over the month. In Brazil, Lula was elected for a third term, which caused unrest in the country. However, Brazil and other Latin American credits did relatively well over October.

Expectation of fund manager

The age of confusion has started. Inflection points in the business cycle, the monetary cycle as well as some secular cycles around demographics and geopolitics make the current period confusing to analyze. For now, we believe that the business cycle has to unwind a little further, there is a risk that central banks will overreact and the market, in general, is not yet priced for a full-blown recession. There are several areas of the market that offer attractive valuations. European assets look attractive due to relatively wide swap spreads. In general, banks and insurers are pricing in more downside than most corporate sectors. Although spreads are not fully pricing in a recession, at current yields the fund offers attractive income potential.

Top 10 largest positions

Holdings	Sector	%
Celanese US Holdings LLC	Industrials	1.73
Cloverie PLC for Zurich Insurance Co Ltd	Financials	1.72
Deutsche Bank AG	Financials	1.56
Banco Bilbao Vizcaya Argentaria SA	Financials	1.50
Rothesay Life PLC	Financials	1.45
La Mondiale SAM	Financials	1.43
Banco Santander Mexico SA Institucion de Banca Mul	Financials	1.37
Argentum Netherlands BV for Swiss Re Ltd	Financials	1.35
Banco Santander SA	Financials	1.31
AXA SA	Financials	1.30
Total		**14.72**

Characteristics

	Fund
Rating	BAA2/BAA3
Option Adjusted Modified Duration (years)	4.9
Maturity (years)	5.6
Yield to Worst (%, Hedged)	7.5
Green Bonds (%, Weighted)	4.6

Sector allocation
The fund invests in investment grade credit, high yield and emerging markets. In our view, the most attractive value can be found in the financial sector. There are many examples of investment grade-rated bank and insurance bonds that trade at spread levels comparable to BB-rated corporates. During October we sold some expensive corporate high yield holdings like Graphic Packaging. Within emerging markets, Latin America did relatively well and we have reduced exposure in Cemex, Banco do Brasil and Rumo SA. Asia starts to offer more value, although you have to be careful where to invest; Chinese property bonds are still not a buy in our view.

Sector allocation	
Financials	53.9%
Industrials	31.1%
Agencies	2.9%
Supranational	2.3%
Utilities	0.9%
CMBS	0.4%
Cash and other instruments	8.6%

Currency denomination allocation
The currency exposure is hedged back to the US dollar, the fund's base currency.

Currency denomination allocation	
U.S. Dollar	41.3%
Euro	40.0%
Pound Sterling	9.8%
Swiss Franc	0.3%

Duration allocation
The portfolio interest rate duration is 5 years.

Duration allocation	
U.S. Dollar	4.8
Australian Dollar	0.1
Euro	0.0
Pound Sterling	0.0

Rating allocation
The majority of the fund is invested in the BBB-BB space.

Rating allocation	
AAA	1.1%
AA	1.5%
A	11.0%
BAA	39.6%
BA	34.2%
B	2.9%
NR	1.0%
Cash and other instruments	8.6%

Subordination allocation
The fund holds a significant allocation to Tier 2 instruments in banking and insurance. We like Tier 2 instruments in the insurance sector and high yield-rated Tier 2 instruments issued by banks. Bank CoCos did well and in some cases senior bank bonds are starting to look more attractive; an example is French bank BNP, where we switched from CoCos into senior bonds.

Subordination type allocation	
Senior	45.4%
Tier 2	25.3%
Tier 1	10.4%
Hybrid	10.3%
Subordinated	0.0%
Cash and other instruments	8.6%

Sustainability

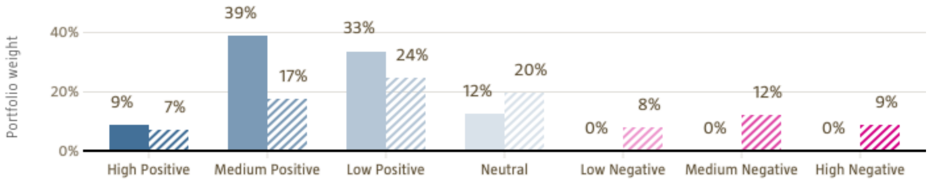
Sustainability is incorporated in the investment process by the means of a target universe, exclusions, ESG integration, and a minimum allocation to ESG-labeled bonds. The fund solely invests in credits issued by companies with a positive or neutral impact on the SDGs. The impact of issuers on the SDGs is determined by applying Robeco's internally developed three-step SDG Framework. The outcome is a quantified contribution expressed as an SDG score, considering both the contribution to the SDGs (positive, neutral or negative) and the extent of this contribution (high, medium or low). In addition, 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. ESG factors are integrated in the bottom-up security analysis to assess the impact of financially material ESG risk on the issuer's fundamental credit quality. Furthermore, the fund invests at least 5% in green, social, sustainable, and/or sustainability-linked bonds. Lastly, where a credit issuer is flagged for breaching international standards in the ongoing monitoring, the issuer will become subject to exclusion.

SDG Contribution

The SDG score shows to what extent the portfolio and the benchmark contribute to the 17 UN Sustainable Developments Goals (SDGs). Scores are assigned to each underlying company using the Robeco SDG Framework, which utilizes a three-step approach to calculate a company's contribution to the relevant SDGs. The starting point is an assessment of the products offered by a company, followed by the way in which these products are produced, and finally whether the company is exposed to any controversies. The outcome is expressed in a final score which shows the extent to which a company impacts the SDGs on a scale from highly negative to highly positive.

The bar chart shows the aggregate percentage exposure of the portfolio and the benchmark to the different SDG scores. This is then also split out per SDG. As a company can have an impact on several SDGs (or none), the values shown in the report do not sum to 100%. More information on Robeco's SDG Framework can be found at: https://www.robeco.com/docm/docu-robeco-explanation-sdg-framework.pdf

SDG Contribution



Portfolio

Benchmark

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The Fund's Target Market Determination is available here https://www.eqt.com.au/insto/. A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.