

Portfolio Strategy

The fund aims to outperform the Bloomberg Barclays Global Corporate Hybrids 3% by 60bps annualized (gross of fees) over a full credit cycle. It invests in corporate hybrids bonds issued mainly by non-financials and by investment grade companies. These bonds are subordinated which rank them between debt and equity. The fund doesn't invest in write-down or conversion-to-equity bonds such Bank-AT1 or Tier2.

Key Features

Asset Manager	Robeco Luxembourg SA
Net Assets Value	288 (Mn Euro)
Inception Date	19.10.2017
UCITS	Yes
Base Currency	Euro
Liquidity	Daily
Share Class*	Euro Acc
Management Fees* (%)	0,40%
Performance Fees	0
CH Registered	Yes
Yield to Worst	5.6
Modified Duration	3.3
Average Credit Quality	BBB+

Portfolio Style

Duration Management	Passive	Active
Issuer Type	Corporate	Sovereign
Credit Quality	HY	IG
Regional Exposure	DM	EM
Currency Exposure	Hedged	Non-Hedged
Investment Process	Bottom Up	Top Down

Investment Rationale

Investment Philosophy

The understanding of the eventuality of the Hybrids of not being called after the first or second call is the key difference with the traditional investment grade credit research. Incentives are important (loss of equity treatment, expensive financing, reputation risk) but the risk must be addressed.

The portfolio construction is mainly bottom-up driven (70% budget).

- **Top-down analysis (30% budget):** credit quarterly outlook which will ascertain the credit beta target and the investment themes.
- **Bottom-up analysis (70% budget):** fundamental research. F-score is calculated by the credit analyst (from -3 to +3). F-score is Robeco's proprietary method to assess the pure credit quality of the company, independent from the relative value. ESG profile of the company plays a significant part in the F-score.
- **Portfolio construction:** responsibility of the PM. Issuer and bond selection and beta positioning.
- **Risk management:** check on investment restrictions and specific fund guidelines.
- **Portfolio implementation:** PM and traders.

Fund Management Team

The fund is managed since inception in 2017 by Peter Kwaak, Portfolio Manager ("PM"). Peter has 23 years of experience in the industry. He has been joined by Daniel Ender in 2023 for co-managing the fund since March 2023. The credit team consists of 10 PMs, 22 analysts, 2 quantitative analysts, 1 dedicated sustainability analyst and 3 traders. Robeco uses a team approach, although Peter and Daniel are ultimately responsible for the performance and the portfolio construction.

Strengths

- **Experienced PM and analyst team:** managing corporate hybrids needs specific expertise versus traditional IG credit. Avoiding non-called bonds is crucial. Robeco is particularly well positioned with a PM and dedicated analysts covering hybrids for more than 15 years.
- **Flexible approach:** use of senior corporates or subordinated financials to manage the beta of the portfolio.
- **Fundamental research:** their proprietary F-score model has proved to be particularly robust all over Robeco's credit strategies.
- **Performance:** since inception in November 2017 the PM has managed to outperform (gross of fees) its benchmark by 0.8% annualized with a similar level of volatility and a modest tracking error (1.7%). It is consistent with the investment objective of the fund. Peer group is limited but the fund is also outperforming its two main competitors (with similar guidelines) over every time horizon.

Weaknesses

- **Asset class:** although the fund has an investment grade rating (typically BBB- / BBB on average), the asset class can suffer from higher drawdown than traditional investment grade credit strategies, due to the coupon deferral clause.

	1M	YTD	2023	2022	2021	3Y (Ann.)	5Y (Ann.)	Sharpe Ratio 3Y	Volatility 3Y	Max Drawdown 3Y
Fund	0,66	0,66	7,88	8,70	-11,25	2,12	1,82	0,00	6,61	
Index	0,44	0,44	8,19	-13,65	-0,97	-0,13	-0,22	-0,35	6,56	-13,36

*ISIN Code: LU1700711663. ISIN used for performance: LU1700711663 Performance data source: Morningstar Direct. Key Points provided by Wealth Solutions Partners SA. - Past performance should not be seen as an indication of future performance. Index: Bloomberg Euro Corp TR EUR. Data as of: 31.01.2025

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