Factsheet | Figures as of 30-04-2023

Robeco Sustainable Emerging Credits I USD

Robeco Sustainable Emerging Credits is an actively managed fund that invests in corporate bonds in emerging markets. The selection of these bonds is based on fundamental analysis. The fund's objective is to provide long-term capital growth. The fund has the flexibility to invest in value opportunities beyond the index universe, which means that the fund comprises both local currency and hard currency debt. Companies are selected based on their exposure rather than their location, and sometimes sovereign exposure is chosen over credit exposure. In-depth, company-specific analysis and country analysis are important pillars in the investment process.

Reinout Schapers, Christiaan Lever
Fund manager since 04-06-2014

Current MIFID legislation prevents us from reporting performance data for funds with less than a 12 month track record.

Index

JPM CEMBI Broad Diversified

General facts

Type of fund	Bonds
Currency	USD
Total size of fund	USD 154,004,092
Size of share class	USD 11,727,164
Outstanding shares	107,111
1st quotation date	18-10-2022
Close financial year	31-12
Ongoing charges	0.74%
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

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

The total return of the index was 0.88% for the month. The fund outperformed its index by 9 basis points. This month's beta contribution added 4 basis points, as spreads moved tighter and we have a small beta overweight. Issuer selection had a positive impact on performance of 5 basis points. On an issuer level, we gained the most through Ecopetrol (UW), Adani Green (OW), Banco Santander (OW), GLP (UW) and K Bank (OW). The biggest detractors were PCCW (OW), Lima Metro (OW), Seagate (OW), Cable & Wireless (OW) and Colombia (OW).

Market development

After a tumultuous March, volatility came down, although markets failed to find a clear direction. Markets are increasingly worried about the looming recession, while inflation proves to be more sticky than anticipated in developed markets. In emerging countries in many cases inflation is less of an issue and local central banks may have room to start lowering rates ahead of developed markets. However, the JPM CEMBI universe failed to materially outperform developed indices. Latin American markets showed a weak performance during April. Political unrest and weaker commodity prices are likely the key drivers of this. Asian markets remained relatively strong. This was the only region where there was an active new issue market this month. Most of the issuance were well-know high grade names, but also new issuers such as Pertamina Geothermal were able to issue new bonds. The CEMBI spread declined 3 bps to 372 bps over the month, while the yield remains close to 7.5%.

Expectation of fund manager

What happened at Silicon Valley Bank and Credit Suisse? At the end of the hiking cycle (certainly after such a steep rise in central bank rates), there are casualties. There always are. We just do not always know which sector or region is the most vulnerable at that point in the business cycle. The recent banking stress will have changed one thing. Bank lending standards were already tightening and this process will now accelerate. Refinancing is the key element in a credit downturn and this is precisely what will be more difficult for some companies. Rates fears were the key driver in this cycle and 10-year yields historically seem to peak at that penultimate point. But it looks as though we are now back to fundamentals and we therefore have some confidence that it is time to slowly enter a buy-on-dips strategy. Spreads on all segments of the credit market are now undoubtedly above median spreads, although divergence is also visible here. Could spreads go wider in a full-blown recession scenario? Yes, they can. However, we do feel comfortable running a beta above 1, as there are clear pockets of value across markets. Active positioning will remain key throughout the volatility.

Top 10 largest positions

Measured in risk, our top ten holdings consist of names such as PCCW, Bancomer, Banco Santander, Telefónica Chile, Orbia, Banco Banorte, Kasikorn Bank, Raiffeisen Bank, Cemex and Helios Tower. Most changes in our top ten holdings have been the result of spreads moving during the month.

Fund price

30-04-23	USD	109.49
High Ytd (02-02-23)	USD	109.91
Low Ytd (03-01-23)	USD	106.41

Fees

Management fee	0.60%
Performance fee	None
Service fee	0.12%
Expected transaction costs	0.15%

Legal status

Investment company with variable capital incorporated under Luxembourg law (SICAV)

Issue structure	Open-end
UCITS V	Yes
Share class	I USD

This fund is a subfund of Robeco Capital Growth Funds, SICAV

Registered in

Luxembourg, Singapore, Switzerland

Currency policy

Derivatives can be used for various reasons; for example, to hedge single positions, for arbitrage, and for leverage to gain extra exposure to the credit market.

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 a dividend. The income earned by the fund is reflected in its share price. This means that the fund's total performance is reflected in its share price performance.

Fund codes

ISIN	LU1599173124
Bloomberg	REMCIHU LX
Valoren	36438301

Top 10 largest positions

Holdings	Sector	%
BBVA Bancomer SA/Texas	Financials	1.56
Banco Santander SA	Financials	1.52
SK Hynix Inc	Industrials	1.49
Hyundai Capital America	Industrials	1.49
Telefonica Moviles Chile SA	Industrials	1.43
Greenko Power II Ltd	Agencies	1.36
Autoridad del Canal de Panama	Agencies	1.32
Kasikornbank PCL/Hong Kong	Financials	1.32
Bancolombia SA	Financials	1.31
Lenovo Group Ltd	Industrials	1.28
Total		**14.07**

Characteristics

	Fund	Index
Rating	BAA1/BAA2	BAA3/BA1
Option Adjusted Modified Duration (years)	4.2	4.2
Maturity (years)	5.7	6.6
Yield to Worst (%)	6.5	7.6
Green Bonds (%)	10.4	5.1

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 invests in credits issued by companies with a positive, neutral or low negative impact on the SDGs. The exposure to credits issued by companies with a low negative impact is at max 20% and the average SDG score of the fund must be greater than zero. The impact of issuers on the SDGs is determined by applying Robeco's internally developed three-step SDG Framework. The outcome is quantified with a proprietary SDG score methodology, 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. Financially material ESG factors are integrated in the bottom-up security analysis to assess the impact 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.

Sector allocation

The largest underweights in risk are in Argentina (mainly YPF) and Macau (gaming sector). We maintain a neutral position in China because of the changes in policies. We remain overweight in Latin America, despite somewhat weaker commodity prices. The largest sector underweights are in energy (E&P – negative SDG score) and electric utilities (thermal-coal exposure).

Sector allocation		Deviation index
Industrials	42.2%	-0.5%
Financials	29.4%	5.0%
Agencies	10.0%	-15.7%
Utilities	4.8%	-0.8%
Sovereign	3.0%	3.0%
Treasuries	2.5%	2.5%
Covered	2.1%	2.1%
Supranational	1.9%	0.6%
Local Authorities	0.0%	-0.3%
Cash and other instruments	4.1%	4.1%

Currency denomination allocation

Our currency positioning over different hard currencies is the result of our beta positioning, sector themes and issuer selection. The fund invests in hard-currency bonds only. In addition to USD-denominated bonds, the fund holds around 20% EUR-denominated bonds, of which the currency exposure is hedged back to the US dollar, the fund's base currency. The remainder is held in cash.

Currency denomination allocation		Deviation index
U.S. Dollar	74.8%	-25.2%
Euro	20.5%	20.5%
Pound Sterling	0.6%	0.6%

Duration allocation

We steer the fund's duration within a bandwidth of 0.25 years versus the reference index.

Duration allocation		Deviation index
U.S. Dollar	4.2	0.0

Rating allocation

The fund maintains its quality bias with an overweight in investment grade credits and an underweight in high yield bonds. The fund holds a larger allocation to BBB and BB-rated bonds and less to single B-rated companies and banks. The fund does not actively invest in CCC-rated bonds, as we still expect an increase in defaults for these bonds.

Rating allocation		Deviation index
AAA	7.5%	7.4%
AA	2.9%	-3.3%
A	12.5%	-7.1%
BAA	38.2%	6.0%
BA	28.1%	7.0%
B	4.9%	-7.0%
CAA		-4.0%
CA	0.1%	0.0%
C		-0.4%
NR	1.8%	-2.6%
Cash and other instruments	4.1%	4.1%

Subordination allocation

In the allocation to the capital structure, subordinated bonds are becoming increasingly interesting and as such are increasing.

Subordination type allocation		Deviation index
Senior	70.7%	-18.2%
Tier 2	18.2%	12.4%
Tier 1	3.7%	-0.3%
Hybrid	3.3%	2.0%
Cash and other instruments	4.1%	4.1%

Investment policy

Robeco Sustainable Emerging Credits is an actively managed fund that invests in corporate bonds in emerging markets. 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. The fund has the flexibility to invest in value opportunities beyond the index universe, which means that the fund comprises both local currency and hard currency debt. Companies are selected based on their exposure rather than their location, and sometimes sovereign exposure is chosen over credit exposure. In-depth, company-specific analysis and country analysis are important pillars in the investment process. Benchmark: JPM CEMBI Broad Diversified. 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

Reinout Schapers is Co-Head Portfolio Management Investment Grade in the Credit team. Prior to joining Robeco in 2011, Reinout worked at Aegon Asset Management where he was a Head of European High Yield. Before that, he worked at Rabo Securities as an M&A Associate and at Credit Suisse First Boston as an Analyst Corporate Finance. Reinout has been active in the industry since 2003. He holds a Master's in Architecture from the Delft University of Technology. Christiaan Lever is Portfolio Manager High Yield and Emerging Credits in the Credit team. Before assuming this role in 2016, he was Financial Risk Manager at Robeco, focusing on market risk, counterparty risk and liquidity risk within fixed Income markets. Christiaan has been active in the industry since 2010. He holds a Master's in Quantitative Finance and in Econometrics from Erasmus University Rotterdam.

Team info

The RobecoSAM Emerging SDG Credits fund is managed within Robeco's credit team, which consists of eight portfolio managers and twelve credit analysts (of which four cover the financial sector). 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 sixteen 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 0.01% 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

Investors who are not subject to (exempt from) Dutch corporate-income tax (e.g. pension funds) are not taxed on the achieved result. Investors who are subject to Dutch corporate-income tax can be taxed for the result achieved on their investment in the fund. Dutch bodies that are subject to corporate-income tax are obligated to declare interest and dividend income, as well as capital gains in their tax return. Investors residing outside the Netherlands are subject to their respective national tax regime applying to foreign investment funds. We advise individual 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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Disclaimer

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