

# Robeco High Yield Bonds Feeder Fund - zero duration FH EUR

This actively managed fund is a Feeder Fund and invests at least 85% of its assets in class Z2H shares (hedged to USD) of Robeco Capital Growth Funds SICAV - Robeco High Yield Bonds ("the Master"). The Master invests in corporate bonds with a sub-investment grade rating, issued primarily by US and European issuers. The fund's objective is to provide long term capital growth. The Feeder Fund uses interest rate derivatives to hedge the interest rate risk of the Master to nearly zero. The duration hedge will lead to intended performance differences as a result of interest rate movements between the Feeder Fund and the Master.



Sander Bus, Roeland Moraal  
Fund manager since 15-05-2018

### Performance

|               | Fund  |
|---------------|-------|
| 1 m           | 0.40% |
| 3 m           | 0.17% |
| Ytd           | 2.08% |
| 1 Year        | 3.25% |
| 2 Years       | 0.78% |
| 3 Years       | 4.91% |
| Since 06-2018 | 1.89% |

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   |
|-----------|--------|
| 2022      | -2.33% |
| 2021      | 4.17%  |
| 2020      | 0.34%  |
| 2019      | 8.88%  |
| 2020-2022 | 0.69%  |

Annualized (years)

### Index

Bloomberg US Corporate High Yield + Pan Euro HY ex Financials 2.5% Issuer Cap

### General facts

|                              |  |
|------------------------------|--|
| Type of fund                 | Bonds                                      |
| Currency                     | EUR  |
| Total size of fund           | EUR 42,480,782                             |
| Size of share class          | EUR 2,490,604                              |
| Outstanding shares           | 22,629                                     |
| 1st quotation date           | 28-06-2018                                 |
| Close financial year         | 31-12                                      |
| Ongoing charges              | 0.69%                                      |
| Daily tradable               | Yes  |
| Dividend paid                | No   |
| Ex-ante tracking error limit | 0.80%                                      |
| Management company           | Robeco Institutional Asset Management B.V. |
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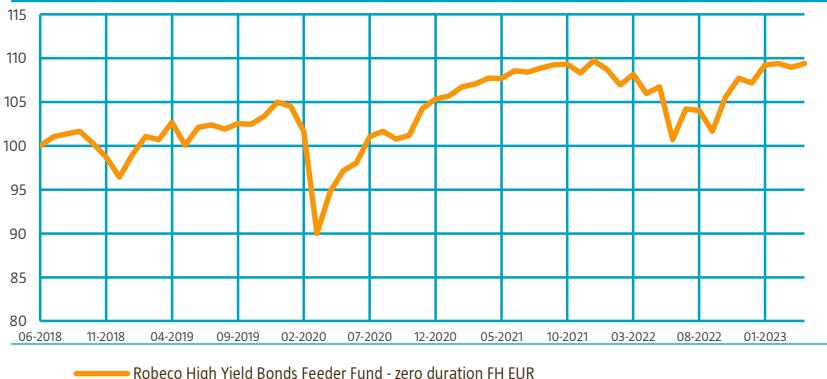
### Sustainability profile

- 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 0.40%.

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            | EUR | 109.47 |
| High Ytd (06-03-23) | EUR | 110.82 |
| Low Ytd (20-03-23)  | EUR | 106.01 |

## Fees

|                            |       |
|----------------------------|-------|
| Management fee             | 0.50% |
| Performance fee            | None  |
| Service fee                | 0.16% |
| Expected transaction costs | 0.04% |

## 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 (LU) Funds III, SICAV

## Registered in

Austria, Belgium, France, Germany, Luxembourg, Netherlands, Singapore, Spain, 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

The fund does not distribute dividend.

## Derivative policy

The Feeder Fund uses derivatives to hedge the duration of the Master. The duration hedge will lead to intended performance differences between the Feeder Fund and the Master. Interest rate movements will have a different effect on the Master and the Feeder Fund.

## Fund codes

|           |              |
|-----------|--------------|
| ISIN      | LU1840770439 |
| Bloomberg | ROHYFHE LX   |
| WKN       | A2PP2G       |
| Valoren   | 42285681     |

## Top 10 largest positions

| Holdings   | Sector                | %            |
|--|-----------------------|--------------|
| CCO Holdings LLC / CCO Holdings Capital Corp       | Communications        | 1.98         |
| Albertsons Cos Inc / Safeway Inc / New Albertsons  | Consumer Non Cyclical | 1.29         |
| Faurecia SE  | Consumer Cyclical     | 1.28         |
| FMG Resources August 2006 Pty Ltd                  | Basic Industry        | 1.27         |
| Sprint Capital Corp                                | Communications        | 1.23         |
| ZF Europe Finance BV                               | Consumer Cyclical     | 1.14         |
| Mauser Packaging Solutions Holding Co              | Capital Goods         | 1.11         |
| Standard Industries Inc/NJ                         | Capital Goods         | 1.03         |
| Goodyear Tire & Rubber Co/The                      | Consumer Cyclical     | 0.98         |
| Ardagh Packaging Finance PLC / Ardagh Holdings USA | Capital Goods         | 0.98         |
| <b>Total</b>                                       |                       | <b>12.29</b> |

## Statistics

|                       | 3 Years |
|-----------------------|---------|
| Sharpe ratio          | 0.99    |
| Standard deviation    | 5.88    |
| Max. monthly gain (%) | 3.61    |
| Max. monthly loss (%) | -5.25   |

Above mentioned ratios are based on gross of fees returns

## Characteristics

|   | Fund     |
|---|----------|
| Rating                                    | BAA3/BA1 |
| Option Adjusted Modified Duration (years) | 0.2      |
| Maturity (years)                          | 2.1      |
| Yield to Worst (%, Hedged)                | 5.8      |

## 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



### 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



### 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.

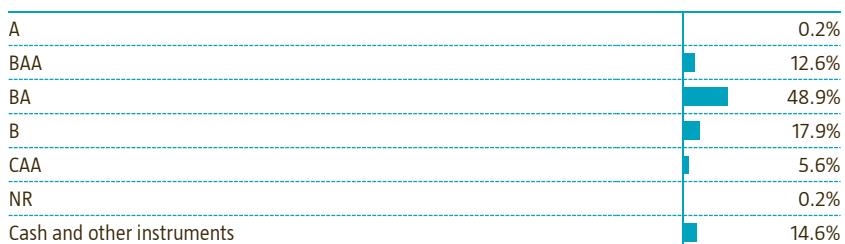
### Duration allocation



### 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 rising stars (former HY) that still trade at attractive spread levels.

### Rating allocation



### 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



## Investment policy

This actively managed fund is a Feeder Fund and invests at least 85% of its assets in class Z2H shares (hedged to USD) of Robeco Capital Growth Funds SICAV - Robeco High Yield Bonds ("the Master"). The Master invests in corporate bonds with a sub-investment grade rating, issued primarily by US and European issuers. The fund's objective is to provide long term capital growth. Through its investment in the Master, 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 Feeder Fund uses interest rate derivatives to hedge the interest rate risk of the Master to nearly zero. The duration hedge will lead to intended performance differences as a result of interest rate movements between the Feeder Fund and the Master. The majority of bonds selected will be components of the Benchmark, but bonds outside the Benchmark index may be selected too. The Master Fund can deviate substantially from the weightings of the Benchmark. The Master aims to outperform the Benchmark by taking positions that deviate from the Benchmark. The Master Fund aims to outperform the Benchmark over the long run, whilst still controlling relative risk through the applications of limits (on currencies and issuers) to the extent of 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 Master 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.

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