ROBECO

Factsheet | Figures as of 30-09-2023

Robeco Financial Institutions Bonds Feeder Fund - zero duration I EUR

The actively managed fund is a feeder Fund (the "Feeder Fund") and as such invests at least 85% of its assets in class Z2H shares of Robeco Capital Growth Funds SICAV - Robeco Financial Institutions Bonds ("the Master").The Master invests mainly in subordinated eurodenominated bonds issued by financial institutions and similar nongovernment fixed income securities. The selection of these bonds is based on fundamental analysis.The fund's objective is to provide long term capital growth. The Feeder Fund uses derivatives to hedge the duration of the Master. The duration hedge will lead to intended performance differences between the Feeder Fund and the Master. Interest rate movements will have a different effect on the Master and the Feeder Fund.

Jan Willem de Moor
Fund manager since 16-05-2011

Performance

	Fund
1 m	0.80%
3 m	2.06%
Ytd	4.13%
1 Year	10.04%
2 Years	-0.33%
3 Years	1.67%
5 Years	1.63%
Since 04-2018	1.04%

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
2022	-4.39%
2021	1.99%
2020	1.46%
2019	8.97%
2020-2022	-0.36%

Annualized (years)

Index

Bloomberg Euro Aggregate Corporates Financials Subordinated 2% Issuer Cap

General facts

Type of fund	Bonds
Currency	EUR
Total size of fund	EUR 541,172
Size of share class	EUR 32,687
Outstanding shares	309
1st quotation date	26-04-2018
Close financial year	31-12
Ongoing charges	0.48%
Daily tradable	Yes
Dividend paid	No
Ex-ante tracking error limit	0.80%
Management company	Robeco Institutional Asset Management B.V.

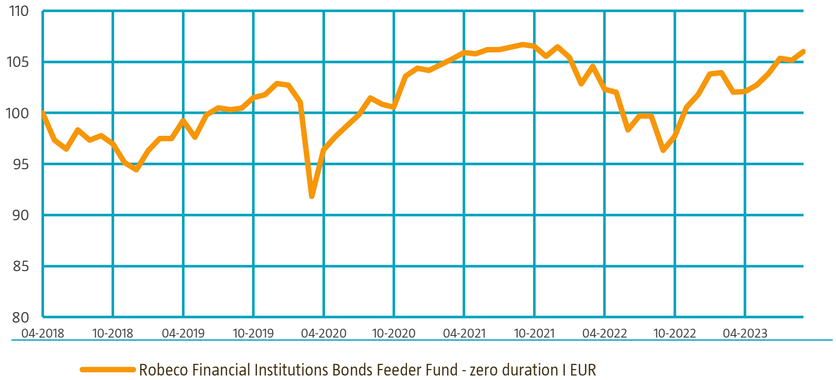
Sustainability profile

Exclusions
ESG Integration
Engagement

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

Performance

Indexed value (until 30-09-2023) - Source: Robeco



Performance

Based on transaction prices, the fund's return was 0.80%.
The average index spread ended the month at 269 basis points, 6 basis points tighter than at the end of August. The index excess return of subordinated bonds over underlying government bonds was therefore positive, at 0.5%. The performance of the underlying portfolio, measured gross of fees, was a bit better than that of the index. The portfolio had a beta overweight position during the month, which contributed positively, as the asset class had a positive excess return over government bonds. The contribution of individual issuer selection was flat in September. Insurance CoCos underperformed an a risk-adjusted basis, while bank CoCos performed in line. Looking at individual names, the largest positive contributors to the relative performance were Erste Bank, Crédit Mutuel, Mapfre and LeasePlan. Our holdings in Deutsche Bank, ASR, Sabadell and BPCE were the largest detractors from performance.

Market development

Credit spreads tightened in the first 2.5 weeks of September, but widened during the last week of the month. Overall, spreads still ended the month a bit tighter than at the end of August. Concerns on inflation remained at the forefront, especially after oil prices surpassed USD 90 per barrel after continued voluntary production cuts by Saudi Arabia and Russia. The ECB delivered yet another 25 bps hike, bringing the deposit rate to a record high of 4.0%. Meanwhile, both the Fed and the BoE delivered a hawkish pause. Yields not only moved higher across the curve, but there was also a clear curve steepening. New issue activity was limited in September, with Generali being the only company issuing a new benchmark-eligible bond. We did not buy this new 10-year green Tier-2 bond, as we thought that the spread was not very compelling. Intesa issued a new AT1 CoCo on the last day of August. We participated in this new deal, as we thought that the 9.125% coupon was attractive. Erste Bank issued a new AT1 CoCo too, but we saw more value in the existing CoCos. We participated in a new senior bond issued by mBank, the Polish subsidiary of Commerzbank, paying 8.375% for a 4-year bond.

Expectation of fund manager

Consensus views in the market have changed from a high likelihood of a recession to a most likely soft landing; at least in the US. Investor positioning has shifted accordingly over the summer. We argue that this is precisely the time to remain cautious. Economic laws have always applied, and this time should be no different. Historically, significant monetary tightening cycles have always resulted in a recession, only the time lag has differed. And this has been the sharpest rate rise in decades. Higher interest rates will soon start to bite the lower-rated companies and probably result in decompression between investment grade and high yield. Once central banks are finished hiking rates and rate volatility decreases, investment grade markets may well prove to be an attractive asset class compared to more risky assets. Therefore, we favor investment grade over high yield. Banks benefit from the higher rates environment via improved interest margins. Senior banking paper continues to trade wider than historical averages and as a result of the Credit Suisse problems in March, this is equally true of banking AT1 paper.

Top 10 largest positions

The underlying fund has a benchmark that caps benchmark weights at 2%. For diversification reasons, actual individual positions will be limited to 3% at max. Holdings typically consist of exposures to large and strong banks and insurance companies.

Fund price

30-09-23	EUR	105.79
High Ytd (20-09-23)	EUR	106.11
Low Ytd (20-03-23)	EUR	97.84

Fees

Management fee	0.35%
Performance fee	None
Service fee	0.12%

Legal status

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

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

This fund is a subfund of the Robeco (LU) Funds III, SICAV

Registered in

Austria, Belgium, France, Germany, Italy, Luxembourg, Netherlands, 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

This share class of the fund does not distribute dividend.

Derivative policy

The Feeder Fund uses derivatives to hedge the duration of the Master. The duration hedge will lead to intended performance differences between the Feeder Fund and the Master. Interest rate movements will have a different effect on the Master and the Feeder Fund.

Fund codes

ISIN	LU1734222885
Bloomberg	ROBFFIH LX
Valoren	39474947

Top 10 largest positions

Holdings	Sector	%
Erste Group Bank AG	Financials	2.94
ASR Nederland NV	Financials	2.92
Raiffeisen Bank International AG	Financials	2.90
Deutsche Bank AG	Financials	2.87
CaixaBank SA	Financials	2.85
Ageas SA/NV	Financials	2.85
ING Groep NV	Financials	2.81
ELM BV for Helvetia Schweizerische Versicherungsge	Financials	2.80
Societe Generale SA	Financials	2.61
Mapfre SA	Financials	2.58
Total		**28.13**

Statistics

	3 Years	5 Years
Sharpe ratio	0.30	0.29
Standard deviation	5.29	6.76
Max. monthly gain (%)	3.15	5.03
Max. monthly loss (%)	-3.71	-9.06

Above mentioned ratios are based on gross of fees returns

Characteristics

	Fund
Rating	BAA1/BAA2
Option Adjusted Modified Duration (years)	0.0
Maturity (years)	0.6
Yield to Worst (%, Hedged)	6.8

Sector allocation

The underlying fund only invests in financials – excess cash may be invested in (German) government bonds.

Sector allocation	
Financials	88.1%
Treasuries	4.3%
Agencies	0.8%
Cash and other instruments	6.7%

Currency denomination allocation

The underlying fund is allowed to invest in currencies other than euros. Approx. 3.5% of the fund is invested in bonds issued in pound sterling and US dollars. All foreign currency exposures are hedged.

Currency denomination allocation	
Euro	89.9%
U.S. Dollar	1.8%
Pound Sterling	1.6%

Duration allocation

In the feeder, the duration of the underlying portfolio is hedged to reduce interest rate sensitivity.

Duration allocation

Rating allocation

The underlying fund does not follow an active rating strategy – the current rating allocation is a result of bottom-up bond selection. The underlying fund is allowed to invest in high yield and around 16% of the portfolio is currently invested in high yield-rated bonds.

Rating allocation	
AAA	4.3%
A	12.4%
BAA	61.3%
BA	14.9%
B	0.3%
Cash and other instruments	6.7%

Country allocation

Country allocation is to a large extent bottom-up driven. We are underweight in French banks, as spreads are tight. The largest overweight can be found in Spanish banks.

Country allocation	
Netherlands	17.9%
France	14.6%
Spain	11.1%
Germany	9.8%
United Kingdom	8.3%
Austria	6.7%
Belgium	5.9%
Switzerland	5.5%
Denmark	2.7%
Australia	2.2%
Finland	2.1%
Other	6.3%
Cash and other instruments	6.7%

Subordination allocation

About 72% of the underlying portfolio is invested in Tier-2 debt: 44% is invested in Tier-2 bonds issued by banks and 28% in Tier-2 bonds issued by insurance companies. About 15% of the underlying portfolio is invested in Tier-1 debt, of which bank Tier-1 CoCo bonds represent about 12%. On top of the bank CoCo bonds, we hold around 4% in insurance CoCo bonds. The exposure to senior bonds mainly consists of German Bunds, though we also hold senior bank bonds issued by Permanent TSB Group and mBank. The categories hybrid and subordinated contain subordinated debt issued by insurance companies.

Subordination type allocation	
Tier 2	68.9%
Tier 1	14.4%
Senior	6.3%
Hybrid	3.4%
Subordinated	0.2%
Cash and other instruments	6.7%

Investment policy

The actively managed fund is a feeder Fund (the "Feeder Fund") and as such invests at least 85% of its assets in class Z2H shares of Robeco Capital Growth Funds SICAV - Robeco Financial Institutions Bonds ("the Master").The Master invests mainly in subordinated eurodenominated bonds issued by financial institutions and similar nongovernment fixed income securities. The selection of these bonds is based on fundamental analysis.The fund's objective is to provide long term capital growth. Through its investment in the Master, the fund promotes E&S (i.e. Environmental and Social) characteristics within the meaning of Article 8 of the European Sustainable Finance Disclosure Regulation, integrates sustainability risks in the investment process and applies Robeco's Good Governance policy. The fund applies sustainability indicators, including but not limited to, normative, activity-based and region-based exclusions, and engagement. The Feeder Fund uses derivatives to hedge the duration of the Master. The duration hedge will lead to intended performance differences between the Feeder Fund and the Master. Interest rate movements will have a different effect on the Master and the Feeder Fund. The Master aims to outperform the Benchmark by taking positions that deviate from the Benchmark. The Master 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 ESG characteristics promoted by the fund.

Fund manager's CV

Jan Willem de Moor is Portfolio Manager Investment Grade in the Credit team. Prior to joining Robeco in 2005, he worked at the Dutch Medical professionals' pension fund as an Equity Portfolio Manager and at SNS Asset Management as an Equity Portfolio Manager. Jan Willem has been active in the industry since 1994. He holds a Master's in Economics from Tilburg University.

Team info

The Robeco Financial Institutions Bonds fund is managed within Robeco's credit team, which consists of nine portfolio managers and twenty-three credit analysts (of which four financials 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 dedicated quantitative researchers and 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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