

Robeco High Yield Bonds DH USD

Robeco High Yield Bonds invests in corporate bonds with a sub-investment grade rating, issued primarily by US and European issuers. The portfolio is broadly diversified across circa 250 issuers, with a structural bias to the higher rated part in high yield (BB/B). Performance drivers are the top-down beta positioning as well as bottom-up issuer selection.



Sander Bus
Fund manager since 01-03-2001

Performance

	Fund	Index
1 Year	2.11%	0.00%
2 Years	6.16%	5.73%
3 Years	7.39%	7.20%
Since 03-2011	6.62%	6.90%

Annualized (for periods longer than one year)

Calendar year performance

	Fund	Index
2014	2.98%	2.75%
2013	7.35%	7.77%
2012	17.12%	16.71%
2012-2014	8.99%	8.92%

Annualized (years)

Fund price

30-06-15	USD	131.46
High Ytd (27-05-15)	USD	133.67
Low Ytd (07-01-15)	USD	126.99

Benchmark

Barclays US Corp. HY & Pan Eur. HY. ex Fin. 2.5% Issuer Cap (hedged into USD)

General facts

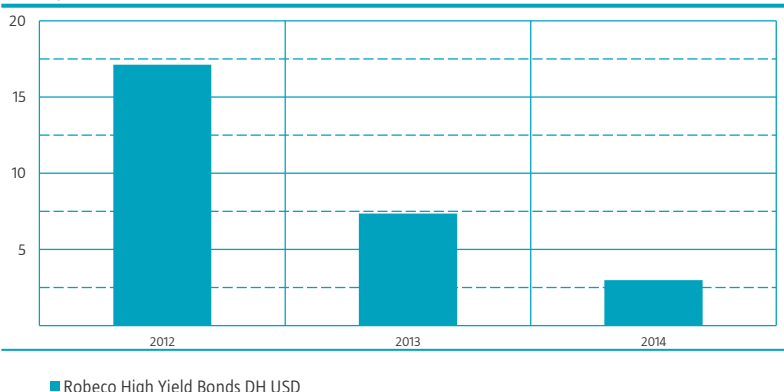
Morningstar	★★★★★
Type of fund	Bonds
Currency	USD
Total size of fund	USD 4,589,418,878
Size of share class	USD 59,081,420
Outstanding shares	449,801
1st quotation date	14-03-2011
Close financial year	31-12
Ongoing charges	1.17%
Daily tradable	Yes
Dividend paid	No
Ex-ante tracking error limit	5.00%
Management company	Robeco Luxembourg S.A.

Fees

Management fee	1.00%
Service fee	0.12%

Performance

Calendar years



Performance

Based on transaction prices, the fund's return was -1.16%.

The fund posted a negative total return, as substantially wider spreads went hand in hand with also substantially higher underlying government-bond yields. The fund outperformed its benchmark by a decent margin, all of which came from issuer selection as the beta of the fund was close to 1. On a risk-adjusted basis, European HY slightly underperformed US HY, with European CCC the biggest underperformer. In terms of sectors, the biggest losses were in US mining, energy, and telecom, as well as in European telecoms and utilities. The losses were least in consumer-related sectors like food & beverage and home construction. Our sector positioning greatly contributed to this month's outperformance: all mentioned underperforming sectors are underweights, and our biggest longs are in consumer-oriented sectors. We avoided all five defaults that occurred in June, of which two were in energy and two in mining.

Market development

In June, tensions around Greece rose to boiling point. This led to a lot more volatility in higher beta markets. European HY spreads rose well over 40 bps. Remarkably, Bund yields also shot up from 0.5% to 0.8%, while even touching the 1% mark intra-month. Here no flight to quality was visible, as Eurozone inflation data came out higher than expected and turned out to be the stronger force. The same action was visible in US Treasury markets, where yields rose 25 bps on stronger-than-expected data on the US economy fueling rate-hike expectations. US HY spreads rose also on the combination of rate fears and Greece unrest, albeit to a lesser extent than in Europe. The US HY benchmark witnessed 5 defaults in June, of which two energy-related and two mining companies, all of which we did not own. The primary market was relatively quiet, given market turbulence.

Expectation of fund manager

Accommodative monetary policies by all major central banks continue to provide a strong technical to the high-yield market – in particular in Europe. The ECB will continue to increase its balance sheet and the Fed will only very gradually normalize its monetary policy. The Greece issue does create quite some volatility, but its effects on fundamental HY corporate performance are limited, given the size of the Greek economy – obvious exceptions like Greek companies aside. Meanwhile, in particular in the US the credit cycle is progressing and has entered a phase that is less favorable for bondholders. This phase is characterized by debt-funded M&A and share buybacks. Now that over the previous month European HY has widened more than US HY, we have a slight preference for Europe again. We view Greece-related selloffs in European HY as buying opportunity. We continue to prefer companies that benefit from improved consumer spending power, and stick to our underweights in CCCs and in the energy and mining sectors. Our portfolio beta is close to 1.

SI fund classification

	Yes	No	N/A
Engagement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ESG Integration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Exclusion	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Top 10 largest positions

The top ten is dominated by US health care and European telecom. The big US hospital chains are among the largest HY issuers in our benchmark. We favor these companies because of the stability of their earnings, their high margins and the favorable regulatory environment. European cable is another sector we favor for very similar reasons. We also have a tilt toward the recovery of the consumer, visible in more cyclical and/or consumer-oriented names like homebuilder DR Horton, retailer Limited Brands and car maker Fiat-Chrysler.

Legal status

Investment company with variable capital incorporated under Luxembourg law (SICAV)

Issue structure	Open-end
UCITS IV	Yes
Share class	DH USD
This fund is a subfund of Robeco Capital Growth Funds, SICAV	

Registered in

Austria, Belgium, Finland, France, Germany, Hong Kong, Ireland, Luxembourg, Netherlands, Norway, 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. Any income earned by the fund is reflected in its share price.

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	LU0594695099
Bloomberg	RGCGDHU LX
Sedol	B9SL2G7
WKN	A1H9VV

ESG integration policy

For Robeco High Yield Bonds, we use the RobecoSAM Sustainability data which is complemented by EIRIS ESG data. The goal of integrating ESG factors in our analysis is to strengthen our ability to assess the downside risk of our credit investments. The conclusion is a transparent impact on the F-score which is used to assess attractiveness of a bond investment.

Top 10 largest positions

Holding	Sector	%
Chs/Community Health Systems I	Consumer Non Cyclical	1.99
Hca Inc	Consumer Non Cyclical	1.88
Sabine Pass Lng Lp	Energy	1.58
Upcb Finance V Ltd	Communications	1.52
Fiat Chrysler Automobiles Nv	Consumer Cyclical	1.41
Avis Budget Finance Plc	Transportation	1.36
Unitymedia Hessen Gmbh & Co Kg	Communications	1.34
Dr Horton Inc	Consumer Cyclical	1.28
L Brands Inc	Consumer Cyclical	1.18
Nbty Inc	Consumer Non Cyclical	1.18
Total		14.70

Statistics

	3 Years
Tracking error ex-post (%)	0.85
Information ratio	1.58
Sharpe ratio	2.20
Alpha (%)	1.89
Beta	0.91
Standard deviation	3.78
Max. monthly gain (%)	2.37
Max. monthly loss (%)	-2.42

Above mentioned ratios are based on gross of fees returns.

Hit ratio

	3 Years
Months outperformance	23
Hit ratio (%)	63.9
Months Bull market	27
Months outperformance Bull	14
Hit ratio Bull (%)	51.9
Months Bear market	9
Months Outperformance Bear	9
Hit ratio Bear (%)	100.0

Above mentioned ratios are based on gross of fees returns.

Characteristics

	Fund	Index
Rating	BA2/BA3	BA3/B1
Option Adjusted Modified Duration (years)	4.2	4.3
Maturity (years)	6.5	5.3
Yield to Worst (%)	6.3	6.3

Changes

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

Sector allocation

Overweights are in consumer-related sectors such as food & beverages, health care and retail, but also in chemicals and paper/packaging. We are underweight metals & mining, energy, US telecommunications, and gaming.

Sector allocation		Deviation benchmark
Consumer Cyclical	18.1%	0.3%
Consumer Non Cyclical	16.0%	1.1%
Communications	14.1%	-6.8%
Basic Industry	11.2%	2.2%
Capital Goods	9.2%	-1.8%
Energy	8.2%	-4.7%
Electric	3.7%	0.2%
Technology	2.7%	-3.0%
Transportation	2.7%	0.6%
Industrial Other	2.4%	0.6%
Utility Other	1.4%	1.1%
Other	2.8%	2.7%
Cash and Cash Equivalents	7.5%	7.5%

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 benchmark
US Dollar	71.2%	-9.7%
European Euro	19.7%	4.4%
United Kingdom Pound Sterling	8.7%	5.3%
Swiss Franc	0.1%	-0.2%
Other	0.3%	0.2%

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 O-Duration share classes, the underlying rate-risk is hedged to 0–6 months duration.

Duration allocation		Deviation benchmark
US Dollar	3.2	-0.3
European Euro	0.8	0.2
United Kingdom Pound Sterling	0.2	0.1

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		Deviation benchmark
AA	0.1%	0.1%
A	0.6%	0.6%
BAA	6.4%	5.0%
BA	43.4%	-0.5%
B	35.9%	-4.4%
CAA	6.1%	-7.8%
CA	-0.1%	-0.3%
C	0.0%	-0.1%
NR	0.0%	-0.1%
Other	0.0%	-0.1%
Cash and Cash Equivalents	7.6%	7.6%

Investment policy

Robeco High Yield Bonds invests in corporate bonds with a sub-investment grade rating, issued primarily by US and European issuers. The portfolio is broadly diversified across circa 250 issuers, with a structural bias to the higher rated part in high yield (BB/B). Performance drivers are the top-down beta positioning as well as bottom-up issuer selection. The fund aims to outperform its index Barclays US Corporate High Yield & Pan European High Yield ex Financials 2.5% Issuer Cap. The index excludes high yield financials based on relatively high systematic risk, and applies an issuer cap to avoid concentration risk. The investment philosophy is based on managing a solid diversified portfolio with a long term view. Top-down beta positioning is based on the outcome of our credit quarterly outlook meeting, in which the team is discussing the fundamental market outlook, valuation of bond markets and market technicals. Bottom-up issuer research is executed by our credit analysts, who execute the fundamental analysis. The analyst research reports are being discussed in approx. 500 credit committees per year. In addition, a proprietary quant issuer selection model is used as an independent performance driver. The portfolio managers are responsible for the portfolio construction. A proprietary developed risk management approach avoids high risk concentration in the portfolio. As the investment process is well-structured and proven over time, it contributes to repeatable performance delivery. The Robeco High Yield fund is managed by our credit team which consists of eight portfolio managers and thirteen credit analysts. Within the team, Sander Bus and Roeland Moraal are responsible for high yield. Sander has been involved in the fund since inception in 1998, Roeland joined in 2003. The portfolio managers are responsible for the construction and management of the credit portfolios, whereas the analysts cover the team's fundamental research.

Fund manager's CV

Mr. Bus is Head of the Credit team and manages our high yield portfolios. Prior to joining Robeco in 1998, Mr. Bus worked for Rabobank as a fixed income analyst for two years. Mr. Bus holds a Master's degree in Financial Economics from Erasmus University, Rotterdam. He became a CFA charter holder in 2003 and is registered with the Dutch Securities Institute. Mr. Bus has been active in the industry since 1996.

Team info

The Robeco High Yield fund is managed within Robeco's credit team, which consists of eight portfolio managers and thirteen 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 sixteen 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 on balance 1.2% of 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

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