

RobecoSAM SDG High Yield Bonds IH USD

RobecoSAM SDG High Yield Bonds is an actively managed fund that invests in global corporate bonds. The selection of these bonds is based on fundamental analysis. The fund's objective is to provide long term capital growth. The funds invests in high yield corporate bonds with a sub-investment grade rating, with a structural bias to the higher rated part in high yield. The portfolio is built on the basis of the eligible investment universe and the relevant SDGs using an internally developed framework about which more information can be obtained via the website www.robeco.com/si.



Sander Bus, Christiaan Lever
Fund manager since 22-10-2019

Performance

	Fund	Index
1 m	-0.87%	-0.89%
3 m	-1.82%	-1.70%
Ytd	1.04%	2.25%
1 Year	1.97%	3.98%
2 Years	3.55%	5.38%
Since 10-2019	3.70%	5.37%

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 page 4.

Calendar year performance

	Fund	Index
2020	4.74%	6.69%

Annualized (years)

Index

Bloomberg Global High Yield Corporate Index

General facts

Type of fund	Bonds
Currency	USD
Total size of fund	USD 322,669,421
Size of share class	USD 283,320
Outstanding shares	2,624
1st quotation date	22-10-2019
Close financial year	31-12
Ongoing charges	0.68%
Daily tradable	Yes
Dividend paid	No
Ex-ante tracking error limit	5.00%
Management company	Robeco Institutional Asset Management B.V.

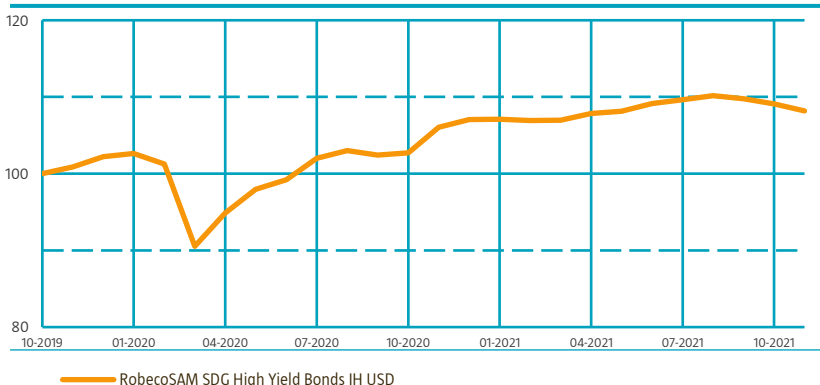
Sustainability profile

- Exclusions++
- Full ESG Integration
- Engagement
- Target Universe

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

Performance

Indexed value (until 30-11-2021) - Source: Robeco



Performance

Based on transaction prices, the fund's return was -0.87%.

The fund outperformed its benchmark by 6 bps in November. The YTD underperformance stems from our beta underweight that we held on to throughout the year, as well as from large sector underweights in energy and transportation, which score badly on SDGs but rebounded sharply this year. In November, our beta underweight worked very well. Spreads widened 50 bps, resulting in a negative credit excess return of -1.2%. The quality bias as such, overweighting BBs at the expense of B and CCC, actually detracted a bit, as BBs performed slightly worse, especially in Europe, both outright and on a risk-adjusted basis. Investors are still somewhat wary of taking too much duration risk, and hence prefer shorter-dated and less rates-sensitive bonds. We gained on being underweight in energy, leisure and transportation, which underperformed in November. We lost on our long in Adler Real Estate, as the name remains under pressure after being accused of overstating its asset values. We gained on the underweight in Telecom Italia, where bonds lost heavily after KKR announced its intention to buy the company.

Market development

High yield corporate earnings on average came out pretty strong. Rising input costs are increasingly a theme, on the back of supply chain issues and emerging labor shortages. But margins have held up well and most corporates are able to pass on rising input prices. On the back of this rather positive fundamental picture, default rates remain near zero. However, corporate fundamentals are not the main driver moving spread markets these days. Instead, Covid and inflation continue to be the two dominant factors. In November, the new Omicron variant appeared in Europe, reinforcing Covid disruption fears, and risk-off sentiment became the dominant force. European equities lost some 6-7% from the November peak, and European HY spreads widened close to 50 basis points over the month. US markets followed the same direction, but sold off a little less. HY spreads are almost back at this year's starting level, moving from 360 bps to 270 bps in July, and now back to 345 bps. This means that HY excess return was well over 4%, as investors earned the carry with hardly any default losses.

Expectation of fund manager

In Europe and the US, fundamentals will probably be fine. Most likely is that we get a further medium-term economic recovery. But we expect that fundamentals will not be the driver for spreads. Markets have become addicted to cures by central banks and governments in the form of easy money, for each disruption. This has created bubbles – think of Chinese real estate, or US meme stocks. Meanwhile, inflationary pressures are all over the place, and the debate is on whether that really is only transitory. If and when central banks start tapering, it is hard to tell what this will do to the technical picture. Meanwhile, valuations are still expensive in our view, at 0.8x the long-term average: too little compensation given all the tail risks that could play out – central banks getting behind the curve if rising inflation turns out to be sticky, spillover from the real estate crisis in China, geopolitical risks at Europe's eastern borders, new Covid strains, to name a few. With spreads near all-time highs, a cautious positioning makes sense to us: up in quality, with a beta below 1. We prefer European over US HY, as spreads are meaningfully higher for similar credit quality.

Top 10 largest positions

Our top ten holdings consist mostly of BB-rated large caps, and are dominated by the communications sector. The cable and telecom sectors are highly concentrated, with a number of large issuers. We have a more cautious view on the sector as a whole, but there still are some investable large caps such as cable companies Level 3 and Charter, and US telco Sprint. A large overweight in media is Netflix, a company we like for its strong content and distribution platform. In the automotive sector, we like some of the highly rated suppliers with strong market positions and good valuations, like Faurecia.

Fund price

30-11-21	USD	107.97
High Ytd (01-09-21)	USD	110.43
Low Ytd (19-03-21)	USD	106.26

Fees

Management fee	0.55%
Performance fee	None
Service fee	0.12%
Expected transaction costs	0.05%

Legal status

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

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

Registered in

Austria, Germany, Italy, Luxembourg, Netherlands, Singapore, Spain, Switzerland

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. The income earned by the fund is reflected in its share price. The fund's entire result is thus reflected in its share price development.

Derivative policy

RobecoSAM SDG High Yield Bonds make use of derivatives for hedging purposes as well as for investment purposes. These derivatives are liquid.

Fund codes

ISIN	LU2061804980
Bloomberg	RSHYIHU LX
WKN	A2PVFQ
Valoren	50778573

Top 10 largest positions

Holdings

Sprint Capital Corp
CCO Holdings LLC / CCO Holdings Capital Corp
Netflix Inc
CSC Holdings LLC
Albertsons Cos Inc / Safeway Inc / New Albertsons
MPT Operating Partnership LP / MPT Finance Corp
Goodyear Tire & Rubber Co/The
FMG Resources August 2006 Pty Ltd
Faurecia SE
Level 3 Financing Inc
Total

Sector	%
Communications	1.89
Communications	1.49
Communications	1.49
Communications	1.40
Consumer Non Cyclical	1.38
REITS	1.28
Consumer Cyclical	1.21
Basic Industry	1.19
Consumer Cyclical	1.17
Communications	1.16
Total	13.66

Characteristics

	Fund	Index
Rating	BA2/BA3	BA3/B1
Option Adjusted Modified Duration (years)	3.7	3.9
Maturity (years)	4.7	4.9
Yield to Worst (% , Hedged)	3.8	5.0
Green Bonds (% , Weighted)	2.5	1.9

ESG integration policy

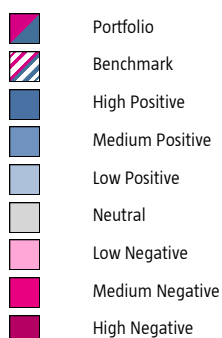
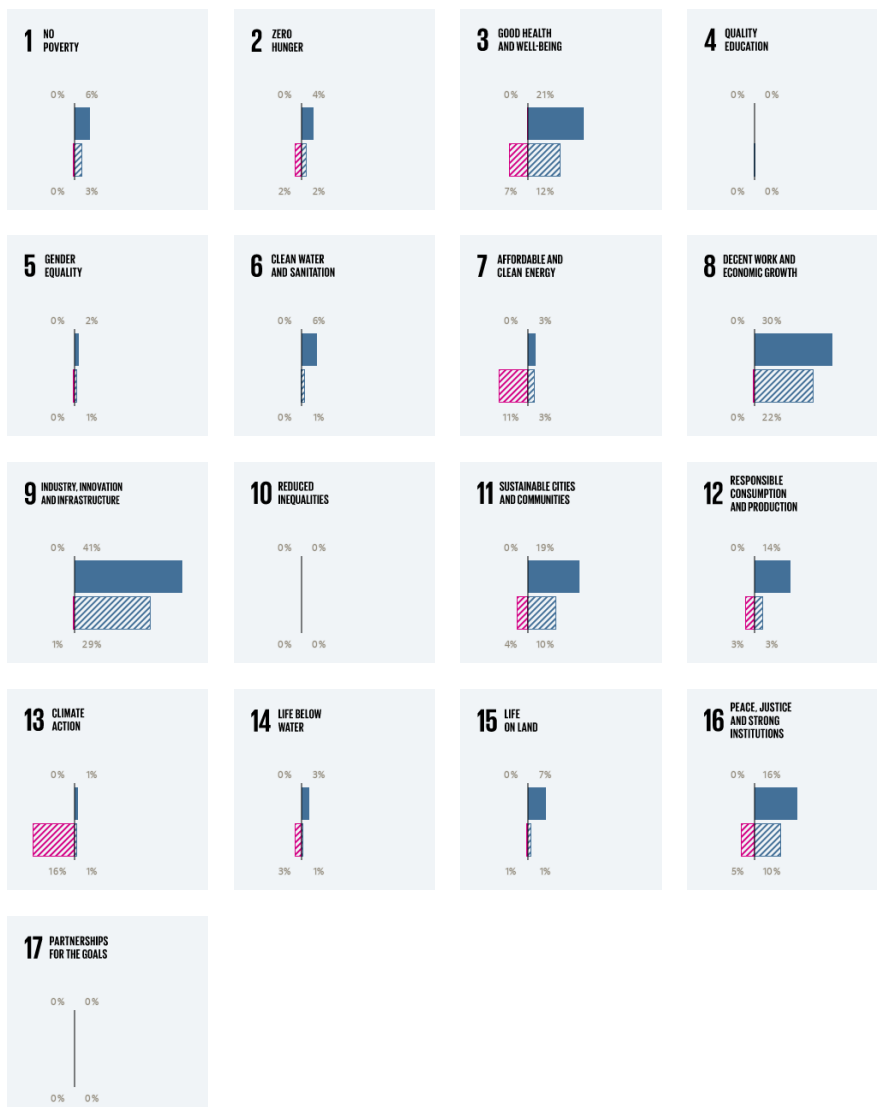
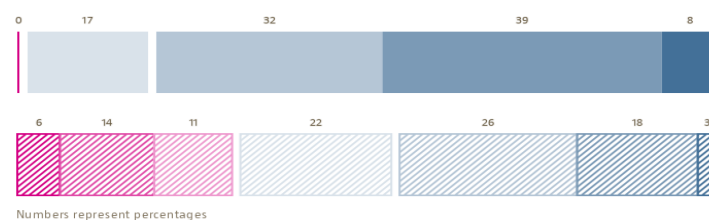
In the RobecoSAM SDG High Yield strategy we look for investments with a positive societal impact, whilst generating healthy financial returns. We define impact as an alignment with the UN Sustainable Development Goals (SDGs). We identify and evaluate the impact that specific credits have on the SDGs, and score all the issuers under coverage of the analyst team. These scores categorize credits as having either a Positive, Neutral, or Negative impact on the SDGs. The scores are then used in a screening process, to define the investable universe that exclude credits with a Negative impact on the SDGs. In addition to the universe screening, our credit analysts integrate ESG factors in their analysis of the companies fundamental credit quality.

SDG Contribution

The SDG score shows to what extent the portfolio and the benchmark contribute to the 17 UN Sustainable Development Goals (SDGs). Scores are assigned to each underlying company using the Robeco SDG Framework, which utilizes a three-step approach to calculate a company's contribution to the relevant SDGs. The starting point is an assessment of the products offered by a company, followed by the way in which these products are produced, and finally whether the company is exposed to any controversies. The outcome is expressed in a final score which shows the extent to which a company impacts the SDGs on a scale from highly negative (dark red) to highly positive (dark blue).

The bar shows the aggregate percentage exposure of the portfolio and the benchmark (shaded) to the different SDG scores. This is then also split out per SDG. As a company can have an impact on several SDGs (or none), the values shown in the report do not sum to 100%. More information on Robeco's SDG Framework can be found at: <https://www.robeco.com/docm/docu-robeco-explanation-sdg-framework.pdf>

SDG Contribution



Sector allocation

Overweights are in less cyclical sectors such as paper, packaging, consumer products and telecom. The fund also holds a sizable overweight in the banking sector. By far the largest underweight is in the energy sector. Other underweights are in aerospace, (Chinese) property developers, metals & mining, transportation through our SDG framework, as well as retail and pharma/healthcare from a fundamental approach.

Sector allocation		Deviation index	
Communications	19.7%	3.6%	
Capital Goods	16.1%	7.8%	
Consumer Non Cyclical	12.5%	-0.6%	
Basic Industry	11.7%	5.3%	
Consumer Cyclical	11.0%	-7.8%	
Banking	7.5%	2.6%	
Technology	4.7%	-0.2%	
Insurance	2.5%	0.4%	
Transportation	2.2%	-1.0%	
Financial Other	1.8%	-1.7%	
Utility Other	1.4%	1.0%	
Other	4.5%	-13.8%	
Cash and other instruments	4.4%	4.4%	

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 index	
U.S. Dollar	55.1%	-21.4%	
Euro	40.5%	19.5%	
Pound Sterling	3.2%	0.8%	
Swedish Kroner		0.0%	

Duration allocation

RobecoSAM SDG High Yield Bonds does not pursue an active duration policy. HY bonds tend to have a limited effective sensitivity to underlying moves in government bond yields. In our 0-duration share classes, the underlying rate risk is hedged to 0- to 6-month duration.

Duration allocation		Deviation index	
U.S. Dollar	2.7	-0.4	
Euro	0.8	0.1	
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, consisting of former rising stars that still trade at attractive spread levels and some EM issuers with IG ratings.

Rating allocation		Deviation index	
A	0.5%	0.5%	
BAA	9.5%	9.5%	
BA	59.7%	3.6%	
B	21.9%	-10.9%	
CAA	3.9%	-5.9%	
CA		-0.2%	
C		-0.3%	
NR	0.1%	-0.7%	
Cash and other instruments	4.4%	4.4%	

Country allocation

Country risk analysis is incorporated in our proprietary credit research, but we do not implement any specific top-down country policy in the portfolio. We have a slight preference for Europe versus the United States based on fundamentals and valuations.

Country allocation		Deviation index	
United States	45.1%	-16.4%	
France	7.9%	4.7%	
Germany	5.7%	2.2%	
United Kingdom	4.0%	-0.6%	
Italy	3.7%	-0.6%	
Brazil	3.7%	1.5%	
Netherlands	3.1%	1.7%	
Belgium	2.0%	1.8%	
Canada	2.0%	-0.3%	
Spain	1.9%	-0.3%	
India	1.6%	0.9%	
Other	14.9%	0.9%	
Cash and other instruments	4.4%	4.4%	

Investment policy

RobecoSAM SDG High Yield Bonds is an actively managed fund that invests in global corporate bonds. The selection of these bonds is based on fundamental analysis. The fund's objective is to provide long term capital growth. The fund has sustainable investment as its objective within the meaning of Article 9 of the European Sustainable Finance Disclosure Regulation. The fund advances the UN Sustainable Development Goals (SDGs) by investing in companies whose business models and operational practices are aligned with targets defined by the 17 UN SDGs. The fund integrates ESG (Environmental, Social and corporate Governance) in the investment process, applies an exclusion list basis controversial behavior, products (including controversial weapons, tobacco, palm oil and fossil fuel) while avoiding investment in thermal coal, weapons, military contracting and companies that severely violate labor conditions, next to engagement. The fund invests in high yield corporate bonds with a sub-investment grade rating, with a structural bias to the higher rated part in high yield. The portfolio is built on the basis of the eligible investment universe and the relevant SDGs using an internally developed framework about which more information can be obtained via the website www.robeco.com/si. 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, whilst still controlling relative risk through the applications of limits (on currencies and issuers) to the extent of deviation from the Benchmark. This will consequently limit the deviation of the performance relative to the Benchmark. The Benchmark is a broad market weighted index that is not consistent with the sustainable objective of the fund.

Fund manager's CV

Sander Bus is Co-Head of the Credit team and Lead Portfolio Manager Global High Yield Bonds. He has been dedicated to High Yield at Robeco since 1998. Previously, Sander worked for two years as a Fixed Income Analyst at Rabobank where he started his career in the industry in 1996. He holds a Master's in Financial Economics from Erasmus University Rotterdam and is a CFA® charterholder. Christiaan Lever is Portfolio Manager High Yield in the Credit team. Before assuming this role in 2016, he was Financial Risk Manager at Robeco, focusing on market risk, counterparty risk and liquidity risk within fixed income markets. Christiaan has been active in the industry since 2010. He holds a Master's in Quantitative Finance and in Econometrics from Erasmus University Rotterdam.

Team info

RobecoSAM SDG High Yield Bonds is managed within Robeco's credit team, which consists of nine portfolio managers and twenty-three credit analysts. The portfolio managers are responsible for the construction and management of the credit portfolios, whereas the analysts cover the team's fundamental research. Our analysts have long term experience in their respective sectors which they cover globally. Each analyst covers both investment grade and high yield, providing them an information advantage and benefiting from inefficiencies that traditionally exist between the two segmented markets. Furthermore, the credit team is supported by three dedicated quantitative researchers and four fixed income traders. On average, the members of the credit team have an experience in the asset management industry of seventeen years, of which eight years with Robeco.

Fiscal product treatment

The fund is established in Luxembourg and is subject to the Luxembourg tax laws and regulations. The fund is not liable to pay any corporation, income, dividend or capital gains tax in Luxembourg. The fund is subject to an annual subscription tax ('tax d'abonnement') in Luxembourg, which amounts to 0.01% 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

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