United Sustainable Series – Global Credits Fund

As at 31 July 2022

Performance Update

For the month of July, the Fund MYRH class registered a return of 3.12%, which outperforming its benchmark of 2.92%.

The fund outperformed the benchmark. Our issuer selection made a small negative contribution, but this was offset by our top-down beta positioning, which made a positive contribution. Our exposures in communications and basic industries added the most to relative returns, whereas our exposures in banking and technology detracted. At individual issuer level, our holdings in telecom company Cellnex, Netflix, NextEra Energy and automotive parts producer ZF Friedrichshafen were among the largest positive contributions. Cellnex decided to pass on the acquisition of DT Towers. The firm's management commented that the focus going forward would be on smaller bolt-on acquisitions. This reduced fears of big debt financed acquisitions by the company as investors expect the company to gradually deleverage, bonds showed strong performance. Bonds issued by German automotive parts manufacturer ZF Friedrichshafen benefited from the more positive sentiment in high yield markets in July. In earlier months, bonds had underperformed on investor concerns about the impact of a slowdown in Europe. Among the largest detractors were our holdings in Raiffeisen, Banco de Sabadell and Taiwan Semiconductor Company.

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 top quartile. Could spreads go wider in a full-blown recession scenario? Yes, they can. Should we run full underweight positions until we see those highs? No, we don't believe that would be prudent to do. 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 that is just above one.

Portfolio Positioning

Increased beta to 1.2 by adding to exposure in AT1 coco bank debt

We slightly increased the beta in July to 1.2 by adding AT1 CoCo bank debt exposure in names such as Intesa SanPaolo, Barclays and Santander as well as subordinated debt issued by AXA, Legal & General and Aviva. Total exposure to AT1 CoCo bank debt is now 4.1%. After some recent weakness in the performance of emerging market corporates, we added to our exposure in Brazilian paper pulp producer Suzano. We took profit on our positions in corporate hybrids issued by Orange and Volkswagen.

The fund is overweight in banking, insurance, basic industries and technology. We have overweight positions in European banks since 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 that were 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 industries is in companies with favorable supply-demand dynamics and a low position on the cost curve. Our overweight in technology is driven by Oracle and WDC. We are underweight in consumer non-cyclicals, energy, and utilities. Defensive sectors such as consumer non-cyclicals are relatively expensive. Underweights in energy and utilities are partially the result of negative SDG scores.

Financials dominate our top ten holdings and include Banco de Sabadell, Raiffeisen, Santander, Deutsche Bank and Intesa SanPaolo.

Bond Commentary

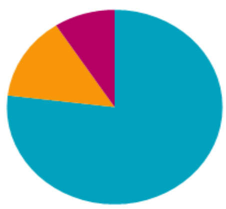
Bond	Country	Sector	Remarks
Netflix	United States	Communication Services	• Netflix is one of the world's leading entertainment services with approximately 222 million paid memberships in over 190 countries enjoying TV series, documentaries, feature films and mobile games across a wide variety of genres and languages. • Members can enjoy content virtually anywhere and anytime on any internet-connected screen--all without commercials. • The company continues to offer DVD-by-mail service in the US. Netflix has over 220 million paid subscribers in more than 190 countries. • Netflix was among the largest positive contributors for the month.
Raiffeisen	Austria	Financials	• Raiffeisen is an Austria-based bank with operations in Eastern Europe. • The bank makes a positive contribution to SDG 8 (decent work & economic growth), SDG 9 (industry, innovation and infrastructure) and SDG 11 (sustainable cities & communities). • The latter contribution is a result of the bank’s activities in mortgage lending.

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 (Absolute weight)



Investment Grade	77%
High Yield	14%
Emerging Market	9%

Region (Absolute weight)

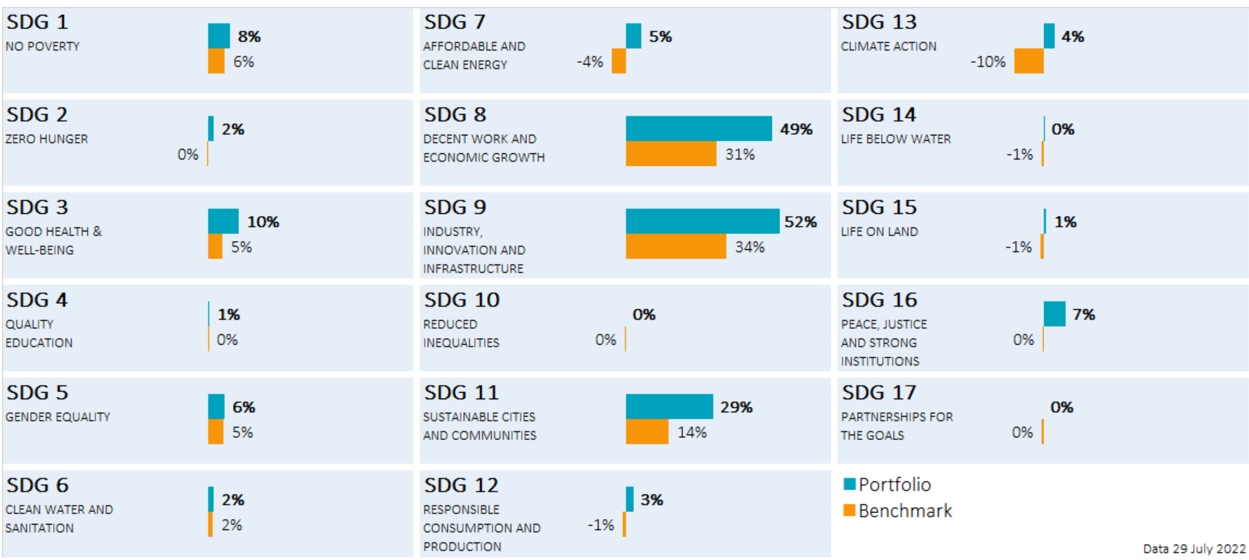
Europe ex-UK	31%
United Kingdom	10%
North America	41%
Other Developed	5%
Emerging	9%

Source: Robeco. RobecoSAM Global SDG Credits. Data end of July 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 also our holdings in the telecom and technology sectors contribute positively to SDG 8 (decent work and economic growth) and SDG 9 (industry, innovation and infrastructure).



Source: Robeco. Net figures for individual SDGs.
Portfolio: RobecoSAM Global SDG Credits. Benchmark: Bloomberg Global Aggregate Corporate.

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