ROBECO

Factsheet | Figures as of 28-02-2022

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	-2.48%
3 m	-2.55%
Ytd	-3.41%
1 Year	-1.79%
2 Years	0.88%
3 Years	1.79%
Since 04-2018	0.68%

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	1.99%
2020	1.46%
2019	8.97%
2019-2021	4.08%

Annualized (years)

Index

Bloomberg Euro Aggregate Corporates Financials Subordinated 2% Issuer Cap

General facts

Morningstar	★★★
Type of fund	Bonds
Currency	EUR
Total size of fund	EUR 1,851,397
Size of share class	EUR 283,629
Outstanding shares	2,764
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.

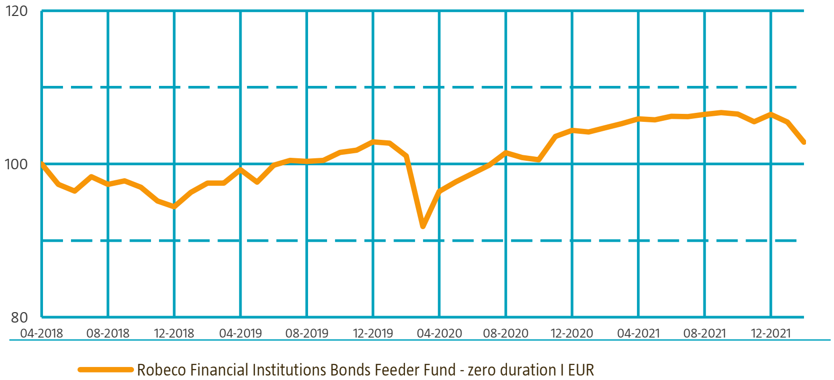
Sustainability profile

- Exclusions
- ESG Integration
- Engagement

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

Performance

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



Performance

Based on transaction prices, the fund's return was -2.48%.
The index return for European subordinated financial debt was -3.2% in February. Credit spreads widened 69 basis points to 243 basis points, which means that the spread return of subordinated financial debt amounted to -2.8%. Underlying government bond yields rose, contributing negatively to the total market return. The portfolio return was in line with that of the index in February. The top-down market beta in the portfolio was just below 1. The performance impact of this position was positive. Issuer selection made a contribution that was just negative. The portfolio benefited from sterling exposure, as this market widened less than the euro market. Looking at individual names, the most negative contribution came from Raiffeisen Bank, an Austrian bank with activities in Eastern Europe and in Russia. The worst-case outcome for this bank would be a scenario in which it walks away from the Russian operations. The bank has enough capital to withstand such a situation. We decided to hold on to the position.

Market development

February was a month of two halves for markets. The first half was dominated by central banks being forced to embark upon a much more aggressive tightening cycle than anticipated, especially as inflation continued to surprise on the upside. In this first half we saw a gradual widening of credit spreads and a continued increase in government bond yields. In the second half, we saw a massive risk-off move prompted by the reality of Russia's invasion of Ukraine, which in turn triggered severe sanctions on Russia. The market impact of these actions was large across multiple asset classes and the corporate bond market was no exception. Specifically for subordinated bonds of banks and insurance companies, the underperformance of banks exposed to Russia was clear. For most European banks exposures to Russia and Ukraine are small, exceptions are Raiffeisen Bank (RBI), UniCredit and SocGen. Of these three, RBI is clearly most exposed. Both Tier 2 bonds and CoCos of this bank declined by more than 15 points in February. In the fund we have a small position in RBI CoCos, most of our holding is in Tier 2 bonds.

Expectation of fund manager

Last month, we already noted that it was difficult to have a good understanding of the economic growth trajectory for 2022, but developments over the last weeks have certainly made the uncertainty even bigger. Where it seemed clear that central banks would be hitting the brakes this year to prevent inflation becoming sticky, now these central banks will also need to take into account that the current energy shock might have a negative impact on economic growth, especially in Europe. We do expect that central banks will continue their gradual tightening path, but they will certainly act with more caution. Credit spreads have seriously widened in the past month, which means that spreads for subordinated financials are now back to the peak levels of December 2018. We think that at these levels a lot of negative news is priced in and we do not mind having a beta that is a bit above one. One of the drivers of wider credit spreads has been the general widening of European swap spreads. To position the fund for a retracement back to more normal levels, we decided to enter a long position in European swap spreads.

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

28-02-22	EUR	102.63
High Ytd (04-01-22)	EUR	106.28
Low Ytd (28-02-22)	EUR	102.63

Fees

Management fee	0.35%
Performance fee	None
Service fee	0.12%
Expected transaction costs	0.30%

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	%
AXA SA	Financials	2.91
NN Group NV	Financials	2.82
BNP Paribas Cardif SA	Financials	2.77
La Mondiale SAM	Financials	2.62
Argentum Netherlands BV for Swiss Life AG	Financials	2.56
ASR Nederland NV	Financials	2.55
Raiffeisen Bank International AG	Financials	2.55
CNP Assurances	Financials	2.54
Banque Federative du Credit Mutuel SA	Financials	2.44
Ageas SA/NV	Financials	2.43
Total		**26.19**

Statistics

	3 Years
Sharpe ratio	0.38
Standard deviation	7.23
Max. monthly gain (%)	5.03
Max. monthly loss (%)	-9.06

Above mentioned ratios are based on gross of fees returns

Characteristics

	Fund
Rating	BAA1/BAA2
Option Adjusted Modified Duration (years)	0.1
Maturity (years)	2.8
Yield to Worst (%, Hedged)	2.1

Sustainability

The fund incorporates sustainability in the investment process via exclusions, ESG integration and engagement. The fund does not invest in credit issuers that are in breach of international norms or where activities have been deemed detrimental to society following Robeco's exclusion policy. Financially material ESG factors are integrated in the bottom-up security analysis to assess the impact on the issuer's fundamental credit quality. In the credit selection the fund limits exposure to issuers with an elevated sustainability risk profile. Lastly, where issuers are flagged for breaching international standards in the ongoing monitoring, the issuer will become subject to engagement.

Sector allocation

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

Sector allocation	
Financials	86.8%
Treasuries	5.2%
Cash and other instruments	8.0%

Currency denomination allocation

The underlying fund is allowed to invest in currencies other than euros. Approximately 5% of the underlying fund is invested in bonds issued in pound sterling and US dollar. All foreign currency exposures are hedged.

Currency denomination allocation	
Euro	94.6%
Pound Sterling	3.4%
U.S. Dollar	2.0%

Duration allocation

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

Duration allocation	
Euro	0.2

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 14% of the portfolio is currently invested in high yield-rated bonds.

Rating allocation	
AAA	5.2%
A	16.9%
BAA	56.9%
BA	11.2%
B	1.7%
Cash and other instruments	8.0%

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	
France	18.8%
Netherlands	14.4%
Germany	9.6%
Spain	9.6%
Switzerland	7.1%
United Kingdom	4.8%
Italy	4.7%
Austria	4.0%
Belgium	3.4%
Denmark	3.3%
Finland	2.9%
Other	9.3%
Cash and other instruments	8.0%

Subordination allocation

About 77% of the underlying portfolio is invested in Tier 2 debt: 38% is invested in Tier 2 bonds issued by banks and 39% in Tier 2 bonds issued by insurance companies. About 11% of the portfolio is invested in Tier 1 debt, of which bank Tier 1 CoCo bonds represent about 6%. On top of the bank CoCo bonds, we hold close to 3% in insurance CoCo bonds. The exposure to senior bonds mainly consists of German Bunds, though we also hold senior bank bonds issued by BCP. The categories hybrid and subordinated contain subordinated debt issued by insurance companies.

Subordination type allocation	
Tier 2	72.1%
Tier 1	10.2%
Senior	6.3%
Hybrid	3.2%
Subordinated	0.2%
Cash and other instruments	8.0%

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 aims for a better sustainability profile compared to the Benchmark by promoting certain ESG (i.e. Environmental, Social and corporate Governance) characteristics within the meaning of Article 8 of the European Sustainable Finance Disclosure Regulation and integrating ESG and sustainability risks in the investment process. In addition, the fund applies an exclusion list on the basis of controversial behavior, products (including controversial weapons, tobacco, palm oil and fossil fuel) and countries, next to 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

Mr. de Moor is a Senior Portfolio Manager and a member of the Credit team. Prior to joining Robeco in 2005, Mr. de Moor was employed by SBA Artsenpensioenfondsen as Senior Portfolio Manager Equities for six years. Before that, he worked at SNS Asset Management holding positions of Portfolio Manager Equities (three years) and Research Analyst (two years). Jan Willem de Moor started his career in the Investment Industry in 1994. He holds a Master's degree 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

Disclaimer

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