

## **United Sustainable Series – Global Credits Fund**

As at 31 October 2022

### **Performance Update**

For the month of October, the Fund MYRH class registered a return of -0.53%.

The fund outperformed the index in October. Our beta overweight contributed positively to relative returns as did issuer selection. Our regional allocation (overweight Europe and underweight US) had a neutral contribution as US and Euro IG credit markets performed more or less in line with each other. The overweight in banks and insurance companies contributed positively as financial bonds and especially AT1 CoCos outperformed in October. Our underweight in energy and consumer non-cyclical detracted. Our long euro swap spread position also contributed positively as swap spreads tightened in October. Our long position in CDX High Yield also added to relative returns.

### **Market Outlook**

Parts of the global credit market now offer value

The age of confusion has started. Inflection points in the business cycle, the monetary cycle as well as some secular cycles around demographics and geopolitics make the current period confusing to analyze. For now, we believe that the business cycle has to unwind a little further, that there is a risk that central banks will overreact and that the market, in general, is not yet priced for a full-blown recession.

There are several areas of the market that offer attractive valuations. European assets look attractive thanks to relatively wide swap spreads. In general banks and insurers are pricing in more downside than most corporate sectors.

### **Portfolio Positioning**

Modest beta overweight, preference for financials

The fund maintained a modest overweight beta positioning throughout the month. It is overweight in the banking, insurance, agencies, basic industries, and technology sectors.

We have overweight positions in European banks since we believe the banks are far better capitalized and therefore more resilient 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 the basic industry sector is in companies with favorable supply-demand dynamics and whose costs are well under control. The Q3 chemical earnings season presented a bleak outlook, which we believe was already priced in. The overweight in technology is driven by our exposure to corporates in the semiconductor sector, such as WDC and TSMC.

The overweight in agencies is the result of our investment in a new 20-year green issue from the utility company Tennet, which we believe came at attractive spreads to the market. We have underweight positions in consumer non-cyclical companies, energy businesses and utilities, either because the sectors are relatively expensive or because of negative SDG scores.

AT1 Bank CoCos fared well and in some cases senior bank bonds are starting to look more attractive. An example is French bank BNP where we switched from AT1 Bank CoCos into senior bonds. We also reduced exposure in technology names Oracle, WDC and Dell, and in long-dated telecom bonds issued by Charter Communications. We invested in insurer Prudential to benefit from the attractive valuations on insurance debt. We participated in new issuance from Allied Irish Bank and HSBC.

Our exposure in emerging markets has come down slightly over the month as we took profit on our position in Brazilian chemical company Braskem.

The top 10 holdings are currently dominated by financials and include banks Raiffeisen Bank, Banco de Sabadell and Banco Santander SA.

### Bond Commentary

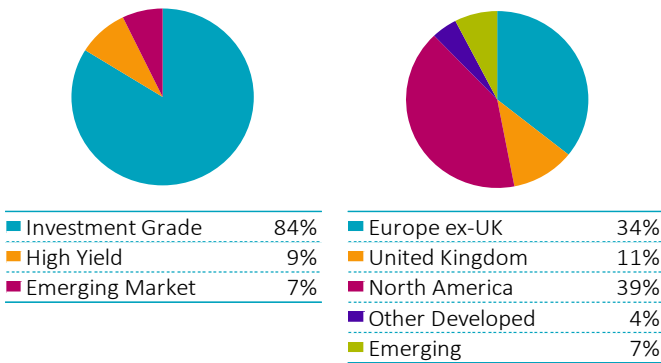
Bond	Country	Sector	Remarks
WDC	United States	Technology	<ul style="list-style-type: none"> <li>Western Digital is a leading developer, manufacturer, and provider of data storage devices and solutions.</li> <li>Its product portfolio includes hard disk drives (HDDs), solid state drives (SSDs) as well as other flash-based products (e.g. USB memory sticks).</li> </ul>
Sabadell	Spain	Financials	<ul style="list-style-type: none"> <li>Banco de Sabadell is a Spanish multinational financial services company headquartered in Spain. It is the fifth-largest Spanish banking group.</li> <li>It is a universal bank and specializes in serving small and medium enterprises (SMEs) and the affluent with a bias towards international trade.</li> </ul>

### 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)    Region (Absolute weight)

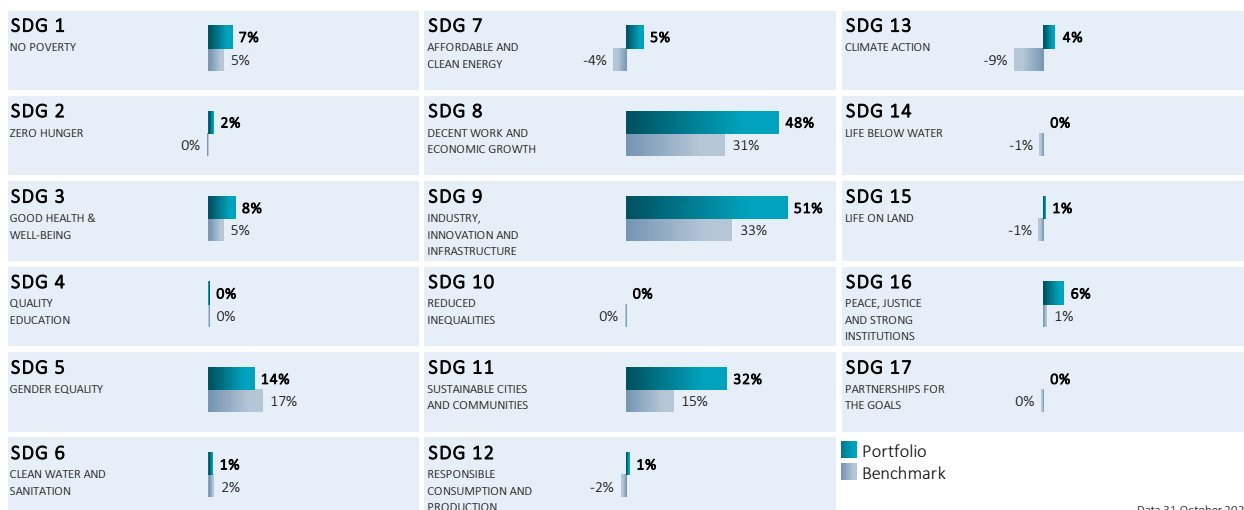


Source: Robeco. RobecoSAM Global SDG Credits. Data end of October 2022

## 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).



Source: Robeco. Net figures for individual SDGs.

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

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