

APRIL 2025

Divorce and dispersion

KEY INFORMATION

- Investors are 'tariffied':** Tariff threats and policy uncertainty are driving stagflation fears and the potential end of US exceptionalism.
- Europe rearms – and reinvests:** Europe is responding to fading US support by boosting fiscal spending, particularly in defense and infrastructure, improving growth prospects.
- Total yield on credit remains attractive:** With central banks easing policy rates and yield curves steepening, it pays to own credit again.

OPPORTUNITIES

European financials: While European credit outperformed US credit in the first quarter, we remain constructive on European financials.

Focus on bottom-up opportunities: Identify potential value in individual companies that may be undervalued due to trade war concerns.

Corporate hybrids: Corporate hybrids are subordinated bonds issued by large, high-quality companies – they can offer investors an attractive yield.

RISKS

Policy unpredictability: Uncoordinated and volatile trade policies, especially from the US, create uncertainty for markets.

Stagflation pressures: Slower growth and high inflation, especially in the US, creates a tough environment for markets.

Credit valuation risk: Parts of the credit market still look expensive. If market conditions change, some bonds could lose value quickly.

PORTFOLIO POSITIONING



STAY CLOSE TO NEUTRAL ON RISK: We maintain a cautious stance, keeping overall portfolio risk close to neutral given the uncertain macro backdrop.



FAVOR EUROPE OVER THE US: European credit remains preferred due to stronger fundamentals, fiscal support, and a more favorable inflation outlook.



FOCUS ON ISSUER SELECTION: With valuations stretched, alpha may come from selecting resilient companies and avoiding those exposed to trade and policy risks.

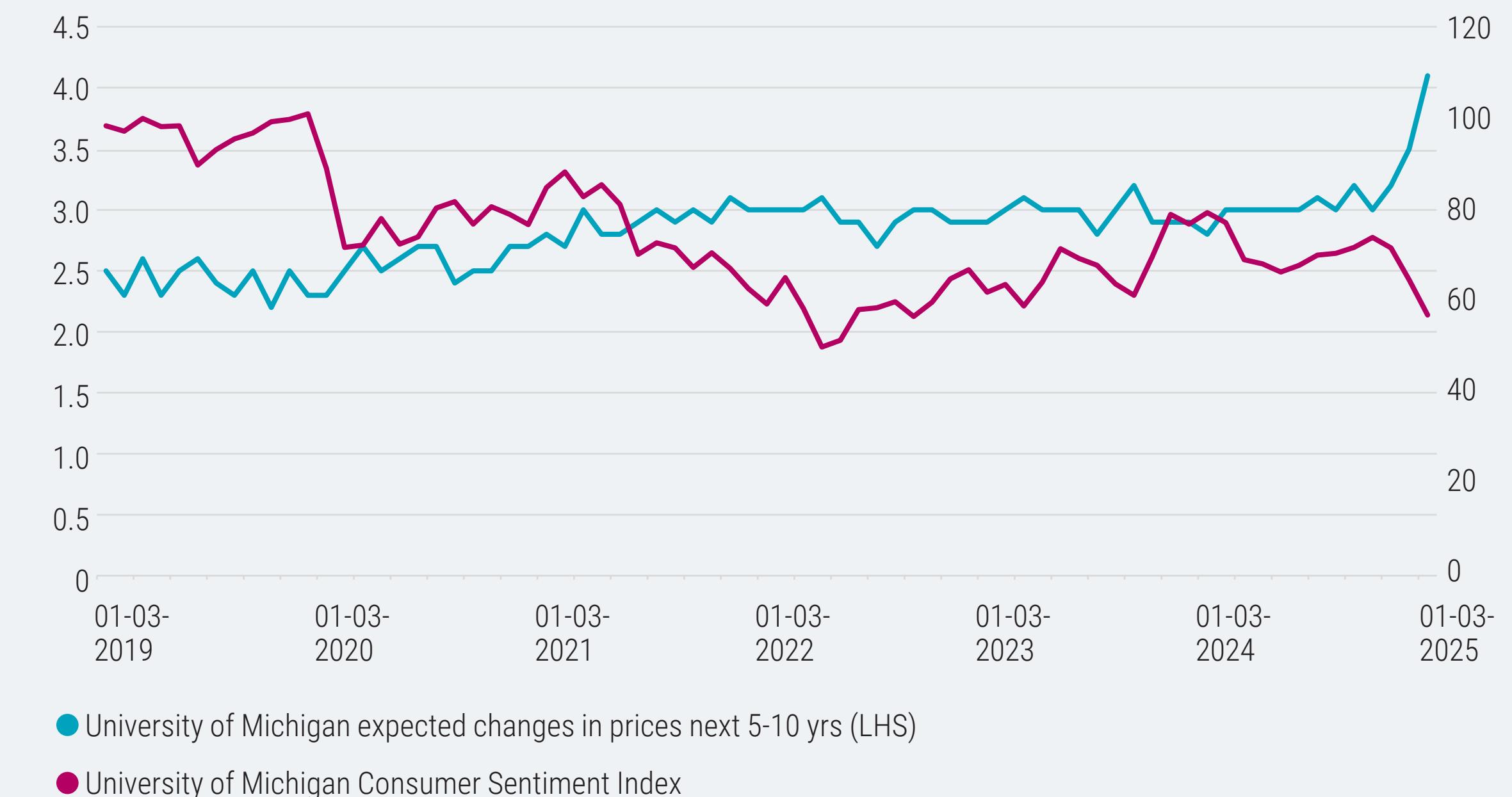


BE SELECTIVE IN HIGH YIELD: We avoid lower-rated high yield as weaker credits could struggle in a stagflationary environment.



Michigan Consumer Sentiment Index and inflation expectations

Consumer sentiment has dropped while long-term inflation expectations have surged. This divergence points to rising inflation fears even as confidence weakens, making the outlook for interest rates more uncertain.



Source: University of Michigan, Robeco, Bloomberg, April 2025

Strategy insights

How the outlook influences our strategies



CREDIT INCOME

The strategy has a low duration of 3.8 years and has shifted up in quality. Most of the allocation is in investment grade and high-quality high yield, with a key position in European subordinated financials offering attractive yields.



EURO CREDIT BONDS

The strategy is keeping overall market risk (beta) close to the index but is overweight European banks and underweight corporate bonds. It also has exposure to European securitized debt, which is backed by assets like mortgages or loans.



GLOBAL CREDITS

The strategy keeps overall risk (beta) close to the index, with overweights in European credits and underweights in US markets. It also holds small overweights in European financials, US media, and asset-backed bonds.

ACTIVE CREDIT STRATEGIES



Credit Income

Aims to generate income by adapting quickly to change, seeking the most attractive opportunities through the credit cycle. Companies that negatively impact the UN Sustainable Development Goals (SDGs) are excluded.



Euro Credit Bonds

This strategy focuses on the European investment grade credit market, identifying opportunities in corporate and financial bonds. It has the flexibility to move beyond the standard index when opportunities emerge.



Global Credits

A global corporate bond portfolio with the flexibility to invest across investment grade, high yield, and emerging markets. The strategy captures regional and economic value, aiming to balance stability and growth.

Please visit the Robeco Credit strategy page for more information.



Please visit the
Robeco website
for more information

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