

Robeco Financial Institutions Bonds B EUR

Robeco Financial Institutions Bonds is an actively managed fund that mainly invests in subordinated euro-denominated bonds issued by financial institutions. The selection of these bonds is based on fundamental analysis. The fund's objective is to provide long-term capital growth. The fund offers a diversified exposure to subordinated bonds issued by banks and insurance companies and the focus of the fund is, in general, towards higher rated issuers (investment grade).



Jan Willem de Moor
Fund manager since 16-05-2011

Performance

	Fund	Index
1 m	-0.55%	-1.15%
3 m	4.28%	2.02%
Ytd	-13.28%	-13.94%
1 Year	-13.28%	-13.94%
2 Years	-6.68%	-6.97%
3 Years	-3.76%	-3.89%
5 Years	-1.16%	-1.06%
10 Years	2.54%	2.45%
Since 05-2011	3.65%	3.38%

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	Index
2022	-13.28%	-13.94%
2021	0.43%	0.58%
2020	2.34%	2.56%
2019	11.30%	10.45%
2018	-4.92%	-3.32%
2020-2022	-3.76%	-3.89%
2018-2022	-1.16%	-1.06%

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 1,754,063,155
Size of share class	EUR 36,859,840
Outstanding shares	405,212
1st quotation date	16-05-2011
Close financial year	31-12
Ongoing charges	1.01%
Daily tradable	Yes
Dividend paid	Yes
Ex-ante tracking error limit	4.00%
Management company	Robeco Institutional Asset Management B.V.

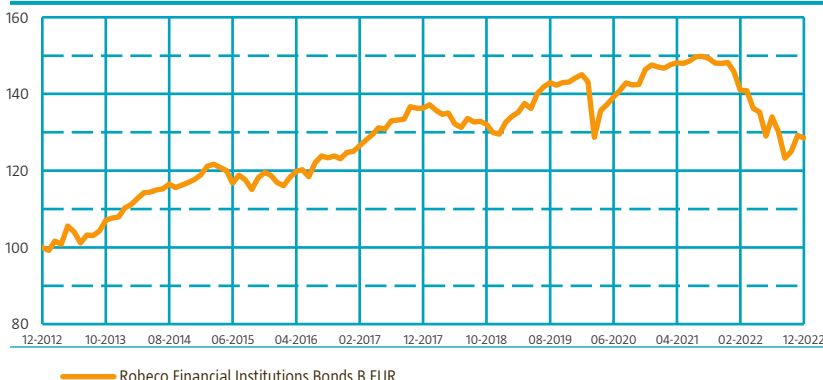
Sustainability profile

- Exclusions
- ESG Integration
- Engagement

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

Performance

Indexed value (until 31-12-2022) - Source: Robeco



Performance

Based on transaction prices, the fund's return was -0.55%.

The portfolio posted a return that was negative in December. Higher underlying government bond yields were the driver of the negative return, while tighter credit spreads contributed positively to the return. The average index spread ended the month at 283 basis points, which is 22 basis points tighter than at the end of November. The index excess return of subordinated bonds over underlying government bonds was therefore positive, at 0.9%. The performance of the portfolio was better than that of the index. The portfolio had a beta overweight position during the month (circa 1.15). The contribution of this overweight was positive. The largest part of the outperformance can be attributed to issuer selection. The underweight position in real estate names contributed positively to the relative performance, while the overweight in bank CoCos detracted. Individual names that contributed the most on a risk-adjusted basis, were Aroundtown and Grand City Properties (both underweight positions), Ageas, Aegon and Mapfre. The portfolio lost in relative terms through the underweights in Generali and Phoenix.

Market development

Credit spreads continued to tighten in December, though the pace of tightening was much lower than in November. European swap spreads declined a bit. This decline was an important element in the overall decline in credit spreads. Underlying government bond yields moved up quite a bit in December. The ECB press conference on 15 December was an important driver. As expected, the ECB, the Federal Reserve and the Bank of England all raised interest rates in their December meeting. The ECB surprised though with a relatively hawkish press conference, in which the start of quantitative tightening per March 2023 was announced. The Bank of Japan surprised the market with an increase of the target yield for 10-year Japanese government bonds. Higher government bonds in most countries led to lower equity markets, but credit spreads behaved well in December. A sector that performed very poorly while longer-term yields rose was the European property sector. There was no activity in the new issue market and trading in the portfolio was limited too. We lowered the exposure to (senior) bonds of Credit Suisse, as the restructuring of the bank will take longer than anticipated.

Expectation of fund manager

A hiking cycle often ends in a recession with rates typically peaking before credit spreads do. Rates have started to come down and may have peaked in some markets, while inflation is now easing. Our base case is that the US as well as Europe will experience a recession in 2023. The US is likely to experience a classic boom-bust cycle, whereas the European recession will be driven largely by an energy supply shock. European swap spreads are still at elevated levels, with 5-year spreads at 65 bps. With increased issuance of sovereign paper and the prospect of quantitative tightening (QT) next year, we expect a further normalization of swap spreads towards long-term average levels of 40 bps. This is helpful for euro investment grade since swaps spreads are a large component of the total spread versus governments. Within euro investment grade, financials screen relatively cheap. In past cycles, financials were often seen as high beta since they are a leveraged bet on the economy. This time around, we see banks as less vulnerable since capital buffers have greatly improved and banks are benefiting from an interest rate environment that has finally normalized.

Top 10 largest positions

The 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

31-12-22	EUR	91.04
High Ytd ()	EUR	107.91
Low Ytd ()	EUR	87.45

Fees

Management fee	0.80%
Performance fee	None
Service fee	0.16%
Expected transaction costs	0.07%

Legal status

Investment company with variable capital incorporated under Luxembourg law (SICAV)	
Issue structure	Open-end
UCITS V	Yes
Share class	B EUR
This fund is a subfund of Robeco Capital Growth Funds, SICAV	

Registered in

Austria, Belgium, France, Germany, Italy, Luxembourg, Netherlands, 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 aims to pay a quarterly dividend.

Derivative policy

Robeco Financial Institutions Bonds fund make use of derivatives for hedging purposes as well as for investment purposes. These derivatives are very liquid.

Fund codes

ISIN	LU0622663093
Bloomberg	ROBFIBH LX
WKN	A14XKH
Valoren	12950154

Top 10 largest positions

Holdings	Sector	%
Deutsche Bank AG	Financials	2.90
Raiffeisen Bank International AG	Financials	2.89
ASR Nederland NV	Financials	2.86
Erste Group Bank AG	Financials	2.85
Argentum Netherlands BV for Swiss Life AG	Financials	2.84
Danske Bank A/S	Financials	2.80
Ageas SA/NV	Financials	2.72
CaixaBank SA	Financials	2.70
Societe Generale SA	Financials	2.69
ELM BV for Helvetia Schweizerische Versicherungsge	Financials	2.67
Total		27.92

Statistics

	3 Years	5 Years
Tracking error ex-post (%)	1.56	1.32
Information ratio	0.63	0.59
Sharpe ratio	-0.28	0.01
Alpha (%)	1.27	0.86
Beta	1.06	1.06
Standard deviation	9.45	7.82
Max. monthly gain (%)	5.55	5.55
Max. monthly loss (%)	-10.05	-10.05

Above mentioned ratios are based on gross of fees returns

Hit ratio

	3 Years	5 Years
Months outperformance	24	36
Hit ratio (%)	66.7	60.0
Months Bull market	17	32
Months outperformance Bull	13	24
Hit ratio Bull (%)	76.5	75.0
Months Bear market	19	28
Months Outperformance Bear	11	12
Hit ratio Bear (%)	57.9	42.9

Above mentioned ratios are based on gross of fees returns.

Characteristics

	Fund	Index
Rating	A3/BAA1	BAA1/BAA2
Option Adjusted Modified Duration (years)	3.9	4.0
Maturity (years)	3.7	4.4
Yield to Worst (% , Hedged)	6.1	6.2
Green Bonds (% , Weighted)	4.8	6.1

Changes

Changes (only for share classes launched before March 2012) Before March 2012 the benchmark was the Barclays Euro Universal, sub financials index (Investment Grade + High Yield) (EUR). In the current benchmark, High Yield bonds are excluded and the issuers are capped on max. 2% per single issuer, which limits the absolute risk towards a single issuer.

Sustainability

The fund incorporates sustainability in the investment process via exclusions, ESG integration, a minimum allocation to ESG-labeled bonds, 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. Furthermore, the fund invests at least 5% in green, social, sustainable, and/or sustainability-linked bonds. Lastly, where issuers are flagged for breaching international standards in the ongoing monitoring, the issuer will become subject to engagement.

Sector allocation

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

Sector allocation		Deviation index	
Financials	90.5%	-9.5%	
Treasuries	4.6%	4.6%	
Agencies	0.2%	0.2%	
Cash and other instruments	4.7%	4.7%	

Currency denomination allocation

The fund is allowed to invest in currencies other than euros. Approx. 7% of the fund is invested in bonds issued in pound sterling and US dollars. In June, we participated in new issues of SocGen (USD) and Barclays (GBP), and in July, we acquired sterling bonds of Lloyds and Aviva in the secondary market. In August, we bought new issues of Credit Suisse, Bank of Ireland and Zurich (all GBP). We reduced some exposure in foreign currencies in September, as these bonds outperformed euro bonds. All foreign currency exposures are hedged.

Currency denomination allocation		Deviation index	
Euro	88.8%	-11.2%	
Pound Sterling	4.5%	4.5%	
U.S. Dollar	2.0%	2.0%	

Duration allocation

The fund aims to hold an interest rate position that is neutral versus the benchmark.

Duration allocation		Deviation index	
Euro	3.9	-0.1	

Rating allocation

The fund does not follow an active rating strategy – the current rating allocation is a result of bottom-up bond selection. The fund is allowed to invest in high yield and circa 17% of the portfolio is currently invested in high yield rated bonds.

Rating allocation		Deviation index	
AAA	4.6%	4.6%	
A	15.6%	-8.6%	
BAA	58.0%	-17.8%	
BA	15.7%	15.7%	
B	1.4%	1.4%	
Cash and other instruments	4.7%	4.7%	

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		Deviation index	
Netherlands	17.8%	7.2%	
France	15.3%	-9.9%	
Germany	10.1%	-1.4%	
Spain	8.9%	0.7%	
Switzerland	7.5%	1.9%	
Austria	7.2%	1.7%	
United Kingdom	7.2%	-2.2%	
Denmark	5.0%	1.2%	
Belgium	3.5%	-1.6%	
Italy	3.3%	0.8%	
Portugal	2.2%	1.8%	
Other	7.4%	-4.8%	
Cash and other instruments	4.7%	4.7%	

Subordination allocation

About 68% of the portfolio is invested in Tier 2 debt: 37% is invested in Tier 2 bonds issued by banks and 31% in Tier 2 bonds issued by insurance companies. About 19% of the portfolio is invested in Tier 1 debt, of which bank Tier 1 CoCo bonds represent about 15%. On top of the bank CoCo bonds, we hold around 4% in insurance CoCo bonds. The exposure to senior bonds mainly consists of German Bunds, though we also hold senior bank bonds issued by BCP and Credit Suisse. The categories hybrid and subordinated contain subordinated debt issued by insurance companies.

Subordination type allocation		Deviation index	
Tier 2	68.2%	-22.7%	
Tier 1	18.8%	17.4%	
Senior	5.9%	5.9%	
Hybrid	2.2%	-5.0%	
Subordinated	0.2%	-0.3%	
Cash and other instruments	4.7%	4.7%	

Investment policy

Robeco Financial Institutions Bonds is an actively managed fund that mainly invests in subordinated euro-denominated bonds issued by financial institutions. The selection of these bonds is based on fundamental analysis. The fund's objective is to provide long-term capital growth. The fund promotes E&S (i.e. Environmental and Social) characteristics within the meaning of Article 8 of the European Sustainable Finance Disclosure Regulation, integrates sustainability risks in the investment process and applies Robeco's Good Governance policy. The fund applies sustainability indicators, including but not limited to, normative, activity-based and region-based exclusions, and engagement. The fund offers a diversified exposure to subordinated bonds issued by banks and insurance companies and the focus of the fund is, in general, towards higher rated issuers (investment grade). 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

Jan Willem de Moor is Portfolio Manager Investment Grade in the Credit team. Prior to joining Robeco in 2005, he worked at the Dutch Medical professionals' pension fund as an Equity Portfolio Manager and at SNS Asset Management as an Equity Portfolio Manager. Jan Willem has been active in the industry since 1994. He holds a Master's 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 0.05% 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 income tax on 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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