RobecoSAM Climate Global Credits IH EUR

RobecoSAM Climate Global Credits is an actively managed fund that invests mainly in nongovernment bonds all around the world. The selection of these bonds is based on fundamental analysis. The fund's objective is to provide long term capital growth.The fund invests mainly in nongovernment bonds (which may include contingent convertible bonds (also "coco" bonds) and similar nongovernment fixed income securities and asset backed securities from all around the world. The carbon footprint reduction objective will be aligned with the Solactive Paris Aligned Global Corporate Index.

Victor Verberk,Reinout Schapers, Peter Kwaak
Fund manager since 09-12-2020

Current MIFID legislation prevents us from reporting performance data for funds with less than a 12 month track record.

Index

Bloomberg Global Aggregate Corporates Index

General facts

Type of fund	Bonds
Currency	EUR
Total size of fund	EUR 144,613,503
Size of share class	EUR 9,227,885
Outstanding shares	94,000
1st quotation date	09-12-2020
Close financial year	31-12
Ongoing charges	0.53%
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
- ESG Target

Footprint target

↓ Index

- Target Universe

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

The Solactive Paris Aligned Global Corporate Index returned -0.05% (hedged to EUR). The credit spread on the index widened by three basis points to 0.85%. US 10-year bond yields rose from 1.49% to 1.55%, and German 10-year yields rose by 9 basis points to -0.11%.The fund performed worse than the benchmark. Issuer selection detracted from performance, which was partly offset by our short duration position. The biggest laggards came from emerging markets: Braskem SA, Suzano SA and Shimao Group. We reduced our Chinese property exposure throughout the month. We took profit on our cruise liners Carnival Corp and Royal Caribbean Cruises. The fund's carbon emissions continue to be below the Paris Aligned index.

Market development

The volatility in October persisted in several asset classes, except in most credit markets. The US economy continued its recovery from Covid, fueled by pent-up demand, consumer savings, reopening of economies, and further easing of travel restrictions. Volatility was seen in other markets, such as real estate, commodities, and in emerging markets. In China, several real estate developers have failed to repay investors as promised. For example, Fantasia and Modern Land. Evergrande on the other hand has avoided a default for a second time. In Europe, Viceroy accused Adler Group of fraud, dragging down several other highly levered residential names. Oil, gas and electricity prices stayed elevated. Low inventories, shortages in labor and supply bottlenecks are visible in most commodity markets. There was weakness in emerging markets, or more specifically in Brazil, because of the fear of energy shortages. Central banks are increasingly becoming more hawkish, moving away from their accommodative policies, as inflation becomes more anchored than expected. The Fed signaled a potential 2022 rate hike. The ECB confirmed that PEPP would end in March.

Expectation of fund manager

Most likely, the credit market will at best deliver a coupon excess return. A boring year, in other words. We think it is better to be positioned on the cautious side. 'All signs on green' has become the widely shared view for credit, and as a contrarian investor that is a red flag to us. This is a market that no longer compensates for tail risks and which is vulnerable to negative surprises. Confirmation biases rule. Although any other technical factor is dwarfed by what the Fed and ECB are doing, we believe it is still worth looking at other potential market drivers. The marginal change in policy is negative. We are moving from extremely to very accommodative policies. This is not least because, as the initial Covid shock demonstrated, if a left-hand tail surprise is big enough, spreads can still widen materially in the short run – even when QE is already in operation. Given the very low dispersion in markets, it no longer pays to reach out for the riskier names. Nevertheless, we still find opportunities in banks, rising stars and some idiosyncratic cases. Our positioning is consistent across all credit categories.

Top 10 largest positions

In our portfolio management, the most relevant issuer positions are those measured in risk points (weight x spread x duration). Our largest holdings are names in a variety of sectors and countries. Top holdings are for example Electricité de France, HCA Healthcare Inc, Suzano, Fortescue Metals and ZF Friedrichshafen.

Fund price

31-10-21	EUR	98.17
High Ytd (04-01-21)	EUR	100.26
Low Ytd (18-03-21)	EUR	95.80

Fees

Management fee	0.40%
Performance fee	None
Service fee	0.12%
Expected transaction costs	0.21%

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

Belgium, France, Italy, Luxembourg, Netherlands, Spain, Switzerland

Currency policy

All currency risks are hedged.

Risk management

Risk management is fully embedded in the investment process so as to ensure that the fund's positions remain within set limits at all times.

Dividend policy

The fund does not distribute a dividend.

Fund codes

ISIN	LU2258387716
Bloomberg	ROCCIHE LX
Valoren	58900988

Top 10 largest positions

Holdings	Sector	%
AT&T Inc	Industrials	1.97
Banco de Sabadell SA	Financials	1.94
Swedbank AB	Financials	1.80
Citigroup Inc	Financials	1.63
JPMorgan Chase & Co	Financials	1.61
Deutsche Bank AG	Financials	1.59
ABN AMRO Bank NV	Financials	1.47
TSMC Global Ltd	Industrials	1.46
CaixaBank SA	Financials	1.46
Fibria Overseas Finance Ltd	Industrials	1.43
Total		**16.36**

Characteristics

	Fund	Index
Rating	A3/BAA1	A3/BAA1
Option Adjusted Modified Duration (years)	7.4	7.6
Maturity (years)	8.8	9.9
Yield to Worst (%, Hedged)	1.0	1.3
Green Bonds (%, Weighted)	3.8	2.4

Changes

RobecoSAM Climate Global Credits: With effect from 10 March 2021, the benchmark has been changed from Bloomberg Barclays Global Aggregate Corporates Index to Solactive Paris Aligned Global Corporate Index.

ESG integration policy

Climate change considerations are fully integrated in the research process, from an impact and risk perspective. The greenhouse gas emission intensity of issuers is a starting point for determining the impact on climate change, and in our research process we add a forward looking element by assessing the decarbonization potential, strategy and targets of companies. This is to ensure the strategy follows the desired decarbonization trajectory. This may include issuers whose emissions are currently high and that are making an effort to reduce these. Our approach is to invest in companies that allocate capital towards sustainable economic activities. Our analysis of issuers goes beyond the traditional financial factors and includes the issuers' performance on ESG factors. We deem it essential for a well-informed investment decision to take into account those ESG factors that have the potential to materially impact the financial performance of the issuer, including risks stemming from climate change. This perfectly matches the basic need to avoid the losers in credit management, as many credit events in the past can be attributed to issues such as poorly designed governance frameworks, environmental issues, or weak health & safety standards. ESG analysis is fully integrated in the bottom-up security analysis.

Sector allocation

The sector allocation is a combination of bottom-up issuer selection and carbon intensities. The fund is overweight in agencies, basic industries, banking and consumer cyclicals. Our largest underweights are consumer non-cyclicals, capital goods, technology and utilities. Either because carbon intensities are too high, valuations too low or their decarbonizing commitments are not achievable or non-existent. We focus on companies with relatively low GHG emissions, or a credible climate strategy that should lead to a lower carbon footprint in the near future. Examples are renewable champions like Orsted and low-emission sectors such as communications and technology like Charter and Cellnex.

Sector allocation		Deviation index
Industrials	44.2%	-12.0%
Financials	41.6%	4.3%
Utilities	3.7%	-0.6%
Agencies	3.6%	2.0%
Treasuries	2.7%	2.7%
Covered	0.1%	-0.1%
Local Authorities	0.0%	-0.4%
Cash and other instruments	4.2%	4.2%

Currency denomination allocation

The fund has an underweight risk position in USD and GBP cash bonds, and an overweight in EUR cash bonds. The underweight in USD bonds is driven by a combination of a large percentage of carbon intensive issuers from the US and a short CDX position. In percentage weights, the split between euro, dollar and pound is 42%, 41% and 5% respectively. The remainder is held in cash. All currency exposure is hedged back to the Solactive Paris Aligned Global Corporate Index.

Currency denomination allocation		Deviation index
U.S. Dollar	47.7%	-19.0%
Euro	47.2%	19.2%
Pound Sterling	5.3%	0.0%
Japanese Yen	0.0%	0.0%

Duration allocation

The duration of the fund is in line with the index.

Duration allocation		Deviation index
U.S. Dollar	5.5	-0.2
Euro	1.5	0.0
Pound Sterling	0.4	0.0

Rating allocation

The fund is underweight investment grade credits and overweight in BB credits (in DTS terms). BB-rated credits offer better risk reward metrics than investment grade ratings at the moment. We focus on companies with favorable business profiles, strong balance sheets, profitable operating environments and healthy cash flows. For example, Fortescue Metals.

Rating allocation		Deviation index
AAA	5.1%	3.7%
AA	6.6%	-0.9%
A	22.6%	-16.9%
BAA	42.2%	-9.0%
BA	18.3%	17.9%
B	1.0%	1.0%
Cash and other instruments	4.2%	4.2%

Subordination allocation

In the allocation to the capital structure we continue to favor senior bonds over subordinated bonds. The exposure that we do have to subordinated bonds is limited to only positions that have both a good fundamental outlook and a good bond structure.

Subordination type allocation		Deviation index
Senior	74.9%	-18.5%
Tier 2	10.1%	4.5%
Hybrid	7.4%	6.4%
Tier 1	3.4%	3.3%
Cash and other instruments	4.2%	4.2%

Investment policy

RobecoSAM Climate Global Credits is an actively managed fund that invests mainly in nongovernment bonds all around the world. 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 to keep the maximum global temperature rise well-below 2◦ C by reducing the carbon footprint intensity of the portfolio. The fund integrates ESG (i.e. 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 proxy voting and engagement . The fund invests mainly in nongovernment bonds (which may include contingent convertible bonds (also “coco” bonds) and similar nongovernment fixed income securities and asset backed securities from all around the world. The carbon footprint reduction objective will be aligned with the Solactive Paris Aligned Global Corporate Index.Benchmark: Solactive Paris Aligned Global Corporate Index. The fund is managed against a benchmark that is consistent with the sustainable investment objectives pursued by the fund. It aims to align with the Paris Agreement requirements on greenhouse gas emission reduction. For corporate bonds the Benchmark aims to represent the performance of an investment strategy that is aligned with the technical standards for EU Paris Aligned Benchmarks in areas such as exclusions and carbon reduction objectives. The Benchmark differs from a broad market index in that the latter does not take into account in its methodology any criteria for alignment with the Paris Agreement on greenhouse gas emission reduction and related exclusions.

Fund manager's CV

Mr. Verberk is Head and Portfolio Manager Investment Grade Credits since January 2008. Prior to joining Robeco in 2008, Mr. Verberk was CIO with Holland Capital Management. Before that he was employed by Mn Services as Head of Fixed Income and he worked for AXA Investment Managers as Portfolio Manager Credits. Victor Verberk started his career in the investment industry in 1997. Mr. Verberk holds a Master's degree in Business Economics from Erasmus University, Rotterdam and has been a CEFA holder since 1999. Mr. Schapers is Portfolio Manager Emerging Market Credits in the Credit team. Prior to joining Robeco in 2011, Reinout worked at Aegon Asset Management for 5 years where he was a senior portfolio manager high yield credits and was Head of High Yield Europe since 2008. Before that, he worked at Rabo Securities as an M&A associate and at Credit Suisse First Boston as a corporate finance analyst. He holds an Engineering degree in Architecture from the Delft University of Technology. He has been active in the industry since 2003. Peter Kwaak is a Senior Portfolio Manager and a member of the Credit team. Prior to joining Robeco in 2005, Mr. Kwaak was employed by Aegon Asset Management for three years as Credits and High Yield Portfolio Manager and at NIB Capital for two years as Portfolio Manager. Peter Kwaak started his career in the Investment Industry in 1998. Mr. Kwaak is a CFA Charterholder and holds a Master's degree in economics from the Erasmus University Rotterdam. Mr. Kwaak is registered with the Dutch Securities Institute.

Team info

The RobecoSAM Climate Global Credits 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

Febelfin disclaimer

The fact that the sub-fund has obtained this label does not mean that it meets your personal sustainability goals or that the label is in line with requirements arising from any future national or European rules. The label obtained is valid for one year and subject to annual reappraisal. For further information on this label, please visit www.towardssustainability.be.

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