ROBECO
The Investment Engineers

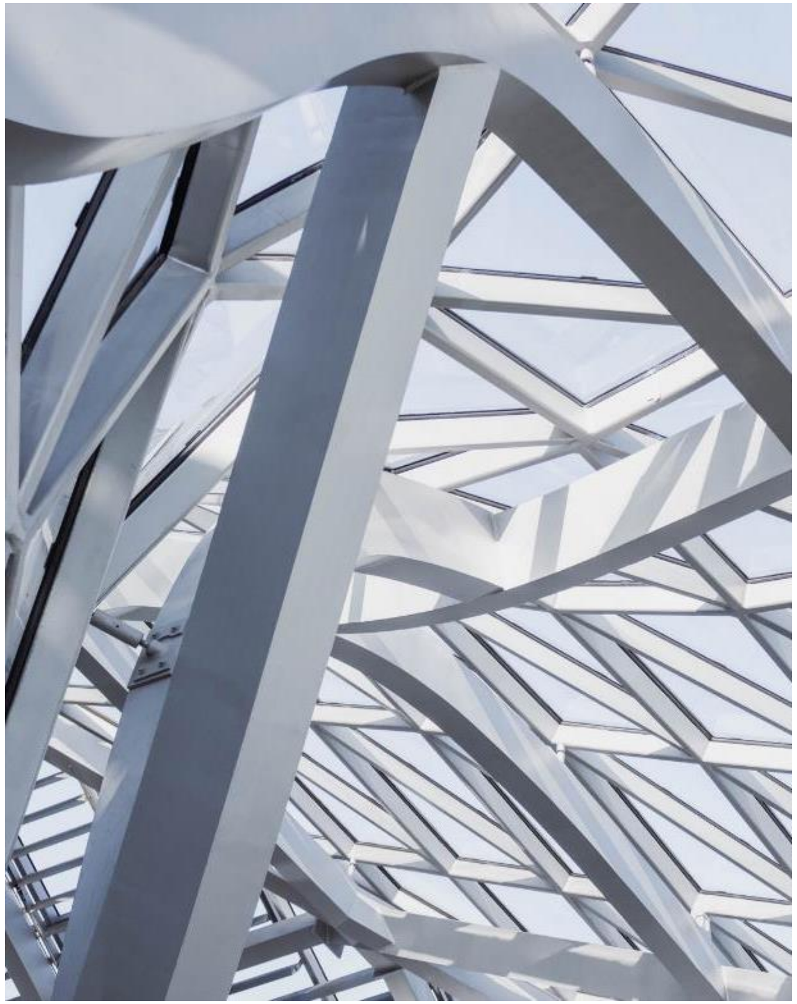
Liquid exposure to high yield with attractive returns

Robeco QI Dynamic High Yield

Marketing materials for professional investors, not for onward distribution.

Sustainable Investing Expertise by ROBECOSAM

Content



Executive Summary – Robeco QI Dynamic High Yield

> 5 year
Track record

1.7%
Realized outperformance*

€ 69 bn
Quant AuM**

"We aim for strong risk-adjusted returns and protection when high yield markets decline."

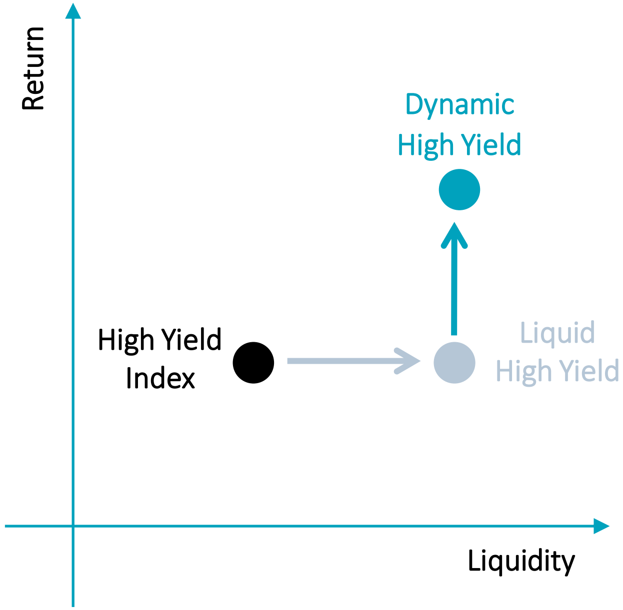
Robeco	Dedicated to quantitative investing since the early 1990s
Dynamic	Attractive returns from dynamically timing credit exposure
High Yield	Highly liquid exposure to the global high yield market

Source: Robeco. Robeco QI Dynamic High Yield IH-EUR share class, gross of fees, based on gross asset value, all figures in EUR.
Benchmark: Bloomberg Global High Yield Corporates
*Performance: Annualized outperformance since inception per end of December 2022. **AuM per end of December 2022.
In reality costs (such as management fees and other costs are charged. These have a negative effect on the returns shown. The value of your investments may fluctuate. Results obtained in the past are no guarantee for the future.

Liquid High Yield Exposure

Dynamic High Yield

Return and liquidity profile



High Yield Index

> Broad exposure, but illiquid during crises

> Trackers significantly underperform at high transaction costs

Liquid High Yield

> More liquid than cash high yield bonds

> Significantly lower transaction costs

Dynamic High Yield

> High liquidity and low transaction costs

> Superior risk-adjusted returns with proven timing alpha

Dynamic High Yield – liquid high yield exposure & strong risk-adjusted returns

Source: Robeco. For illustration purposes only.

Liquid high yield market exposure
Liquidity CDS indices compared to high yield bonds

	High Yield Bonds	CDS indices
Total weekly trading volume	USD 36 billion	USD 36 billion
Weekly volume per instrument	USD 18 million	USD 18,000 million
Transaction costs	40-60 bps	5-10 bps

- Trading CDS indices is quick and cheap, average weekly volume of 36 bln USD
- Low transaction costs for Dynamic High Yield

CDS index exposure 10 times more liquid than high yield bonds

Source: Bloomberg, Robeco. Total weekly trading volume is based on the average weekly volume of CDS indices and all US high yield corporate bond and CDS transactions as registered in TRACE and by the DTCC in the period April 2014 until March 2020. Weekly volume per instrument is the total volume divided by the respective number of instruments.

Design of the investment strategy

Design of the investment strategy

We combine liquid high yield exposure with dynamic alpha from timing opportunities

Liquid base portfolio			+	Alpha from market timing
Interest rate exposure Government bonds	+	**Credit exposure** CDS indices		**Alpha** Dynamic allocation
AAA-rated US and European government bonds		*Combination of CDX High Yield (USD) and iTraxx Crossover (EUR)*		*Fully based on proprietary quant model running since 2000*

Two blocks: (1) liquid base portfolio and (2) alpha from market timing

Source: Robeco

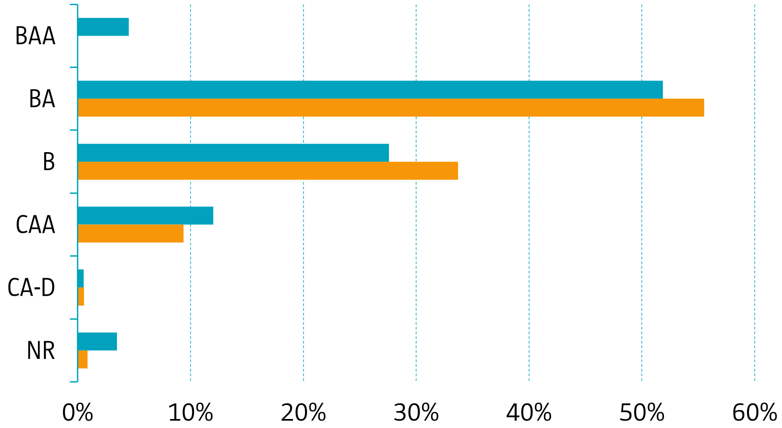
Liquid base portfolio – taking credit exposure

Credit exposure (high yield) taken via CDS indices

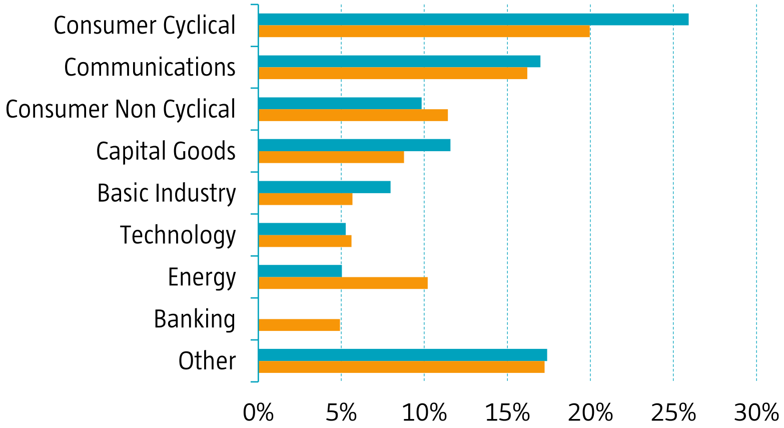
- We take credit exposure via a combination of CDX HY (USD) and iTraxx Crossover (EUR)
- The returns of this liquid exposure are ~85% correlated with the high yield bond index
- Differences related to liquidity, exposure to liquid and larger issuers
- The CDS indices have no Emerging Market exposure

Credit exposure
CDS indices

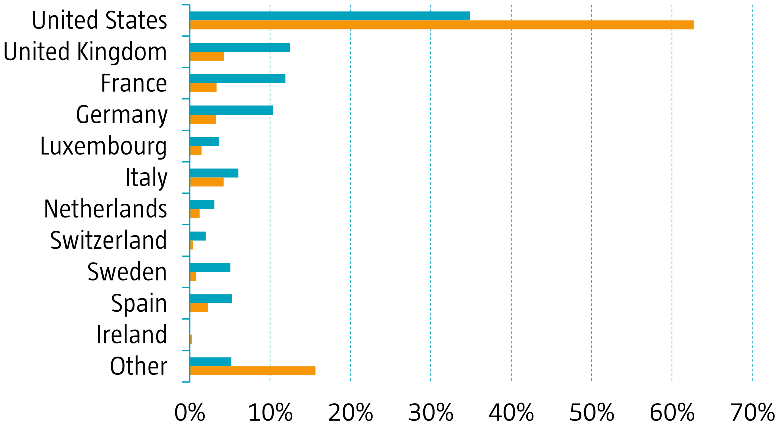
Rating distribution



Sector distribution



Country distribution



CDS indices Bloomberg Global High Yield Bond Index

Characteristics CDS indices similar to high yield bond index

Source: Robeco, Bloomberg. Data end of September 2022.

Dynamic allocation– credit spread movements are the key driver of returns

Alpha
Dynamic allocation

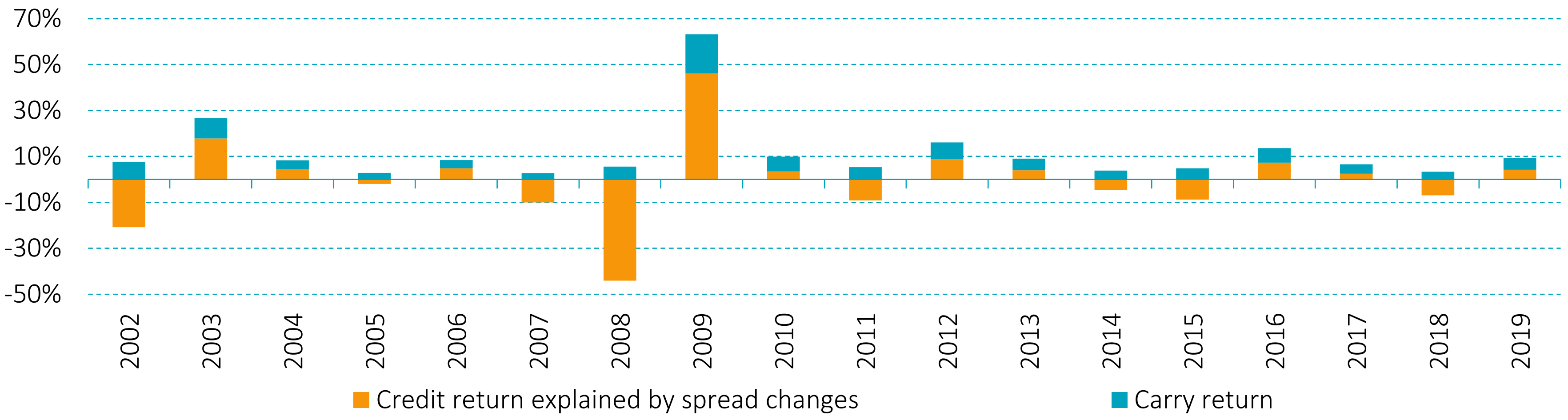
Dynamic allocation aims to improve risk adjusted returns

> Spread movements explain ~70% of the returns

> Manage risk when spreads increase

> Capture opportunities in periods with declining spreads

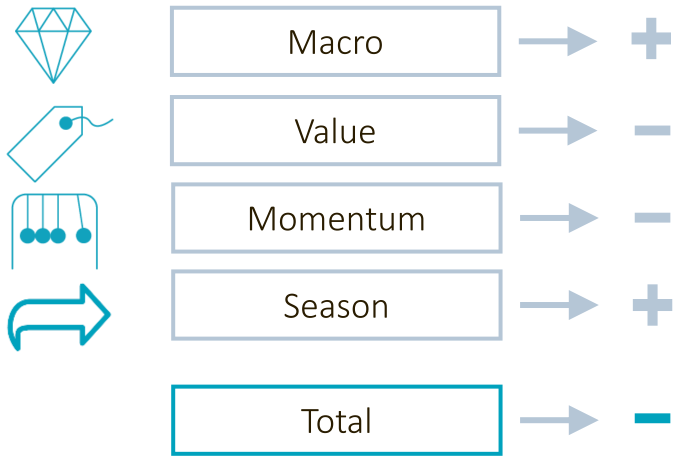
Explaining credit returns high yield bonds



Spread movements are the key driver of returns proving the need for active market timing

Source: Robeco

Dynamic allocation – example High yield market outlook
Tactical outlook 11 March 2020 was negative



Alpha
Dynamic allocation

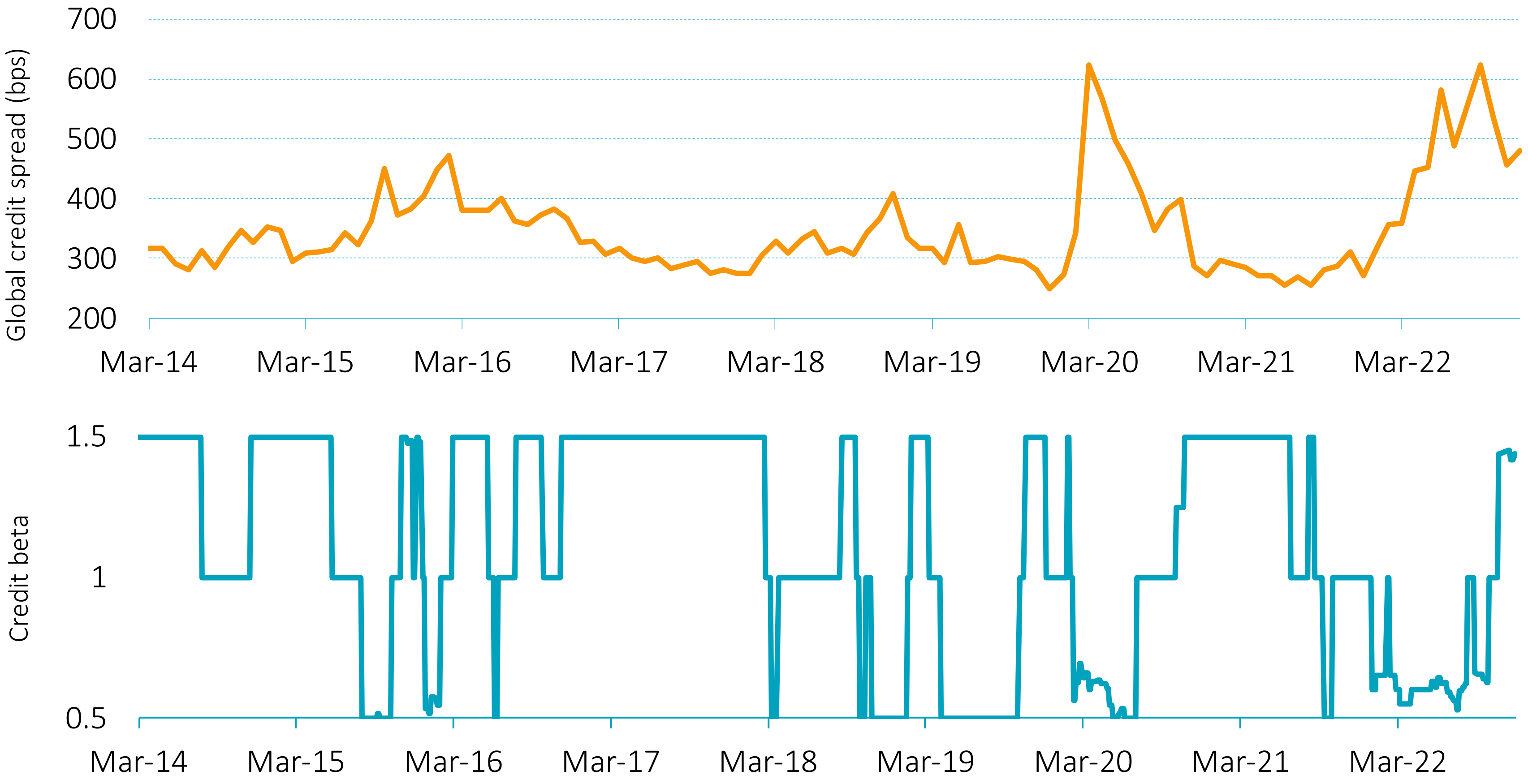
- Macro – positive as low risk-free rates bode well for high yield issuers
- Value – negative as CDS indices were expensive compared to bonds
- Momentum – strongly negative credit trend, weak risk appetite and negative equity market
- Season – related to the calendar month, is positive in March

Position credit exposure was 44% underweight providing protection in sell-off Q1 2020

Source: Robeco

Dynamic allocation - manage risk rising spreads and benefit from declining spreads

Credit beta exposure of Robeco QI Dynamic High Yield since inception



Alpha
Dynamic allocation

- Pronounced relative positions determine fund's absolute high yield market exposure
- More than 70% of the time in active position

Source: Robeco, Bloomberg, data until end of December 2022

Live performance track record

Performance

Robeco QI Dynamic High Yield

Annualized performance (Hedged into EUR)	YTD	1 Year	3 Years	5 Years	7 Years	Since Apr-14
Robeco QI Dynamic High Yield	-11.28%	-11.28%	-1.50%	0.41%	2.81%	3.33%
Benchmark	-12.97%	-12.97%	-2.09%	-0.15%	2.58%	1.61%
Relative performance	1.69%	1.69%	0.59%	0.57%	0.23%	1.72%
Tracking error		4.96%	6.13%	5.05%	4.67%	4.54%
Information ratio		0.34	0.10	0.11	0.05	0.38

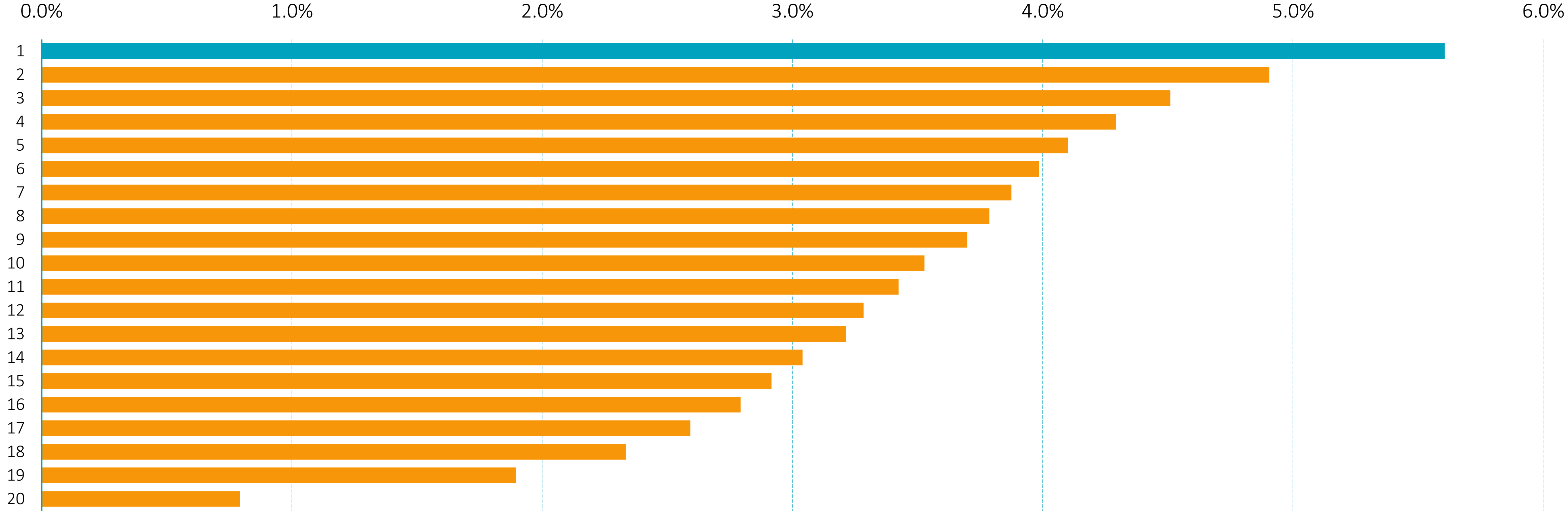
Calendar year performance (Hedged into EUR)	2022	2021	2020	2019	2018	2017
Robeco QI Dynamic High Yield	-11.28%	3.93%	3.64%	10.16%	-3.02%	10.24%
Benchmark	-12.97%	2.81%	4.91%	10.91%	-4.69%	5.88%
Relative performance	1.69%	1.12%	-1.28%	-0.75%	1.67%	4.37%

The currency in which the past performance is displayed may differ from the currency of your country of residence. Due to exchange rate fluctuations the performance shown may increase or decrease if converted into your local currency. Periods shorter than one year are not annualized. The value of your investments may fluctuate. Past performance is no guarantee of future results. Returns gross of fees, based on gross asset value. In reality costs (such as management fees and other costs) are charged. These have a negative effect on the returns shown.

Source: Robeco, Bloomberg. Portfolio: Robeco QI Dynamic High Yield IH-EUR Share Class. Benchmark: Bloomberg Global High Yield Corporate. All figures in EUR. Data end of December 2022.

Comparison to Morningstar global high yield peer group

Average annual returns of 20 groups of funds in Morningstar's global high yield universe



> Dynamic High Yield in top 5 of 100 Morningstar funds
> Low average correlation with the peers: style diversification
> Outperformance mainly realized in bear markets

The value of your investments may fluctuate. Results obtained in the past are no guarantee for the future.

Source: Morningstar Direct, Robeco. Annual gross return in EUR of 96 global high yield funds in the Morningstar universe over the period April 2014 - October 2021. The universe is divided into 20 groups, with 16 groups of 5 funds and 4 groups of 4 funds. Robeco QI Dynamic High Yield is among the five top-ranked funds, represented by the blue bar. Returns are gross of fees. In reality costs (such as management fees and other costs) are charged. These have a negative effect on the returns shown.

Key takeaways

Liquid
high yield
exposure

Transparent,
rules-based
dynamic allocation
strategy

Strong
risk-adjusted
returns

References

Quantitative investing at Robeco

Facts and figures

AuM:
EUR 173 billion

EUR 69.4 billion*
managed based
on quant models

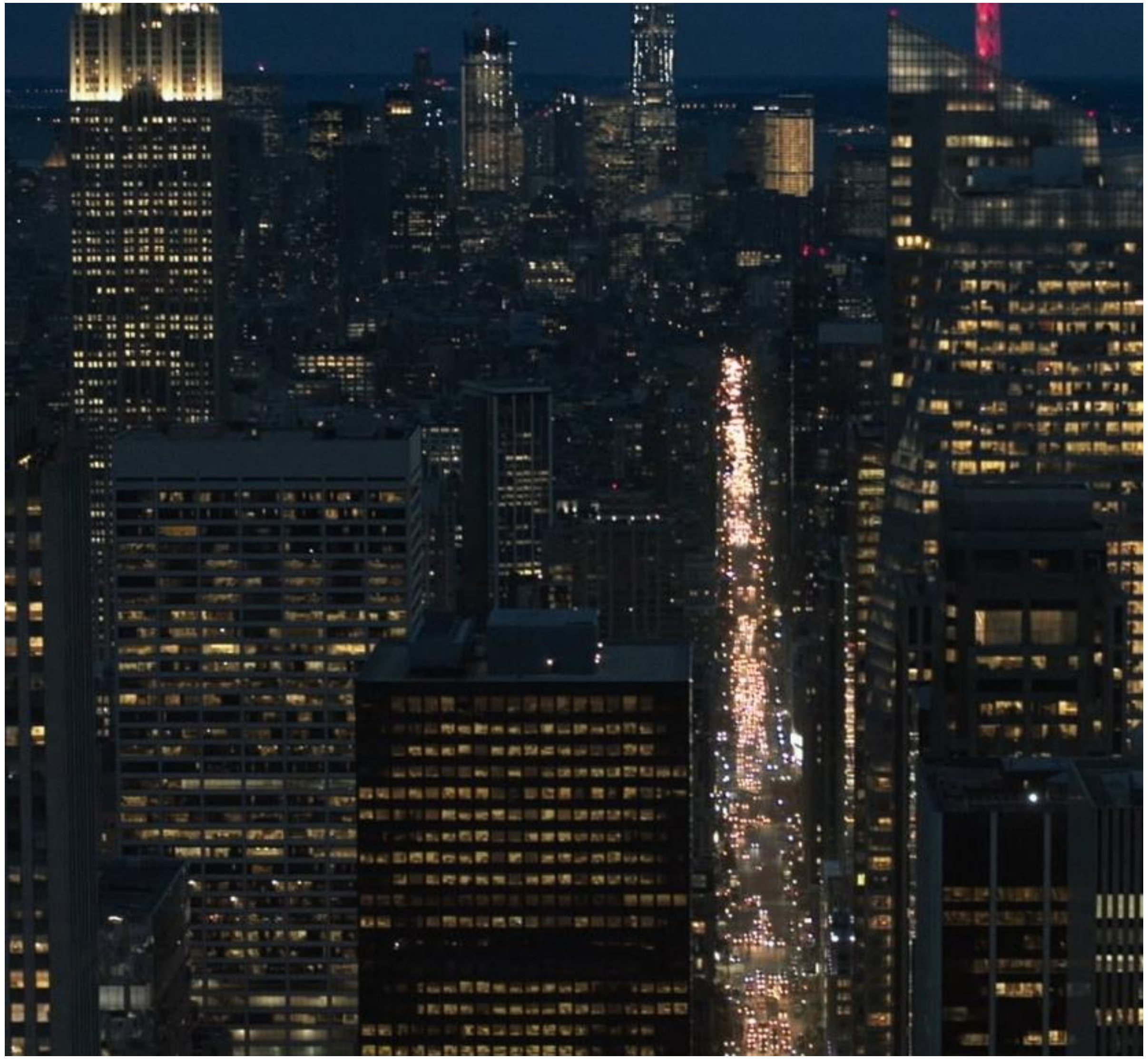
1,028
employees

EUR 169 billion
managed in ESG
integrated assets

300
investment professionals

A+
in PRI assessment

Offices in
13 countries
around the world



AuM figures as of September 2022, * excludes EUR 1.3 billion from reinvesting.
Personnel figures as of June 2022.

Fixed income investing

Extensive experience in the main fixed income segments and a history of continuous innovation

1974

EUR 56 bln AuM

>100

Quant investing

Proprietary research, models and software and a strong academic profile

1991

EUR 69 bln AuM

> 40

Sustainable investing

Highest possible A+ PRI score and ranked 1st in ShareAction survey

1995

EUR 164 bln AuM

>100

Source: Robeco. AuM data end of September 2022.
Source PRI score: PRI Assessment report 2020. Please also see the Public Transparency Report for Robeco at unpri.org: https://www.unpri.org/signatory-directory/robeco/1717.article .
Source ShareAction survey: 202 ranking by the Asset Owners Disclosure Project (AODP), a project managed by the responsible investment organization ShareAction. Full report can be downloaded here: https://shareaction.org/reports/point-of-no-returns-a-ranking-of-75-of-the-worlds-asset-managers-approaches-to-responsible-investment

Robeco Quant Fixed Income

Credible offering

- > Seasoned team of 16 PMs & researchers with strong academic credentials
- > Six capabilities and EUR 6.7 billion in funds and customized mandates

Long experience

- > In-house quant research: rates since 1991 and credits since 1999
- > Long track-records; rates since 1998 and credits since 2012

Building on fundamental fixed income expertise

- > Fundamental expertise in research, execution and sustainability
- > Human oversight for practicalities and risks beyond scope of models

Source: Robeco. AuM data end of December 2022.

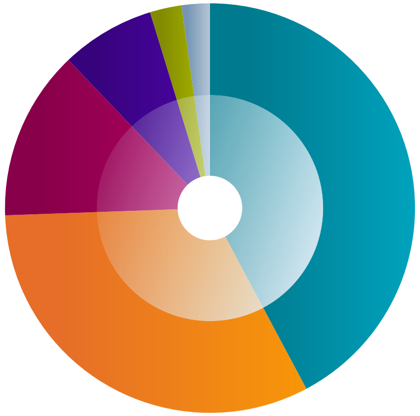
Overview capabilities related to Quant Fixed Income

Quantitative Investing* - EUR 69.1 billion

Core Quant Equities (2002)	33.5 billion
Factor Investing Equities (2012)	17.8 billion
Conservative Equities (2006)	12.5 billion
Quant Fixed Income (1998)	6.7 billion

*Excludes 1.3 billion from reinvesting

Quant Fixed Income - EUR 6.7 billion



Multi-Factor Credits (2015)	2.8 billion
Dynamic Duration (1998)	2.1 billion
Multi-Factor High Yield (2005)	894 million
Conservative Credits (2012)	493 million
Multi-Factor Bonds (2019)	166 million
Dynamic High Yield (2014)	148 million

Fixed Income - EUR 56 billion

Credits - Investment Grade	28.6 billion
Government	15.8 billion
Credits - High Yield	9.1 billion
Aggregate	2.4 billion

Source: Robeco. Quant and Quant Fixed Income data end of December 2022. Fixed Income data end of September 2022.
Quant and Quant Fixed Income figures based on preliminary data.

Experienced team responsible for Quant Fixed Income strategies

Portfolio Management

Patrick Houweling, PhD

Co-head Quant FI
Portfolio Manager
Industry: 24 years

Guido Baltussen, PhD

Co-head Quant FI
Portfolio Manager
Industry: 19 years

Olaf Penninga

Portfolio Manager
Industry: 24 years

Mark Whirdy

Portfolio Manager
Industry: 18 years

Johan Duyvesteyn, PhD, CFA

Portfolio Manager
Industry: 23 years

Lodewijk van der Linden

Portfolio Manager
Industry: 10 years

Research

Martin Martens, PhD

Researcher
Industry: 29 years

Thibault Lair, PhD, CFA, FRM

Researcher
Industry: 16 years

Philip Messow, PhD

Researcher
Industry: 12 years

Frederik Muskens, CFA

Researcher
Industry: 11 years

Casper Zomerdijk, CFA

Researcher
Industry: 9 years

Joris Blonk, CFA

Researcher
Industry: 9 years

Robbert-Jan 't Hoen, CFA

Researcher
Industry: 5 years

Fabio Martinetti

Researcher
Industry: 3 years

Luca Giorgianni

Researcher
Industry: 1 years

Vacancy
Researcher

Client Portfolio Management

Ralph Berkien

Client Portfolio Manager
Industry: 21 years

Rupeng Chen

Client Portfolio Manager
Industry: 17 years

Jan Rohof

Client Portfolio Manager
Industry: 8 years

Quant Equity Research (18)

David Blitz, PhD

Chief Researcher
Industry: 27 years

Weili Zhou, CFA

Head Quant Equity Research
Industry: 20 years

Quant Equity Research
18 Investment Professionals
9 years average experience

Data Science (15)

Jacob Buitelaar

Data Science
Industry: 16 years

Paul Beekhuizen, PhD

Data Science
Industry: 13 years

Data Science
15 Investment Professionals
9 years average experience

Sustainability (~50)

Carola van Lamoen

Head of Sustainable Investing
Industry: 21 years

Malene Christensen

Sustainable Investing
Client Portfolio Manager
Industry: 4 years

Sustainability
~50 Investment Professionals
12 years average experience

Fundamental Credit Analysts (28)

Taeke Wiersma

Head Credit Research
Industry: 27 years

Jankees Ruizeveld

Co-head Credit Research
Industry: 28 years

Fundamental Credit Analysts
27 Investment Professionals
18 years average experience

Fundamental Credit Portfolio Managers (11)

Victor Verberk

Co-head Credit team
Portfolio Manager
Industry: 25 years

Sander Bus

Co-head Credit team
Portfolio Manager
Industry: 27 years

Fundamental Credit PMs
11 Investment Professionals
23 years average experience

Fundamental FI Macro PMs & Strategists (8)

Jamie Stuttard

Head Global Macro team
Portfolio Manager
Industry: 25 years

Fundamental FI Macro PMs
4 Investment Professionals
24 years average experience

Fundamental FI Macro Strategists
4 Investment Professionals
17 years average experience

Portfolio Engineering & Trading FI (16)

Erik van Leeuwen

Chief Ops Investments
Business Development
Industry: 31 years

Paul van Overbeek

Head FI Trading
Industry: 24 years

FI & FX Trading
8 Investment Professionals
23 years average experience

FI Technical & Operational PMs
7 Investment Professionals
25 years average experience

Number of investment professionals and experience per department includes the people that are mentioned by name.

The benefits of a quant approach to fixed income

Evidence-based investment decisions

> Investment process is based on deep historical research

> Signals are proven, understandable and implementable

Alternative to passive strategies

> Both: transparent, rules-based, low-cost

> Quant: outperformance potential, improved diversification and sustainability

Style diversification with fundamental strategies

> Both: take active positions with the aim to outperform

> Quant: multiple styles, covers entire universe, free of emotions and biases

Quant Fixed Income: Selected academic publications

Academic recognition of our innovative research

Source: Robeco. These examples are for information purposes only and not intended to be an investment advice in any way

Design of the investment strategy

Design of the investment strategy

We combine liquid high yield exposure with dynamic alpha from timing opportunities

Liquid base portfolio

Interest rate exposure
Government bonds

+

Credit exposure
CDS indices

AAA-rated US and European government bonds

Combination of CDX High Yield (USD) and iTraxx Crossover (EUR)

+

Alpha from market timing

Alpha
Dynamic allocation

Fully based on proprietary quant model running since 2000

Two blocks: (1) liquid base portfolio and (2) alpha from market timing

Source: Robeco

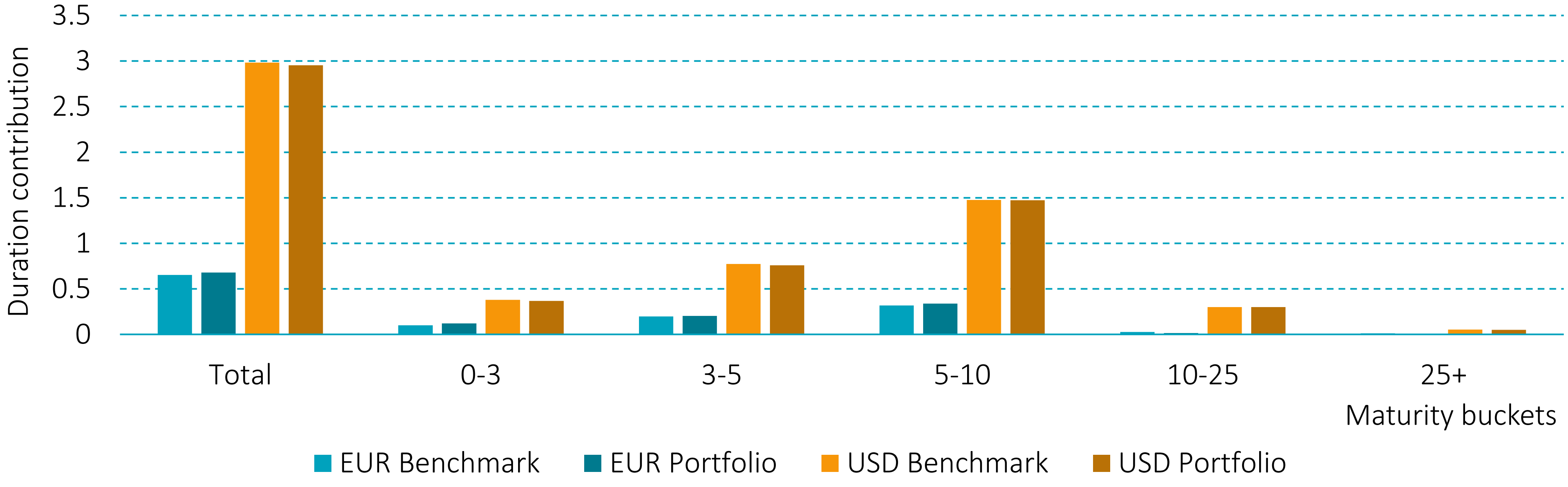
Liquid High Yield Market Exposure – align interest rate exposure with bond index

Interest rate exposure taken via safe government bonds

- We buy US treasuries, UK Gilts and AAA-rated bonds from Europe to match duration
- Benchmark duration is matched over the curve for EUR and USD exposure

Interest rate exposure
Government bonds

Interest rate exposure hedged to benchmark level



Source: Robeco. For illustration purposes only. Data per 3 September 2018.

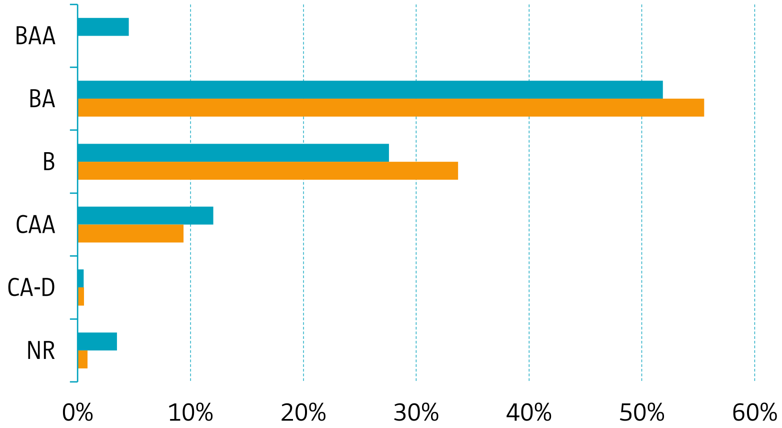
Liquid base portfolio – taking credit exposure

Credit exposure (high yield) taken via CDS indices

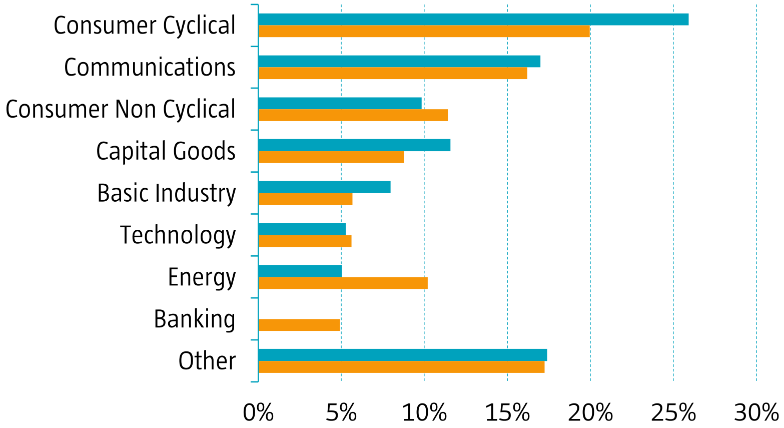
- We take credit exposure via a combination of CDX HY (USD) and iTraxx Crossover (EUR)
- The returns of this liquid exposure are ~85% correlated with the high yield bond index
- Differences related to liquidity, exposure to liquid and larger issuers
- The CDS indices have no Emerging Market exposure

Credit exposure
CDS indices

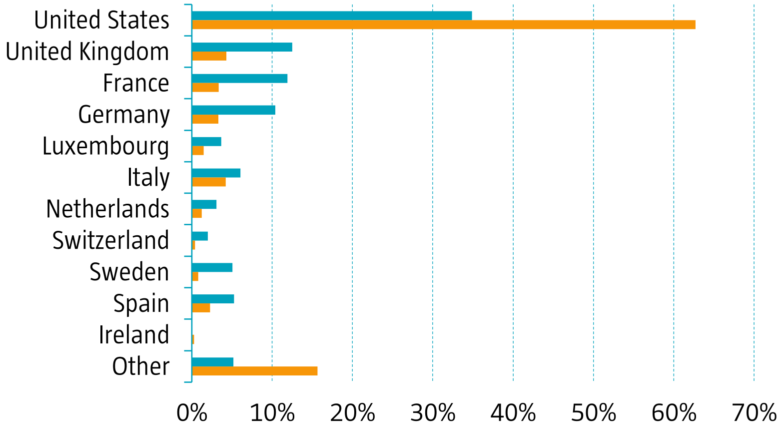
Rating distribution



Sector distribution



Country distribution



■ CDS indices ■ Bloomberg Global High Yield Bond Index

Characteristics CDS indices similar to high yield bond index

Source: Robeco, Bloomberg. Data end of September 2022.

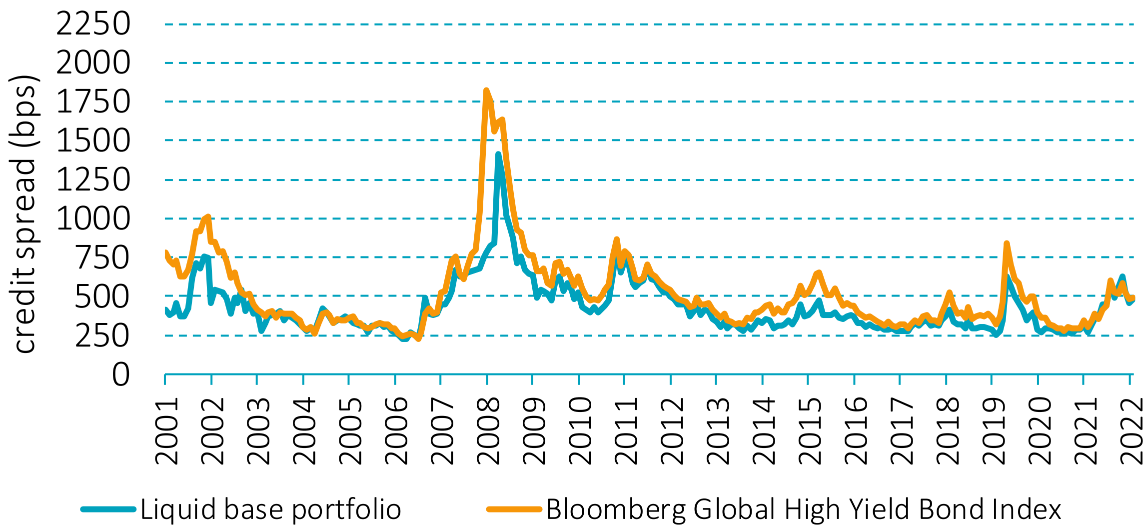
Liquid High Yield Market Exposure – smaller drawdowns

Liquid base portfolio with smaller drawdowns

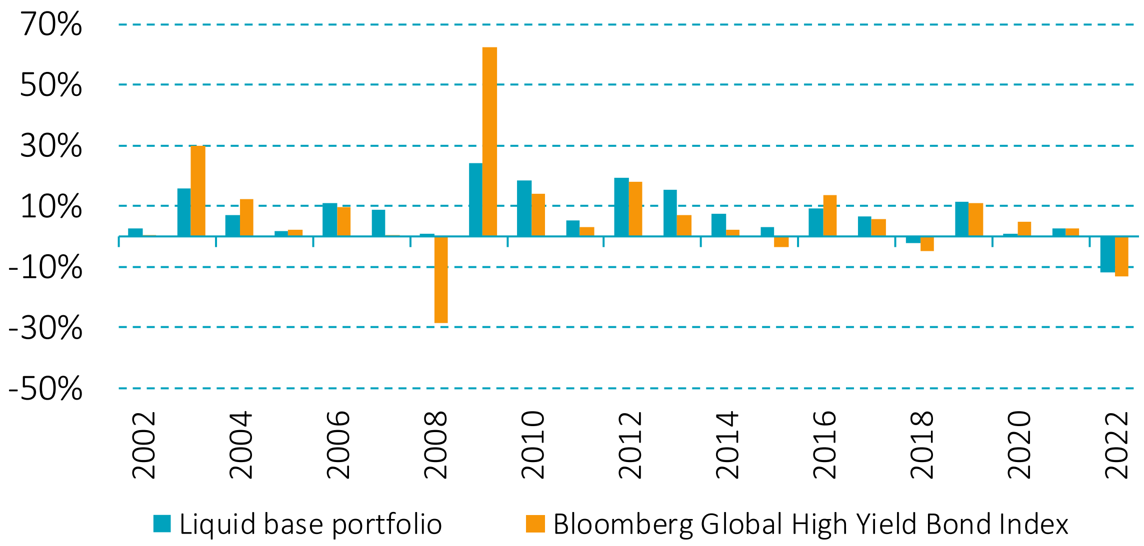
- Spreads and returns of liquid base portfolio overall similar to high yield bond index
- In credit bear markets the liquid base portfolio typically outperforms
- The high yield bond market shows stronger recoveries

Credit exposure
CDS indices

Spreads high yield bonds vs CDS indices



Calendar year returns



Source: Robeco, Bloomberg, data end of December 2022

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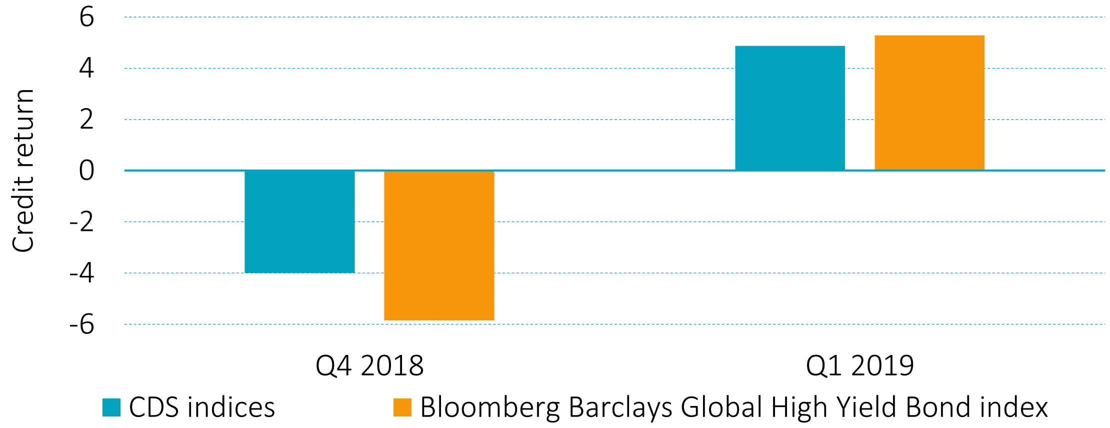
Liquid high yield exposure offers similar return, but with tracking error

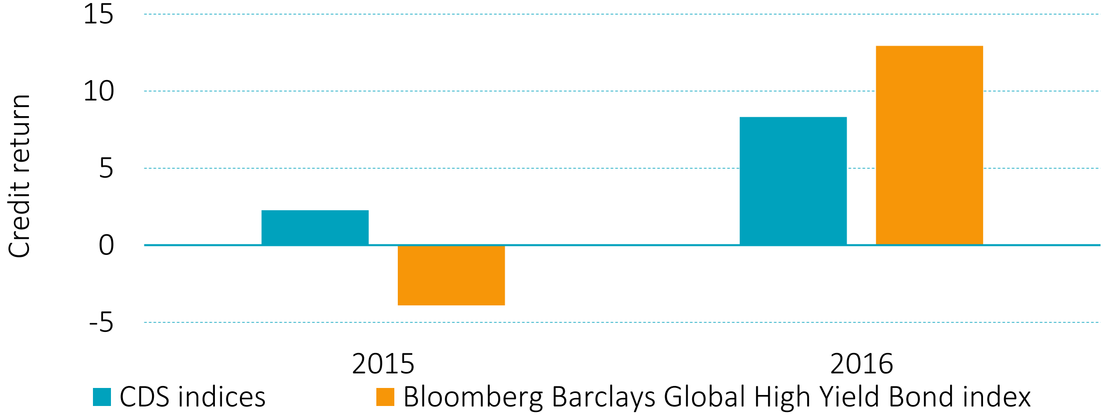
Tracking error of CDS indices versus high yield bond index driven by:

1. **Differences in liquidity & size**
   CDS indices are tilted to larger caps
2. **EM & sector weighting**
   CDS indices not exposed to EM and less to energy and banking
3. **Roll down and curve**
   CDS indices have different roll-down returns
4. **Callability**
   CDS indices do not have optionality.

Example liquidity & size



Example sector weighting: energy crisis



Source: Robeco

Dynamic market timing model – evidence-based alpha following sound economic logic

Dynamic market timing fully based on proven model

Sound economic logic captured in a systematic investment process

> Fundamental drivers of credit markets plus technical variables

> Financial market data used to capture expectations on fundamentals

> Model fundamentals in place since 2000

Alpha
Dynamic allocation

Model variables:

Macro	Capture macro-economic cycle of credit markets
Value	Buy high yield exposure at attractive spreads
Momentum	Profit from trends
Season	Profit from investor flows

Dynamic market timing model - easy to explain which variables drive model signal

Alpha
Dynamic allocation

Model score is the equally weighted average of variables' normalized scores

> No single variable consistently performs better over time

> Equal weights are optimal as this ensures maximum diversification

Robust and transparent implementation

> Raw model score is translated into positive, neutral or negative signal

> Weekly signal implementation delivers optimal balance between timeliness and turnover

Example of daily model output with signal based on variable scores

	Macro	Value	Momentum	Season	Model	Signal
Variable scores	0.63	-0.91	-0.86	0.50	-0.16	Negative

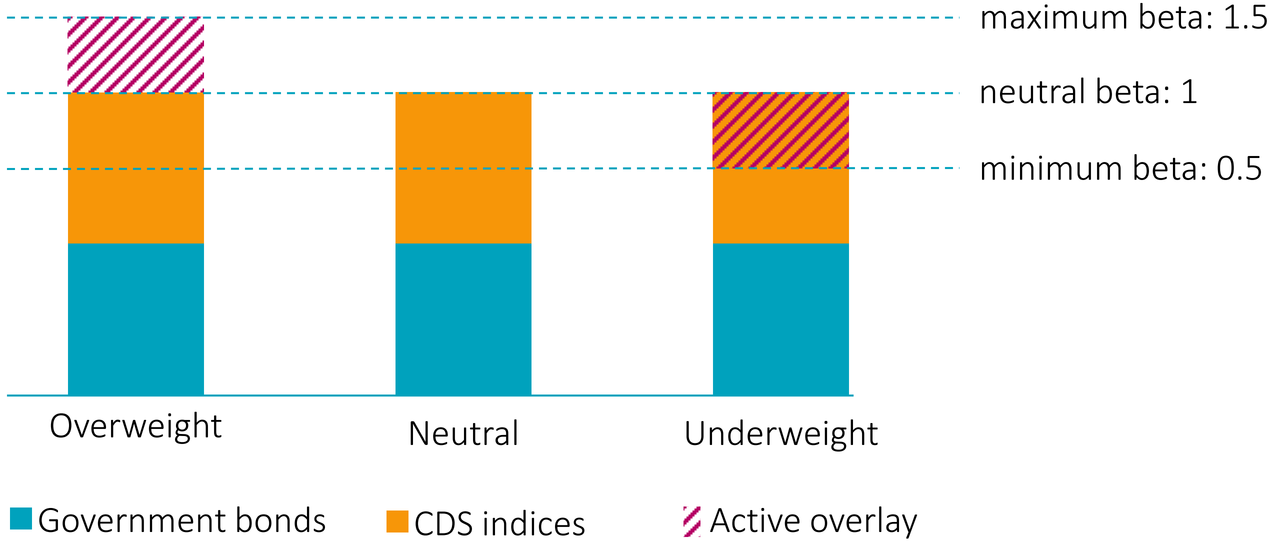
Source: Robeco credit beta model as per 11 March 2020

Dynamic market timing – portfolio implementation

Active overweight or underweight beta positions

Alpha
Dynamic allocation

Pronounced active beta positions (1.5 or 0.5)*



An overweight beta position of 1.5 is implemented by taking 50% more exposure to both CDS index contracts
An underweight beta position of 0.5 is implemented by taking 50% less exposure to both CDS index contracts

Source: Robeco. *In highly volatile markets (spreads >400), the beta position size is scaled down to limit risk

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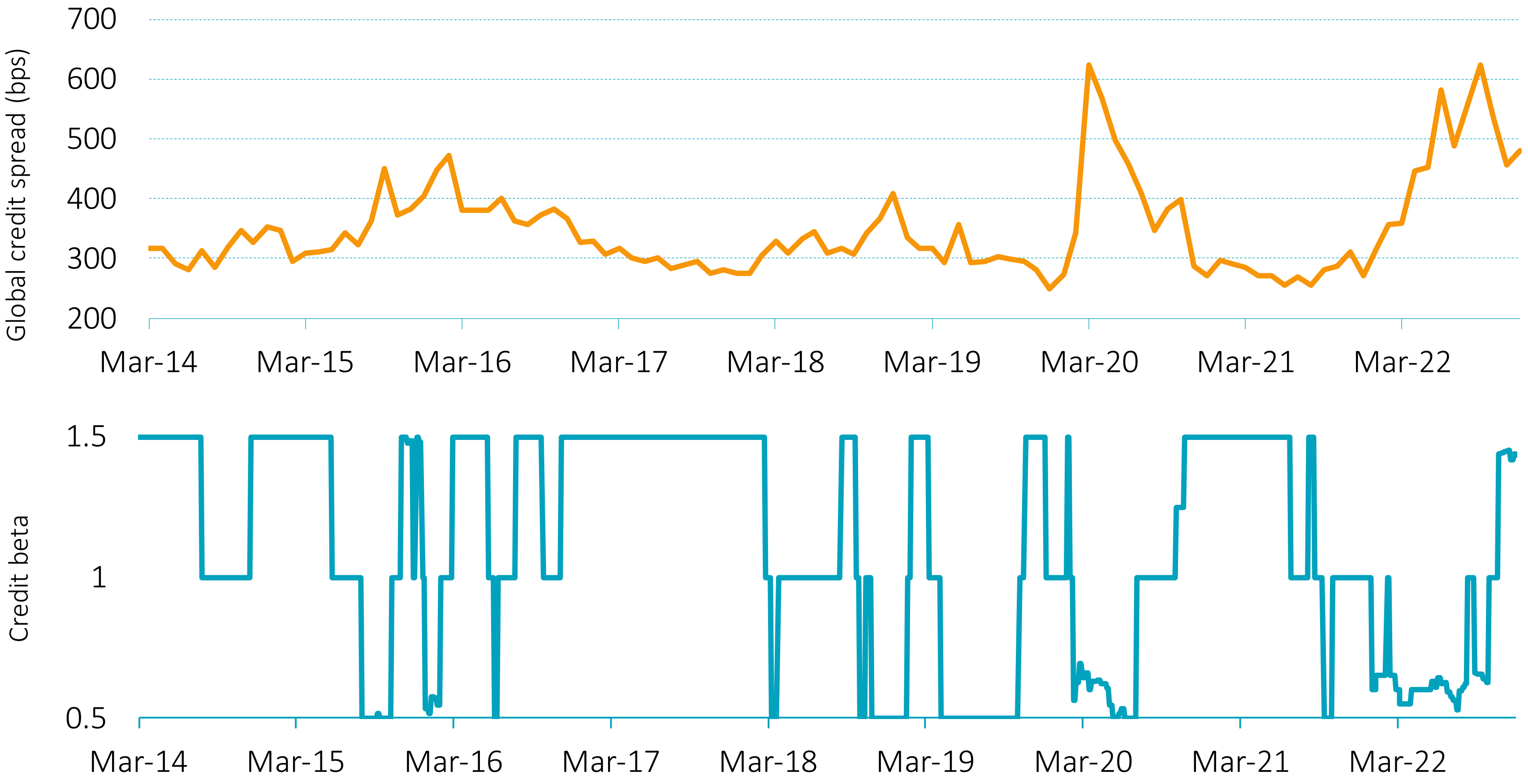
Dynamic allocation - manage risk rising spreads and benefit from declining spreads

Credit beta exposure of Robeco QI Dynamic High Yield since inception



Alpha
Dynamic allocation

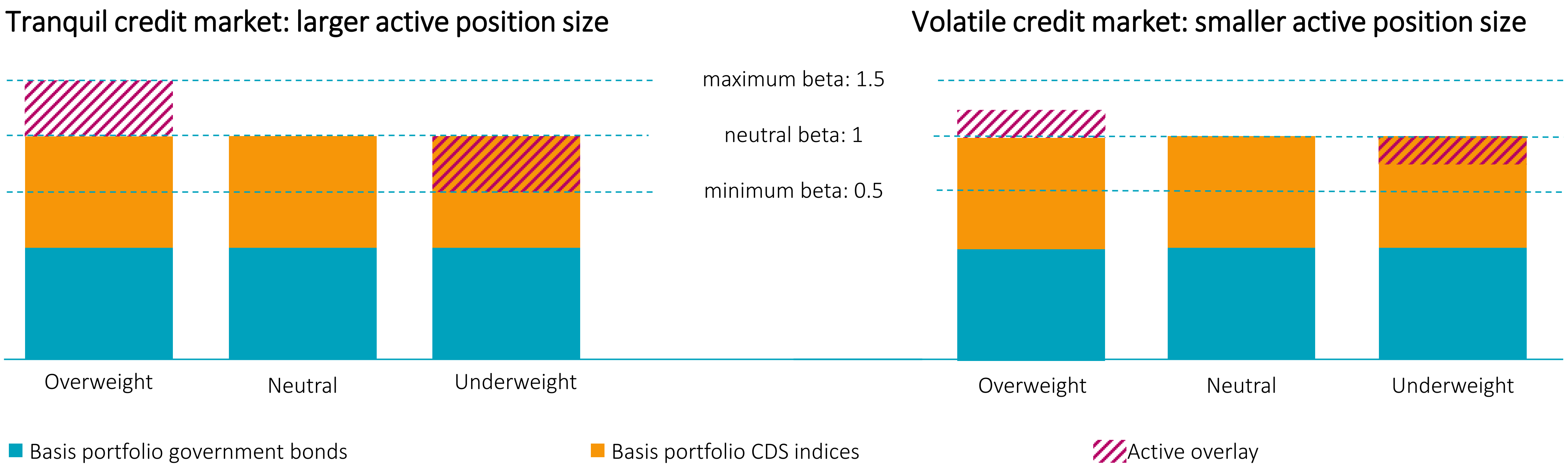
- Pronounced relative positions determine fund's absolute high yield market exposure
- More than 70% of the time in active position

Source: Robeco, Bloomberg, data until end of December 2022

Volatility adjustment of active beta positions

- Risk management if credit spreads rise above 400 bps
- Active beta position is gradually scaled down to limit risk
- Applied since inception end of 2015

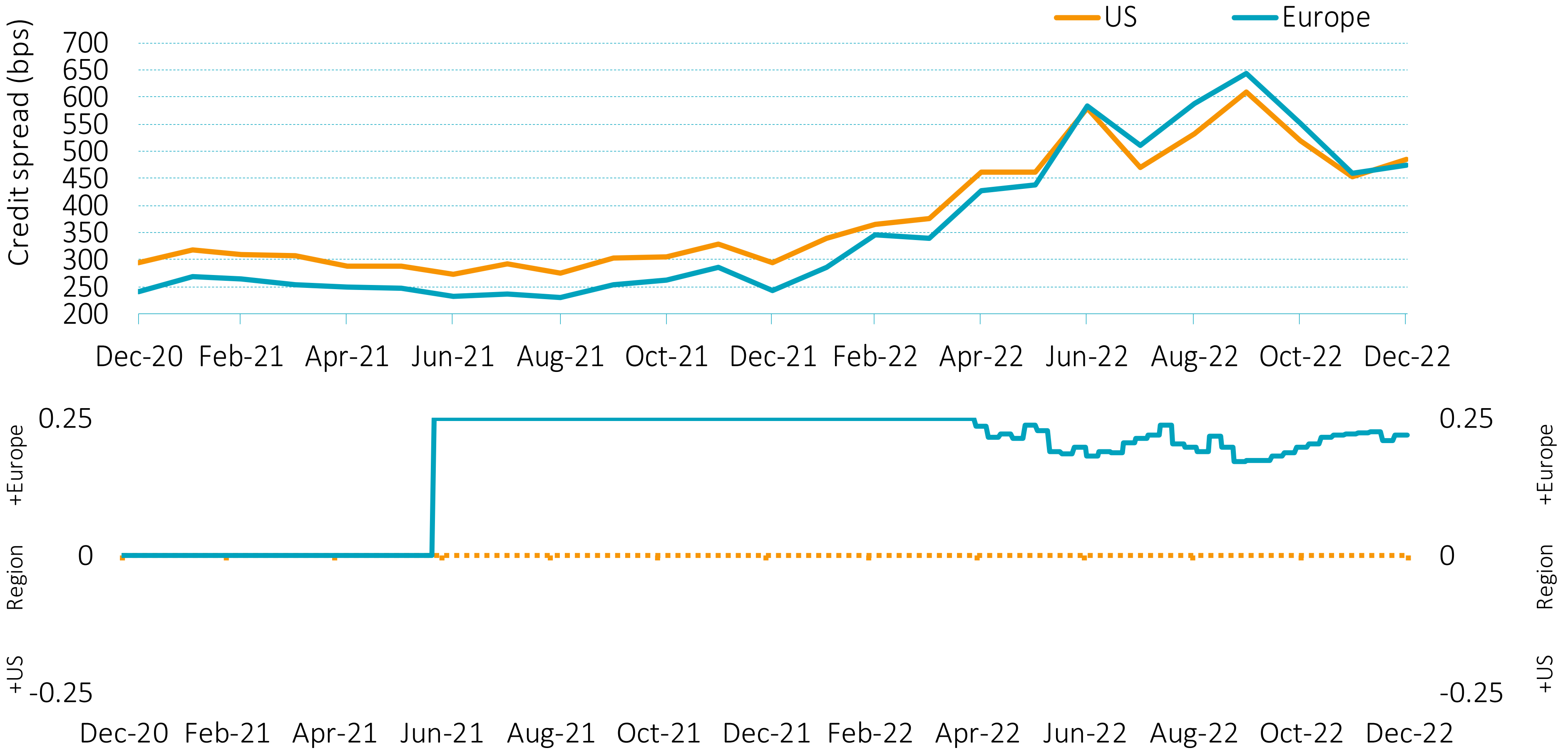
Alpha
Dynamic allocation



Source: Robeco

Region allocation based on relative valuation

Region allocation of Robeco QI Dynamic High Yield since July 2021



Alpha
region allocation

> Pronounced relative region allocation positions of 25% determine fund's exposure in Europe versus the US

> More than 70% of the time in active position

Source: Robeco, Bloomberg, data until end of December 2022

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Live performance track record

Performance

Robeco QI Dynamic High Yield

Annualized performance (Hedged into EUR)						
	YTD	1 Year	3 Years	5 Years	7 Years	Apr-14
Robeco QI Dynamic High Yield	-11.28%	-11.28%	-1.50%	0.41%	2.81%	3.33%
Benchmark	-12.97%	-12.97%	-2.09%	-0.15%	2.58%	1.61%
Relative Performance	1.69%	1.69%	0.59%	0.57%	0.23%	1.72%

Performance attribution						
	YTD	1 Year	3 Years	5 Years	7 Years	Apr-14
Relative performance from replication strategy	1.06%	1.06%	-0.84%	0.03%	-0.46%	1.03%
Relative performance from dynamic market timing	0.63%	0.63%	1.43%	0.54%	0.69%	0.69%

Calendar year performance (Hedged into EUR)						
	2022	2021	2020	2019	2018	2017
Robeco QI Dynamic High Yield	-11.28%	3.93%	3.64%	10.16%	-3.02%	10.24%
Benchmark	-12.97%	2.81%	4.91%	10.91%	-4.69%	5.88%
Relative Performance	1.69%	1.12%	-1.28%	-0.75%	1.67%	4.37%

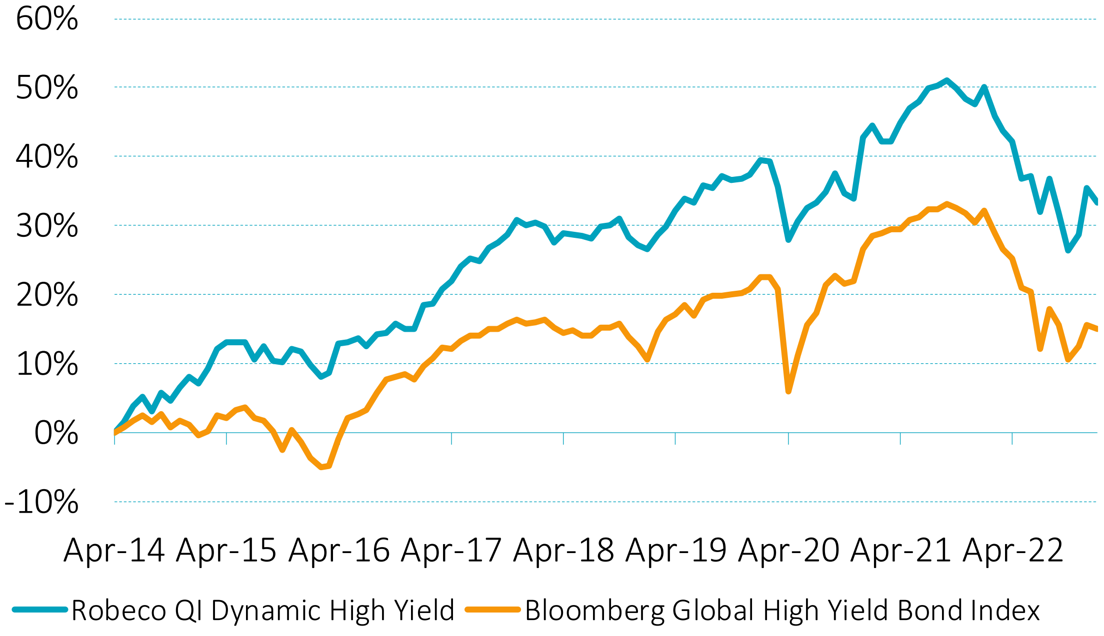
The currency in which the past performance is displayed may differ from the currency of your country of residence. Due to exchange rate fluctuations the performance shown may increase or decrease if converted into your local currency. Periods shorter than one year are not annualized. The value of your investments may fluctuate. Past performance is no guarantee of future results. Returns gross of fees, based on gross asset value. In reality costs (such as management fees and other costs) are charged. These have a negative effect on the returns shown.

Source: Robeco, Bloomberg. Portfolio: Robeco QI Dynamic High Yield IH-EUR Share Class. Benchmark: Bloomberg Global High Yield Corporate. All figures in EUR. Data end of December 2022.

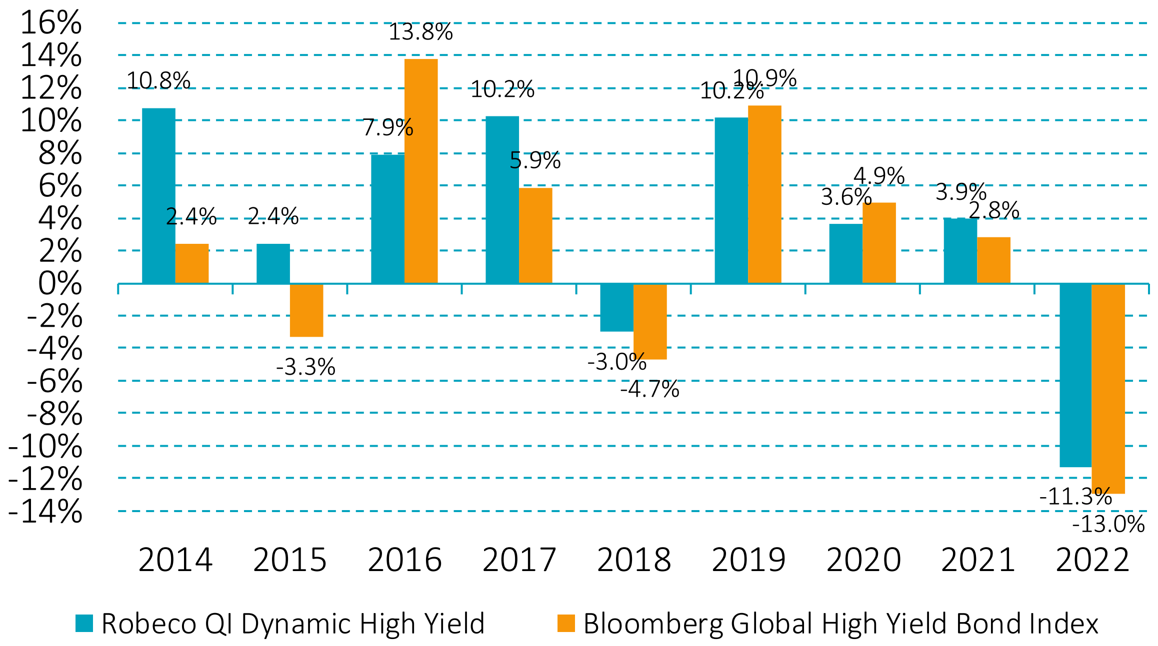
Strong live track record: stable and robust

Strong outperformance versus the high yield bond index

Cumulative returns



Annual returns

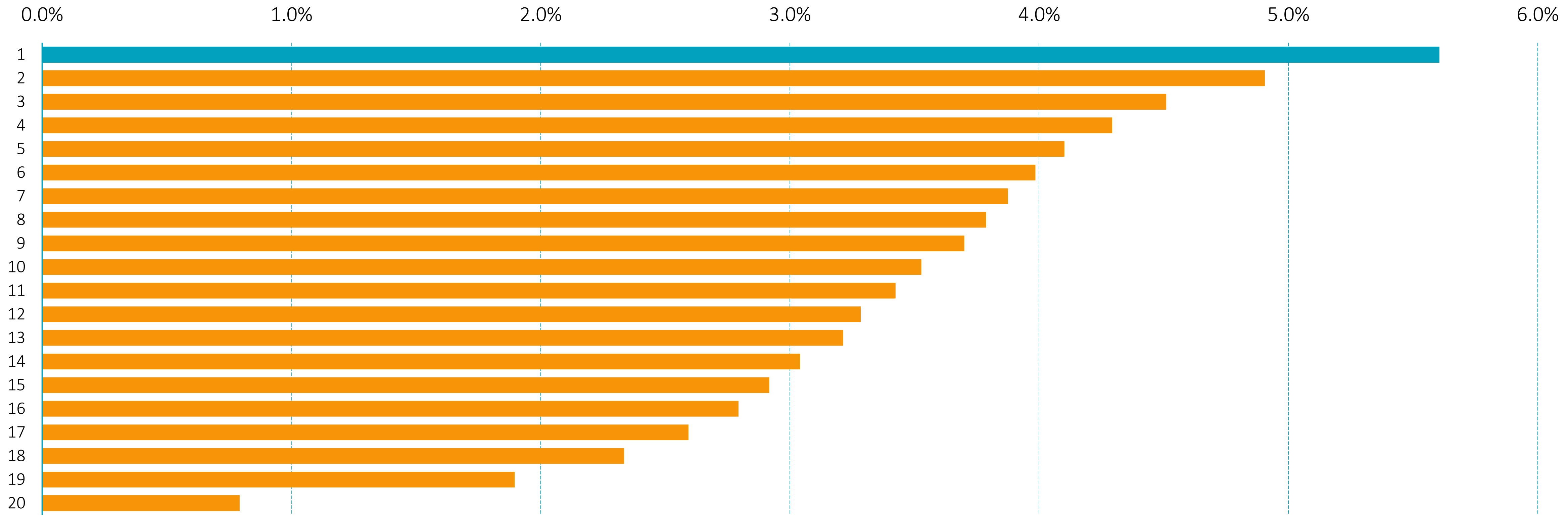


> Performance dynamic high yield more stable than global high yield bond index

Sources: Bloomberg, Thomson Datastream. Data until end of December 2022.
Robeco QI Dynamic High Yield, IH EUR share class, gross of fees, based on gross asset value, all figures in EUR.
In reality costs (such as management fees, and other costs) are charged. These have a negative effect on the returns shown. The value of your investments may fluctuate. Results obtained in the past are no guarantee for the future.

Comparison to Morningstar global high yield peer group

Average annual returns of 20 groups of funds in Morningstar's global high yield universe



> Dynamic High Yield in top 5 of 100 Morningstar funds
> Low average correlation with the peers: style diversification
> Outperformance mainly realized in bear markets

The value of your investments may fluctuate. Results obtained in the past are no guarantee for the future.

Source: Morningstar Direct, Robeco. Annual gross return in EUR of 96 global high yield funds in the Morningstar universe over the period April 2014 - October 2021. The universe is divided into 20 groups, with 16 groups of 5 funds and 4 groups of 4 funds. Robeco QI Dynamic High Yield is among the five top-ranked funds, represented by the blue bar. Returns are gross of fees. In reality costs (such as management fees and other costs) are charged. These have a negative effect on the returns shown.

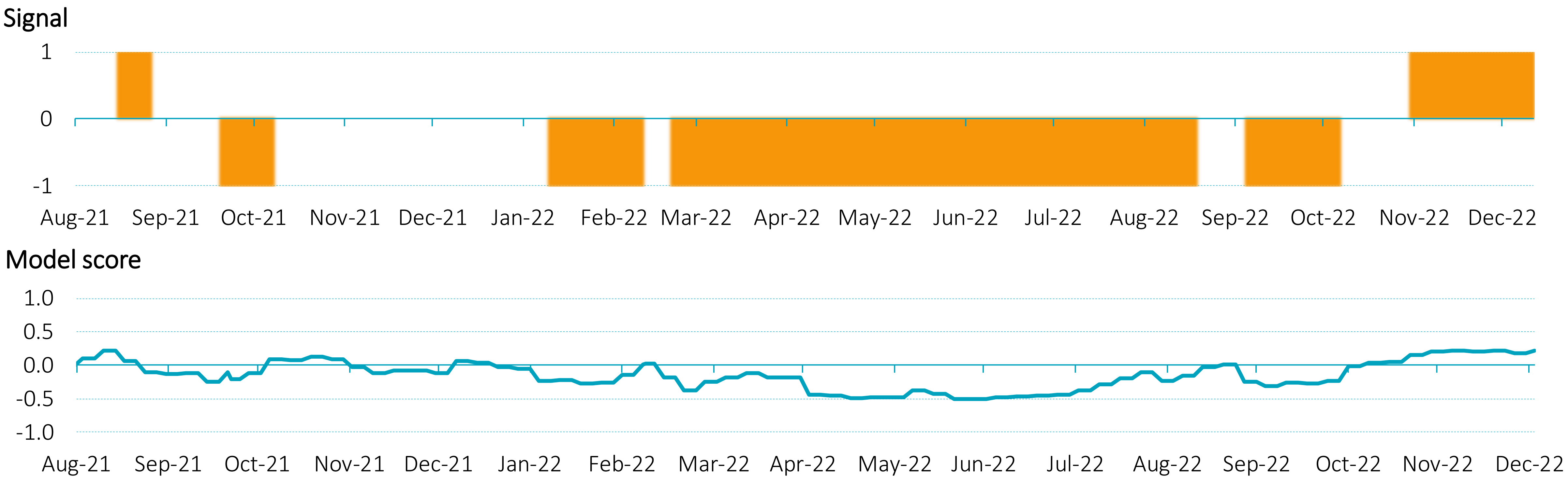
Appendix

Characteristics
Robeco QI Dynamic High Yield

Characteristics	Description
Name	Robeco QI Dynamic High Yield
Portfolio Manager	Johan Duyvesteyn, Patrick Houweling
Inception	April 2014
Asset under Management	USD 158 million / EUR 148 million
Benchmark	Bloomberg Global High Yield Corporate
Benchmark (neutral portfolio)	CDX High Yield & iTraxx Crossover, weighted 100:75, semi-annual roll to on-the-run contract + US Treasuries & German Bunds, weighted 100:75, 4yr duration
No ex-ante tracking error	3% target tracking error using integrated risk management
Currency risk	Fully hedged to share class currency
Liquidity	Daily liquidity
Legal status	Investment company with variable capital incorporated under Luxembourg law
UCITS IV	Yes

Source: Robeco. Data end of December 2022.
Note: These internal guidelines determined by Robeco are subject to change without prior notice, in the best interest of the client. The restriction in the prospectus are at all times leading. The prospectus is available on request and free of charge from www.robeco.com.

Positioning Robeco high yield credit beta model



Source: Robeco. Data end of December 2022

Model variables: Macro

- Credit markets move in long, multi-year cycles related to the business cycle
- If markets are in a downward trend, they usually continue to do so
- The business cycle variable is based on two components: the government bond yield and economic surprises
- A high government bond yield means higher financing costs for companies and a negative impact on company profits
- Aggregate economic surprise data is an early indicator for a different direction of the economic growth

Return and risk per business cycle phase

Sources and references:
Fama & French, 1998, “Business conditions and expected returns on stocks and bonds”, Journal of Financial Economics
van Vliet & Blitz, 2011, “Dynamic strategic asset allocation: Risk and return across the business cycle”, Journal of Asset Management
Bloomberg Barclays, Robeco Quantitative Research, NBER

Model variables: Value

> Value is typically defined as the market price compared to its fair value

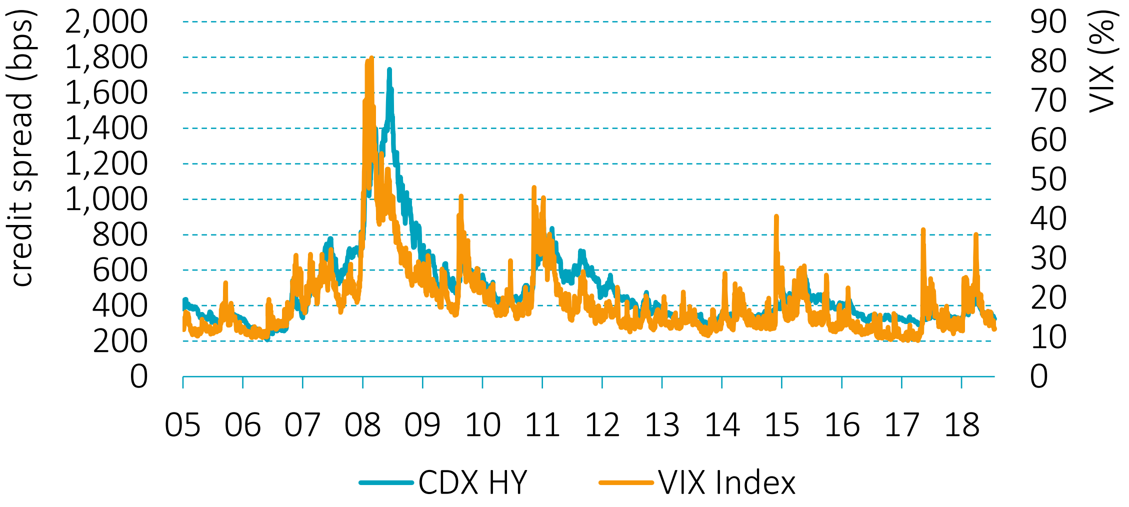
> For credit markets, the current price is often evaluated using the credit spread

> Two reference points: the implied equity volatility and the high yield corporate bond market spread

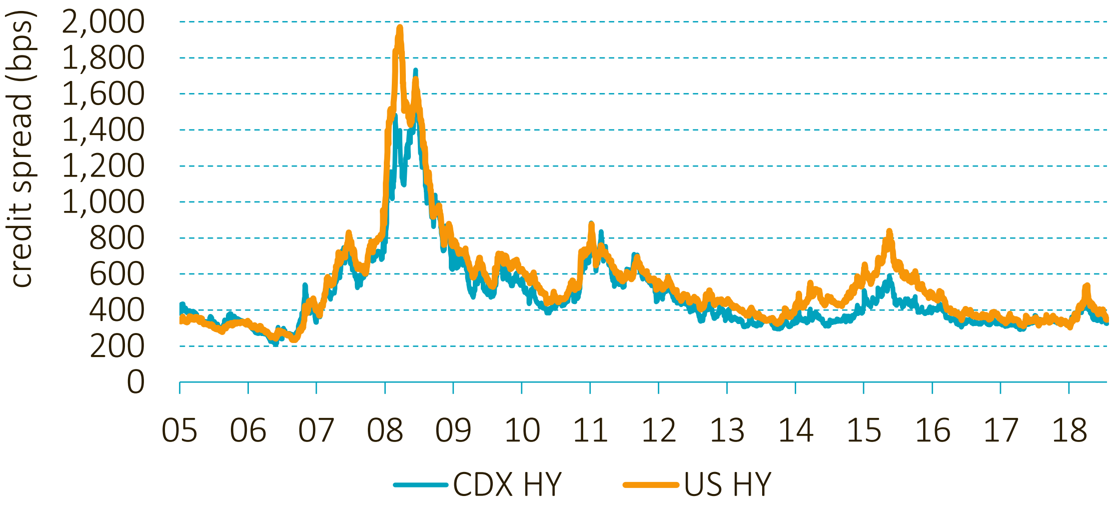
> CDS spread and equity volatility related via Merton Model

> VIX index typically leads the CDS market

CDX HY spreads & VIX index



CDX HY spreads & US HY bond spreads

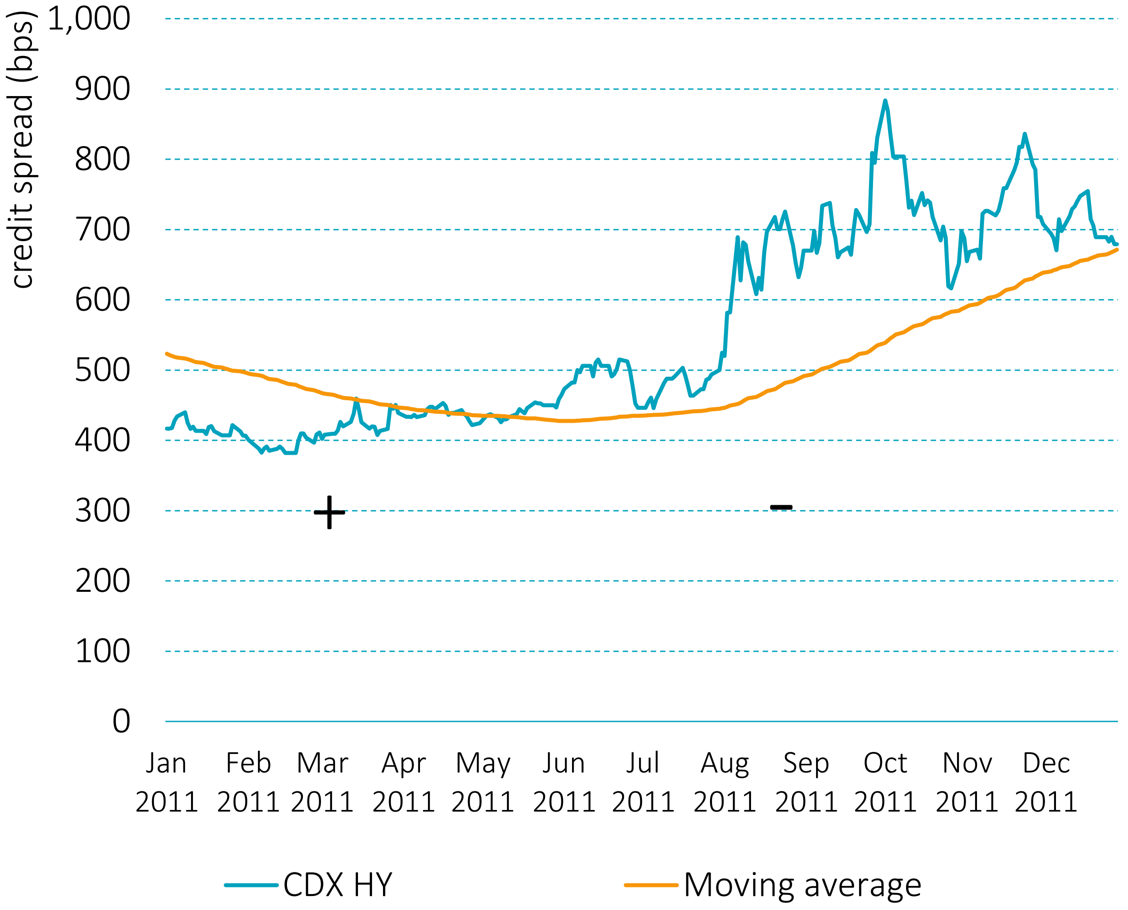


Sources and references:
Houweling, P., van Zundert, J., 2017. Factor investing in the corporate bond market. Financial Analysts Journal 73(2), 1-16.
Figuerola-Ferretti & Paraskevopoulos, 2012, “Pairing market risk and credit risk”
Byström, 2006, Merton Unraveled: A Flexible Way of Modeling Default Risk, Journal of Alternative Investments 8(4), pp 39-47.

Model variables: Momentum

- Financial markets exhibit short-term momentum
- If past credit returns were positive, future credit returns tend to be positive as well
- Avoid potential short term mean reversion related to passive investor behavior
- Enhance credit trend with equity trend and Risk Appetite Index

Example credit trend in 2011 for CDX HY (US)



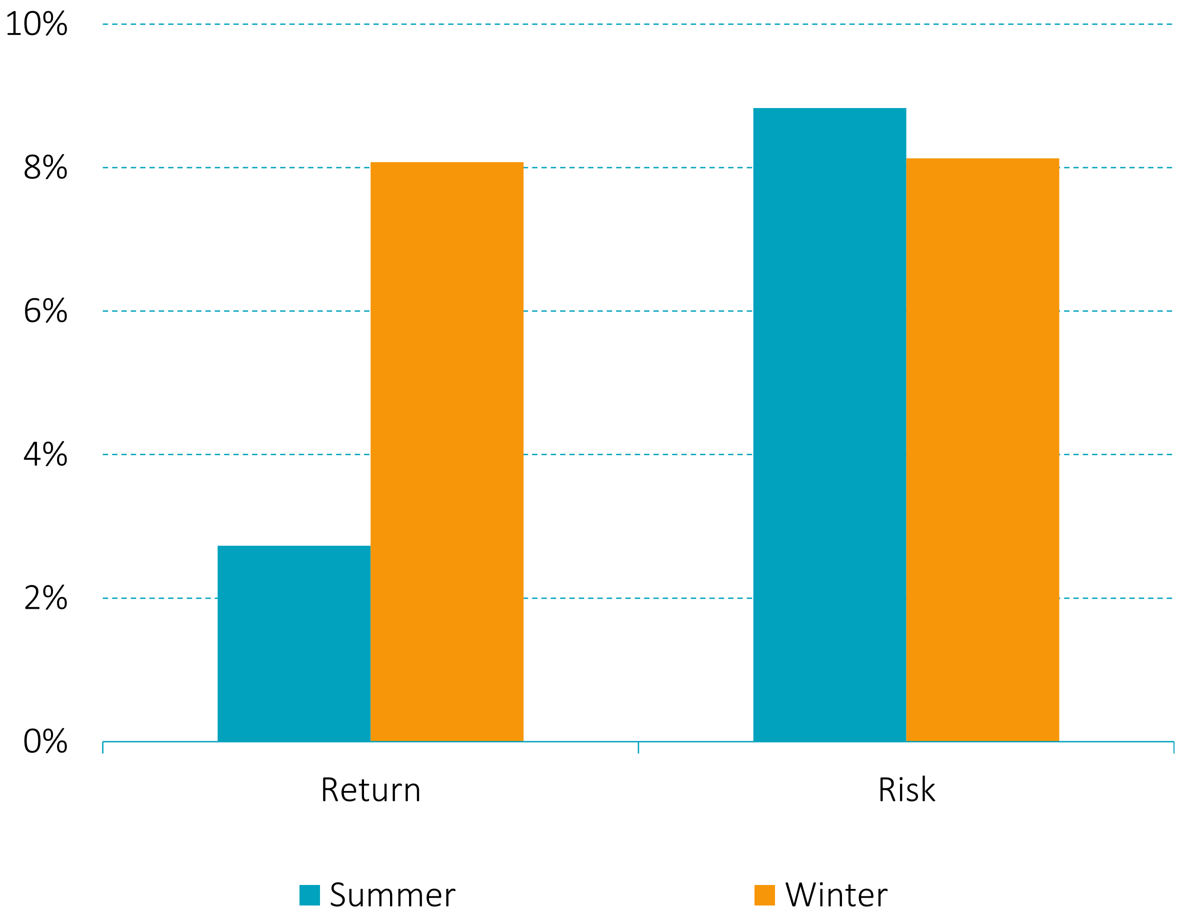
Sources and references:

Clinebell, Kahl & Stevens, 1996, “Time series estimation of the bond default risk premium”, The Quarterly Review of Economics and Finance
Hong, Lin & Wu, 2012, “Are corporate bond market returns predictable?”, Journal of Banking and Finance
Faber, 2007, “A quantitative approach to tactical asset allocation”, The Journal of Wealth Management
Bloomberg Barclays, Robeco Quantitative Research

Model variables: Season

- The Halloween-indicator is based on increasing optimism and risk-seeking behavior of investors towards the end of the calendar year
- Hence returns are higher in the “Winter” (November-April) and lower in the “Summer” (May-October), and vice versa for the risk

Return and risk per season



Sources and references:
Bouman & Jacobsen, 2002, “The Halloween indicator, 'Sell in May and go away': Another puzzle”, American Economic Review;
Doeswijk, 2008, “The optimism cycle: Sell in May”, De Economist
Bloomberg Barclays, Robeco Quantitative Research

Dynamic High Yield: keeping the model in perfect shape

Model fundamentals unchanged, yet open to enhancements

Optimal balance between making technical refinements and sticking to model philosophy

> Conservative approach in changing the model, sticking to structural drivers of credit markets since 2000

> Continuous model performance monitoring and regular detailed analyses

> Despite strong track record, we keep looking for possible enhancements

Recent enhancements

> 2019: added new value variable

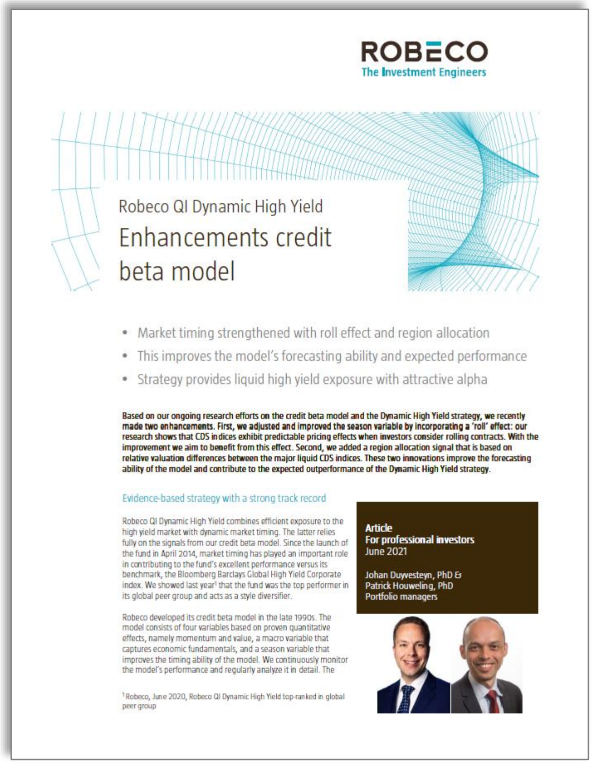
> 2021: enhanced season variable with semi-annual roll effect

> 2021: added region allocation taking positions in Europe vs the US

Current research focus on macro variable

> Investigate nowcast and alternative economic surprise data

> Lookback horizon relation risk-free rate and credit spread


ROBECO
The Investment Engineers

Robeco QI Dynamic High Yield
Enhancements credit beta model

- Market timing strengthened with roll effect and region allocation
- This improves the model's forecasting ability and expected performance
- Strategy provides liquid high yield exposure with attractive alpha

Based on our ongoing research efforts on the credit beta model and the Dynamic High Yield strategy, we recently made two enhancements. First, we adjusted and improved the season variable by incorporating a 'roll' effect: our research shows that CDS indices exhibit predictable pricing effects when investors consider rolling contracts. With the improvement we aim to benefit from this effect. Second, we added a region allocation signal that is based on relative valuation differences between the major liquid CDS indices. These two innovations improve the forecasting ability of the model and contribute to the expected outperformance of the Dynamic High Yield strategy.

Evidence-based strategy with a strong track record

Robeco QI Dynamic High Yield combines efficient exposure to the high yield market with dynamic market timing. The latter relies fully on the signals from our credit beta model. Since the launch of the fund in April 2014, market timing has played an important role in contributing to the fund's excellent performance versus its benchmark, the Bloomberg Barclays Global High Yield Corporate index. We showed last year[1] that the fund was the top performer in its global peer group and acts as a style diversifier.

Robeco developed its credit beta model in the late 1990s. The model consists of four variables based on proven quantitative effects, namely momentum and value, a macro variable that captures economic fundamentals, and a season variable that improves the timing ability of the model. We continuously monitor the model's performance and regularly analyze it in detail. The

[1] Robeco, June 2020, Robeco QI Dynamic High Yield top-ranked in global peer group

Article
For professional investors
June 2021

Johan Duyvesteyn, PhD &
Patrick Houweling, PhD
Portfolio managers

ROBECO

CDS failure to pay event and bankruptcy

CDS auction

1. Decision 2 members of the ISDA Americas Determinations Committee (DC)
2. DC determines the auction date within a month
3. Auction: initial market midpoint and net open interest
4. Trade orders against the clearing price and open interest

Impact CDX index if protection seller

> Payment = index notional * (1 - recovery) * (1% / index factor)

> Index factor starts at 1, depends on the amount of CDS issuers still in the index

> New index price = [old index price – (recovery / old index factor)] / (new index factor / old index factor)

Example: Caesars Entertainment in Feb 2015

> Initial market midpoint: 14.875

> Clearing price: 15.875

> For an index notional of 10 mln USD the payment would be $10mn * (1 - 0.15875) * (1% / 1) = $84,125

> New index price = [$106.33 – (0.15875/1)]/(0.99/1) = $107.24

Overview of quant fixed income strategies

Successfully applying factor-based strategies to deliver superior risk-adjusted returns

	Government bonds	Credits	Aggregate
Allocation strategies	> Global Dynamic Duration > Long/Short Dynamic Duration	> Dynamic High Yield	
Selection strategies	> Multi-Factor Government Bonds*	> Multi-Factor Credits > SDG & Climate Multi-Factor Credits > Multi-Factor High Yield > Conservative Credits* > Sustainable Enhanced Index HY*	> Multi-Factor Bonds

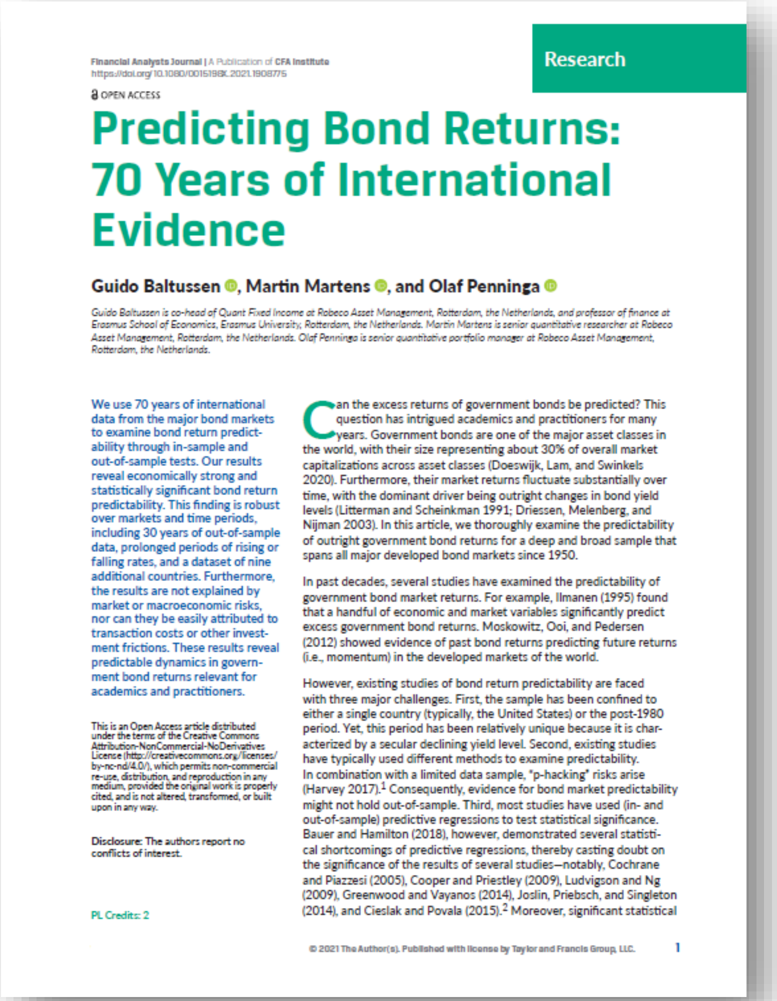
- Allocation strategies apply dynamic market timing based on factors
- Selection strategies use factors to select bonds with the most attractive risk-adjusted returns perspectives

Source: Robeco. *Segregated accounts only.

Duration management: model-driven since 1998

Full transparency, sound economic logic and proven forecasting ability

Model variable	Captured using
Economic growth	Stock market returns
Inflation	Change in commodity prices
Monetary policy	Change in slope of the yield curve
Valuation	Slope of the yield curve
Trend	Global bond market momentum
Season	Monthly and annual patterns
Low-risk	Relative performance low-risk stocks


Financial Analysts Journal | A Publication of CFA Institute
https://doi.org/10.1080/0015198X.2021.1908775

Research

OPEN ACCESS

Predicting Bond Returns: 70 Years of International Evidence

Guido Baltussen, Martin Martens, and Olaf Penninga

Guido Baltussen is co-head of Quant Fixed Income at Robeco Asset Management, Rotterdam, the Netherlands, and professor of finance at Erasmus School of Economics, Erasmus University, Rotterdam, the Netherlands. Martin Martens is senior quantitative researcher at Robeco Asset Management, Rotterdam, the Netherlands. Olaf Penninga is senior quantitative portfolio manager at Robeco Asset Management, Rotterdam, the Netherlands.

We use 70 years of international data from the major bond markets to examine bond return predictability through in-sample and out-of-sample tests. Our results reveal economically strong and statistically significant bond return predictability. This finding is robust over markets and time periods, including 30 years of out-of-sample data, prolonged periods of rising or falling rates, and a dataset of nine additional countries. Furthermore, the results are not explained by market or macroeconomic risks, nor can they be easily attributed to transaction costs or other investment frictions. These results reveal predictable dynamics in government bond returns relevant for academics and practitioners.

Disclosure: The authors report no conflicts of interest.

PL Credits: 2

Can the excess returns of government bonds be predicted? This question has intrigued academics and practitioners for many years. Government bonds are one of the major asset classes in the world, with their size representing about 30% of overall market capitalizations across asset classes (Doeswijk, Lam, and Swinkels 2020). Furthermore, their market returns fluctuate substantially over time, with the dominant driver being outright changes in bond yield levels (Litterman and Scheinkman 1991; Driessen, Melenberg, and Nijman 2003). In this article, we thoroughly examine the predictability of outright government bond returns for a deep and broad sample that spans all major developed bond markets since 1950.

In past decades, several studies have examined the predictability of government bond market returns. For example, Ilmanen (1995) found that a handful of economic and market variables significantly predict excess government bond returns. Moskowitz, Ooi, and Pedersen (2012) showed evidence of past bond returns predicting future returns (i.e., momentum) in the developed markets of the world.

However, existing studies of bond return predictability are faced with three major challenges. First, the sample has been confined to either a single country (typically, the United States) or the post-1980 period. Yet, this period has been relatively unique because it is characterized by a secular declining yield level. Second, existing studies have typically used different methods to examine predictability. In combination with a limited data sample, "p-hacking" risks arise (Harvey 2017).[1] Consequently, evidence for bond market predictability might not hold out-of-sample. Third, most studies have used (in- and out-of-sample) predictive regressions to test statistical significance. Bauer and Hamilton (2018), however, demonstrated several statistical shortcomings of predictive regressions, thereby casting doubt on the significance of the results of several studies—notably, Cochrane and Piazzesi (2005), Cooper and Priestley (2009), Ludvigson and Ng (2009), Greenwood and Vayanos (2014), Joslin, Priebsch, and Singleton (2014), and Cieslak and Povala (2015).[2] Moreover, significant statistical

 1

Source: Robeco. Baltussen, Guido and Martens, Martin and Penninga, Olaf, Predicting Bond Returns: 70 Years of International Evidence (June 19, 2020). Available at SSRN: https://ssrn.com/abstract=3631109 or http://dx.doi.org/10.2139/ssrn.3631109

Performance

Robeco QI Global Dynamic Duration

Annualized performance (Hedged into EUR)	YTD	1 Year	3 Years	5 Years	10 Years	Since Jan-98
Robeco QI Global Dynamic Duration	-14.62%	-14.62%	-5.81%	-2.28%	0.22%	3.66%
Benchmark	-14.07%	-14.07%	-4.41%	-1.84%	0.20%	3.10%
Relative performance	-0.55%	-0.55%	-1.40%	-0.44%	0.01%	0.56%
Tracking error		2.78%	2.13%	2.12%	2.02%	2.34%
Information ratio		-0.20	-0.66	-0.21	0.01	0.24

Calendar year performance (Hedged into EUR)	2022	2021	2020	2019	2018	2017
Robeco QI Global Dynamic Duration	-14.62%	-3.58%	1.52%	4.85%	1.71%	0.37%
Benchmark	-14.07%	-3.09%	4.88%	4.63%	-0.27%	0.40%
Relative performance	-0.55%	-0.50%	-3.36%	0.21%	1.98%	-0.03%

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Source: Robeco, JPM. Portfolio: Robeco QI Global Dynamic Duration DH-EUR Share Class. Benchmark: JPM GBI Global Investment Grade. All figures in EUR. Data end of December 2022. January 1, 1998 marks the start of the track record generated on the basis of the current investment strategy in which all active positions are fully based on the quantative model.

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Robeco Institutional Asset Management B.V.

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Additional Information for investors with residence or seat in Malaysia

Generally, no offer or sale of the Shares is permitted in Malaysia unless where a Recognition Exemption or the Prospectus Exemption applies: NO ACTION HAS BEEN, OR WILL BE, TAKEN TO COMPLY WITH MALAYSIAN LAWS FOR MAKING AVAILABLE, OFFERING FOR SUBSCRIPTION OR PURCHASE, OR ISSUING ANY INVITATION TO SUBSCRIBE FOR OR PURCHASE OR SALE OF THE SHARES IN MALAYSIA OR TO PERSONS IN MALAYSIA AS THE SHARES ARE NOT INTENDED BY THE ISSUER TO BE MADE AVAILABLE, OR MADE THE SUBJECT OF ANY OFFER OR INVITATION TO SUBSCRIBE OR PURCHASE, IN MALAYSIA. NEITHER THIS DOCUMENT NOR ANY DOCUMENT OR OTHER MATERIAL IN CONNECTION WITH THE SHARES SHOULD BE DISTRIBUTED, CAUSED TO BE DISTRIBUTED OR CIRCULATED IN MALAYSIA. NO PERSON SHOULD MAKE AVAILABLE OR MAKE ANY INVITATION OR OFFER OR INVITATION TO SELL OR PURCHASE THE SHARES IN MALAYSIA UNLESS SUCH PERSON TAKES THE NECESSARY ACTION TO COMPLY WITH MALAYSIAN LAWS.

Additional Information for investors with residence or seat in Mexico

The funds have not been and will not be registered with the National Registry of Securities, maintained by the Mexican National Banking and Securities Commission and, as a result, may not be offered or sold publicly in Mexico. Robeco and any underwriter or purchaser may offer and sell the funds in Mexico on a private placement basis to Institutional and Accredited Investors, pursuant to Article 8 of the Mexican Securities Market Law.

Additional Information for investors with residence or seat in Peru

The Fund has not been registered with the Superintendencia del Mercado de Valores (SMV) and is being placed by means of a private offer. SMV has not reviewed the information provided to the investor. This document is only for the exclusive use of institutional investors in Peru and is not for public distribution.

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This document has not been registered with the Monetary Authority of Singapore (“MAS”). Accordingly, this document may not be circulated or distributed directly or indirectly to persons in Singapore other than (i) to an institutional investor under Section 304 of the SFA, (ii) to a relevant person pursuant to Section 305(1), or any person pursuant to Section 305(2), and in accordance with the conditions specified in Section 305, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. The contents of this document have not been reviewed by the MAS. Any decision to participate in the Fund should be made only after reviewing the sections regarding investment considerations, conflicts of interest, risk factors and the relevant Singapore selling restrictions (as described in the section entitled “Important Information for Singapore Investors”) contained in the prospectus. Investors should consult your professional adviser if you are in doubt about the stringent restrictions applicable to the use of this document, regulatory status of the Fund, applicable regulatory protection, associated risks and suitability of the Fund to your objectives. Investors should note that only the Sub-Funds listed in the appendix to the section entitled “Important Information for Singapore Investors” of the prospectus (“Sub-Funds”) are available to Singapore investors. The Sub-Funds are notified as restricted foreign schemes under the Securities and Futures Act, Chapter 289 of Singapore (“SFA”) and invoke the exemptions from compliance with prospectus registration requirements pursuant to the exemptions under Section 304 and Section 305 of the SFA. The Sub-Funds are not authorized or recognized by the MAS and shares in the Sub-Funds are not allowed to be offered to the retail public in Singapore. The prospectus of the Fund is not a prospectus as defined in the SFA. Accordingly, statutory liability under the SFA in relation to the content of prospectuses does not apply. The Sub-Funds may only be promoted exclusively to persons who are sufficiently experienced and sophisticated to understand the risks involved in investing in such schemes, and who satisfy certain other criteria provided under Section 304, Section 305 or any other applicable provision of the SFA and the subsidiary legislation enacted thereunder. You should consider carefully whether the investment is suitable for you. Robeco Singapore Private Limited holds a capital markets services license for fund management issued by the MAS and is subject to certain clientele restrictions under such license.

Additional Information for investors with residence or seat in Spain

Robeco Institutional Asset Management B.V., Sucursal en España with identification number W0032687F and having its registered office in Madrid at Calle Serrano 47-14º, is registered with the Spanish Commercial Registry in Madrid, in volume 19.957, page 190, section 8, sheet M-351927 and with the National Securities Market Commission (CNMV) in the Official Register of branches of European investment services companies, under number 24. The investment funds or SICAV mentioned in this document are regulated by the corresponding authorities of their country of origin and are registered in the Special Registry of the CNMV of Foreign Collective Investment Institutions marketed in Spain.

Additional Information for investors with residence or seat in South Africa

Robeco Institutional Asset Management B.V. is registered and regulated by the Financial Sector Conduct Authority in South Africa.

Important information

Robeco Institutional Asset Management B.V.

Additional Information for investors with residence or seat in Switzerland

The Fund(s) are domiciled in Luxembourg. This document is exclusively distributed in Switzerland to qualified investors as defined in the Swiss Collective Investment Schemes Act (CISA). This material is distributed by Robeco Switzerland Ltd, postal address: Josefstrasse 218, 8005 Zurich. ACOLIN Fund Services AG, postal address: Leutschenbachstrasse 50, 8050 Zürich, acts as the Swiss representative of the Fund(s). UBS Switzerland AG, Bahnhofstrasse 45, 8001 Zurich, postal address: Europastrasse 2, P.O. Box, CH-8152 Opfikon, acts as the Swiss paying agent. The prospectus, the Key Investor Information Documents (KIIDs), the articles of association, the annual and semi-annual reports of the Fund(s), as well as the list of the purchases and sales which the Fund(s) has undertaken during the financial year, may be obtained, on simple request and free of charge, at the office of the Swiss representative ACOLIN Fund Services AG. The prospectuses are also available via the website.

Additional Information relating to RobecoSAM-branded funds/services

Robeco Switzerland Ltd, postal address Josefstrasse 218, 8005 Zurich, Switzerland has a license as asset manager of collective assets from the Swiss Financial Market Supervisory Authority FINMA. RobecoSAM-branded financial instruments and investment strategies referring to such financial instruments are generally managed by Robeco Switzerland Ltd. The RobecoSAM brand is a registered trademark of Robeco Holding B.V. The brand RobecoSAM is used to market services and products which entail Robeco's expertise on Sustainable Investing (SI). The brand RobecoSAM is not to be considered as a separate legal entity.

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Additional Information for investors with residence or seat in Thailand

The Prospectus has not been approved by the Securities and Exchange Commission which takes no responsibility for its contents. No offer to the public to purchase the Shares will be made in Thailand and the Prospectus is intended to be read by the addressee only and must not be passed to, issued to, or shown to the public generally.

Additional Information for investors with residence or seat in the United Arab Emirates

Some Funds referred to in this marketing material have been registered with the UAE Securities and Commodities Authority (the Authority). Details of all Registered Funds can be found on the Authority's website. The Authority assumes no liability for the accuracy of the information set out in this material/document, nor for the failure of any persons engaged in the investment Fund in performing their duties and responsibilities.

Additional Information for investors with residence or seat in the United Kingdom

Robeco is temporarily deemed authorized and regulated by the Financial Conduct Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorization, are available on the Financial Conduct Authority's website.

Additional Information for investors with residence or seat in Uruguay

The sale of the Fund qualifies as a private placement pursuant to section 2 of Uruguayan law 18,627. The Fund must not be offered or sold to the public in Uruguay, except under circumstances which do not constitute a public offering or distribution under Uruguayan laws and regulations. The Fund is not and will not be registered with the Financial Services Superintendency of the Central Bank of Uruguay. The Fund corresponds to investment funds that are not investment funds regulated by Uruguayan law 16,774 dated September 27, 1996, as amended.