

Robeco Credit Income Fund (AUD Hedged) – Class B

BENCHMARK

Benchmark Unaware

OBJECTIVE

The Fund aims to maximise current yield and income and seeks to meet the needs of investors who are targeting a consistent level of income.

APIR

ETL7701AU

CLASS SIZE

\$9.7m

ARSN

644 635 594

EXIT PRICE

\$0.8408

INCEPTION DATE

7 December 2020

Net performance (%)

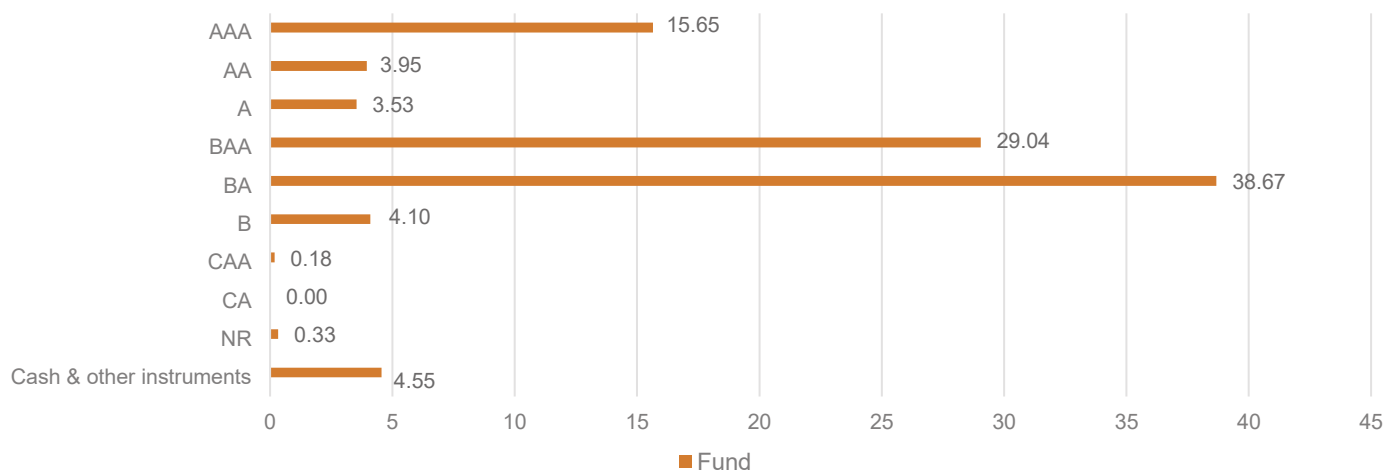
	1 month	3 months	1 year	3 years p.a.	5 years p.a.	7 years p.a.	10 years p.a.	Since inception p.a.
Fund	0.41	1.21	9.06	7.06	1.95	n/a	n/a	2.09

Sector allocation (%)¹

Asset class	Fund
ABS	0.16
Agencies	3.32
CLO	3.77
Covered	8.49
Financials	37.26
Industrials	26.01
Sovereign	4.44
Supernational	0.57
Treasuries	5.14
Utilities	6.28
Cash and other instruments	4.56

Fund analysis (%)

Characteristics	Fund
No. of issuers	194
Average maturity	4.3
Spread duration (OASD in years)	3.0
Average credit rating	BAA1/BAA2
Yield to worst (hedged to AUD)	5.1%
Yield to Maturity (unhedged)	4.5%
Modified Duration (in years)	3.8

Index rating allocation (%)¹


Past performance is not indicative of future performance. Net performance figures are calculated using exit prices, net of fees and reflect the annual reinvestment of distribution. Returns are rounded to two decimal places. Slight variations to actual calculations may occur. Significant investor activity can impact performance returns in a fund or of a class of a fund.

¹Totals may not equal due to rounding.

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All currency references in the commentary below are in US dollar terms unless stated otherwise.

Market review

Credit spreads moved within relatively narrow ranges through the fourth quarter, with brief phases of moderate widening that were quickly reversed as technical conditions remained supportive. As a result, overall credit excess returns were only slightly positive. The macro environment was influenced by patchy data availability due to the US government shutdown, softer labour indicators later in the quarter, and shifting expectations around monetary easing. The Federal Reserve delivered two 0.25% cuts one in October and one in December while signalling that additional easing was not assured. Mixed labour data and dissenting votes at the December meeting underscored a more divided policy backdrop.

Government bond yields followed the changing macro narrative. Five-year Treasury yields were broadly stable over the quarter: they declined to 3.59% in October and November before rising to 3.73% in December as markets reassessed the economic outlook. In Europe, more hawkish ECB messaging and higher inflation projections pushed Bund yields higher. Corporate fundamentals were generally solid, supported by decent automotive volumes, strong bank earnings, and broadly stable results across most sectors. The chemical sector remained weak, while some homebuilding-related areas also faced pressure. Earnings misses often triggered sharper market reactions, increasing dispersion.

Primary markets were very active. November saw one of the heaviest new-issue calendars of the year, including large multi-tranche supply from major tech issuers funding AI-related investments. These deals came at relatively cheap levels and briefly pushed investment grade spreads wider. Emerging-market debt delivered decent performance, supported in many cases by high commodity prices, although select Brazilian corporates continued to struggle due to idiosyncratic issues rather than broader market deterioration.

Portfolio positioning

The Fund's rating positioning remains centred on BBB- and BB-rated bonds, reflecting a preference for the higher-quality segments of high yield while maintaining meaningful exposure to lower-risk parts of the market. With spreads at relatively tight levels, the portfolio remains cautious toward B-rated and lower-rated issuers. BBB exposure was reduced during the quarter, while high-yield exposure was broadly unchanged as the upper tiers of the market continued to offer attractive carry. The CCC-rated bucket consists solely of newly issued first-lien bonds from Ardagh, where current agency ratings appear to lag underlying fundamentals. The portfolio also maintains a sizable allocation to AAA-rated instruments, including covered bonds and AAA CLO tranches.

Regional positioning saw no major shifts over the quarter. The fund continues to identify attractive opportunities in the crossover segment of emerging markets, while exposure to the EMU region declined slightly, driven by bottom-up decisions rather than a deliberate regional view. Overall, regional allocations continue to reflect issuer selection rather than top-down positioning.

Sector positioning remains aligned with the constructive outlook on the banking industry, where exposure particularly to Tier 1 instruments remains significant, although slightly lower following the calling of older, higher-reset deals. Within the communications sector, exposure increased as opportunities in the crossover space appeared attractive across both senior bonds and corporate hybrids. Exposure to covered bonds also increased modestly, while basic industry positioning remained stable, with selective additions to chemical companies whose weaker fundamentals are now better reflected in valuations.

The largest holdings continue to be dominated by financials, consistent with the constructive view on the sector. Exposure to Axa increased due to appealing valuations in its insurance CoCo bonds, while Orbia entered the top positions following renewed additions to the chemical sector. The position in Teva was reduced after its strong rally and subsequently dropped out of the top 10.

Performance review

The Robeco Credit Income Fund (AUD Hedged) – Class B (the 'Fund') delivered a (net) return of 1.21% for the quarter in Australian Dollar terms.

The Credit Income fund delivered a positive total return over the quarter, supported primarily by strong credit performance. Credit contributed 1.66% to total returns, reflecting constructive market conditions and the portfolio's positioning in credit-rich segments. Duration had a broadly neutral impact: the slight decline in Treasury yields provided support, but this was offset by negative carry on the USD position given the inverted curve at the short end. The EUR duration position detracted modestly as Bund yields moved higher, while cash yields made a meaningful positive contribution to overall performance.

Attribution analysis shows that the portfolio benefited from positive credit excess returns and effective issuer selection across several sectors and regions. The combination of constructive credit markets, stable fundamentals in key areas such as banking and utilities contributed to strong relative results. The allocation to sovereign risk in selective emerging markets, combined with disciplined exposure to crossover opportunities, also supported excess returns during the period.

Performance review (continued)

The top contributors included Warner Bros, where the position was increased following spread widening related to the announced corporate split, with bonds subsequently rallying on renewed acquisition interest from Paramount. Subordinated bank bonds, particularly in Deutsche Bank, KBC, and MUFJIN, performed well as investors sought higher-spread opportunities in the financial sector. Mexico sovereign bonds benefited from a relief rally as tariff concerns eased. On the detractor side, HERC lagged after disappointing earnings and softer guidance, Sharjah widened slightly despite steady fundamentals, Biocon fell following new US pharmaceutical tariffs, and WeSoda was a notable negative contributor due to allegations involving its owner.

Market outlook

The outlook for 2026 suggests a broadly constructive environment for credit markets. Global growth is expected to remain solid, with both European and US economies expanding close to trend. Inflation in the US remains above target, but the Fed is likely to prioritise supporting activity rather than tightening policy aggressively. Recent months have seen low volatility in credit markets, and index spreads continue to trade near historically tight levels. If the anticipated benign economic backdrop materialises, spreads can likely remain around current levels, with returns driven increasingly by carry rather than further spread compression. However, markets are not fully pricing potential tail risks, leaving valuations sensitive to any shift in the macro narrative.

Corporate fundamentals remain healthy on average, though dispersion is expected to stay elevated. Some issuers continue to face more challenging balance-sheet dynamics, reinforcing the importance of careful issuer selection. In a carry-focused environment, the BB segment of the high-yield market is expected to perform well, while many emerging-market countries particularly in Latin America should continue to benefit from elevated commodity prices.

The banking sector is likely to remain resilient, supported by stable credit losses and decent economic growth, whereas the chemical sector is expected to face ongoing pressures.

Across sectors, issuance is likely to increase, partly driven by higher investment in AI-related projects and a pickup in M&A activity. Larger net supply could lead to moderate spread repricing. In utilities, substantial expected issuance makes us more cautious on hybrid bonds. Beyond 2026, elevated fiscal spending and rising government debt levels may contribute to a higher term premium, reinforcing a preference for short to intermediate maturities over longer-duration exposure.

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