

For professional investors

ROBECO
The Investment Engineers



Guide to credits

THE ROBECO APPROACH

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Foreword

Ever since we started to offer our clients dedicated credit strategies almost 20 years ago, credit markets have been faced with many challenges. Interest in different credit categories has come and gone, driven by changes in client demand, and other developments such as stricter regulations. Bonds issued by companies in the financial sector, for example, which were almost completely overlooked after the crisis, are now a highly appealing asset class with an attractive yield. Our flexible integrated strategies, which can benefit from relative value trade-offs between credit segments, have proved their worth over the years.

One of the main challenges credit markets are facing today is the low level of liquidity. A contrarian investment style can help minimize trading costs while enhancing returns, by selling when others are buying and buying when others are selling.

In such a dynamic market, thorough research with a focus on preventing downside risk is crucial. In this guide our Credit team will explain how we aim to do just that. We endeavor to provide consistent alpha for our clients by avoiding losers and not indulging in herd behavior.

We will give you an insight into our investment process, how we conduct our research, and how we, as pioneers in developing credit risk management systems, carefully monitor various types of risk at issuer level and in model portfolios. Finally, we are convinced that integrating ESG information throughout our investment process allows us to make better informed investment decisions. We will explain our systematic and disciplined approach to sustainability investing, which has been awarded the highest scores by the United Nations-supported Principles for Responsible Investment.

We offer both fundamental and quantitatively managed credit portfolios, such as multi-factor credits, Conservative credits, and a quant high-yield strategy. In this guide, we will give an overview of our fundamental strategies, which all use the same investment philosophy and process. These include global and regional strategies, high yield, portfolios excluding, or exclusively aimed at, bonds issued by companies in the financial sector and a dedicated sustainable strategy.

I hope you will enjoy reading this publication.

Victor Verberk

Deputy Head of Investments

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Intro

In Robeco's Credit team we have been managing credit portfolios since the late 1990s. Ever since the start, the pillars of our investment philosophy have been the same: in-depth fundamental research and contrarian portfolio management. We follow our own research rather than public opinion or general consensus and always aim to act contrarily in our portfolios.

Do your research and be contrarian

Our Credit team of 28 investment professionals has a highly international profile. We invest globally and apply an integrated approach for investment grade, high yield and emerging credits strategies. We work with career analysts, providing them with the opportunities and resources to fully develop their analytical skills, sector expertise and knowledge of issuers, etc. As we offer both analysts and portfolio managers the same possibilities in remuneration, we attract and retain the most talented people. Analysts have a sector responsibility irrespective of an issue's rating or country of origin. After all, sector developments are global and should therefore be monitored and analyzed from a global perspective. This approach gives the team the possibility to capitalize on the inefficiencies that occur as a result of existing market segmentations, such as regional and rating segmentations.

Avoid losers

We believe that managing a corporate bond portfolio is not about selecting a few of the best bonds; it is about avoiding the losers and having a well-diversified portfolio. This generates alpha. We are wary of crowded trades where investors stretch the models, and do not believe in 'this time is different'.

Every quarter we analyze the global trends in the credit markets. In our Credit Quarterly Outlook meeting, external strategists and economists discuss specific market themes with our analysts and portfolio managers in order to assess the risks and opportunities. This top-down macro approach forms the input for the beta, sector and regional positioning of the portfolios.

Sustainability research, integral part of the issuer selection

We analyze each issuer according to a predefined framework. We look at five elements, i.e. company strategy, company position, financial profile, company structure and sustainability criteria. As far as sustainability is concerned, the analyst analyzes the downside risk resulting from poor performance on Environmental, Social and Governance factors. Sustainability analysis is therefore an integrated part of our credit research.

The Robeco Credit team manages approximately EUR 23 billion in various funds and mandates (as at the end of 2016). Over the years our team has won various awards and topped the rankings on many occasions. We are therefore very proud to introduce our team to you in this guide.

Sander Bus and Victor Verberk

Co-heads Robeco Credit team

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Process

At Robeco, we believe that there are lots of opportunities to outperform in the corporate bond markets. We've designed our credit investment process to add value for our clients in two main ways.

First, based on our view of the market cycle, we determine the best amount of exposure to take to the credit markets. Second, our portfolio managers select the most attractive bonds, based on the in-depth research of the credit analysts. From there, we go on to build well-diversified portfolios.

Bottom up + top down = added value

The Quarterly Credit Outlook: taking a top-down view of the markets

A thorough top-down assessment of the credit markets is essential if we want to maximize the returns our clients receive.

It's at our quarterly credit outlook meetings that the team takes one of its most important decisions – how much credit risk our portfolios should take on. They do this based on an assessment of where we are in the market cycle, how the cycle is likely to develop, and global trends that they have identified.

Understanding the global macroeconomic backdrop is essential in defining our expectations for the various classes of corporate bond, so our quarterly credit outlook meetings don't just bring together members of our credit team. They also include specialists from our global fixed income macro team and a number of external experts – sell-side analysts, consultants, bankers, and even some of our competitors. The resulting rigorous external scrutiny of our views plays an important role in challenging our ideas and preventing us from adopting a house view.

Bottom-up issuer selection

A top-down view may be vital, but it's bottom-up issuer selection that is the most important driver of our credit portfolios' returns. Credit selection is a two-step approach, with our analysts researching the bonds in their universe in depth and our portfolio managers selecting the most attractive bonds for inclusion in our portfolios.

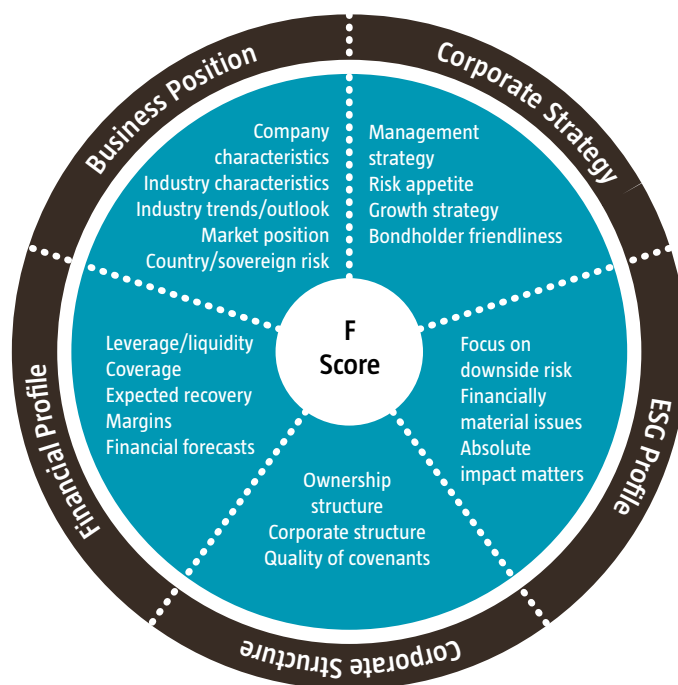
Our analysts form their views about an issuer's credit fundamentals with respect to its rating. In a perfect world, all bonds with the same rating and maturity would trade at an identical spread. But the world isn't perfect – a whole host of factors can cause credit spreads to move, creating opportunities for us to exploit.

'In a perfect world, all bonds with the same rating and maturity would trade at an identical spread. But the world isn't perfect'

Our credit analysts take into account five different variables for each company they look at:

- business position
- corporate strategy
- financial profile
- corporate structure
- ESG profile

We express our view on each bond through an F (fundamental) score, which ranges from -3 (very weak) to +3 (very strong). As we award the score relative to each bond's current rating, both highly and lowly rated companies can achieve high (or low) F-scores. In addition to the F-score, each of our investment theses contains an investment recommendation and a view on the bond's relative value.



Taking into account country and sovereign risk

Our analysts don't just focus on company- and sector-specific matters – an integral part of their assessment of each issuer's business position is the potential impact of country and sovereign risk on its operations.

But why is this so important? For example, many companies sell or produce a large proportion of their products in emerging markets, and this exposes them to a number of country-specific risks. It also exposes them to sovereign risk – the ability and willingness of the country's government to repay its debt. These risk factors are often linked.

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People

Every decision that the 28 members of our Credit team take is based on in-depth research, and this often results in them taking a contrarian position rather than going along with the general consensus in the markets. The in-depth research of our career analysts has been a vital factor in our credit portfolios' consistent outperformance over the years.

Career analysts make a difference

A sector focus to maximize our analysts' knowledge

Our analysts focus on one or more particular sectors, irrespective of the ratings or countries of issue of the bonds in those sectors. That's because sector developments tend to be global in nature, and companies often operate in several countries or even on several continents other than their home base. With this in mind, we believe it's only natural they should be monitored and analyzed from a global perspective.

The global nature of business today



Source: Robeco. These examples are for information only and not intended to be considered as any form of investment recommendation.

This approach gives our analysts a distinct knowledge advantage and enables the team to capitalize on inefficiencies that occur as a result of the way the market is artificially segmented.

Analysis as a career choice

Another factor that makes us stand out is that we encourage our analysts to remain analysts throughout their career, affording them the same status and rewards as our portfolio managers. Our analyst team is made up of members from diverse geographical, educational and professional backgrounds, with experience in different continents and a range of industries. An analyst might be, for example, a seasoned sector specialist who brings complementary skills to the team, such as expertise in loans or legal matters in addition to their sector knowledge.

The upshot of our policy is that we've been able to build a team of highly experienced, international credit analysts with unrivalled knowledge of their sectors. What's more, we've been able to foster a strong sense of commitment within the team, and this has led to remarkable stability – it hasn't lost any members for several years.

Expanding into Asia and beyond

While most of our Credit team is located at our headquarters in Rotterdam, 2016 saw it expand into Asia, with three analysts joining our office there. While they cover sectors on a global basis, just like our analysts in Rotterdam, being based in Asia gives them important local insight into matters such as the Chinese offshore credit market and regional bankruptcy laws.

History has shown that an increase in the assets under management has led to expansion of the team of analysts, both in Rotterdam and abroad.

Synergy

After all this research has been carried out, it's the job of our portfolio managers to construct well-balanced portfolios based on the team's view of the credit market, the research our analysts have carried out, and their own views on the relative value of each bond. We believe the synergy resulting from integrating the high-yield and investment-grade teams and the close cooperation between portfolio managers and career analysts gives us an edge.

The portfolios they build are diversified enough to minimize the impact of any potential negative credit event, but concentrated enough to benefit from our team's strongest convictions. They select bonds whose valuations look attractive relative to their attributes, all the while taking into account the level of risk that each bond involves. They also ensure the portfolio stays within strict risk limits.

Global Credit team overview

Credit portfolio managers



Sander Bus
CO-head Credit team
Head High Yield
Industry: 21 years
Robeco: 19 years



Victor Verberk
CO-head Credit team
Head Investment Grade
Industry: 20 years
Robeco: 9 years



Reinout Schapers
PM Global & EM Credits
Industry: 14 years
Robeco: 6 years



Christiaan Lever
PM High Yield
Industry: 7 years
Robeco: 6 years



Roeland Moraal
PM High Yield
Industry: 20 years
Robeco: 20 years



Peter Kwaak
PM Investment Grade
Industry: 19 years
Robeco: 12 years



Jan Willem de Moor
PM Investment Grade
Industry: 24 years
Robeco: 12 years



Patrick Houweling
PM Quant Credits
Quant Researcher
Industry: 19 years
Robeco: 14 years



Mark Whirdy
PM Quant Credits
Quant Researcher
Industry: 12 years
Robeco: 2 years

‘We attract and attain the most talented people’

Credit analysts



Taeke Wiersma
CO-head Credit research
Financials
Industry: 21 years
Robeco: 9 years



Jankees Ruizeveld
CO-head Credit research
Telecom
Industry: 22 years
Robeco: 17 years



Frank Reynaerts
Asian Credits
Industry: 20 years
Robeco: 6 years



Tiansi Wang
Asian Credits
Industry: 14 years
Robeco: 11 years



Evert Giesen
Automotive
Industry: 20 years
Robeco: 16 years



Reade Kem
Chemicals
Industry: 18 years
Robeco: 6 years



Alexandre Fuentes
Corporate Services
Industry: 7 years
Robeco: 1 year



Joseph Huang
Asian Credits
Industry: 14 years
Robeco: Oct 2016



Roberta Bella
Financials
Industry: 29 years
Robeco: 7 years



Marijn Davidse
Financials
Industry: 11 years
Robeco: 7 years



Jan Willem Knoll
Financials
Industry: 18 years
Robeco: 1 year



Roel Ewalds
Healthcare & Pharma
Industry: 4 years
Robeco: 4 years



Frances Pang
Healthcare & Pharma
Industry: 19 years
Robeco: 6 years



Jaap Smit
Industrials & Tech
Industry: 22 years
Robeco: 12 years



Hendrik Jan Kroon
Bank Loans & PP
Industry: 19 years
Robeco: 2 years



Amir Maani Shirazi
Retail
Industry: 16 years
Robeco: 10 years



Erik Hylarides
Bank Loans & PP
Industry: 16 years
Robeco: 8 years



Marian Pavlus
Utilities
Industry: 16 years
Robeco: 1 year

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ESG

When we're analyzing a corporate bond, our primary consideration is the issuing company's ability to repay its debt. This means our credit analysts have to establish the extent to which the issuer is able to generate cash. To do this they formally assess five different factors – one of which is the company's ESG profile.

Pioneering ESG integration in credits

The importance of ESG

Why is integrating ESG criteria so important in how we run our credit portfolios? The answer is that successful credit investing is all about avoiding the losers – companies that won't be able to meet their obligations. Considering ESG factors, such as a firm's corporate governance, represents a perfect addition to our investment process as it means we can pick up warning signs about a company's practices that traditional financial analysis might miss.

In establishing our F-score for each bond, we take four other factors into account – the company's business position, corporate strategy, financial profile and corporate structure – in addition to its ESG profile. Each of these five factors is designed to detect downside risk rather than upside potential. For example, a good risk management system at a bank might not lead to a strong improvement in credit quality, but a weak system could lead to the bank's total collapse.

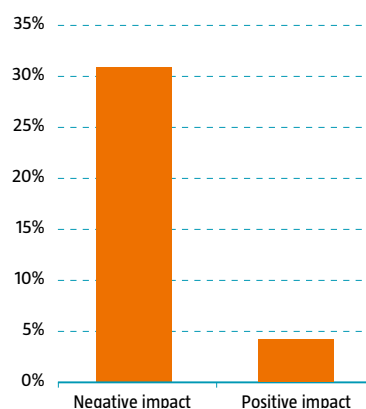
Positive ESG factors are often less obvious and sometimes only make a very long-term positive contribution to a company's fundamentals. But they can still be instrumental in helping us avoid the losers.

For instance, in the past we've reduced the F-score of a well-known food company that has put less effort into making its products healthier than those of its competitors. With obesity rising around the globe and people across the world increasingly focusing on healthy living, this could affect its ability to repay its debt over the longer term.

On the other hand we have Robert Bosch, a German engineering and electronics multinational. Within all its product segments Bosch is focused on increasing its energy efficiency. Examples are components for more fuel-efficient car engines and refrigerators with AAA energy labels. And although not directly financially material, our analysts note that via the Robert Bosch Stiftung GmbH the company sponsors many social and charitable projects. They conclude that Bosch materially benefits from ESG-related growth themes. ESG factors therefore have a positive impact on the fundamental score of Robert Bosch.

Overall, a company's ESG profile will have an impact – be it positive or negative – on its F-score around 30% of the time, as shown in the chart.

Figure 1: Contribution of ESG factors to Fundamental view



Source: Robeco, as of Q1 2017

In-depth ESG research

Each company's ESG profile is compiled by our credit analysts. As career analysts, they have in-depth sector knowledge, helping them to structure their research and gain access to a wide network of industry contacts. They also conduct in-depth research on ESG themes which are relevant for their sector, such as deep-water drilling, governance in the financial sector, and obesity.

Our analysts also make extensive use of the research provided by RobecoSAM, Robeco's sister company specialized in sustainability investing. Founded in 1995 as the world's first dedicated sustainability asset manager and acquired by Robeco in 2006, RobecoSAM has built up one of the world's largest sustainability databases as a result of its annual Corporate Sustainability Assessment of over 3000 listed firms. This information is exclusively available to Robeco's investment teams.

Governance and active ownership

At Robeco we take our responsibilities as a major investor very seriously. Our credit analysts discuss themes or company-specific issues that need to be addressed either through research or by engaging with companies with our engagement specialists.

Over the years we've found that active engagement with listed companies is an effective way to encourage them to improve their behavior. What's more, the discussions with company management during the engagement process provide us with valuable information, not just on ESG matters, but about other developments at those firms and elsewhere in their sector.

Taking sustainability to the next level

Since the launch of the UN PRI assessments in 2014 Robeco has been awarded the highest possible score for three years in a row for the way we integrate sustainability into our credit investment strategies. Robeco's A+ scores are often much higher than the median scores of our peers. In addition to our mainstream activities, we've taken sustainability to the next level by providing our clients with access to a specialist sustainable credit fund that has the specific aim of minimizing its environmental footprint, as well as maximizing returns.

'Over the years we've found that active engagement with listed companies is an effective way to encourage them to improve their behavior'

Figure 2: UN PRI Assessment – Summary scorecard

AUM	Module name	Robeco score	Robeco score	Median Score
	01. Strategy & Governance	A+		B
INDIRECT - MANAGER SELECTION, APPOINTMENT & MONITORING				
<10%	07. Private Equity	A+		B
DIRECT & ACTIVE OWNERSHIP MODULES				
>50%	10. Listed Equity - Incorporation	A+		A
>50%	11. Listed Equity - Active Ownership	A+		B
<10%	12. Fixed Income - SSA	A+		C
<10%	13. Fixed Income - Corporate Financial	A+		C
<10%	14. Fixed Income - Corporate Non-Financial	A+		C

Source: UN PRI, Assessment report 2016. Results should be viewed alongside responses to the PRI Reporting Framework, available on www.unpri.org

DID YOU KNOW

We're high-yield pioneers

Robeco was the first asset manager to introduce a high yield fund in continental Europe, launching Robeco High Yield Bonds in 1998. The current head of our high yield team and lead portfolio manager, Sander Bus, has been involved since the very beginning.

The market for high-yield bonds is still relatively new. Until 1977 almost all bonds in this category were issued by firms that used to have investment-grade ratings. These bonds were typically labeled as 'junk bonds', indicating the assumed higher possibility of a default. But as from 1977 new high-yield bonds were brought to the market by companies that were considered 'bad investments' by banks. These companies gained a new access to credit, and the high-yield market rapidly started to mature.

In the first years the fund did not have many assets under management, but this changed when the fund reached its five-year track record in 2003. Many of our competitors were hit when the telecom bubble burst, but our conservative investment philosophy meant we escaped largely unscathed. That year, the fund grew from EUR 25 million to EUR 300 million. In 2005 growth really took off and large clients started to invest in the fund.

In every crisis - 2001, 2008 and 2015 - the strategy outperformed, outpacing other market participants who took on too much risk. The fund's focus on the long term, on avoiding downside risk, and on maintaining a contrarian investment stance, ensured the team did not get sucked into a new bubble.

As the European market became more mature, we launched a European high yield fund in 2005. At the end of December 2016, assets under management in the European strategy are approaching EUR 1 billion, while EUR 7.5 billion is invested in the global strategy. The current fund size makes it one of the leading global high yield funds.

Robeco has been a pioneer in the fields of quant modeling and DTS. In our Robeco High Yield Bonds fund we apply the lessons learned in these areas. Even though our fundamental approach is at the heart of the fund, we also use our Multi-Factor High Yield Model to select listed small-cap companies. DTS is used to manage the risk in the portfolio, as described in chapter 5.

5

Risk

Measuring the true risk of credit portfolios is one of the biggest challenges for credit investors.

Most traditional models are unable to measure credit risk accurately as they use historical volatility to measure a credit portfolio's current risk.

Seeing risk as an opportunity

At Robeco we've developed an innovative method that provides more insight into the nature and extent of risk in our credit portfolios. Based on the duration times spread (DTS) of each bond, it enables our portfolio managers to implement their views much more effectively.

A pioneering approach

Since we developed our DTS approach back in 2004, together with Barclays¹, it has enabled our portfolio managers to construct well-diversified portfolios in which all of their high-conviction positions make equal contributions to portfolio risk. What's more, other asset managers have adopted the practice themselves over this time, such that it has become standard practice in credit portfolio management.

Instant reaction to market events

Traditional risk models often use 'moving windows', such as volatility over the past three years, as indicators of future risk. A major disadvantage of this approach is that they react very slowly to market events – for example, at the onset of the financial crisis in 2008, the output of such models would still have been mainly based on the quiet periods of 2005 and 2006. This would have severely underestimated the true risk of a credit portfolio's holdings.

We've conducted in-depth research that has shown that the product of a bond's credit spread and its duration – its DTS – accurately predicts its future volatility. As our risk estimates depend directly on the observed spread, they react instantaneously to market turmoil, and so are more accurate than traditional moving-window estimates.

What lies at the heart of our DTS methodology² is our empirical observation that spreads move in a relative rather than an absolute fashion – for example, a 10 basis point spread move for a bond with an initial spread of 100 basis points corresponds to a 40 basis point move for a bond with a spread of 400 basis points.

'What lies at the heart of our DTS methodology is our empirical observation that spreads move in a relative rather than an absolute fashion'

¹ Quantitative Portfolio Strategies Group was part of Lehman Brothers and was acquired by Barclays in 2008.

² DTS (Duration Times Spread) A new measure of spread exposure in credit portfolios. Arik Ben Dor, Lev Dynkin, Jay Hyman, Patrick Houweling, Erik van Leeuwen, and Olaf Penninga.

Applications throughout our investment process

DTS has found its way into all aspects of how we manage our credit portfolios at Robeco – not just in measuring and managing risk. We also use it to assess the relative value of bonds we invest in, when we are constructing our portfolios, and in performance attribution.

- **Risk measurement:** using DTS, we can accurately compute the contributions to portfolio risk made by individual bonds. If we did not use this technique, we might underestimate the risk of bonds with high spreads and overestimate the risk of bonds with low spreads.
- **Assessing relative value:** we use DTS in assessing a bond's relative valuation by looking at its excess return potential per risk point. In this way, before we invest in high-spread bonds we ensure the higher risk they involve is properly compensated for through higher return potential.
- **Portfolio construction:** by taking into account each position's DTS during portfolio construction, our portfolio managers can make sure that in terms of issuer exposure and maturity, each position's contribution to risk is comparable.
- **Performance attribution:** as we measure our portfolio positions using DTS, we also conduct our performance attribution based on DTS and relative spread changes. This provides us with an accurate overview of the impact of the decisions we make on how our portfolios perform relative to their benchmark.

As pioneers of this DTS risk-management approach, that is now widely adopted by competitors, we have shown that we know how to identify and how to limit risks in our client portfolio's.

DID YOU KNOW

We do quant as well

We do not only offer funds with a fundamental approach; we offer quant strategies in Credits as well. The benefits of factor investing are well known among equity investors, but far fewer people are aware of this when it comes to the credit markets. We believe this is set to change.

It's long been recognized that stocks are subject to a number of inherent 'factors' in addition to their traditional asset class, sector and regional labels. In fact, it's been shown that much of the outperformance of successful fundamental equity funds is actually due to their exposure to some of these factors, such as Value, Low Risk, Momentum and Quality.

But do these factors apply to corporate bonds too? At Robeco we've conducted research that shows that they most certainly do. In 2014 we published a study¹ that showed that factor investing also works when applied to credit, and has the potential to produce long-term outperformance.

Factor investing is based on a systematic, rules-based approach. It's become a popular option among equity investors keen to gain efficient access to premiums in the stock markets beyond what a market-capitalization-based approach can provide. And as awareness of its application to corporate bonds grows in the years ahead, we believe that it's likely to become much more widespread among credit investors too.

Robeco has a long history of pioneering in quantitative investing, having used quantitative models since the early 1990s. We also have vast experience in factor investing, managing over EUR 26 billion in factor strategies in credit and equity portfolios.

Based on our considerable factor investing experience, we provide our clients with access to two factor-based credit strategies. The first, Robeco Conservative Credits, invests in low-risk corporate bonds based on the observation that historically, lower-risk bonds have provided better risk-adjusted returns than higher-risk issues. The second is a multi-factor credit strategy – one of the very few currently available to investors – that exploits four factors proven to work in the credit markets: Low Risk, Value, Momentum and Size.

¹ [ssrn paper November 2014](#); Patrick Houweling, Jeroen van Zundert

6

Funds

On the following pages we highlight eight credit funds - the philosophy, investment process and strategy of each fund. And of course the fund facts and performance details.

About Robeco



Heritage

Robeco was founded in the Netherlands in 1929 and now operates globally with 15 major offices worldwide.



Research

It is our core belief that every investment decision should be research-driven. As a world leader in quant and sustainability investing, we have strong academic ties to universities.



Global – local

We offer our clients a unique advantage – local presence and specialist investment capabilities combined with the global support and expertise of Robeco.



Governance

Since 2013, Robeco has been the asset management subsidiary of the Japanese financial services group ORIX.



Focusing on the world's best credits



EUR 751 mln assets under management



Managed by a highly experienced team

Robeco Global Credits invests in a truly unconstrained manner across the different segments of the corporate bonds market. It offers exposure to the most compelling opportunities in the credit market.

WHY THIS FUND?

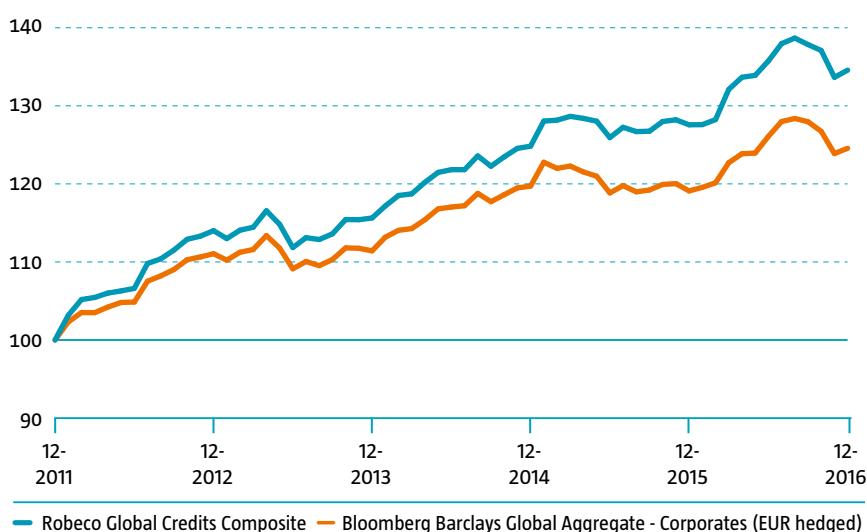
- 1 **Solid track record** The fund has consistently beaten its benchmark in very different market environments.
- 2 **Flexible allocation** Next to solid investment grade issuers, we also look for specific opportunities, including 'fallen angels' or 'rising stars'.
- 3 **Strong risk management** The fund is primarily focused on investment grade, with an average portfolio rating of BBB.
- 4 **Sustainable policy** ESG research is integrated in the investment process to assess further the downside risk of investments.

STRATEGY

- **Unconstrained attitude** Robeco Global Credits invests without biases, to identify investment opportunities in all credit segments.
- **In-depth credit analysis** Our highly experienced team performs in-depth issuer analysis to support the portfolio managers in their investment decisions.
- **Protection against downside risk** Diversified credit exposure and the uncorrelated nature of positions offer protection against downside risks.

For more information go to
www.robeco.com

Performance



Source: Robeco. All figures in EUR, composite, gross of fees, based on net asset value. The value of your investment may fluctuate. Results obtained in the past are no guarantee of future performance.

From fallen angels to rising stars

Robeco Global Credits invests in global investment grade corporate bonds from developed markets as its key building block. In addition, the fund selects from the best opportunities in other segments such as 'fallen angels', 'rising stars' and emerging market credits. Such a flexible approach mixes different types of security to maximize rewards while adequately diversifying the relevant risks. This makes it possible to mix standard corporate bonds with secured bonds, high yield or emerging market debt on a global basis according to where the portfolio manager sees best the opportunities.

Such flexibility is necessary because credit markets show signs of dislocation, and so typical benchmark thinking and institutional biases leave investment opportunities undiscovered. We combine our best research ideas across all credit markets to drive the strategy's return.



VICTOR VERBERK

'Divergence in monetary policy raises volatility but also creates opportunity which our global, unconstrained approach is designed to find.'

FUND FACTS

Name of fund	Robeco Global Credits
Category	Global credits (unconstrained)
Fund manager	Victor Verberk
Reference index	Bloomberg Barclays Global Aggregate - Corporates (EUR hedged)
First quotation date - fund	04-06-2014
Tradable	Daily

For more information visit the [Robeco product selector](#).

Performance to 31-12-2016

	Three Months	One Year	Three Years*	Five Years*	Since November 2010*
Robeco Global Credits Composite	-2.38%	5.49%	5.19%	6.12%	5.25%
Bloomberg Barclays Global Aggregate - Corporates (EUR hedged)	2.66%	4.59%	3.79%	4.49%	4.13%

* annualized

Source: Robeco. All figures in EUR, composite, gross of fees, based on net asset value. Periods shorter than one year are not annualized. The value of your investment may fluctuate. Results obtained in the past are no guarantee of future performance.

Robeco Euro Credit Bonds



Focusing on Europe's best credits



EUR 794 mln assets under management



Managed by a highly experienced team

Morningstar Rating™



STRATEGY

- **Unconstrained attitude** The fund has actively managed and diversified exposure to the best opportunities in the European corporate bonds market.
- **In-depth analysis** Our highly experienced team of credit analysts performs detailed analysis to support the portfolio managers in their investment decisions.
- **Full discretion approach** Total return attitude to maximize alpha potential for each position within a strong risk framework.

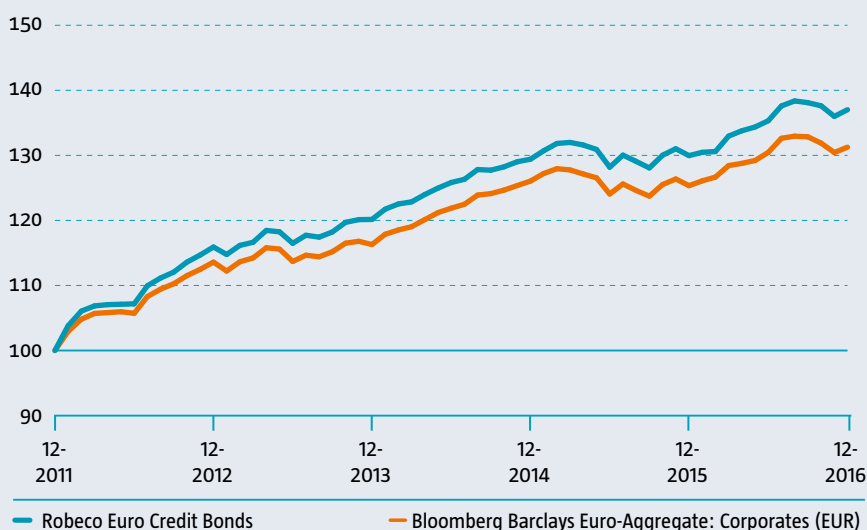
For more information go to
www.robeco.com

Robeco Euro Credit Bonds invests in an unconstrained manner across different segments of the European corporate bonds market.

WHY THIS FUND?

- 1 **Solid track record** The fund has been able to beat its benchmark in both bull and bear market environments.
- 2 **Flexible allocation** Although the fund mostly invests in investment grade bonds, it can pursue other opportunities.
- 3 **Strong risk management** Well-diversified portfolio with weights based on conviction levels and concentration limits.
- 4 **Sustainable policy** Sustainability research is fully integrated into the entire investment process.

Performance



Source: Robeco. All figures in EUR, DH EUR gross of fees, based on net asset value. The value of your investment may fluctuate. Results obtained in the past are no guarantee of future performance.

From fallen angels to rising stars

Robeco Euro Credits Bonds invests in euro-denominated investment grade corporate bonds. In addition, the fund selects from the best opportunities in other segments such as 'fallen angels', 'rising stars' and emerging market credits. This makes it possible to mix standard corporate bonds with secured or high yield bonds according to where the portfolio manager sees best the opportunities.

Such flexibility is necessary because today's credit markets show signs of dislocation, and so typical benchmark thinking and institutional biases leave investment opportunities undiscovered. The dislocation occurs because global business cycles are desynchronized. Our extensive credit research organization allows for a deep coverage of European credit markets to spot those areas that benefit from opportunities that arise from desynchronized cycles. This process has proven to be highly effective over time.



VICTOR VERBERK

'Divergence in monetary policy raises volatility but also creates opportunity which our flexible, unconstrained approach is designed to find.'

FUND FACTS

Name of fund	Robeco Euro Credit Bonds
Category	Euro Credits
Fund manager	Victor Verberk
Reference index	Bloomberg Barclays Euro-Aggregate: Corporates (EUR)
First quotation date - fund	01-04-2005
Tradable	Daily

For more information visit the [Robeco product selector](#).

Performance to 31-12-2016

	Three Months	One Year	Three Years*	Five Years*	Since January 2009* ¹
Robeco Euro Credit Bonds	-0.78%	5.43%	4.48%	6.50%	7.63%
Bloomberg Barclays Euro-Aggregate: Corporates (EUR)	-1.20%	4.73%	4.12%	5.59%	6.17%

*annualized

Source: Robeco. All figures in EUR, DH EUR gross of fees, based on net asset value. Periods shorter than one year are not annualized.

¹Since 01/2009 reflects the time period generated by the new team set-up. The value of your investment may fluctuate. Results obtained in the past are no guarantee of future performance.

Robeco Euro Sustainable Credits



Best in class sustainability approach using ESG data as starting point



EUR 708 mln assets under management



Exposure to approximately 90 corporate issuers

Morningstar Rating™



STRATEGY

Global Optimizing risk, return and impact in a corporate bond portfolio

- We use our Credit Quarterly Outlook for top-down macro view to determine beta, sector, region and rating positioning and thematic strategies

Optimizing sustainability in three stages of the investment process

- Universe screening: to determine the investable universe by excluding sustainability laggards.
- Investment analysis: ESG analysis in the credit selection process helps to better understand downside risk
- Portfolio construction: optimizing the portfolio's environmental impact

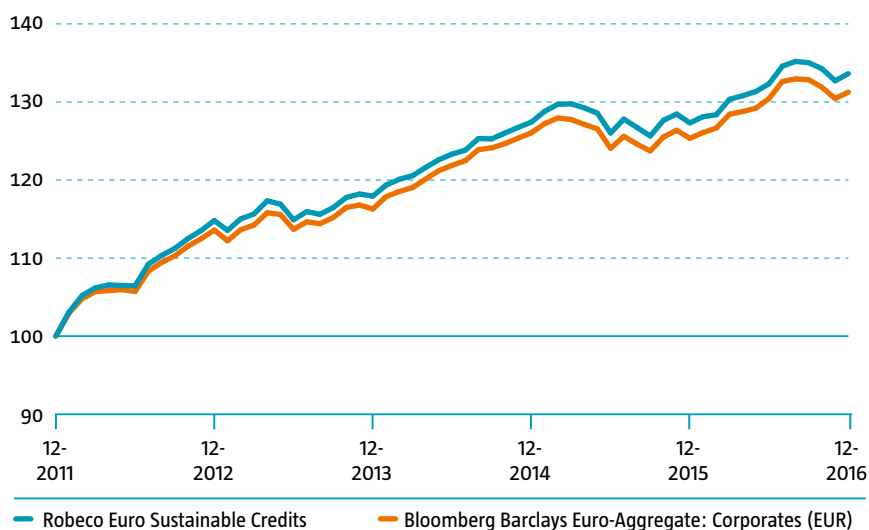
For more information go to www.robeco.com

Robeco Euro Sustainable Credits provides diversified exposure to the euro investment grade credit market including industrial and financial companies. The fund selects best-in-class sustainable corporate bonds in cooperation with RobecoSAM.

WHY THIS FUND?

- 1 Optimal combination** Combining Robeco and RobecoSAM expertise to maximize alpha and optimize sustainability.
- 2 Experienced and stable team** Fundamental credit analysis by a highly experienced team of analysts.
- 3 Attractive and stable performance** Low volatility of returns compared to similar active strategies.
- 4 True active ownership** Investment process with engagement and exclusions.

Performance



Source: Robeco. All figures in EUR, DH EUR gross of fees, based on net asset value. The value of your investment may fluctuate. Results obtained in the past are no guarantee of future performance.

ESG information helps to understand downside risk

Robeco Euro Sustainable Credits selects the best-in-class sustainable issuers in close cooperation with RobecoSAM, the market leader in sustainability information.

The investment philosophy is based on managing a solid diversified portfolio with a long-term view. The universe for this fund consists of those companies in each sector with the best sustainability performance. Top-down beta positioning is based on the outcome of a quarterly assessment of the fundamental market outlook, valuation of bond markets and market technicals. Bottom-up issuer analysis is based on proprietary research and is carried out by a highly experienced team of credit analysts.

The portfolio of Robeco Euro Sustainable Credits contains companies with superior sustainability performance. Sustainability information is used to identify downside risks and optimize the portfolio's environmental impact. Weak ESG performance can be an indication of weak financial performance.



JAN WILLEM DE MOOR

'Ever since its launch in 2010 the fund has lived up to its promise with a portfolio that is more sustainable than its benchmark. In the latest enhancement to the investment process, the fund has fully adopted impact investing.'

FUND FACTS

Name of fund	Robeco Euro Sustainable Credits
Category	Corporate bonds
Fund manager	Jan Willem de Moor
Reference index	Bloomberg Barclays Euro-Aggregate: Corporates (EUR)
First quotation date - fund	18-05-2010
Tradable	Daily

For more information visit the [Robeco product selector](#).

Performance to 31-12-2016

	Three Months	One Year	Three Years*	Five Years*	Since June 2010*
Robeco Euro Sustainable Credits	-1.04%	4.95%	4.25%	5.97%	5.07%
Bloomberg Barclays Euro-Aggregate: Corporates (EUR)	-1.20%	4.73%	4.12%	5.59%	4.67%

* Annualized

Source: Robeco. All figures in EUR, DH EUR gross of fees, based on net asset value. Periods shorter than one year are not annualized. The value of your investment may fluctuate. Results obtained in the past are no guarantee of future performance.

Robeco Financial Institutions Bonds



Taps into a whole new market for 'hybrids'



EUR 1.5 bln assets under management



Managed by a highly experienced team

Robeco Financial Institutions Bonds mainly invests in subordinated bonds issued by banks and insurance companies. The fund offers a diversified exposure across 50-60 issuers, predominantly investment grade rated.

WHY THIS FUND?

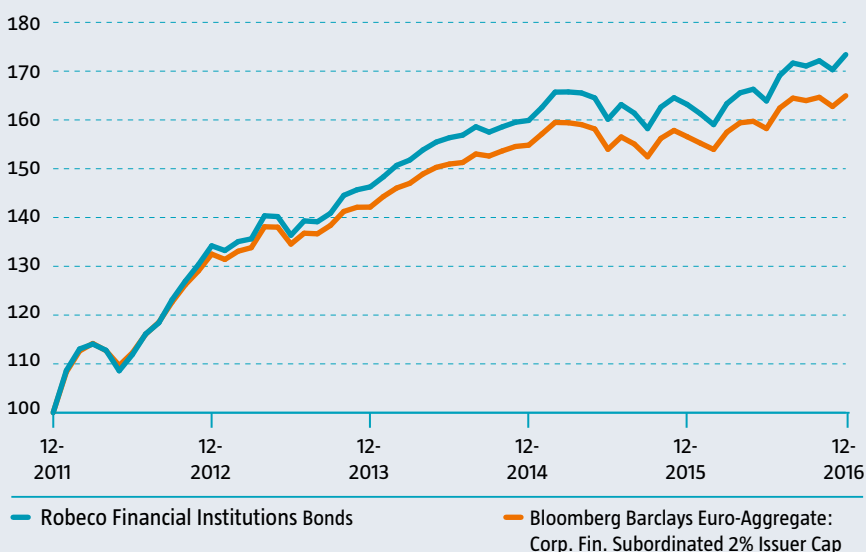
- 1 Highly focused** The fund specializes in the investment grade bonds of mostly European financial institutions.
- 2 Fundamentals** The underlying story of the banking and insurance sector is strengthening as capital ratios are improving.
- 3 Experienced team** The fund's team of 28 includes four dedicated financial analysts and two portfolio managers.
- 4 Sustainable policy** ESG research is used across the investment process to assess the downside risk of investments.

STRATEGY

- Diversified** The fund seeks exposure to the bonds of banks and insurers, in different parts of the capital structure.
- Disciplined** The investment process involves rigorous credit selection techniques to spot the winners and avoid the losers.
- Targeted** The portfolio manager takes country risks actively into consideration in choosing where to invest.

For more information go to
www.robeco.com

Performance



Source: Robeco. All figures in EUR, DH EUR gross of fees, based on net asset value. The value of your investment may fluctuate. Results obtained in the past are no guarantee of future performance.

Benefiting from Basel

Following the introduction of the Basel III capital adequacy regulations for banks and Solvency II rules for insurers, the case for financial bonds is more compelling than ever. Basel III requires new types of bonds to be issued that offer attractive yields, increased supervision and regulation that will substantially lower the risk of default.

Traditional subordinated bonds are gradually being replaced with new types of capital – particularly hybrid instruments, such as Contingent Convertibles (CoCos) and 'Additional Tier 1' capital. We expect the issuance of these 'new-style' Tier 1 bonds and also Tier 2 bonds to continue. There is huge interest in these bonds, but careful management is needed.

As subordinated financial bonds tend to offer a higher spread than senior debt, this offers new opportunities for investors looking for higher yields. Likewise, a whole new market in 'Solvency II' bonds has emerged for insurance companies, with attractive yields for investors.



JAN WILLEM DE MOOR

'The new environment created by Basel III and Solvency II is unprecedented and exciting. A well-diversified portfolio of financial institutions bonds can be an attractive addition to a portfolio.'

FUND FACTS

Name of fund	Robeco Financial Institutions Bonds
Category	Global credits
Fund manager	Jan Willem de Moor
Reference index	Bloomberg Barclays Euro-Aggregate: Corp. Fin. Subordinated 2% Issuer Cap
First quotation date - fund	16-05-2011
Tradable	Daily

For more information visit the [Robeco product selector](#).

Performance to 31-12-2016

	Three Months	One Year	Three Years*	Five Years*	Since June 2011*
Robeco Financial Institutions Bonds	1.37%	6.26%	5.83%	11.64%	8.27%
Bloomberg Barclays Euro-Aggregate: Corp. Fin. Subordinated 2% Issuer Cap	0.61%	5.37%	5.09%	10.53%	6.68%

*annualized

Source: Robeco. All figures in EUR, DH EUR gross of fees, based on net asset value. Periods shorter than one year are not annualized. The value of your investment may fluctuate. Results obtained in the past are no guarantee of future performance.

Robeco Investment Grade Corporate Bonds



The fund excludes financial companies



EUR 889 mln assets under management



Exposure to approximately 80 corporate issuers

Morningstar Rating™



STRATEGY

Structured research-driven investment process

- Top-down view essential in assessing credit market attractiveness
- Skillful issuer selection: avoiding losers is more important than picking every winner
- Uncorrelated performance drivers enable consistent alpha generation

100% invested in non-financial corporates

- Risk-constrained euro corporate strategy
- Minimum credit rating of BBB- at purchase
- Euro currency only, no active duration positions.

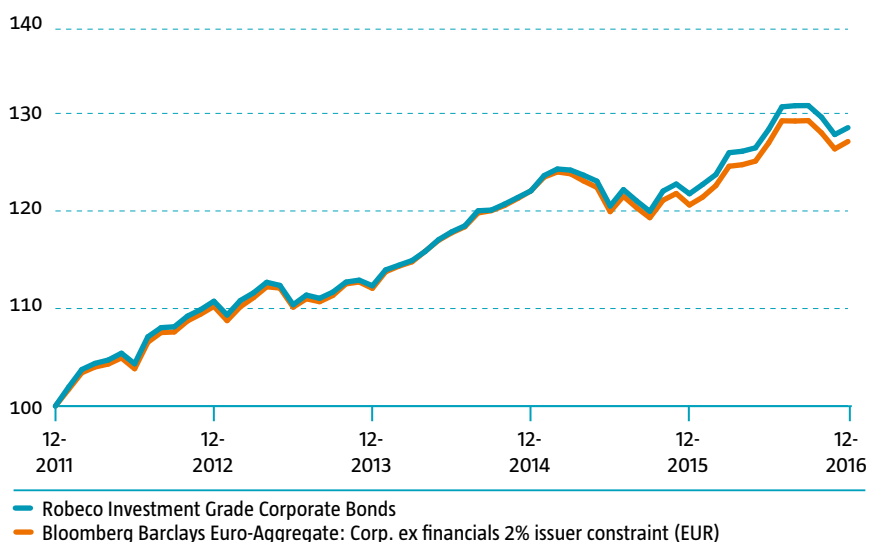
For more information go to www.robeco.com

Robeco Investment Grade Corporate Bonds provides diversified exposure to the euro investment grade credit market excluding financial companies. The fund has been delivering constant alpha generation on the basis of in-depth fundamental research and contrarian portfolio management.

WHY THIS FUND?

- 1 Research-driven approach** Proprietary research is at the heart of identifying opportunities.
- 2 Experienced team of investment professionals** Nine Portfolio managers and 18 credit analysts with on average 17 years industry experience.
- 3 State-of-the-art risk monitoring** Proprietary credit risk model is used to monitor both issuers and model portfolios.
- 4 Integrated sustainability** Using corporate sustainability research to identify downside risks

Performance



Source: Robeco. All figures in EUR, DH EUR gross of fees, based on net asset value. The value of your investment may fluctuate. Results obtained in the past are no guarantee of future performance.

We believe credit markets are inefficient

In-depth fundamental research and contrarian portfolio management by Robeco's Credit Team have enabled Robeco Investment Grade Corporate Bonds to generate consistent alpha since inception. A combination of in-depth fundamental research and top-down macro analysis lies at the heart of identifying opportunities and avoiding losers in the European corporate bond market.

As part of the fundamental research, the Credit Team assesses how companies perform in terms of sustainability. The prime goal of integrating sustainability in our analysis is to strengthen our ability to assess the downside risk of our credit investments. Our analysts include RobecoSAM sustainability data and use external sources to make an ESG assessment as a part of the fundamental analysis.



PETER KWAAK

'We believe corporate bond markets are inefficient by nature. We aim to exploit market inefficiencies by sticking to our well-structured and disciplined investment process in which skillful issuer selection is combined with top-down beta positioning.'

FUND FACTS

Name of fund	Robeco Investment Grade Corporate Bonds
Category	Corporate bonds
Fund manager	Peter Kwaak
Reference index	Bloomberg Barclays Euro-Aggregate: Corp. ex financials 2% issuer constraint (EUR)
First quotation date - fund	11-05-2009
Tradable	Daily

For more information visit the [Robeco product selector](#).

Performance to 31-12-2016

	Three Months	One Year	Three Years*	Five Years*	Since June 2009*
Robeco Investment Grade Corporate Bonds	-1.73%	5.57%	4.60%	5.15%	5.83%
Bloomberg Barclays Euro-Aggregate: Corp. ex financials 2% issuer constraint (EUR)	-1.65%	5.40%	4.29%	4.92%	5.56%

*annualized

Source: Robeco. All figures in EUR, DH EUR gross of fees, based on net asset value. Periods shorter than one year are not annualized. The value of your investment may fluctuate. Results obtained in the past are no guarantee of future performance.

Robeco High Yield Bonds



Managed with a conservative approach



EUR 7.5 bln assets under management



Managed by a highly experienced team

Morningstar Rating™



STRATEGY

- **High quality approach** The fund has a conservative and long-term investment philosophy and therefore prefers to invest in high-quality issuers within the high yield universe.
- **In-depth analysis** Our highly experienced team performs detailed issuer analysis to enable the portfolio managers to pick the winners and avoid the losers.
- **Contrarian style** We avoid crowded trades and prevent the risk of getting trapped with too many investors in untenable positions.

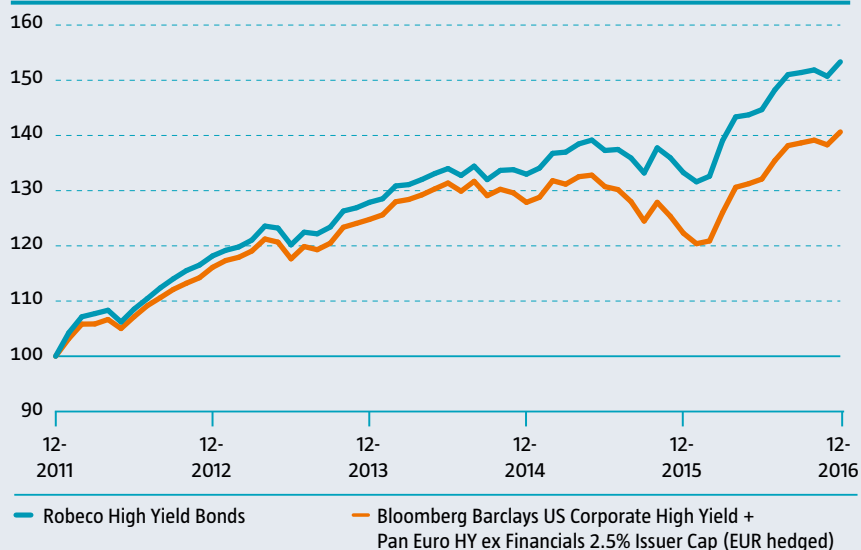
For more information go to
www.robeco.com

Robeco High Yield Bonds invests in corporate bonds that generally have a sub-investment grade rating, mostly issued by US and European issuers. The fund has a long-term investment approach and a high-quality bias.

WHY THIS FUND?

- 1 **Proven track record** The fund has consistently outperformed in a wide range of market environments since its foundation in the late 1990s.
- 2 **Experienced credit team** The fund's lead portfolio managers are supported by a stable team of credit analysts with around 17 years of experience.
- 3 **Winning by not losing** For high yield bonds it is more important to avoid losers than to select winners.
- 4 **Sustainable policy** ESG research is used across the research-driven investment process to assess further the downside risk of investments.

Performance



Source: Robeco. All figures in EUR, DH EUR gross of fees, based on net asset value. The value of your investment may fluctuate. Results obtained in the past are no guarantee of future performance.

Long-term quality approach pays off in high yield bonds investing

Robeco has a long heritage in high yield investing, becoming the first asset manager to launch a high yield fund in continental Europe in 1998. It is a truly global product, managed by a highly experienced and stable team of analysts and portfolio managers.

Our investment process is based on a top-down analysis of the global high yield markets, combined with in-depth bottom-up issuer analysis. The process is skewed towards identifying and assessing credit risks to avoid portfolio losses. Our proprietary state-of-the-art risk management tools ensure in-depth risk monitoring, particularly when market conditions or credit ratings change.

The fund adopts a contrarian investment style. We believe that investors tend to exhibit herd mentality, which makes that investors crowd up for the same trades. By being contrarian we steer clear of the herd and prevent the risk of getting trapped with too many investors in untenable positions.



SANDER BUS

'Issuer selection is our most important performance driver. It is a two-step approach, with analysts conducting research and portfolio managers selecting the best picks.'

FUND FACTS

Name of fund	Robeco High Yield Bonds
Category	Global high yield credits
Fund manager	Sander Bus
Reference index	Bloomberg Barclays US Corporate High Yield + Pan Euro HY ex Financials 2.5% Issuer Cap (EUR hedged)
First quotation date - fund	17-04-1998
Tradable	Daily

For more information visit the [Robeco product selector](#).

Performance to 31-12-2016

	Three Months	One Year	Three Years*	Five Years*	Since May 1998*
Robeco High Yield Bonds	1.28%	15.06%	6.23%	8.93%	7.42%
Bloomberg Barclays US Corporate High Yield + Pan Euro HY ex Financials 2.5% Issuer Cap (EUR hedged)	1.44%	15.00%	4.07%	7.06%	6.62%

* Annualized

Source: Robeco. All figures in EUR, DH EUR gross of fees, based on net asset value. Periods shorter than one year are not annualized. The value of your investment may fluctuate. Results obtained in the past are no guarantee of future performance.

Robeco European High Yield Bonds



Managed with a conservative approach



EUR 410 mln assets under management



Managed by a highly experienced credit team

Morningstar Rating™



STRATEGY

- **High quality approach** The fund has a conservative and long-term investment approach and therefore invests in high-quality issuers within the high yield universe.
- **In-depth analysis** Our highly experienced team performs detailed issuer analysis to enable the portfolio managers to avoid the losers.
- **Contrarian style** We avoid crowded trades and prevent the risk of getting trapped with too many investors in untenable positions.

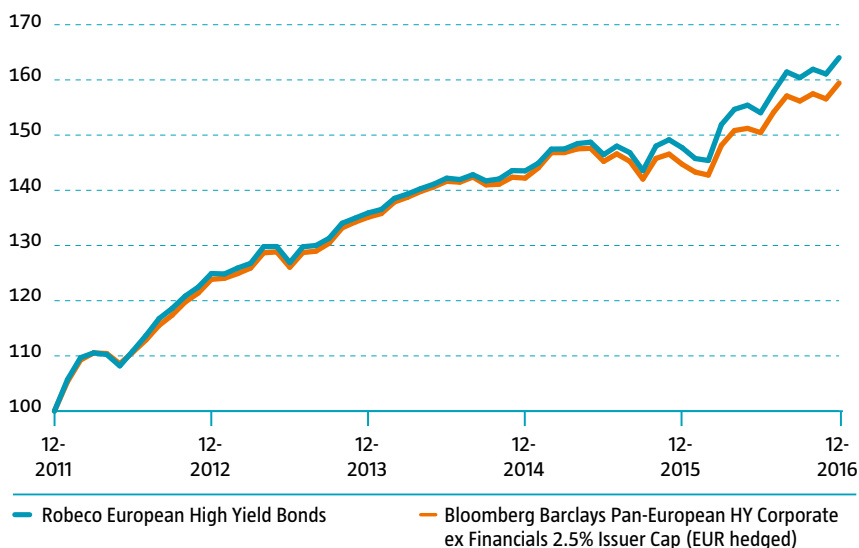
For more information go to
www.robeco.com

Robeco European High Yield Bonds invests in credits issued by European companies that generally have a sub-investment grade rating. The fund has a clear bias towards higher-quality issuers to minimize risk.

WHY THIS FUND?

- 1 **Proven track record** The fund has consistently outperformed its benchmark in a wide range of market environments.
- 2 **Experienced credit team** Portfolio managers are backed by a stable team of analysts with around 17 years of experience.
- 3 **Winning by not losing** For high yield bonds it is often more important to avoid losers than to select winners.
- 4 **Sustainable policy** ESG research is used in issuer analysis to assess the downside risk of investments.

Performance



Source: Robeco. All figures in EUR, DH EUR gross of fees, based on net asset value. The value of your investment may fluctuate. Results obtained in the past are no guarantee of future performance.

Long-term quality approach pays off in high yield bonds investing

Robeco has a long heritage in high yield investing, becoming the first asset manager to launch a high yield fund in continental Europe in 1998.

The fund's investment process is based on a top-down macroeconomic analysis, combined with in-depth bottom-up issuer analysis. The process is skewed towards identifying and assessing credit risks to avoid portfolio losses. Our proprietary state-of-the-art risk management tools ensure in-depth risk monitoring, particularly when market conditions or credit ratings change.

The fund adopts a contrarian investment style. We believe that investors tend to exhibit herd mentality, which makes that investors crowd up for the same trades. By being contrarian we steer clear of the herd and prevent the risk of getting trapped with too many investors in untenable positions.



ROELAND MORAAL

'Issuer selection is our most important performance driver. It is a two-step approach, with the analysts conducting research, and fund managers selecting the best picks.'

FUND FACTS

Name of fund	Robeco European High Yield Bonds
Category	High Yield
Fund manager	Roeland Moraal
Reference index	Bloomberg Barclays Pan-European HY Corporate ex Financials 2.5% Issuer Cap (EUR hedged)
First quotation date - fund	03-10-2005
Tradable	Daily

For more information visit the [Robeco product selector](#).

Performance to 31-12-2016

	Three Months	One Year	Three Years*	Five Years*	Since inception (10/05)*
Robeco European High Yield Bonds	2.26%	11.04%	6.47%	10.40%	7.80%
Bloomberg Barclays Pan-European HY Corporate ex Financials 2.5% Issuer Cap (EUR hedged)	2.09%	10.17%	5.67%	9.78%	6.96%

*annualized

Source: Robeco. All figures in EUR, DH EUR gross of fees, based on net asset value. Periods shorter than one year are not annualized. The value of your investment may fluctuate. Results obtained in the past are no guarantee of future performance.

Robeco Emerging Credits



Diversified exposure to the global emerging credit market



EUR 53 mln assets under management



No typical benchmark-related biases

Robeco Emerging Credits invests predominantly in corporate bonds from emerging markets based on the philosophy that fundamental research, contrarian portfolio management and value investing drives consistent alpha generation.

WHY THIS FUND?

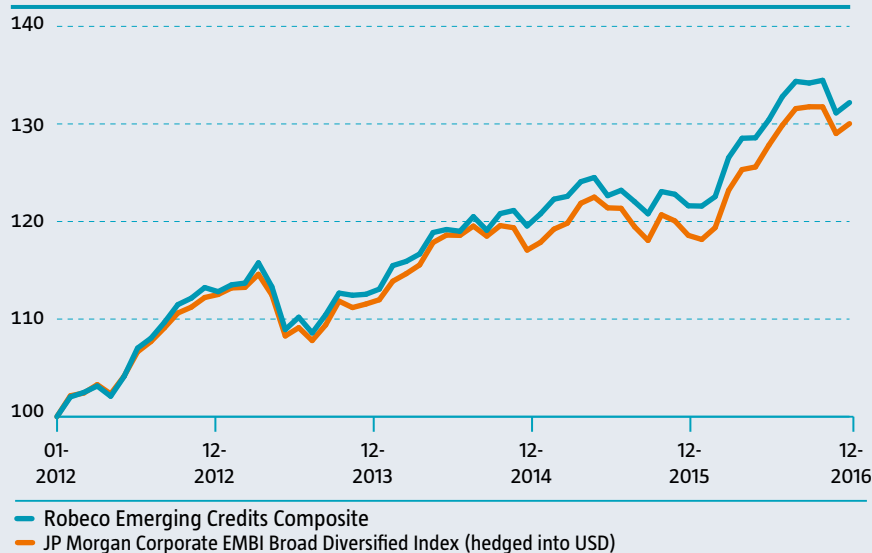
- 1 Global and unconstrained approach** Credit research is organized along global sectors to avoid regional biases and is driven by opportunities rather than benchmarks.
- 2 Research driven** Robeco's Credit Quarterly Outlook, country and credit research including on ESG factors are driving forces.
- 3 Consistent investment process** Issuer selection is based on a company's exposure rather than its location combined with state-of-the-art risk monitoring.
- 4 Strong performance** Consistent outperformance, strong Sharpe ratio.

STRATEGY

- Unconstrained attitude** Combines a broad market-based view on countries with in-depth company-specific analysis to identify investment opportunities in all credit segments that combines.
- In-depth credit analysis** A highly experienced analyst team performs in-depth issuer research to support portfolio managers in their investment decisions.
- Protection against downside risk** Diversified credit exposure and the uncorrelated nature of positions offer protection against downside risk.

For more information go to
www.robeco.com

Performance



Source: Robeco. All figures in USD, Composite gross of fees, based on net asset value. Periods shorter than one year are not annualized. The value of your investment may fluctuate. Results obtained in the past are no guarantee of future performance.

An unconstrained approach

Robeco's approach to emerging credits is characterized by three distinctive elements: flexibility, a global approach and ESG integration.

The emerging credits portfolio is invested well beyond the standard investment universe. Investing the core of the portfolio in hard currency emerging credits, the fund has a flexible and solid total return approach. This means it does not constrain itself to a benchmark but actively seeks value opportunities that may be overlooked by others. The fund management team selects companies based on their exposure rather than their location, and in some occasions sovereign exposure is chosen over credit exposure.

The company's environmental, social and governance (ESG) profile is an integral part of the credit analysis process – alongside the company's competitive position, strategy, financial position and corporate structure.



REINOUT SCHAPERS

'As part of our bottom-up approach, we continuously look for opportunities across the world. We can find very good investment opportunities, even in countries or sectors that generally may not do very well. It is all about separating the wheat from the chaff.'

FUND FACTS

Name of fund	Robeco Emerging Credits
Category	Emerging Markets Debt
Fund manager	Reinout Schapers
Reference index	JP Morgan Corporate EMBI Broad Diversified Index (USD hedged)
First quotation date - fund	10-07-2014
Tradable	Daily

For more information visit the [Robeco product selector](#).

Performance to 31-12-2016

	Three Months	One Year	Three Years*	Five Years*	Since January 2012*
Robeco Emerging Credits Composite	-1.49%	8.70%	5.51%	6.40%	6.40%
JP Morgan Corporate EMBI Broad Diversified Index (hedged into USD)	-1.32%	9.65%	5.25%	5.92%	5.92%

* annualized

Source: Robeco. All figures in USD, Composite gross of fees, based on net asset value. Periods shorter than one year are not annualized. The value of your investment may fluctuate. Results obtained in the past are no guarantee of future performance.

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Additional Information for investors with residence or seat in France

Robeco is having the freedom to provide services in France. Robeco France has been approved under registry number 10683 by the French prudential control and resolution authority (formerly ACP, now the ACPR) as an investment firm since 28 September 2012. Robeco France is only authorized to offer investment advice service to professional investors.

Additional Information for investors with residence or seat in Germany

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If the currency in which the past performance is displayed differs from the currency of the country in which you reside, then you should be aware that due to exchange rate fluctuations the performance shown may increase or decrease if converted into your local currency. The value of the investments may fluctuate. Past performance is no guarantee of future results.

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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. 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. This document has been distributed by Robeco Hong Kong Limited ('Robeco'). Robeco is regulated by the Securities and Futures Commission in Hong Kong.

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