ROBECO

Factsheet | Figures as of 28-02-2022

Robeco Euro Government Bonds 2I EUR

Robeco Euro Government Bonds is an actively managed fund that invests predominantly in euro government bonds. The selection of these bonds is based on fundamental analysis. The fund's objective is to provide long term capital growth.The fund invests in euro denominated bonds issued by the EMU-member countries. It employs an investment process combining top-down and bottom-up elements. Fundamental analysis is performed on each of the three performance drivers: country allocation, duration (interest rate sensitivity) management and yield curve positioning. Country ESG scores are part of our bottom-up analysis.

Michiel de Bruin, Stephan van IJzendoorn
Fund manager since 01-09-2010

Performance

	Fund
1 m	-2.10%
3 m	-4.62%
Ytd	-3.22%
1 Year	-4.41%
2 Years	-2.06%
3 Years	0.38%
5 Years	0.13%
Since 06-2015	0.26%

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
2021	-3.47%
2020	5.78%
2019	2.45%
2018	-1.42%
2017	-0.15%
2019-2021	1.51%
2017-2021	0.59%

Annualized (years)

Index

Bloomberg Euro Aggregate: Treasury

General facts

Morningstar	★★
Type of fund	Bonds
Currency	EUR
Total size of fund	EUR 711,088,667
Size of share class	EUR 8,979,160
Outstanding shares	88,253
1st quotation date	25-06-2015
Close financial year	31-12
Ongoing charges	0.38%
Daily tradable	Yes
Dividend paid	No
Ex-ante tracking error limit	3.50%
Management company	Robeco Institutional Asset Management B.V.

Sustainability profile

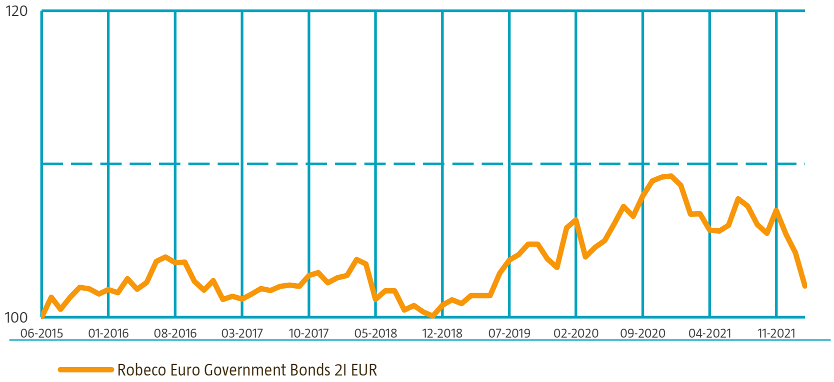
Exclusions

ESG Integration

For more information on exclusions see https://www.robeco.com/exclusions/

Performance

Indexed value (until 28-02-2022) - Source: Robeco



Performance

Based on transaction prices, the fund's return was -2.10%.
The fund posted a negative return over the month, below its index. German Bund yields initially rose in the first half of the month, but aggressively declined in the latter part, as the Russia-Ukraine tensions increased. The fund closed its underweight duration position during the month, but increased its curve flattening positions, as the continued rise in inflation means the ECB will be forced to hike rates later in the year. The invasion of Ukraine means even more pressure on inflationary forces, and markets might even start to price in chances of a recession in 12 months' time. Government-related bond spreads are under pressure, as they are being dragged along with widening swap spreads. The SWIFT sanctions are not helping in this regard. We do see this as 'short-term pain, while medium-term gain', so we aim to further increase positions in sustainable government-related bonds in the coming period.

Market development

February was a month of two halves with significant volatility in bond markets. At the start of the month, the ECB stunned markets, as President Christine Lagarde highlighted that inflation might remain more elevated than previously predicted and refrained from reiterating that a rate hike this year is highly unlikely. Yields spiked sharply higher on this news. 10-year German Bunds broke into positive territory for the first time since H1 2019 and 10-year US yields rose above 2%. The rise in yields was driven by increased policy rate expectations in the wake of persistently elevated headline inflation prints and reduced concerns about the economic impact of Omicron. Nonetheless, in the second half of February, as the unprecedented Ukraine crisis started to unfold, government bond yields consolidated and steadily started to decline again. Liquidity became much thinner and bonds found support from increasing uncertainty around the geopolitical situation.

Expectation of fund manager

Uncertainty about the war in Ukraine will likely continue to dominate bond market sentiment. However, the impact on central bank policy is expected to differ per region. We expect the Fed to start hiking rates in March, followed by further rate increases. For the ECB we believe that for now, the ECB will take a cautious approach and will refrain from taking large policy steps. Macro uncertainty is expected to weigh on sentiment and the jump in energy prices could lead to slower growth. In this narrative, ECB policy is likely to be focused on preserving market liquidity.

Fund price

28-02-22	EUR	101.74
High Ytd (13-01-22)	EUR	104.92
Low Ytd (15-02-22)	EUR	100.79

Fees

Management fee	0.30%
Performance fee	None
Service fee	0.12%
Expected transaction costs	0.07%

Legal status

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

Issue structure	Open-end
UCITS V	Yes
Share class	2I EUR

This fund is a subfund of Robeco Capital Growth Funds, SICAV

Registered in

Luxembourg, Netherlands, Singapore, Spain, Switzerland

Currency policy

The fund is not exposed to currency risks, as the fund invests in Euro-denominated bonds.

Risk management

Risk management is fully embedded in the investment process so as to ensure that the fund's positions remain within set limits at all times.

Dividend policy

The fund does not distribute dividend. The income earned by the fund is reflected in its share price. This means that the fund's total performance is reflected in its share price performance.

Derivative policy

Robeco Euro Government Bonds makes use of government bond futures. These derivatives are regarded very liquid.

Fund codes

ISIN	LU1241712451
Bloomberg	ROE2IHE LX
Sedol	BZ1BWF5
Valoren	28418165

Statistics

	3 Years	5 Years
Sharpe ratio	0.35	0.30
Standard deviation	3.78	3.24
Max. monthly gain (%)	2.54	2.54
Max. monthly loss (%)	-2.19	-2.19

Above mentioned ratios are based on gross of fees returns

Characteristics

	Fund	Index
Rating	AA2/AA3	AA3/A1
Option Adjusted Modified Duration (years)	8.2	8.4
Maturity (years)	8.0	9.9
Yield to Worst (%, Hedged)	0.9	0.5
Green Bonds (%, Weighted)	14.5	1.6

Changes

The benchmark of the fund is Bloomberg Barclays Euro-Aggregate: Treasury (EUR). The fund aims to outperform by taking positions that deviate from the benchmark within predefined risk limits. This share class had a structurally lower interest rate duration than the Benchmark until 10 December 2019, therefore the benchmark of the fund was not representative. Since 11 December 2019, the duration hedge was removed and the benchmark is representative to compare the fund performance.

Sustainability

The fund incorporates sustainability in the investment process via exclusions, negative screening, ESG integration and minimum thresholds for the ESG score of countries as well investments in ESG-labelled bonds. The fund complies with Robeco's exclusion policy for countries and does not invest in countries where serious violations of human rights or a collapse of the governance structure take place, or if countries are subject to UN, EU or US sanctions. In addition, the fund excludes the 15% worst ranked countries following the World Governance Indicator 'Control of Corruption'. ESG factors of countries are integrated in the bottom-up country analysis. In the portfolio construction the fund ensures a minimum weighted average score of 6.5 following Robeco's proprietary Country Sustainability Ranking. The Country Sustainability Ranking scores countries on a scale from 1 (worst) to 10 (best) based on 40 environmental, social, and governance indicators. Lastly, the fund invests in a minimum of 10% in green, social or sustainable bonds.

Sector allocation

Robeco Euro Government Bonds primarily invests in euro-denominated government and government-related bonds issued by Eurozone countries or entities related to these countries. Exposure to highly rated SSA bonds amounted to around 24% at the end of February. Around 20% of the fund is invested in green, social and sustainable bonds.

Sector allocation		Deviation index
Treasuries	73.5%	-26.5%
Supranational	12.0%	12.0%
Agencies	10.1%	10.1%
Local Authorities	2.5%	2.5%
Cash and other instruments	1.8%	1.8%

Duration allocation

The fund started the month underweight duration in anticipation of both the Fed and ECB bringing rate hikes forward. As yields rose initially in February, the portfolio started to scale back duration both in EUR and USD rates, also as the crisis in Ukraine intensified. The portfolio reduced its underweight in 5-year German Bunds, moving its underweight to 2-year paper, entering a 2s5s flattener. The curve had steepened considerably and in a scenario where inflation rises but growth declines, 2-year bond yields will become vulnerable to rate hikes again. In addition, the fund added to duration through the auction of the new Dutch 2032 DSL. The fund maintained its swap spread tightener.

Duration allocation		Deviation index
Euro	8.2	-0.2

Rating allocation

The fund is overweight in government bonds from the Netherlands (AAA) and Austria (AA), and underweight in (AA) bonds from Belgium and France. In addition, the fund is underweight in A government bonds. This relates mostly to Spain. Approximately 20% of the fund is invested in Italian BTPs (BBB), which is about 2% below benchmark weight. The fund is significantly overweight in AAA government-related issuers from Germany and the Netherlands and in supranational entities such as the EU and EIB.

Rating allocation		Deviation index
AAA	44.8%	22.0%
AA	27.0%	-10.3%
A	6.2%	-9.5%
BAA	20.2%	-4.0%
Cash and other instruments	1.8%	1.8%

Country allocation

As the BTP-Bund spread had widened considerably, the portfolio correctly reduced the underweight in Italy just in time before BTPs started to rally again at the end of the month. The portfolio mostly added in shorter to mid-maturities, significantly reducing the underweight in market value. BTPs found support, as the ECB seemed to be willing to change course, likely keeping its policy accommodation in place for longer. In addition, it seems that some market participants were caught being underweight BTPs, based on a more hawkish ECB and risk-off hedges. The portfolio selectively started adding to government-related bonds again, as spread increased.

Country allocation		Deviation index
Germany	22.7%	4.7%
Italy	19.9%	-2.0%
Netherlands	13.3%	8.7%
Supra-National	12.0%	12.0%
France	12.0%	-12.7%
Spain	5.8%	-8.4%
Austria	5.0%	1.5%
Belgium	2.9%	-2.7%
Ireland	1.8%	-0.2%
Finland	0.9%	-0.6%
Luxembourg	0.8%	0.6%
Other	1.0%	-2.9%
Cash and other instruments	1.8%	1.8%

Investment policy

Robeco Euro Government Bonds is an actively managed fund that invests only in euro-denominated government bonds. The selection of these bonds is based on fundamental analysis. The fund's objective is to provide long-term capital growth. The fund promotes certain ESG (environmental, social and corporate governance) characteristics within the meaning of Article 8 of the European Sustainable Finance Disclosure Regulation, and integrates ESG and sustainability risks in the investment process. In addition, the fund applies an exclusion list based on controversial behavior, products (including controversial weapons, tobacco, palm oil and fossil fuel) and countries. The fund invests in euro-denominated bonds issued by the EMU member countries. It employs an investment process combining top-down and bottom-up elements. Fundamental analysis is performed on each of the three performance drivers: country allocation, duration (interest rate sensitivity) management and yield curve positioning. Country ESG scores are part of our bottom-up analysis. The majority of bonds selected will be components of the benchmark, but bonds outside the benchmark may be selected too. The fund can deviate substantially from the weightings of the benchmark. The fund aims to outperform the benchmark over the long run, while still controlling relative risk through the application of limits (on currencies) to the extent of the deviation from the benchmark. This will consequently limit the deviation of the performance relative to the benchmark. The Benchmark is a broad market-weighted index that is not consistent with the ESG characteristics promoted by the fund.

Fund manager's CV

Michiel de Bruin is Co-Head of the Fixed Income Global Macro team and Co-Manager of Euro Government Bonds. Prior to joining Robeco, Michiel worked for BMO Global Asset Management in London, most recently as Head of Global Rates and Money Markets. He held various other positions before that, including Head of Euro Government Bonds. The roles he fulfilled before joining BMO included Co-Head of Fixed Income Sales and Trading at NIB Financial Markets in Amsterdam. Michiel started his career in the industry in 1986 and he holds a Bachelor's degree from Amsterdam University of Applied Sciences. Mr. van IJzendoorn is a Portfolio Manager in Robeco's Global Fixed Income Macro team. Prior to joining Robeco in 2013, Stephan was employed by F&C Investments as a Senior Portfolio Manager Fixed Income. Before his move to F&C Investments he worked in similar functions at Allianz Global Investors and A&O Services. Stephan started his career in the Investment Industry in 2003. He holds a Bachelor's degree in Financial Management, a Master's degree in Investment Management from the VU University Amsterdam and is CEFA charterholder.

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 0.01% 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.

Morningstar

Febelfin disclaimer

The fact that the sub-fund has obtained this label does not mean that it meets your personal sustainability goals or that the label is in line with requirements arising from any future national or European rules. The label obtained is valid for one year and subject to annual reappraisal. For further information on this label, please visit www.towardssustainability.be.

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