

Robeco High Yield Bonds IEH USD

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	0.75%	0.84%
3 m	0.92%	0.89%
Ytd	4.08%	4.60%
1 Year	3.56%	1.62%
2 Years	-0.94%	-1.75%
3 Years	3.85%	4.76%
5 Years	3.47%	3.25%
10 Years	4.70%	4.15%
Since 01-2012	5.76%	5.24%

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	-7.88%	-10.36%
2021	3.80%	5.14%
2020	4.86%	6.41%
2019	15.03%	13.95%
2018	-1.78%	-1.78%
2020-2022	0.09%	0.09%
2018-2022	2.53%	2.34%

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	USD
Total size of fund	USD 7,910,770,585
Size of share class	USD 43,508,011
Outstanding shares	419,263
1st quotation date	27-01-2012
Close financial year	31-12
Ongoing charges	0.70%
Daily tradable	Yes
Dividend paid	Yes
Ex-ante tracking error limit	5.00%
Management company	Robeco Institutional Asset Management B.V.
Management company	Robeco Institutional Asset Management B.V.

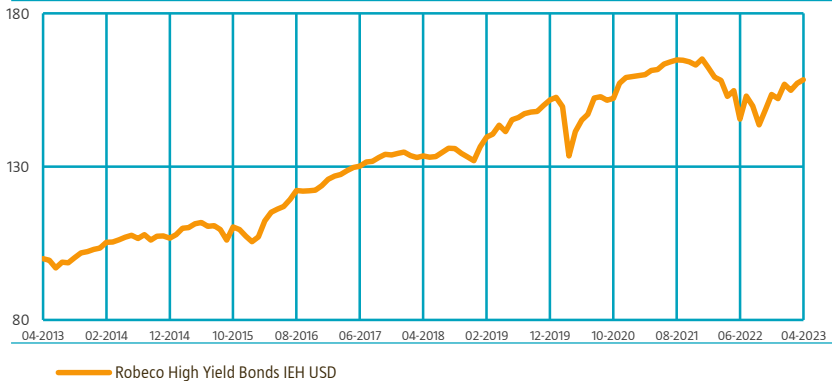
Sustainability profile

- 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 0.75%.

The high yield bond index had a positive total return in April, which was purely a matter of earning the carry in high yield as yields and spreads traded sideways. The fund performed in line with the benchmark, and the contributions from beta and issuer selection were both close to neutral. In the US market, lower quality outperformed. In Europe, we saw the opposite picture. Our quality bias made a small negative contribution. As Europe slightly underperformed the US, our overweight in Europe also detracted slightly. Positive contributions came from avoiding names like Envision and Lannett, both healthcare companies that defaulted in April. Not owning index heavyweight Dish Networks also contributed nicely. This satellite television company is burdened with too much debt and its competitive position is at risk. Even its most senior debt yields 15%, a clear sign that restructuring will be unavoidable.

Market development

Not often have we seen months that were this stable in terms of spreads and yields. Spreads and yields both rose by 1 bp, to 453 bps and 8.22% (hedged to EUR). Intra-month volatility was very low as well. Investors had to digest the volatility around the US regional banks that shook markets in March, and were otherwise focused on the start of the earnings season and on macro data that could be relevant for central bank actions. In this relative calmness, primary markets reopened again: the number of deals reached almost 20 bln in the US alone, more than triple the amount that companies were able to print in March. However, this number is still a far cry from the normal issuance levels we have seen on average over the last 10 or so years. Default activity picked up in April, with several larger issuers in retail and healthcare going 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 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

30-04-23	USD	104.34
High Ytd (02-02-23)	USD	110.07
Low Ytd (20-04-23)	USD	103.91

Fees

Management fee	0.55%
Performance fee	None
Service fee	0.12%
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 IEH USD
 This fund is a subfund of Robeco Capital Growth Funds, SICAV

Registered in

Austria, France, Germany, Hong Kong, 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.

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	LU0716562250
Bloomberg	RHYIEHU LX
WKN	A1JX7Y
Valoren	14453602

Top 10 largest positions

Holdings

CCO Holdings LLC / CCO Holdings Capital Corp
 Albertsons Cos Inc / Safeway Inc / New Albertsons
 Faurecia SE
 FMG Resources August 2006 Pty Ltd
 Sprint Capital Corp
 ZF Europe Finance BV
 Mauser Packaging Solutions Holding Co
 Standard Industries Inc/NJ
 Goodyear Tire & Rubber Co/The
 Ardagh Packaging Finance PLC / Ardagh Holdings USA
Total

Sector	%
Communications	2.15
Consumer Non Cyclical	1.40
Consumer Cyclical	1.39
Basic Industry	1.38
Communications	1.33
Consumer Cyclical	1.23
Capital Goods	1.20
Capital Goods	1.12
Consumer Cyclical	1.06
Capital Goods	1.06
Total	13.31

Statistics

	3 Years	5 Years
Tracking error ex-post (%)	1.52	1.49
Information ratio	0.00	0.57
Sharpe ratio	0.45	0.29
Alpha (%)	0.34	0.95
Beta	0.89	0.90
Standard deviation	7.58	8.41
Max. monthly gain (%)	5.29	5.29
Max. monthly loss (%)	-5.59	-10.67

Above mentioned ratios are based on gross of fees returns

Hit ratio

	3 Years	5 Years
Months outperformance	15	31
Hit ratio (%)	41.7	51.7
Months Bull market	23	39
Months outperformance Bull	6	16
Hit ratio Bull (%)	26.1	41.0
Months Bear market	13	21
Months Outperformance Bear	9	15
Hit ratio Bear (%)	69.2	71.4

Above mentioned ratios are based on gross of fees returns.

Characteristics

	Fund	Index
Rating	BA1/BA2	BA3/B1
Option Adjusted Modified Duration (years)	3.6	3.5
Maturity (years)	4.6	4.8
Yield to Worst (% , Hedged)	7.5	8.6
Green Bonds (% , Weighted)	3.3	2.2

Changes

Benchmark changes: Since start - 31/3/2005 Barclays Global High Yield (Hedged into USD) 1/4/2005 - 30/4/2005 Barclays US Corporate High Yield & Pan European High Yield (Hedged into USD) 1/5/2005 - 31/3/2009 Barclays US Corporate High Yield & Pan European High Yield 2.5% Issuer Cap (Hedged into USD) 1/4/2009 - now Barclays US Corporate High Yield & Pan European High Yield ex Financials 2.5% Issuer Cap (Hedged into USD)

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%	5.6%	
Consumer Cyclical	13.6%	-12.6%	
Communications	13.3%	-4.5%	
Consumer Non Cyclical	13.1%	0.2%	
Basic Industry	10.4%	4.8%	
Energy	10.1%	-0.8%	
Banking	6.6%	6.6%	
Technology	4.0%	-2.7%	
Transportation	1.3%	-2.4%	
Owned No Guarantee	0.9%	0.9%	
Industrial Other	0.7%	-1.0%	
Other	1.7%	-1.5%	
Cash and other instruments	7.6%	7.6%	

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	59.9%	-17.6%	
Euro	30.1%	10.1%	
Pound Sterling	2.4%	0.0%	

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	2.8	0.0	
Euro	0.7	0.1	
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	13.6%	13.6%	
BA	53.0%	3.7%	
B	19.3%	-20.6%	
CAA	6.1%	-3.9%	
CA		-0.5%	
C		-0.2%	
NR	0.2%	0.2%	
Cash and other instruments	7.5%	7.5%	

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	55.6%	-14.1%	
France	6.9%	2.3%	
Germany	5.6%	2.1%	
United Kingdom	4.6%	-0.9%	
Canada	2.5%	-0.8%	
Italy	2.5%	-0.2%	
Netherlands	2.4%	0.9%	
Spain	2.1%	0.0%	
Belgium	1.8%	1.5%	
Luxembourg	1.7%	-0.2%	
Australia	1.4%	0.9%	
Other	5.2%	0.9%	
Cash and other instruments	7.6%	7.6%	

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 0.01% 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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