

Robeco High Yield Bonds BH EUR

Robeco High Yield Bonds invests in corporate bonds with a sub-investment grade rating, issued primarily by US and European issuers. The portfolio is broadly diversified across circa 250 issuers, with a structural bias to the higher rated part in high yield (BB/B). Performance drivers are the top-down beta positioning as well as bottom-up issuer selection.



Sander Bus
Fund manager since 01-10-2004

Performance

	Fund	Index
1 m	4.00%	2.72%
3 m	-0.52%	-1.77%
Ytd	2.68%	0.00%
1 Year	1.92%	-1.82%
2 Years	3.28%	1.81%
3 Years	4.86%	4.14%
5 Years	6.00%	5.96%
10 Years	6.48%	6.33%
Since 11-1999	6.40%	

Annualized (for periods longer than one year)

Calendar year performance

	Fund	Index
2014	2.82%	2.48%
2013	6.94%	7.47%
2012	16.87%	16.11%
2011	2.37%	3.88%
2010	12.88%	12.88%
2012-2014	8.72%	8.54%
2010-2014	8.23%	8.44%

Annualized (years)

Fund price

31-10-15	EUR	24.15
High Ytd (03-06-15)	EUR	25.35
Low Ytd (30-09-15)	EUR	23.14

Benchmark

Barclays US Corp. HY & Pan Eur. HY. ex Fin. 2.5% Issuer Cap (hedged into EUR)

General facts

Morningstar	★★★★★
Type of fund	Bonds
Currency	EUR
Total size of fund	EUR 4,424,290,746
Size of share class	EUR 58,339,513
Outstanding shares	2,414,715
1st quotation date	23-11-1999
Close financial year	31-12
Ongoing charges	1.17%
Daily tradable	Yes
Dividend paid	Yes
Ex-ante tracking error limit	5.00%
Management company	Robeco Luxembourg S.A.

Fees

Management fee	1.00%
Performance fee	None
Service fee	0.12%

Performance

Indexed value (31-10-2005 - 31-10-2015)



Performance

Based on transaction prices, the fund's return was 4.00%.

In October total returns were very positive, almost the mirror picture of September. The rebound was visible in all sectors but metals & mining and US healthcare. Biggest sector winners were telecom and cable, as well as US chemicals and European automotive. Even US energy rebounded somewhat. Year to date however, both mining and energy are deeply in negative territory still. A number of different company-specific issues kept markets busy, the most prominent of which was pharma giant Valeant. The company is known for its aggressive strategy of spectacular price hikes for drugs it acquires through M&A, and its highly leveraged balance sheet. Currently it is subject of several investigations and allegations, ranging from accounting fraud to potential criminal malpractices in its product selling tactics. Valeant is both one of the biggest issuers in HY and one of the biggest stocks in North America. Its bonds ended the month 5-15 points lower. We never had positions in Valeant, as we deem its aggressive strategy and intransparent accounting as too high a risk.

Market development

Global High Yield rebounded as sharply in October as it lost ground in September. Total returns of 2.7% for the benchmark exactly erased the losses from the previous month. After a prolonged period of weakness with yields and spreads having risen to fresh highs for the year, investors seemed ready to take some risk on board again. Decent macro figures from Europe, a Fed rate hike deferral and further easing signals from the ECB proved the right mix for investors to step back in. Fund flows turned heavily positive, after many months of outflows out of US funds. Of course, there were still some individual difficult stories to digest, like the continuing Volkswagen saga and the focus on potential malpractices at pharma giant Valeant. Overall however, spreads declined by some 50bps to around 540, with yields falling to just over 7%.

Expectation of fund manager

The Chinese economy is cooling off despite strong fiscal and monetary stimuli. This is leading to collateral damage across the globe, especially in emerging markets and commodity-dependent countries. We expect to see much restructuring and many defaults in the commodity space, and stick to our very cautious stance there, avoiding all but the highest-quality issuers. The US economy, after seven years of expansion, is showing signs of fatigue amplified by the strong USD and its commodity exposure. Pressured earnings have driven corporates to be more shareholder focused, resulting in the meaningful re-leveraging of balance sheets. Meanwhile, Europe's economy is still improving, supported by the ECB in full quantitative easing mode. European companies are behaving more conservatively and refraining from taking re-leveraging action. We therefore continue to have a clear preference for European HY over US HY. After the very strong performance in October, spreads have fallen to levels closer to the long run average, which we think is fair compensation. Our portfolio beta is close to 1.

SI fund classification

	Yes	No	N/A
Engagement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ESG Integration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Exclusion	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Top 10 largest positions

The top ten positions are dominated by US health care, European telecom and consumer-related sectors. The big US hospital chains are among the largest HY issuers in our benchmark. We favor these companies because of the stability of their earnings, their high margins and the favorable regulatory environment. European cable is another sector we favor for very similar reasons. We also have a tilt toward the recovery of the consumer, visible in more cyclical and/or consumer-oriented names like homebuilder DR Horton, retailer Limited Brands, car rental company Avis and car maker Fiat-Chrysler.

Legal status

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

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

Registered in

Belgium, Chile, Germany, 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 distributes dividend on a quarterly basis. This fund aims to pay a quarterly dividend of 1.5%. The dividends referred to are target dividends and may be subject to change as a result of market conditions.

Derivative policy

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

Fund codes

ISIN	LU0454740118
Bloomberg	ROBHYBE LX
Sedol	B8S12N7
WKN	AOYH6B

ESG integration policy

The prime goal of integrating ESG factors in our analysis is to strengthen our ability to assess the downside risk of our credit investments. Our analysts include RobecoSAM sustainability data and use external sources to make an ESG assessment as a part of the fundamental analysis.

Top 10 largest positions

Holding	Sector	%
Fiat Chrysler Automobiles Nv	Consumer Cyclical	2.26
Chs/Community Health Systems I	Consumer Non Cyclical	1.83
Hca Inc	Consumer Non Cyclical	1.77
Sprint Capital Corp	Communications	1.53
Sabine Pass Lng Lp	Energy	1.44
Upcb Finance V Ltd	Communications	1.42
Avis Budget Finance Plc	Transportation	1.28
L Brands Inc	Consumer Cyclical	1.28
Dr Horton Inc	Consumer Cyclical	1.25
Unitymedia Hessen Gmbh & Co Gg	Communications	1.24
Total		15.30

Statistics

	3 Years	5 Years
Tracking error ex-post (%)	1.01	1.16
Information ratio	1.91	1.31
Sharpe ratio	1.39	1.13
Alpha (%)	2.29	1.32
Beta	0.89	1.02
Standard deviation	4.34	6.32
Max. monthly gain (%)	3.39	6.69
Max. monthly loss (%)	-2.46	-4.71

Above mentioned ratios are based on gross of fees returns.

Hit ratio

	3 Years	5 Years
Months outperformance	23	36
Hit ratio (%)	63.9	60.0
Months Bull market	24	42
Months outperformance Bull	11	23
Hit ratio Bull (%)	45.8	54.8
Months Bear market	12	18
Months Outperformance Bear	12	13
Hit ratio Bear (%)	100.0	72.2

Above mentioned ratios are based on gross of fees returns.

Characteristics

	Fund	Index
Rating	BA2/BA3	B1/B2
Option Adjusted Modified Duration (years)	4.0	4.1
Maturity (years)	6.3	5.1
Yield to Worst (%)	6.6	7.1

Changes

Benchmark changes: Since start - 31/3/2005 Barclays Global High Yield (Hedged into EUR) 1/4/2005 - 30/4/2005 Barclays US Corporate High Yield & Pan European High Yield (Hedged into EUR) 1/5/2005 - 31/3/2009 Barclays US Corporate High Yield & Pan European High Yield 2.5% Issuer Cap (Hedged into EUR) 1/4/2009 - now Barclays US Corporate High Yield & Pan European High Yield ex Financials 2.5% Issuer Cap (Hedged into EUR)

Sector allocation

Overweights are in consumer-related sectors such as food & beverages, health care and retail, but also in chemicals and paper/packaging. We are underweight metals & mining, energy, US telecommunications, and gaming.

Sector allocation		Deviation benchmark	
Communications	16.6%	-6.5%	
Consumer Cyclical	16.3%	-0.7%	
Consumer Non Cyclical	14.7%	0.0%	
Basic Industry	11.6%	3.1%	
Capital Goods	9.3%	-1.7%	
Energy	6.4%	-5.2%	
Electric	3.7%	0.0%	
Transportation	2.6%	0.3%	
Technology	2.6%	-3.4%	
Industrial Other	2.1%	0.3%	
Treasuries	1.8%	1.8%	
Other	4.1%	3.8%	
Cash and Cash Equivalents	8.2%	8.2%	

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 hedging.

Currency denomination allocation		Deviation benchmark	
US Dollar	68.9%	-11.3%	
European Euro	22.9%	7.1%	
United Kingdom Pound Sterling	7.7%	4.1%	
Swiss Franc	0.1%	-0.3%	

Duration allocation

Robeco 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 0-6 months duration.

Duration allocation		Deviation benchmark	
US Dollar	3.3	-0.1	
European Euro	0.6	0.0	
United Kingdom 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, mainly consisting of rising stars (former HY) that still trade at attractive spread levels.

Rating allocation		Deviation benchmark	
AAA	1.8%	1.8%	
AA	0.1%	0.1%	
A	0.7%	0.7%	
BAA	6.6%	6.6%	
BA	41.6%	-2.9%	
B	34.7%	-6.4%	
CAA	5.7%	-8.2%	
CA	0.0%	-0.3%	
C	0.0%	-0.1%	
NR	0.7%	0.5%	
Other	0.0%	0.1%	
Cash and Cash Equivalents	8.1%	8.1%	

Investment policy

Robeco High Yield Bonds invests in corporate bonds with a sub-investment grade rating, issued primarily by US and European issuers. The portfolio is broadly diversified across circa 250 issuers, with a structural bias to 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 fund aims to outperform its index Barclays US Corporate High Yield & Pan European High Yield ex Financials 2.5% Issuer Cap. The index excludes high yield financials based on relatively high systematic risk, and applies an issuer cap to avoid concentration risk. The investment philosophy is based on managing a solid diversified portfolio with a long term view. Top-down beta positioning is based on the outcome of our credit quarterly outlook meeting, in which the team is discussing the fundamental market outlook, valuation of bond markets and market technicals. Bottom-up issuer research is executed by our credit analysts, who execute the fundamental analysis. The analysts research reports are being discussed in approx. 500 credit committees per year. In addition, a proprietary quant issuer selection model is used as an independent performance driver. The portfolio managers are responsible for the portfolio construction. A proprietary developed risk management approach avoids high risk concentration in the portfolio. Holdings in equities can only appear in the portfolio as a result of corporate actions and/or debt restructuring. It is not the intention of the portfolio manager to use options or swaptions. As the investment process is well-structured and proven over time, it contributes to repeatable performance delivery. The Robeco High Yield fund is managed by our credit team which consists of eight portfolio managers and thirteen credit analysts. Within the team, Sander Bus and Roeland Moraal are responsible for high yield. Sander has been involved in the fund since inception in 1998, Roeland joined in 2003. The portfolio managers are responsible for the construction and management of the credit portfolios, whereas the analysts cover the team's fundamental research. Duration of the portfolio is managed in line with the index and currency exposure is hedged.

Fund manager's CV

Mr. Bus is Head of the Credit team and manages our high yield portfolios. Prior to joining Robeco in 1998, Mr. Bus worked for Rabobank as a fixed income analyst for two years. Mr. Bus holds a Master's degree in Financial Economics from Erasmus University, Rotterdam. He became a CFA charter holder in 2003 and is registered with the Dutch Securities Institute. Mr. Bus has been active in the industry since 1996.

Team info

The Robeco High Yield fund is managed within Robeco's credit team, which consists of eight portfolio managers and thirteen 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 sixteen 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 0.05% 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.

Fiscal treatment of investor

The fiscal consequences of investing in this fund depend on the investor's personal situation. For private investors in the Netherlands real interest and dividend income or capital gains received on their investments are not relevant for tax purposes. Each year investors pay on balance 1.2% of the value of their net assets as at 1 January if and inasmuch as such net assets exceed the investor's tax-free allowance. Any amount invested in the fund forms part of the investor's net assets. Private investors who are resident outside the Netherlands will not be taxed in the Netherlands on their investments in the fund. However, such investors may be taxed in their country of residence on any income from an investment in this fund based on the applicable national fiscal laws. Other fiscal rules apply to legal entities or professional investors. We advise investors to consult their financial or tax adviser about the tax consequences of an investment in this fund in their specific circumstances before deciding to invest in the fund.

Morningstar

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