

United Sustainable Series – Global Credits Fund

As at 31 August 2022

Performance Update

For the month of August, the Fund MYRH class registered a return of -2.82%.

The fund slightly lagged the index (-4 bps IH EUR class). Our top-down positioning and issuer selection had a positive contribution; this was offset by our swap position. We continue to hold a position in swap spreads where we are long 5-year European swap spreads. The contribution this month was negative as swap spreads continued to widen. The biggest laggards were (in absolute terms): HSBC, Cellnex Telecom SA, and ZF Friedrichshafen AG. Largest positive contributors were our holdings in Raiffeisen, Orbia and Votorantim.

Market Outlook

Attractive valuations warrant a modest beta overweight

By all standards, we have seen a very significant repricing of assets. European government bonds posted their worst quarter in decades and on top of that, credit spreads widened. Correlations in rates and risk markets have clearly been positive in this regime of financial tightening, taking away the benefits of diversification. If history since 1955 is any guide, we have to conclude, as Larry Summers and Alex Domash first pointed out, that from current levels of inflation and labor market overheating, Fed tightening has always resulted in a recession.

Spreads on all segments of the credit market are now undoubtedly above median spreads. Euro investment grade and Euro high yield have even reached the top quartile. Could spreads go wider in a full-blown recession scenario? Yes, they could. Should we run full underweight positions until we see those highs? No, we don't believe that would be prudent. Even though we acknowledge that recession risks are elevated, there is never a 100% certainty that this scenario will play out. Given that markets are rapidly repricing, it is sensible to start buying some credit risk now and we are aiming for a portfolio beta just above one.

Portfolio Positioning

Modest beta overweight, preference for financials

The fund maintained a modest overweight beta positioning (beta of 1.2) throughout the month. We invested in new issues from ING, SEB and BNP which came to the market at very attractive risk premia. We also invested in US chemical Celanese. We reduced our positions in Taiwan Semiconductor company and EM names Bancolombia, Itau Unibanco and Netflix. The fund remains overweight in the banking, insurance, basic industry, and technology sectors. We have overweight positions in European banks because we believe that this sector will not be the epicenter of the bear market in this cycle for several reasons. Banks are shielded to a certain extent by state-backed lending programs for SMEs instituted during the Covid crisis. Capitalizations are significantly better now than a decade ago. The insurance sector is relatively cheap compared to banking and its rating peers. In addition, regulatory treatment of subordinated debt in the sector is more favorable. Our overweight in basic industry is in companies with favorable supply-demand dynamics and a low position on the cost curve. These corporates have been widening ahead of the slowdown due to a combination of higher input, energy costs, and local shutdowns. Our overweight in technology is driven by Oracle and WDC. We have underweight positions in consumer non-cyclical, energy, and utilities, either because the sectors are relatively expensive or as the result of negative SDG scores.

The largest positions consist of a mix of financials and industrials and we tend to have more than one bond holding in a specific name. Our top holdings are Banco de Sabadell, Raiffeisen Bank, and Deutsche Bank. We hold European banks as these are far more resilient than a decade ago.

Bond Commentary

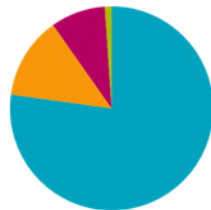
Bond	Country	Sector	Remarks
Orbia	Mexico	Industrials	<ul style="list-style-type: none"> Orbia Advance Corporation S.A.B. de CV specializes in products and solutions. The Company focuses on insuring food security, reducing water scarcity, reinventing the future of cities and homes, connecting communities to data infrastructure, and expanding access to health and wellness with advanced materials. Orbia Advance Corporation serves customers in Mexico.
ZF Friedrichshafen AG	Germany	Industrials	<ul style="list-style-type: none"> ZF Friedrichshafen AG provides auto components. The Company offers systems for passenger cars, commercial vehicles, and industrial technology. ZF Friedrichshafen serves customers worldwide.

Fund Classes

Fund Classes					
MYR Hedged Class	USD Class	AUD Hedged Class	SGD Hedged Class	RMB Hedged Class	GBP Hedged Class

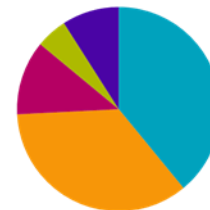
Positioning by Segment and Region

Segment allocation (Absolute weight)



Investment Grade	71%
High Yield	12%
Emerging Markets	8%
Securitized	1%

Region allocation (Absolute weight)



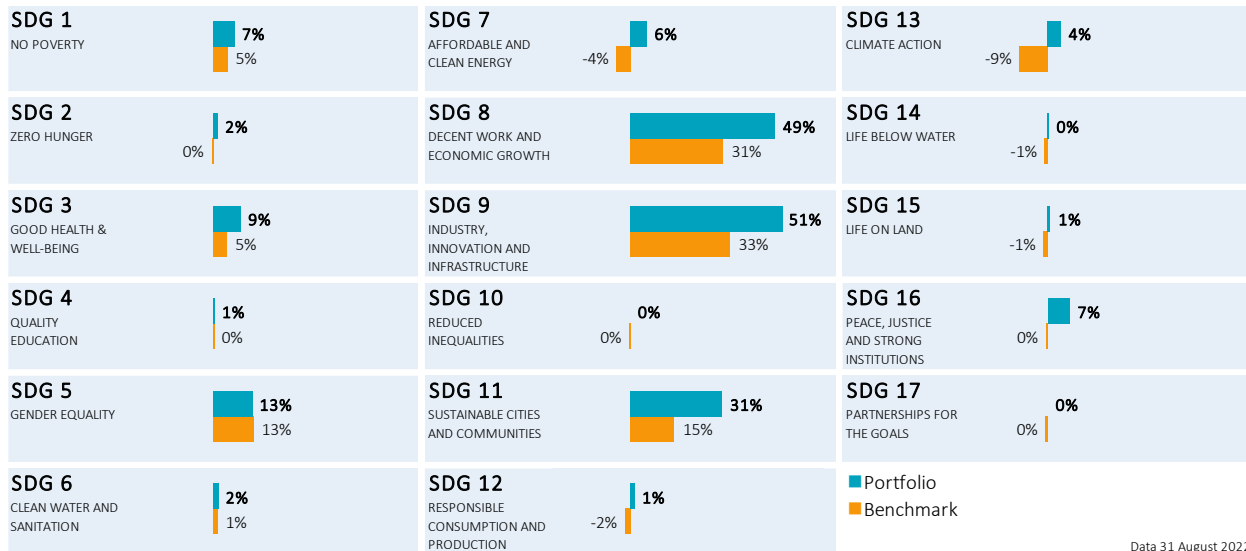
North America	36%
Europe ex-UK	32%
United Kingdom	11%
Other Developed	5%
Emerging	8%

Source: Robeco. RobecoSAM Global SDG Credits. Data end of August 2022

Sustainability

Contribution to the United Nations Sustainable Development Goals (SDGs)

The portfolio has a high contribution to SDG 1 (no poverty), SDG 8 (decent work & economic growth), SDG 9 (industry, innovation & infrastructure) and SDG 11 (sustainable cities & communities). Our holdings in the banking and insurance sector and in emerging markets contribute the most to these SDGs. But our holdings in the telecom and technology sectors also contribute positively to SDG 8 (decent work and economic growth) and SDG 9 (industry, innovation and infrastructure).



Data 31 August 2022

Source: Robeco. Net figures for individual SDGs.

Portfolio: RobecoSAM Global SDG Credits. Benchmark: Bloomberg Global Aggregate Corporate.

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