

Factsheet | Figures as of 30-04-2023

Robeco European High Yield Bonds FH EUR

Robeco European High Yield Bonds is an actively managed fund that invests in bonds with a sub-investment grade rating, issued primarily by European and US issuers. The selection of these bonds is based on fundamental analysis. The fund's objective is to provide long-term capital growth. The portfolio is broadly diversified, with a structural bias towards the higher rated part in high yield (BB/B). Performance drivers are the top-down beta positioning as well as bottom-up issuer selection.



Roeland Moraal, Sander Bus
Fund manager since 03-10-2005

Performance

	Fund	Index
1 m	0.15%	0.35%
3 m	0.16%	0.43%
Ytd	3.05%	3.63%
1 Year	0.76%	0.04%
2 Years	-3.03%	-2.81%
3 Years	2.00%	2.83%
5 Years	0.99%	1.05%
10 Years	3.10%	3.30%
Since 10-2005	4.87%	5.05%

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	-9.47%	-10.02%
2021	2.49%	3.51%
2020	1.70%	2.33%
2019	11.12%	10.68%
2018	-3.03%	-3.59%
2020-2022	-1.91%	-1.59%
2018-2022 Annualized (years)	0.33%	0.34%

Index

Bloomberg Pan-European HY Corporate ex Financials 2.5%
Issuer Constraint index

General facts

Morningstar	★★★
Type of fund	Bonds
Currency	EUR
Total size of fund	EUR 190,222,487
Size of share class	EUR 11,622,346
Outstanding shares	85,006
1st quotation date	03-09-2013
Close financial year	31-12
Ongoing charges	0.80%
Daily tradable	Yes
Dividend paid	No
Ex-ante tracking 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 30-04-2023) - Source: Robeco



Performance

Based on transaction prices, the fund's return was 0.15%.

The index had a small positive total return in April due to the positive carry investors earned. The fund lagged the benchmark by a small margin. The contribution from beta was neutral, and from issuer selection a small negative. BBs outperformed on a risk-adjusted basis. Hence our up-in-quality positioning added positively. A positive contribution came from our position in German real estate company Adler Group. Adler has gone into restructuring because of its mounting debt problems. We solely own a position in bonds issued from the only operating entity that actually has a strong asset value. In the restructuring the bonds of this entity remain untouched, and new money is even sourced to repay the debt at this entity. Our 2023 bonds were repaid at par, and the 2024 bonds also rose. A negative contribution came from our large overweight in healthcare device maker Catalent. Bonds rallied hard in Q1 on rumors that Catalent was approached by IG competitor Danaher. Bad Q1 earnings and a denouncement by Danaher made bonds drop back to initial levels.

Market development

Not often have we seen months that were this stable in terms of spreads and yields. The European high yield spread and yield both rose by 10 bps, to 470 bps and 7.5%. Intra-month volatility was very low as well. Investors had to digest the volatility around Credit Suisse that shook markets in March, and were otherwise focused on the start of the earnings season as well as on macro data that could be relevant for central bank actions. In this relative calmness, activity in primary markets remained somewhat subdued, and far below the long-run average. Still, we saw a series of repeat and first-time issuers tap the market. However, coupons on new deals are lofty: anywhere between 6.5 and 12%, with only the most popular issuers being able to print in the 6.5-7.5% ballpark – very different from the levels of just a year and a half ago. Default activity picked up in April, albeit driven by two larger issuers that went into restructuring.

Expectation of fund manager

Our base case remains that the US as well as Europe will experience a recession in 2023. We are coming from a prolonged period of (too) easy monetary policy and low or even negative yields. The result is a US economy running hot, and a persistent inflation problem both in the US and in Europe. Central banks have been on an aggressive rate hiking path, and their goal is to tame the inflation beast, be it at the cost of driving the economies into a recession. This is typically the environment where 'things break' and accidents happen. Likely victims are over-leveraged companies that are now facing a rapid rise in their cost of debt. Think CCC companies, leveraged LBOs, or companies in sectors that were perceived to be stable and hence loaded with debt like in telecom. The question is: what is priced in? With all-in yields now at 7.5% to 8.5%, a lot of additional widening is needed for total returns to become negative. We will continue to take an active beta approach and are currently close to a beta of 1. We stay up-in-quality. Stock picking is ever more important, as the current environment will certainly create winners and losers.

Top 10 largest positions

Our top ten holdings consist mostly of companies in the telecommunication and automotive sectors. In communications, we have large positions in Cellnex, Telefónica and Virgin Media. In the automotive sector, we have large positions in ZF Friedrichshafen, Renault and Faurecia.

Fund price

30-04-23	EUR	136.95
High Ytd (09-02-23)	EUR	138.55
Low Ytd (03-01-23)	EUR	133.35

Fees

Management fee	0.55%
Performance fee	None
Service fee	0.16%
Expected transaction costs	0.05%

Legal status

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

Registered in

Belgium, France, Luxembourg, Netherlands, Singapore, Spain, Switzerland

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

Fund codes

ISIN	LU0940007346
Bloomberg	ROEHYFH LX
Valoren	21529162

Top 10 largest positions

Holdings

Faurecia SE
ZF Europe Finance BV
Vmed O2 UK Financing I PLC
Cellnex Telecom SA
Renault SA
IHO Verwaltungs GmbH
Telefonica Europe BV
IQVIA Inc
Altice France SA/France
Cheplapharm Arzneimittel GmbH

Total

Sector	%
Consumer Cyclical	2.94
Consumer Cyclical	2.79
Communications	2.56
Communications	2.24
Consumer Cyclical	2.00
Consumer Cyclical	1.98
Communications	1.90
Consumer Non Cyclical	1.86
Communications	1.66
Consumer Non Cyclical	1.65
	21.59

Statistics

	3 Years	5 Years
Tracking error ex-post (%)	1.13	1.01
Information ratio	-0.10	0.64
Sharpe ratio	0.34	0.20
Alpha (%)	-0.13	0.66
Beta	1.01	0.98
Standard deviation	7.98	9.14
Max. monthly gain (%)	5.13	6.41
Max. monthly loss (%)	-6.73	-12.20

Above mentioned ratios are based on gross of fees returns.

Hit ratio

	3 Years	5 Years
Months outperformance	18	36
Hit ratio (%)	50.0	60.0
Months Bull market	24	37
Months outperformance Bull	10	19
Hit ratio Bull (%)	41.7	51.4
Months Bear market	12	23
Months Outperformance Bear	8	17
Hit ratio Bear (%)	66.7	73.9

Above mentioned ratios are based on gross of fees returns.

Characteristics

	Fund	Index
Rating	BA2/BA3	BA3/B1
Option Adjusted Modified Duration (years)	3.2	3.2
Maturity (years)	3.7	3.8
Yield to Worst %, Hedged	6.7	7.3
Green Bonds %, Weighted	4.7	5.3

Changes

Before April 2009 the benchmark was the Barclays Pan-European High Yield Corporate 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 packaging, as well as in financials, which is an off-benchmark position. Within chemicals we have outspoken overweights in specialty chemical companies active in e.g. water treatment. The fund also holds an overweight in the cyclical automotive sector, which trades at a wide spread premium to other sectors. Underweights are in other cyclical sectors like retail and consumer services, but also in supermarkets and telecom & cable – sectors dominated by large companies with aggressive financial strategies or active in highly competitive regions.

Sector allocation

		Deviation index
Consumer Non Cyclical	19.1%	5.0%
Communications	16.1%	-8.2%
Consumer Cyclical	16.0%	-11.3%
Capital Goods	14.2%	3.9%
Basic Industry	11.5%	5.6%
Banking	6.6%	6.6%
Transportation	3.2%	-3.1%
Financial Other	1.6%	1.6%
Energy	1.4%	-0.1%
Insurance	1.4%	1.4%
Technology	1.3%	-2.1%
Other	3.2%	-3.5%
Cash and other instruments	4.5%	4.5%

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 this FX hedging.

Currency denomination allocation

		Deviation index
Euro	89.0%	0.1%
Pound Sterling	6.4%	-4.2%
U.S. Dollar	0.1%	0.1%
Swiss Franc	0.0%	-0.2%
Swedish Kroner	0.0%	-0.1%

Rating allocation

The biggest investments are in BB and B bonds. The fund also has positions in a number of investment grade instruments that trade at attractive, high yield-like spreads.

Rating allocation

		Deviation index
BAA	7.0%	7.0%
BA	59.1%	0.5%
B	24.5%	-10.6%
CAA	4.5%	-1.5%
CA		-0.1%
NR	0.5%	0.5%
Cash and other instruments	4.4%	4.4%

Investment policy

Robeco European High Yield Bonds is an actively managed fund that invests in bonds with a sub-investment grade rating, issued primarily by European and US issuers. The selection of these bonds is 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 portfolio is broadly diversified, with a structural bias towards 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 majority of bonds selected will be components of the benchmark, but bonds outside the benchmark 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

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. 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.

Team info

The Robeco European 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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