

Robeco European High Yield Bonds IH EUR

Robeco European High Yield Bonds is an actively managed fund that invests in bonds with a sub-investment grade rating, issued primarily by European and US issuers. The selection of these bonds is based on fundamental analysis. The fund's objective is to provide long-term capital growth. The portfolio is broadly diversified, with a structural bias towards the higher rated part in high yield (BB/B). Performance drivers are the top-down beta positioning as well as bottom-up issuer selection.



Roeland Moraal, Sander Bus
Fund manager since 03-10-2005

Performance

	Fund	Index
1 m	-3.01%	-2.74%
3 m	-3.98%	-3.40%
Ytd	-4.64%	-4.20%
1 Year	-2.85%	-1.89%
2 Years	0.74%	1.75%
3 Years	2.07%	2.55%
5 Years	2.27%	2.40%
10 Years	4.98%	5.29%
Since 10-2005	5.72%	5.60%

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.

Performance

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



Calendar year performance

	Fund	Index
2021	2.57%	3.51%
2020	1.79%	2.33%
2019	11.20%	10.68%
2018	-2.95%	-3.59%
2017	6.17%	5.94%
2019-2021	5.10%	5.44%
2017-2021	3.65%	3.67%

Annualized (years)

Index

Bloomberg Pan-European HY Corporate ex Financials 2.5% Issuer Constraint index

General facts

Morningstar	★★★★★
Type of fund	Bonds
Currency	EUR
Total size of fund	EUR 421,772,856
Size of share class	EUR 294,505,794
Outstanding shares	1,185,806
1st quotation date	03-10-2005
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
- ESG Integration
- Engagement

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

Performance

Based on transaction prices, the fund's return was -3.01%.

The European HY bond index delivered a total return of -2.75% in February, which is the second consecutive month of negative returns. Excess returns were -2.43%, where underlying sovereign rates widened, detracting another 0.25% from total returns. The fund underperformed its benchmark by 21 bps. Our underweight beta contribution was positive by 4 bps, as spreads widened for the month. Issuer selection was negative and detracted 24 bps. Our quality bias, overweighting BBs versus an underweight in Bs and CCCs, did not contribute positively, as higher rating categories underperformed on a risk-adjusted basis. Our underweight in single Bs detracted 19 bps. The lack of liquidity and stale pricing are the main reasons why lower quality outperformed. Being underweight communications was the largest detractor on a sector level (-14 bps). On an issuer level, we benefited from not owning Wintershall (Russian shareholder), adding 3 bps. Our overweights in Selecta Group (5 bps) and Consen Energy (2 bps) were the other winners for the month. We lost some relative performance with our overweights in Primo Water (-3 bps) and ZFF (-3 bps), and underweights in EDP (-4 bps), Telecom Italia (-4 bps) and Altice (-2 bps).

Market development

European high yield bonds continued their 2022 slump, posting another loss in February after an already a weak start of the year. Markets were anticipating an aggressive pace of interest rate hikes by the Fed in response to increasing inflationary pressures. A volatile 10-year US Treasury yield that rose above the 2% for the first time in 3 years and 10-year Bund yields also for the first time back in positive territory since 2019. In Europe, geopolitical tensions reached new highs with Russia's unexpected and aggressive invasion of Ukraine. The Western world responded by imposing fierce economic sanctions on Russia. Next to the devastating effects of the war on innocent lives, the economic implications will have major consequences as well. The reaction in the high yield market was rather muted compared to equities and commodities. Commodity prices continued to go up, where a barrel of oil surpassed the magic threshold of USD 100. This effect was also visible in European natural gas futures that accelerated to all-time highs. The primary market was very soft on the back of these increased risk factors. Euro high yield spreads widened 78 bps and are now at 427 bps with an average yield of 4.38%

Expectation of fund manager

The world has probably changed for the worse after the invasion of Ukraine. So far, markets have been enjoying the economic recovery fueled by the reopening of economies and central banking stimulus. How to deal with rising inflation and whether or not this is transitory has been the main rhetoric in the market. Now, there is growing consensus that an extended period of aggravated geopolitical tensions and elevated commodity prices will persist, leading to an even stickier inflation figure. The jury is still out on whether we will have economic growth after all the imposed sanctions and repercussions. Will we put an end to our Russian natural gas dependency? Will this lead to stagflation in Europe and the US? Central banks were ready to change their trajectory, but how will they react in this new environment? In the past few days, valuations have moved closer to longer-term averages, and opportunities will arise as markets are pricing in a new reality. We are still cautious but looking to increase the beta when we deem that risk premiums are priced in correctly.

Top 10 largest positions

Our top ten holdings consist mostly of BB-rated large caps, in sectors such as telecom & media, packaging and automotive. The telecom sector is highly concentrated, with a number of large issuers. We have a more neutral view on the sector, but this still translates in some sizable outright positions in issuers such as Telefónica and Telecom Italia. A large overweight in media is Netflix, a company we like for its strong content and distribution platform. Packaging and automotive are sectors that we like from a fundamental and relative value perspective. Hence, our large positions in quality names such as Crown Cork, Faurecia and ZF Industries.

Fund price

28-02-22	EUR	249.34
High Ytd (05-01-22)	EUR	261.78
Low Ytd (24-02-22)	EUR	248.75

Fees

Management fee	0.55%
Performance fee	None
Service fee	0.12%
Expected transaction costs	0.00%

Legal status

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

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

Registered in

Austria, Chile, Finland, France, Germany, Ireland, Italy, 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. 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

Robeco European High Yield Bonds make use of derivatives for hedging purposes as well as for investment purposes. These derivatives are very liquid.

Fund codes

ISIN	LU0226955762
Bloomberg	RGCEHBI LX
Sedol	BONMZM9
WKN	AOHGD7
Valoren	2242481

Top 10 largest positions

Holdings

Netflix Inc
ZF Europe Finance BV
Telefonica Europe BV
Cellnex Telecom SA
Vmed O2 UK Financing I PLC
Telecom Italia SpA/Milano
Faurecia SE
Crown European Holdings SA
eircom Finance DAC
IHO Verwaltungs GmbH
Total

Sector	%
Communications	2.49
Consumer Cyclical	2.35
Communications	2.21
Communications	2.20
Communications	2.14
Communications	1.99
Consumer Cyclical	1.83
Capital Goods	1.73
Communications	1.66
Consumer Cyclical	1.33
Total	19.93

Statistics

	3 Years	5 Years
Tracking error ex-post (%)	0.83	0.74
Information ratio	0.17	0.68
Sharpe ratio	0.35	0.46
Alpha (%)	0.26	0.61
Beta	0.95	0.95
Standard deviation	9.15	7.34
Max. monthly gain (%)	6.41	6.41
Max. monthly loss (%)	-12.20	-12.20

Above mentioned ratios are based on gross of fees returns.

Hit ratio

	3 Years	5 Years
Months outperformance	20	38
Hit ratio (%)	55.6	63.3
Months Bull market	25	40
Months outperformance Bull	12	24
Hit ratio Bull (%)	48.0	60.0
Months Bear market	11	20
Months Outperformance Bear	8	14
Hit ratio Bear (%)	72.7	70.0

Above mentioned ratios are based on gross of fees returns.

Characteristics

	Fund	Index
Rating	BA2/BA3	BA3/B1
Option Adjusted Modified Duration (years)	3.7	3.6
Maturity (years)	4.5	4.3
Yield to Worst (% , Hedged)	3.9	4.2
Green Bonds (% , Weighted)	4.1	3.6

Changes

Before April 2009 the benchmark was the Barclays Pan-European High Yield Corporate 2.5% Issuer Cap (Hedged into EUR)

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

Overweights are in less cyclical sectors such as food and packaging, as well as in financials, which is an off-benchmark position. The fund also holds an overweight in the cyclical automotive sector, which trades attractively to other sectors. Underweights are in sectors such as telecom pharma/healthcare and retailers.

Sector allocation		Deviation index	
Communications	20.7%	-3.4%	
Capital Goods	16.2%	5.1%	
Consumer Cyclical	13.7%	-12.2%	
Consumer Non Cyclical	12.2%	-1.3%	
Basic Industry	10.0%	4.4%	
Banking	5.5%	5.5%	
Transportation	5.1%	-2.5%	
Technology	2.5%	-0.9%	
Industrial Other	1.9%	-0.1%	
Insurance	1.7%	1.7%	
Electric	1.3%	-2.0%	
Other	6.0%	2.6%	
Cash and other instruments	3.2%	3.2%	

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 this FX hedging.

Currency denomination allocation		Deviation index	
Euro	92.5%	3.6%	
Pound Sterling	6.9%	-3.8%	
U.S. Dollar	0.8%	0.8%	
Swiss Franc	0.0%	-0.3%	
Swedish Kroner	0.0%	-0.1%	

Rating allocation

The biggest investments are in BB and B bonds. The fund also has positions in a number of investment grade instruments that trade at attractive, high yield-like spreads.

Rating allocation		Deviation index	
BAA	4.1%	4.1%	
BA	58.5%	-0.9%	
B	29.1%	-4.5%	
CAA	4.8%	-2.1%	
NR	0.3%	0.3%	
Cash and other instruments	3.2%	3.2%	

Investment policy

Robeco European High Yield Bonds is an actively managed fund that invests in bonds with a sub-investment grade rating, issued primarily by European and US issuers. 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, alongside engagement. The portfolio is broadly diversified, with a structural bias towards 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 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 and issuers) 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

Roeland Moraal is Lead Portfolio Manager European High Yield in the Credit team. Before assuming this role, he was Portfolio Manager in the Robeco Duration team and worked as an Analyst with the Institute for Research and Investment Services. Roeland started his career in the industry in 1997. He holds a Master's in Applied Mathematics from the University of Twente and a Master's in Law from Erasmus University Rotterdam. 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.

Team info

The Robeco European High Yield fund 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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