

Robeco High Yield Bonds Z2H 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	0.80%	0.84%
3 m	1.07%	0.89%
Ytd	4.30%	4.60%
1 Year	4.23%	1.62%
2 Years	-0.30%	-1.75%
3 Years	4.52%	4.76%
Since 05-2018	4.12%	3.23%

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	-7.28%	-10.36%
2021	4.47%	5.14%
2020	5.53%	6.41%
2019	15.72%	13.95%
2020-2022	0.74%	0.09%

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 42,925,447
Outstanding shares	353,142
1st quotation date	15-05-2018
Close financial year	31-12
Ongoing charges	0.03%
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.

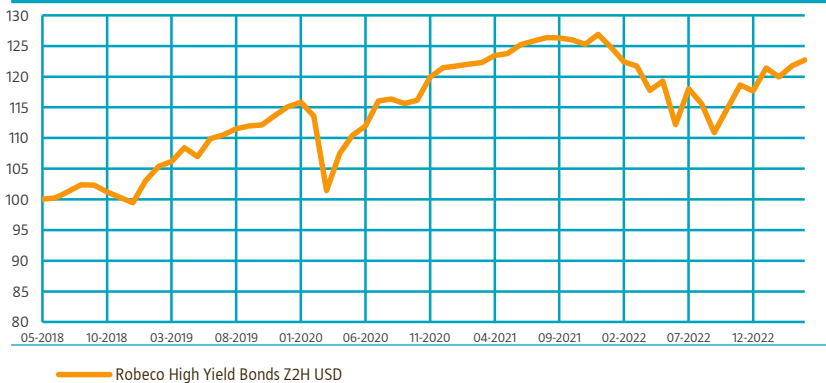
Sustainability profile

- 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 0.80%.

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	122.21
High Ytd (02-02-23)	USD	123.07
Low Ytd (03-01-23)	USD	117.67

Fees

Management fee	0.00%
Performance fee	None
Service fee	0.00%
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 Z2H USD
 This fund is a subfund of Robeco Capital Growth Funds, SICAV

Registered in

Luxembourg

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

Fund codes

ISIN	LU1739948344
Bloomberg	RHYBZ2H LX
Valoren	39688604

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
Tracking error ex-post (%)	1.51
Information ratio	0.00
Sharpe ratio	0.45
Alpha (%)	0.34
Beta	0.89
Standard deviation	7.59
Max. monthly gain (%)	5.29
Max. monthly loss (%)	-5.59

Above mentioned ratios are based on gross of fees returns

Hit ratio

	3 Years
Months outperformance	15
Hit ratio (%)	41.7
Months Bull market	23
Months outperformance Bull	6
Hit ratio Bull (%)	26.1
Months Bear market	13
Months Outperformance Bear	9
Hit ratio Bear (%)	69.2

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

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	7.6%	7.6%	

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 0.05% 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

Copyright © Morningstar Benelux. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. For more information on Morningstar, please refer to www.morningstar.com

Sustainalytics disclaimer

The information, methodologies, data and opinions contained or reflected herein are proprietary of Sustainalytics and/or third parties, intended for internal, non-commercial use, and may not be copied, distributed or used in any way, including via citation, unless otherwise explicitly agreed in writing. They are provided for informational purposes only and (1) do not constitute investment advice; (2) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (3) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; (4) are not a substitute for a professional advice; (5) past performance is no guarantee of future results. These are based on information made available by third parties, subject to continuous change and therefore are not warranted as to their merchantability, completeness, accuracy or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics nor any of its third-party suppliers accept any liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. Insofar as applicable, researched companies referred herein may have a relationship with different Sustainalytics' business units. Sustainalytics has put in place adequate measures to safeguard the objectivity and independence of its opinions. For more information, contact compliance@sustainalytics.com.

Disclaimer

Source: Robeco. As of 30-04-2023, NAV to NAV in denominated currency of the respective share class with dividends re-invested. The performance figures are calculated starting from the first quotation date. ©2023 Morningstar. All Rights Reserved. The information contained here in: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely by Morningstar. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. Investment involves risks. Historical return are provided for illustrative purposes only. Specific disclosure related to funds that invest in emerging markets: Funds which are invested in emerging markets may also involve a higher degree of risk than in developed markets. Specific disclosure related to funds that invest in high yield bonds: Investors should note that the investment strategy and risks inherent to the fund are not typically encountered in traditional fixed income long only funds. The price of units may go down as well as up and the past performance is not indicative of future performance. Investment returns not denominated in HKD/ USD are exposed to exchange rate fluctuations. Investors should refer to the fund's Hong Kong prospectus before making any investment decision. Investors should ensure that they fully understand the risk associated with the fund. Investors should also consider their own investment objective and risk tolerance level. Any opinions, estimates or forecasts may be changed at any time without prior warning. If in doubt, please seek independent advice. The content of this document is based upon sources of information believed to be reliable, but no warranty or declaration, either explicit or implicit, is given as to their accuracy or completeness. This fund may use derivatives as part of its investment strategy and such investments are inherently volatile and this fund could potentially be exposed to additional risk and cost should the market move against it. Investors should note that the investment strategy and risks inherent to the fund are not typically encountered in traditional equity long only funds. In extreme market conditions, the fund may be faced with theoretically unlimited losses. This document has not been reviewed by the Securities and Futures Commission.