Robeco SDG Credit Income Fund (AUD Hedged) – Class B

As of 31 March 2021

The Fund aims to maximise current yield and income and seeks to meet the needs of investors who are targeting a consistent level of income. In addition the fund applies a screening process to select issues that contribute to realising the UN Sustainable Development Goals (SDGs).

Victor Verberk, Reinout Schapers, Evert Giesen
Fund manager since 20-04-2018

Net Performance (AUD) %

	1 month	3 months	6 months	CYTD	Since Inception
Fund Return	-0.15%	-0.33%	-	-0.33%	0.49%

Annualized (for periods longer than one year)
Fund return after fees, before taxes. Past performance is not a reliable indicator of future performance

Key Information

APIR Code	ETL7701AU
Type of fund	Fixed Income
Currency	AUD
Fund inception date	3/12/2020
Total size of fund	AUD $ 50,246
Total size of strategy	AUD $ 1,608,173,337
Daily tradable	Yes
Distribution paid	Yes
Responsible Entity	Equity Trustees Limited

Fees

Management fee	0.66%
Buy/Sell spread	0.40% upon entry and nil upon exit

Top 10 largest positions

Holdings	Sector	%
Caixabank Sa	Financials	1.80
Cellnex Telecom Sa	Industrials	1.42
Crown European Holdings Sa	Industrials	1.40
Cco Holdings Llc / Cco Holdings Capital Corp	Industrials	1.39
Zf Finance Gmbh	Industrials	1.36
Rothesay Life Plc	Financials	1.36
Banco Bilbao Vizcaya Argentaria Sa	Financials	1.34
Standard Chartered Plc	Financials	1.33
Hca Inc	Industrials	1.30
Mpt Operating Partnership Lp	Financials	1.26
Total		**13.95**

Manager's Comments

Performance

The fund total return was negatively impacted by rising Treasury rates. The allocation to BB and subordinated debt contributed positively to the fund performance.

Characteristics

	Fund
Rating	BAA1/BAA2
Option Adjusted Modified Duration (years)	3.2
Maturity (years)	3.4
Yield to Worst (%, Hedged)	1.3
Green Bonds (%, Weighted)	2.8

SI fund classification

	Yes	No	N/A
Engagement	✓		
ESG Integration	✓		
Exclusion	✓		
Impact	✓		

ESG integration policy

In this Fund we look for investments with a positive societal impact, whilst generating healthy financial returns. We define impact as an alignment with the UN Sustainable Development Goals (SDGs).
We identify and evaluate the impact that specific credits have on the SDGs, and score all the issuers under coverage of the analysts' team. These scores categorize credits as having either a Positive, Neutral, or Negative impact on the SDGs. The scores are then used in a screening process, to define the investable universe that exclude credits with a Negative impact on the SDGs.
In addition to the universe screening, our credit analysts integrate ESG factors in their analysis of the companies fundamental credit quality to strengthen our ability to assess the downside risk of our credit investments. Furthermore the portfolio's environmental footprint is actively reduced and a part of the portfolio is allocated to green bonds.

Expectation of fund manager

It seems obvious that the global economy will experience the strongest growth in decades in 2021. Ultra-loose monetary policy, aggressive fiscal stimulus and the unleashing of pent-up demand as the economy eventually reopens fully, are expected to pave the way for high single-digit economic growth. The Fed and the ECB have made it very clear that they will keep rates low for a long time. The Fed has signaled that it will deliberately be behind the curve, and that it will accept higher bond yields as long as these are driven by higher inflation expectations. Although it may look all signs are on green for credit markets, we have become more cautious on credit markets. Credit markets have priced in most of the positive news. Many parts of the market are trading close to historical tight spread levels. While it is possible that credits could keep rallying, the margin for error is extremely limited. There is still some value in BB credit and emerging market debt, but we are more cautious on investment grade, corporate hybrids and banks COCO debt.

ROBECO

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Sector allocation

The fund invests in investment grade credit, high yield and emerging markets. Based on the most recent quarterly outlook we continued to reduce risk exposure in March. This was mostly accomplished by selling holdings in corporate hybrids and bank COCO. The fund continues to have a position in short dated Treasuries which could be used to invest in credits in a potential market sell off.Investment Grade credit trades at historical tight levels. Corporate high yield and emerging debt still offer some value. Within the different sectors we continue to favor financials. Within the financial sector we prefer tier-2 debt at the moment as this has better risk/return characteristics than COCO debt at the moment.

Sector allocation	
Industrials	51.4%
Financials	30.1%
Treasuries	10.5%
Agencies	5.1%
Utilities	1.4%
Cash and other instruments	1.4%

Currency denomination allocation

The fund holds around 57% in USD denominated bonds, 39% EUR denominated bonds and 5% in GBP denominated bonds. The currency exposure is hedged back to the US dollar, the fund's base currency.

Currency denomination allocation	
US Dollar	57.1%
European Euro	39.1%
United Kingdom Pound Sterling	5.0%
Swiss Franc	0.3%
Australian Dollar	0.0%
Singapore Dollar	0.0%
Hong Kong Dollar	0.0%
Canadian Dollar	0.0%
Japanese Yen	0.0%
Korean Won	0.0%
Swedish Krona	0.0%
New Zealand Dollar	0.0%
Other	-1.5%

Duration allocation

The portfolio interest rate duration is around 3.2 years.

Duration allocation	
US Dollar	3.2
European Euro	-0.1
United Kingdom Pound Sterling	0.0

Rating allocation

The majority of the fund is invested in the BBB-BB space. At the moment we view BB rated credits as more attractively priced than investment grade credits.

Rating allocation	
AAA	10.5%
AA	0.5%
A	5.0%
BAA	41.8%
BA	37.1%
B	3.0%
CAA	0.2%
CA	0.0%
C	0.0%
NR	0.4%
Other	0.0%
Cash and other instruments	1.4%

The value of your investment may fluctuate. Past performance is no guarantee of future results.
For more information visit: www.robeco.com.au

Subordination allocation

During March we continued to reduce our holdings in tier-1 and hybrid securities. Valuations of these instruments have become more expensive and we the reduction was part of an overall risk reduction in the portfolio.

Subordination type allocation

Senior	75.5%
Tier 2	15.2%
Tier 1	4.5%
Hybrid	3.4%
Subordinated	0.0%
Cash and other instruments	1.4%

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