

**ROBECO**

# Robeco (LU) Funds III

(formerly Robeco Interest Plus Funds)

Société d'Investissement à Capital Variable

Incorporated under Luxembourg law

RCS B 40 490

**17**

Annual Report 2017

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# General Information

## **Robeco (LU) Funds III (formerly Robeco Interest Plus Funds)**

(hereafter 'the Company')

Undertaking for collective investment in transferable securities incorporated as a 'Société d'Investissement à Capital Variable' (SICAV) under Luxembourg law.

### **Register of Companies**

RCS Luxembourg B 40 490

### **Registered Office**

Centre Etoile

11/13, Boulevard de la Foire

L-1528 Luxembourg

Grand Duchy of Luxembourg

### **Board of Directors**

J.H. (Jeroen) van den Akker (since 26 May 2017), Director, Robeco, Rotterdam, The Netherlands

D.R. (Rob) van Bommel, Managing Director, Robeco, Rotterdam, The Netherlands

H.P. (Pierre) de Knijff (since 26 May 2017), Director, Robeco, Rotterdam, The Netherlands

S. (Stefan) Gordijn (until 26 May 2017)

E. J. (Edith) Siermann (until 26 May 2017)

### **Management Company**

Robeco Luxembourg S.A.

5, rue Heienhaff

L-1736 Senningerberg

Grand Duchy of Luxembourg

### **Cabinet de révision agréé (independent auditor)**

KPMG Luxembourg, Société coopérative

39, Avenue John F. Kennedy

L-1855 Luxembourg

Grand Duchy of Luxembourg

### **Depositary, Domiciliary and Paying Agent**

RBC Investor Services Bank S.A.

14, Porte de France

L-4360 Esch-sur-Alzette

Grand Duchy of Luxembourg

### **Administration Agent and Registrar**

Robeco Luxembourg S.A.

Delegated to:

RBC Investor Services Bank S.A.

14, Porte de France

L-4360 Esch-sur-Alzette

Grand Duchy of Luxembourg

### **Investment Adviser**

Robeco Luxembourg S.A.

Delegated to:

Robeco Institutional Asset Management B.V. ("RIAM")

Weena 850, NL-3014 DA Rotterdam, The Netherlands

### **Portfolio Manager**

Appointed by RIAM:

Olaf Penninga

## Subscriptions and publications

No subscription can be accepted on the basis of financial reports such as this report. Subscriptions may only be accepted on the basis of the current prospectus, supplemented by the Company's latest annual report, and in the event that the Company's annual report has been published more than eight months previously, its latest semi-annual report. Financial reports, the prospectus and the Key Investor Information Document are available through the website [www.robeco.com](http://www.robeco.com) and may be obtained free of charge at the Company's registered office.

## Representative and paying agent in Switzerland

Robeco Switzerland A.G., Josefstrasse 218, CH-8005 Zurich, is the Company's appointed representative in Switzerland. Copies of the Key Investor Information Document and prospectus, Articles of incorporation, (semi) annual reports and a list of all purchases and sales in the investment portfolio during the reporting period are available from the above address free of charge. UBS Switzerland A.G., Bahnhofstrasse 45, CH-8001 Zurich ((Postal address Badenerstrasse 574, Postfach, CH-8098 Zürich) is the Company's paying agent in Switzerland.

## Information service in Germany

Copies of the articles of incorporation, Key Investor Information Document and prospectus and the annual and semiannual reports may be obtained free of charge from the offices of the information service in Germany: Robeco Deutschland, Taunusanlage 17, D-60325 Frankfurt am Main. The prices at which shares are issued and repurchased are published on [www.robeco.de](http://www.robeco.de). A list of all purchases and sales in the Company's investment portfolio during the reporting period is available at the paying agent/information service in Germany free of charge.

## Language versions

This report is also published in German. Only the English edition is binding and will be presented to the annual general meeting of shareholders.

# Report of the Board of Directors

## General

### Website

An information update on the sub-fund's investment policies, returns and investment portfolio can be found on [www.robeco.com/luxembourg](http://www.robeco.com/luxembourg).

### Outsourcing part of the operations activities to J.P. Morgan

On 24 January 2018, Robeco announced that it is outsourcing part of its operations and administration activities to J.P. Morgan. The decision to outsource is part of the Robeco's strategic plan for 2017-2021, which envisages further international growth in both investment and client-servicing activities. J.P. Morgan will become Robeco's service provider for fund accounting, operations, custody, depositary, transfer agency and securities lending. In view of this broader Robeco strategy, Robeco Luxembourg S.A. has consequently decided to outsource TA and Administration to J.P. Morgan and Robeco (LU) Funds III has decided that J.P. Morgan will become its depositary and lending agent. J.P. Morgan, with its global network, will provide operations activities to Robeco in multiple locations and time zones. This will enable a smarter deployment of Robeco's global trading support activities. Utilizing J.P. Morgan's global scale, technology and execution capacity will also increase Robeco's capacity to adapt to a changing market and facilitate the development of more sophisticated instruments and products. This will allow Robeco to continue to provide solutions that are tailored to its clients' needs, now and in the future. In addition, outsourcing will enable Robeco to respond more swiftly to client requests in all the different time zones where the company's clients are located.

The outsourcing of operations activities will not lead to changes in investment policies and teams. Client portfolios will continue to be managed according to their investment policies by the responsible portfolio managers and portfolio management teams. All portfolio managers will stay fully focused on delivering investment performance for Robeco's clients.

### Name change

Following the Extraordinary General Meeting held on 3 March 2017 the name of the fund was changed from Robeco Interest Plus Funds to Robeco (LU) Funds III. This change was effective from 31 March 2017. The name of the sub-fund was changed from Robeco Flex-o-Rente to Robeco QI Long/Short Dynamic Duration on 31 March 2017.

## General introduction

### Financial market environment

As it happened, 2017 was a year in which the global economy took a decisive turn towards strong, synchronized growth. After a prolonged episode of negative surprises in real activity, growth outcomes generally turned out stronger than consensus expectations in the first half of the year, with many leading indicators in developed economies reaching cycle highs in the second half. Fears of secular stagnation faded as global growth was forecast to reach 3.7% in 2017 (IMF estimate).

Stronger business and consumer confidence coupled with improved trade and investment activity underpinned the global cyclical upswing. However, despite higher capacity utilization rates in the global economy, inflation remained surprisingly sluggish and has not yet moved to levels close to central bank inflation targets. While corporate earnings have made a strong comeback, raising the profit share in the overall economy, compensation for workers has lagged the rebound in real activity and subsequent decline in unemployment. Still sizeable underemployment, the rise in part-time work, automation and the emergence of the 'gig' economy partly explain the apparently weaker trade-off between unemployment and wage-led core inflation. With oil prices falling to USD 45 per barrel during the first half of 2017, headline inflation remained modest, as well, while providing a favorable backdrop for consumer spending and aggregate demand.

All sectors contributed to economic growth in the Eurozone, which is set to expand by 2.3% in 2017 (y-o-y, IMF estimate). Unemployment dropped to 8.7%, the lowest level since January 2009.

In the US, consumer demand contributed to overall gross domestic product growth of 2.3% (y-o-y, IMF estimate). The manufacturing sector saw strong inflows in the order book, while the energy sector recovered with increasing rig counts in the shale oil sector on the back of new investments. Strong job creation, with an average of 171,000 new jobs added in the non-farm sector of the economy on a monthly basis, led to a 4.1% decrease in US unemployment.

Japan saw a strong uptick in producer confidence and investment activity spurred by improving domestic demand and exports, while Japanese labor markets tightened to levels not seen since the early 1990s. Unemployment fell to 2.7% while gross domestic product increased at a rate of 1.8% (y-o-y, IMF estimate).

In China, policies aimed at reducing excessive capacity in real estate and the industrial sector were reflected by a stabilization in producer prices and corporate pricing power. Money growth cooled, but did not choke off real economic activity which was sustained at a rate of 6.8% (IMF forecast). As for other emerging markets, higher external demand lifted Brazil out of a deep recession while growth momentum in India struggled as a result of new taxes and authorities' efforts to curb money laundering. Overall, despite enjoying the global cyclical upswing, emerging economies lagged the notable uptick seen in the activity levels of advanced economies.

After deciding to leave the EU in 2016, the UK made formal progress in 2017 as Article 50 of the Lisbon Treaty, governing the exit procedure, was triggered. The UK will leave the EU in March 2019, after which a transitory deal is likely, pending more definite arrangements over future trade relations, which could easily extend many years into the future. Any exit deal has to be approved by British members of parliament and by a qualified majority of the 27 remaining EU member states. Difficult issues like an open Northern Ireland border are as yet unresolved, though the probability of there being 'no deal' by the March 2019 deadline, a so-called "hard Brexit", is low given the dire economic impact it would have. Future economic arrangements with the EU could take the form of the UK remaining a member of the EU's single market for years to come and becoming a rule-taker.

The lack of any significant inflationary pressure in the global economy has given central banks the leeway to maintain excess liquidity in the financial system. Inflation has not yet proved to be self-sustaining given the absence of a classic wage-price spiral. While the economic slack has been reduced as capacity utilization rates have increased on the back of aggregate demand, emerging capacity constraints and longer delivery times have not ended up accelerating consumer price pressures. In the US, core inflation remained subdued at 1.5% (y-o-y).

Nevertheless, the Federal Reserve (Fed) implemented three additional rate hikes, noting the ongoing tightening of the labor market. The Fed also started to wind down its balance sheet by decreasing its reinvestments of principal bond payments. In turn, the European Central Bank (ECB) slowed down its bond buying activity in the course of 2017 from EUR 60 billion per month to EUR 30 billion per month as ECB board members felt confident inflation was set to return to levels "close to, but below 2%". However, it pledged to keep policy rates on hold well past the end of its quantitative easing program. The Bank of Japan (BoJ) proved to be the most reluctant to transition to quantitative tightening. The new monetary policy instrument, yield curve control, remained in place with a yield target of 0% for Japanese 10-year government bonds as the 2% inflation target remained out of sight. But the country also engaged in policy discussions about the detrimental consequences of ultra-low interest rate policies for the domestic banking sector. China's central bank, the PBOC, has kept its prime lending rate unchanged, but tightened financial regulations and liquidity to curb excessive lending. The profitability of domestic companies improved last year, reducing the pressure on capital outflows. The yuan has appreciated relative to the dollar.

From an investment perspective, the year 2017 will go down in the Wall Street history books as one of exceptional tranquility. The implied volatility in the major S&P 500 index, the VIX, recorded the lowest levels since its inception in 1990. Daily price swings were limited, with small daily gains compounding into double digit equity returns for most markets. This subdued equity market volatility corroborates exceptionally low macro-economic volatility, though the increased popularity of volatility selling (speculating on low volatility) has also contributed to the low VIX.

### **Bond market outlook**

Volatility in the bond market has remained remarkably subdued given the strong, synchronized economic growth. Bond yields barely moved in the course of 2017, with 10-year Treasury yields moving between 2.0% and 2.6%. For an investor hedged in euros, global government bonds delivered 0.6% in 2017. Looking ahead, rising inflation expectations, increased government supply and increasing productivity growth could leave this expensive class vulnerable as bond investors become aware of these risks. Government bond-pricing has been influenced by central bank bond-buying in recent years, which has aggravated valuations which, as it was, were already stretched. This is especially true of the German Bund market. As central banks transition from a quantitative easing to a quantitative tightening mode, a landmark shift in bond investor orientation could be triggered. Government bond markets will be susceptible to a sizeable interest rate risk if inflation picks up more than is reflected in the actual inflation expectations.

The global cyclical upswing in combination with subdued inflation remained benign for corporate bonds in 2017. US High Yield in USD returned 7.5%, while European High Yield in EUR returned 6.8%. Rising earnings kept interest

coverage of corporate issuers healthy, while investor sentiment remained positive. Investment grade lagged high yield returns with European investment grade in EUR returning 2.4%. The erosion of protection for corporate bond investors, as measured by the continued deterioration in covenant quality, is a worrisome development in the credit market. Looking ahead, valuation in the corporate bond markets will be stretched as well, with global high yield spreads now trading in the lowest 15% percentile. This implies that the resistance to future interest rate shocks has weakened considerably, especially given the increased duration in segments of the asset class.

Local emerging market bonds unhedged in euros had a disappointing year with a modest return of 1% as a result of strong euro appreciation versus emerging market currencies. From a valuation perspective, bonds issued in local currencies remain attractive. Carry remains considerably higher than in developed markets, while many emerging currencies are still cheap on a purchasing power parity basis. A more aggressive than anticipated Fed remains a particular risk for this asset class.

## Risk management

The presence of risks is inherent to the character of asset management. It is therefore very important to have a procedure for controlling these risks embedded in the company's day-to-day operations. The manager (RoLux) ensures that risks are effectively controlled via the three-lines-of-defense model: RoLux management (first line), the Compliance and Risk Management departments (second line) and the Internal Audit department (third line). The management of RoLux has primary responsibility for risk management as part of its day-to-day activities. The Compliance and Risk Management departments develop and maintain policy, methods and systems that enable the management to fulfill their responsibilities relating to risk. Furthermore, portfolios are monitored by these departments to ensure that they remain within the investment restrictions under the Terms and Conditions for Management and Custody and the information memorandum, and to establish whether they comply with the internal guidelines. The Risk Management Committee decides how the risk-management policies are applied and monitors whether risks remain within the defined limits. The Group Internal Audit department carries out audits to assess the effectiveness of internal control.

RoLux uses a risk-management and control framework that helps control all types of risk. Within this framework, risks are periodically identified and assessed as to their significance and materiality. Internal procedures and measures are focused on providing a structure to control both financial and operational risks. Management measures are included in the framework for each risk. Active monitoring is performed to establish the effectiveness of the procedures and measures of this framework.

### Operational risk

Operational risk is the risk of loss as a result of inadequate or failing processes, people or systems. Robeco constantly seeks opportunities to simplify processes and reduce complexity in order to mitigate operational risks. Automation is a key resource in this regard and Robeco uses systems that can be seen as the market standard for financial institutions. The use of automation increases the IT risk. This risk can be divided into three categories. The risk that unauthorized persons gain access is managed by means of preventive and detective measures to control access to the network and to systems and data. Processes such as change management and operational management ensure monitoring of a working system landscape. Lastly, business continuity measures are in place to limit the risk of breakdown as far as possible and to restore operational effectiveness as soon as possible in the event of disaster. The effectiveness of these measures is tested regularly both internally and externally.

### Compliance risk

Compliance risk is the risk of sanctions, financial loss or reputation damage as a result of non-compliance with the laws and regulations applicable to the activities of Robeco and the funds it manages. Robeco's activities – collective and individual asset management – are subject to the European and national rules of financial supervision. Observance of these rules is supervised by the empowered regulators (in Luxembourg the Commission de Surveillance du Secteur Financier (CSSF) and in the Netherlands the Authority for the Financial Markets, AFM and the Central Bank of the Netherlands, DNB). It is also in the interest of investors in Robeco-managed funds that Robeco complies with all the applicable laws and regulations. Robeco has implemented a meticulous process with clear responsibilities in order to ensure that new laws and regulations are reported and implemented in a timely fashion.

Significant changes in the field of legislation and regulation that could affect the funds managed by Robeco also took place in 2017. An important example of this is the European directive on markets for financial instruments. This directive, known as MiFID II, came into effect on 3 January 2018. European distributors of funds managed by Robeco

will in principle no longer be permitted to receive and hold commission as a result of MiFID II. Robeco has defined what it calls a 'target market' for each fund and by means of its procedures for development, approval and review ensures that the funds it manages correspond to the needs, characteristics and objectives of the various target groups concerned. Moreover, more information will be provided to both retail and institutional clients, for instance on the costs incurred for the fund and its distribution. Robeco also applies the stricter rules governing best execution for its funds. For each class of financial instrument, Robeco will thus publish the top five trading places where it executes orders and/or to which it transmits orders, along with an analysis of the quality of order execution. Robeco has opted to pay the costs of investment research itself and not to pass these costs on to its clients. The requirements from this directive have been fully implemented in a timely manner.

Another notable development concerns the introduction of a new European framework for the use of indices as benchmarks for financial instruments or to measure the performance of investment funds (the Benchmark Regulation). In line with this regulation that took effect immediately on 1 January 2018, Robeco has formulated solid written plans for the funds that refer to a benchmark for cases where the content of a benchmark is changed or the benchmark is no longer offered. Furthermore, in the next update the prospectus will contain clear information stating whether the benchmark is offered by a registered or authorized manager.

During the reporting year, Robeco also made the necessary preparations for the implementation of the new European directive for the prevention of the use of the financial system for money laundering or the financing of terrorism (the Fourth Anti-Money Laundering Directive). Robeco has reviewed its procedures and policy and made the necessary adjustments to ensure that the client investigation is adequate in view of the risks of the client, Robeco's products and services and the countries in which the products are offered.

The European regulation relating to the central settlement of derivatives (EMIR) contains three different types of obligations for certain forms of derivatives: (1) reporting to the regulators, (2) central settlement via central clearing institutions, and (3) supplementary requirements for bilateral transactions, such as the periodic reconciliation of derivatives positions and exchange of collateral. This regulation entered into force at the end of 2012 and is taking effect in stages. The reporting, reconciliation and exchange of collateral obligations have already entered into effect and have been implemented for the Robeco funds. The obligation of central settlement of interest-rate swaps came into effect for Robeco funds in 2016. For credit default swaps, this obligation has applied since 9 August 2017. Robeco also introduced the variation margining requirements for all Robeco funds in 2017.

The Securities Financing Transaction Regulation (SFTR) entered into force on 12 January 2016. As a result, information on securities lending and repo transactions as well as total return swaps is included in the prospectuses of the funds managed by Robeco. Information on securities financing transactions entered into has also been included in the funds' semi-annual and annual reports since 13 January 2017. Robeco has moreover made preparations in connection with the obligation to report securities financing transactions to a trade repository, which will take effect for the funds managed by Robeco with effect from the third quarter of 2019.

### **Developments**

RIAM constantly works to improve and tighten its processes and methods for measuring and controlling financial risks, among others with respect to liquidity and market risk. For liquidity risk, Risk Management has taken a new system for measuring and managing liquidity risk into operation. This system enables RIAM to more effectively obtain insight into the liquidity risk of a portfolio and also provide useful information for liquidity stress testing. For market risk, Risk Management implemented a new method last year for measuring the risk of contingent convertible bonds, also known as Cocos. These instruments have the features of options, the risks of which can now be measured better. These and other developments contribute to a robust risk framework.



## Investment results

### Investment results

	Price in currency x 1 31/12/2017	Price in currency x 1 31/12/2016	Investment result reporting period in %	Investment result 3 years average in %
<b>Robeco QI Long/Short Dynamic Duration</b>				
Class DH EUR shares	105.68	107.29	-1.5	-0.7
Class EH EUR shares <sup>1</sup>	89.73	91.51	-1.5	-0.7
Class FH EUR shares	99.95	101.12	-1.1	-0.3
Class GH EUR shares <sup>1</sup>	95.26	97.09	-1.2	-0.3
Class IH EUR shares	112.20	113.36	-1.0	-0.2
Merril Lynch EUR LIBOR Overnight Index			-0.4	-0.3
Class DH CHF shares	93.73	95.57	-1.9	-1.4
Class IH CHF shares	98.06	99.51	-1.5	-0.9
Merril Lynch CHF LIBOR Overnight Index			-0.8	-0.8
Class FH GBP shares <sup>2</sup>	98.56	98.87	-0.3	-1.1
Merril Lynch GBP LIBOR Overnight Index			0.3	0.3
Class DH USD shares	108.08	107.66	0.4	0.5
Class IH USD shares <sup>3</sup>	99.78	98.94	0.8	-0.2
Merril Lynch USD LIBOR Overnight Index			1.0	0.5

<sup>1</sup> Assuming reinvestment of the distributed dividend. See Notes on page 24.

<sup>2</sup> Period 18 August 2016 until 31 December 2017.

<sup>3</sup> Period 22 September 2016 until 31 December 2017.

## Performance analysis

Government bond markets exhibited only limited volatility in 2017, with year-to-date returns hovering between -1% and +1% for most of the year. The fund focuses on bond-market timing by actively changing its duration based on the signals given by our quantitative model. With only fairly limited market moves, there was not much opportunity for this strategy to create value in 2017.

The fund started the reporting period anticipating rising bond yields (hence falling bond prices) in the US, Germany and Japan. The active duration positioning of the fund is fully driven by our quantitative model. The model uses financial-market data to capture expectations on macro-economic variables like growth, inflation and monetary policy. Rising commodity prices signaled growing inflation pressure. Strong equity markets signaled increasing optimism about economic growth. The seasonal indicator, one of the technical indicators in the model, also turned negative. As the model forecasted higher yields in the US, Germany and Japan, the fund's duration (interest-rate sensitivity) was minus six year. This is the maximum negative duration position. Bond yields rose indeed in January, mainly in Germany, but fell in February. Yields rose in early March as the Fed strongly hinted that it would raise rates that month. US 10-year yields reached 2.63%, the highest level of the year.

The dovish comments accompanying the Fed's rate hike and the failure of the Trump administration to replace the health care bill pushed yields down again. The latter delayed the implementation of the fiscal stimulus that markets had expected. Bond yields fell as the theme of "reflation" faded. US first-quarter growth disappointed, stimulus was delayed and core inflation surprised to the downside. The model became less negative on bonds, but it remained negative for the US. Falling oil prices signaled reduced inflationary pressure and the trend variable improved as well. The short duration position in Germany was closed in March, followed by the position in Japan in April. The model remained negative on Japan for a few weeks longer than on Germany due to the valuation indicator. For US bonds the model remained negative due to the monetary policy variable (further Fed rate hikes expected). The fund thus was impacted negatively by the rally in bonds in April and May.

Comments from ECB president Draghi and Bank of England governor Carney triggered a global rise in yields in late June. Market participants interpreted these comments as signs of a coordinated move towards monetary policy normalization. With its short duration position in the US, the fund benefited from this rise in yields. After the rise in yields, the fund opened a long duration position in Germany, driven by the improved valuation and low inflation. When the trend in bond markets improved, the position in the US was closed and a long position position in Japan was

added. The fund's duration thus reached four year. With this long duration position, the fund benefited when bond markets recovered from the sell-off. US 10-year yields fell to 2.04% in early September, the lowest level of the year.

In September the long positions were closed and the short duration position in the US was reinstated. In October and November the fund had a short duration position in Japan as well. Growth expectations started to recover after a government shutdown was avoided in the US and the tax plans regained momentum. Together with the expected Fed rate hikes this made the model especially negative on US bonds. US 2-year yields rose indeed from 1.26% in early September to 1.92% in December, the highest since September 2008. Yields on long-dated bonds rose much less, however, keeping the overall move in US Treasuries fairly limited. The short duration position in the US thus contributed only modestly to the performance.

With a short duration position in the US and no active duration positions in Germany and Japan, the fund's overall duration was minus two year at the end of December.

## Fund Governance

Robeco has its own Principles on Fund Governance, available through the website. The objective of these Principles is to give more detailed guidelines for the organizational structure and working methods of fund managers or independent investment institutions and to provide guarantees for integrity in the fund's activities and ensure the careful provision of services. Compliance is the division within Robeco, which continuously monitors actual compliance with the principles. Once every three years Robeco's Internal Audit department carries out an audit of the fund governance as structured and implemented at Robeco.

## Sustainability investing

### Integrated approach

Robeco adopts a holistic approach to integrating sustainability into investment decisions. Sustainability is a long-term driver for change in markets, countries and companies which in turn can impact future performance. From an investment perspective, we believe the inclusion of material sustainability factors strengthens our investment process and leads to better-informed investment decisions. The integration of sustainability factors in our investment strategies is well embedded in the organization. Our portfolio managers and analysts closely cooperate with the engagement specialists from the Governance and Active Ownership and Sustainability Investing Research team. We base our judgments about the sustainability of companies and countries in which we invest on a combination of proprietary sustainability research and research from leading providers including RobecoSAM, Sustainalytics, RepRisk and Glass Lewis. Our research is further enriched with information we derive from our active conversations with companies and countries about their sustainability performance.

### Stewardship Policy

Carrying out stewardship responsibilities is an integral part of Robeco's sustainability investing approach. Robeco has a Stewardship policy in place and is a signatory to different Stewardship Codes including the UK Stewardship Code and the Japanese Stewardship Code. Robeco's stewardship activities are executed within our organization; we do not outsource stewardship activities. Exercising voting rights and engagement are important aspects of our stewardship approach.

### Principles for Responsible Investment (PRI)

Robeco's focus on sustainability investing is underlined by the commitment to the United Nations supported Principles for Responsible Investment (PRI). Robeco was awarded three years in a row with the highest score of the PRI assessment, which confirms the companies' leading position in the field of Sustainability Investing.

### Sustainable Development Goals

On 25 September 2015, the United Nations General Assembly formally adopted the universal, integrated and transformative 2030 Agenda for Sustainable Development, along with a set of 17 Sustainable Development Goals (SDGs). The SDGs build on the success of the Millennium Development Goals and addresses a range of social needs including education, health, social protection, and job opportunities, while tackling climate change and environmental protection. As a signatory of the Dutch SDG Investing Agenda, Robeco is committed to contribute to the SDGs as we consider them as catalytic drivers for positive change. Furthermore Robeco is involved in various initiatives that investigate how the investment industry can contribute to the realization of SDGs.

Sustainability investing carried out by funds at Robeco is implemented with minimum restrictions to the investment universe, and consists of a combination of effective measures:

Exercising voting rights  
Engagement  
Exclusions  
Integrating ESG factors<sup>1</sup> into the investment processes.

### **French Energy Transition Law**

In France a law was introduced to encourage asset owners to integrate climate risk as well as environmental and social dimensions in their public disclosures. The aim of this law is to channel funds to the Energy Transition and Green Growth. Robeco offers in its ESG proposition the option to decarbonize portfolios, measure the impact of this decarbonisation and report on the impact of it, which fully meets the requirements of this law.

### **Exercising voting rights**

Given the type of investments of the fund, exercising of voting rights is not applicable.

### **Engagement**

Robeco actively uses its ownership rights to engage with companies on behalf of our clients in a constructive manner. We believe improvements in sustainable corporate behavior can result in an improved risk return profile of our investments. Robeco aims to improve a company's behavior on environmental, social and/or corporate governance (ESG) related issues with the aim of improving the long term performance of the company and ultimately the quality of investments for our clients.

Robeco enters into active dialogue with companies about good corporate governance and a socially responsible corporate policy. In our opinion this will increase shareholder value for the investors in the longer term. We use an integral approach, which combines the expertise of our investment analysts, our sustainability investing research analysts and our engagement specialists. By using financially material information as the basis for our talks, we strive to ensure that our dialogue introduces added value and improves the risk/return profile of the company. This enables us to generate value for both the investors and the company.

Robeco also engages with companies that breach the UN Global Compact. The UN Global Compact defines several universal principles with which organizations must comply. These principles are of a general nature and focus on respecting human rights, good working conditions, combating corruption and exercising due care for the environment. If a company structurally breaches one or more of these principles, Robeco starts a dialogue with it. If after three years of dialogue, a company has made insufficient progress in eliminating or mitigating the breach, Robeco can decide to exclude the company from its investment universe.

### **Exclusions**

Robeco's exclusion policy is based on three main exclusion criteria. Firstly, it excludes companies that are involved in the production of controversial weapons or essential components for such weapons, or that derive income from the sale or transport of these weapons. We base our policy of not investing in such companies on a legislative amendment in the Netherlands governing investments in cluster-munition companies effective since 1 January 2013. Secondly, there is a policy for excluding countries. Robeco considers any country that systematically violates the human rights of its citizens to be controversial. These exclusions relate to investment-related sanctions that are imposed by the UN, US or EU. Thirdly, an unsuccessful dialogue may in time lead to a company's exclusion from the investment universe. In such cases a dialogue with a company concerns serious and systematic violations of widely accepted international directives on good corporate governance. Robeco focuses in particular on the United Nations Global Compact. The Executive Committees of RIAM and RobecoSAM have the final authority to exclude companies and countries.

### **Integrating ESG factors into the investment processes**

With respect to Sustainability investing, the investment universe and the type of investments of the Company are such that it is not feasible to implement the ESG factors into the investment processes.

Luxembourg, 18 April 2018

The Board of Directors

Past performance is no indication of current or future performance. These performance data do not take account of the commissions and costs incurred on the issue and redemption of units.

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<sup>1</sup> ESG stands for environmental, social and governance.

# Other data (unaudited)

## Savings directive information

Robeco (LU) Funds III (formerly Robeco Interest Plus Funds) is subject to the EU savings directive.

## Stock-exchange listing

Robeco (LU) Funds III (formerly Robeco Interest Plus Funds) DH EUR shares are listed on the Luxembourg Stock Exchange.

## Global exposure

The table below presents an overview of the method used to calculate the global exposure and the highest, lowest and average level of leverage during the period of 1 January 2017 through 31 December 2017.

Global exposure							
Method used to calculate the global exposure	Expected level of leverage	Lowest level of leverage	Highest level of leverage	Average level of leverage	Lowest level of VaR	Highest level of VaR	Average level of VaR
Absolute VaR	175%	56%	104%	79%	-0.75%	-2.05%	-1.18%

The VaR used is based on daily data using Parametric Modeling (using 3 years exponentially weighted data with a 0.995 decay factor). The interval is scaled up to a monthly (22 days) VaR and 99% confidence interval is applied.

## Joint interest of directors

At 1 January 2017 and at 31 December 2017 the members of the Board of Directors held no personal interests in investments of the Company.

# Other data (unaudited) Continued

## Remuneration policy and remuneration paid

The fund itself does not employ any personnel and is managed by Robeco Luxembourg S.A. (RoLux). The remuneration for persons working for RoLux comes out of the management fee. RoLux's remuneration policy, which applies to all employees working under its responsibility, complies with the applicable requirements laid down in the European framework documents of the UCITS Directive and the ESMA guidelines for a responsible remuneration policy under the UCITS Directive. The remuneration policy has the following objectives:

- a) To promote that employees act in the clients' interests and do not take any undesired risks.
- b) To promote a healthy corporate culture aimed at realizing sustainable results in accordance with the long-term objectives of RoLux and its stakeholders.
- c) To attract and retain good employees and to reward talent and performance fairly.

RoLux has delegated the portfolio management of the Fund(s) to Robeco Institutional Asset Management B.V. ("RIAM"). RIAM has a license as manager of AIF's and UCITS of the Authority for the Financial Markets (AFM) in the Netherlands. RIAM has a remuneration policy for its employees that as well complies with the European framework documents of the UCITS directive, AIFMD and the ESMA guidelines for a responsible remuneration policy under the UCITS directive and AIFMD. No material changes have been made to the remuneration policy.

## Responsibility for the remuneration policy

RoLux' remuneration Policy is determined and applied by and on behalf of RoLux with the approval of its shareholder, the (Board of) Robeco Holding B.V. For each review the (Board of) Robeco Holding B.V. shall obtain prior advice from the Supervisory Board of Robeco Institutional Asset management B.V., which is also responsible for the oversight over RoLux's operations, including the remuneration of its staff. In the application and evaluation of the remuneration policy, RoLux occasionally makes use of the services of various external advisers.

## Fixed salary

Each individual employee's fixed salary is determined on the basis of function and experience according to RoLux' salary ranges and in reference to the benchmarks of the investment management industry in the relevant region. The fixed salary is deemed adequate remuneration for the employee to properly execute his or her responsibilities, regardless of whether or not variable remuneration is received.

## Variable remuneration

The total available variable remuneration pool is established annually by and on behalf of RoLux and approved by the (remuneration committee of the) Supervisory Board of Robeco. With respect to Directors of RoLux, it is noted that the shareholder of RoLux determines their remuneration.

The total budget is based, in principle, on a percentage of the operating result. To ensure that the total variable remuneration is an accurate representation of performance and does not adversely affect RoLux' financial situation, the total amount of variable remuneration is determined taking the following factors into account:

1. The financial result compared to the budgeted result and long-term objectives;
2. The required risk-minimization measures and the measurable risks.

To the extent the variable remuneration pool allows, each employee's variable remuneration will be determined at the reasonable discretion of RoLux, taking into account the behavior, individual and team and/or department performance, assessed on the basis of pre-agreed financial and non-financial performance factors (business objectives). If this performance-related variable remuneration (partly) exceeds the fixed threshold amount, 40% of the payment will be deferred for a period of at least three years. The deferred parts will be converted into hypothetical 'Robeco' shares, the value of which moves with the company's future results. Negative performance, unethical or non-compliant behavior will reduce individual awards or will even lead to no variable remuneration being awarded.

## Identified Staff

RoLux has a specific and more stringent remuneration policy for staff who may have a material impact on the risk profile of the fund. These persons are designated to be 'Identified Staff'. For 2017, in addition to the Board, RoLux has identified 1 other person as Identified Staff. Among other things, the performance targets which are used to determine the award of variable remuneration are subject to additional risk analyses, both prior to the performance year and at the end when the results are evaluated. In addition, in all cases at least 70% of the payment of variable remuneration granted to these employees will be deferred for a period of four years, whereby 50% will be converted into hypothetical 'Robeco' shares whose value will follow the company's future results.

# Other data (unaudited) Continued

## Risk control

RoLux has implemented additional risk-management measures with regard to the variable remuneration. For instance, RoLux has the possibility with regard to all employees to reclaim the granted variable remuneration ('claw-back') when this has been based on incorrect information, fraudulent acts, serious improper behavior, serious negligence in the performance of his tasks or behavior that has resulted to considerable losses for RoLux. After the granting but before the actual payment of the deferred variable remuneration components to Identified Staff, an additional assessment is performed to check whether new information would result in decreasing the previously granted remuneration components (the so-called 'malus arrangement'). The malus arrangement can be applied because of (i) misconduct or serious mistakes (ii) a considerable deterioration of RoLux financial results that was not foreseen at the time the remuneration was granted (iii) a serious violation of the risk management system, leading to changed circumstances compared with the granting of the variable remuneration or (iv) fraud committed by the employee concerned.

## Annual assessment

RoLux's remuneration policy and the application thereof was evaluated in 2017 under the responsibility of the Supervisory Board, advised by the Remuneration Committee. Due to the new strategy 2017-2021 of Robeco the remuneration policy was slightly amended to support a high performance culture.

## Remuneration in 2017

The total remuneration granted for RoLux is shown in the table below:

Total remuneration RoLux in EUR x 1		
Staff category	Fixed pay for 2017	Variable pay for 2017
Board and Identified Staff * (3 members)	145,428	17,230
Other employees (11 employees)	416,843	52,186

Of the total amounts granted in remuneration in 2017 to the Board, Identified Staff and Other Employees, the following amounts are to be assigned to the fund:

Remuneration assigned to the fund in EUR x 1		
Staff category	Fixed pay for 2017	Variable pay for 2017
Board and Identified Staff * (3 members)	744	88
Other employees (11 employees)	2,131	267

\* Identified staff concerns only one person, the remuneration of the identified staff is presented together with the board.

The total of the fixed and variable remuneration charged to the fund is EUR 3,230. Imputation occurs according to the following key:

Total remuneration (fixed and variable) x	$\frac{\text{Total fund assets}}{\text{Total assets under management (RoLux)}}$
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Said remuneration, which comes out of the management fee, is paid by RoLux and is therefore not charged to the fund separately.

## Securities Financing Transactions

The fund does not engage in securities financing transactions (as defined in Article 3 of Regulation (EU) 2015/2365 (the "Regulation"), securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions). Accordingly, disclosures required by Article 13 of the Regulation are not applicable for the year ended 31 December 2017.

# Financial statements

## Statement of net assets

In EUR x thousand	Notes	Robeco QI Long/Short Dynamic Duration	
		31/12/2017	31/12/2016
Bonds at market value	2,6	217,117	221,292
CD/CPs at market value *	2,6	32,019	56,057
<b>Investment portfolio at market value</b>		<b>249,136</b>	<b>277,349</b>
Deposits and other cash	4	18,289	13,552
Unrealized gains on open forward exchange transactions	3	14	392
Unrealized gains on financial futures	4	0	1
Other assets		2,194	3,320
<b>Total assets</b>		<b>269,633</b>	<b>294,614</b>
Collateral due to brokers	5	0	550
Unrealized losses on open forward exchange transactions	3	250	35
Unrealized losses on financial futures	4	0	1,983
Other liabilities		188	577
<b>Total liabilities</b>		<b>438</b>	<b>3,145</b>
<b>Total net assets</b>		<b>269,195</b>	<b>291,469</b>
<b>Net asset value per DH EUR share</b>		<b>105.68</b>	<b>107.29</b>
<b>Net asset value per EH EUR share</b>		<b>89.73</b>	<b>91.51</b>
<b>Net asset value per FH EUR share</b>		<b>99.95</b>	<b>101.12</b>
<b>Net asset value per GH EUR share</b>		<b>95.26</b>	<b>97.09</b>
<b>Net asset value per IH EUR share</b>		<b>112.20</b>	<b>113.36</b>
<b>Net asset value per DH CHF share <sup>1</sup></b>		<b>93.73</b>	<b>95.57</b>
<b>Net asset value per IH CHF share <sup>1</sup></b>		<b>98.06</b>	<b>99.51</b>
<b>Net asset value per FH GBP share <sup>2</sup></b>		<b>98.56</b>	<b>98.87</b>
<b>Net asset value per DH USD share <sup>3</sup></b>		<b>108.08</b>	<b>107.66</b>
<b>Net asset value per IH USD share <sup>3</sup></b>		<b>99.78</b>	<b>98.94</b>

\* Certificates of deposit and commercial papers

<sup>1</sup> This class of shares is denominated in Swiss franc (CHF). The reference currency of the sub-fund is the euro (EUR).

<sup>2</sup> This class of shares is denominated in British pound (GBP). The reference currency of the sub-fund is the euro (EUR).

<sup>3</sup> This class of shares is denominated in US dollar (USD). The reference currency of the sub-fund is the euro (EUR).

The accompanying notes set out on pages 17 to 25 inclusive form an integral part of the financial statements.

## Statement of operations and changes in net assets

In EUR x thousand

	Notes	Robeco QI Long/Short Dynamic Duration	
		01/01/2017	01/01/2016
		31/12/2017	31/12/2016
<b>Net assets at beginning of the reporting period</b>		<b>291,469</b>	<b>193,193</b>
Bond interest	2	3,623	3,807
Interest on CD/CP's		0	-124
Bank and other interest		-61	-29
Other income		0	160
<b>Total</b>		<b>3,562</b>	<b>3,814</b>
Management fee	10	1,236	1,393
Service fee	10	271	288
Depositary fee	11	33	31
Interest on bank overdrafts		37	59
Taxes	8	73	89
Transaction costs	13	21	27
<b>Total expenses</b>		<b>1,671</b>	<b>1,887</b>
<b>Total net income on investments</b>		<b>1,891</b>	<b>1,927</b>
<b>Net realized and changes in unrealized results on investments and other financial instruments</b>		<b>-11,717</b>	<b>-6,443</b>
<b>Net increase (+) / decrease (-) from operations</b>		<b>-9,826</b>	<b>-4,516</b>
Distributed dividends	12	-65	-101
Subscriptions, redemptions (net)		-12,383	102,893
<b>Net assets at end of the reporting period</b>		<b>269,195</b>	<b>291,469</b>

The accompanying notes set out on pages 17 to 25 inclusive form an integral part of the financial statements.

## Number of shares outstanding

Movement in the reporting period 01/01/2017 through 31/12/2017	Class of shares	Shares at the beginning of the period	Shares subscribed	Shares redeemed	Shares at the end of the period
<b>Robeco QI Long/Short Dynamic Duration</b>	DH EUR	669,944	148,968	457,940	360,972
	EH EUR	14,244	5,214	9,078	10,380
	FH EUR	133,951	31,505	27,990	137,466
	GH EUR	82,082	8,171	14,902	75,351
	IH EUR	1,038,316	634,858	309,747	1,363,427
	DH CHF	324,652	10,220	112,355	222,517
	IH CHF	296,142	240,572	300,313	236,401
	FH GBP	4,210	0	3,350	860
	DH USD	147,640	30,772	102,776	75,636
	IH USD	75,486	80,741	15,658	140,569



# Notes to the financial statements as at 31 December 2017

## 1 General

Following the Extraordinary General Meeting held on 3 March 2017 the name of the fund was changed from Robeco Interest Plus Funds to Robeco (LU) Funds III. This change is effective from 31 March 2017.

Robeco (LU) Funds III (formerly Robeco Interest Plus Funds) ('the Company') was incorporated on 2 June 1992 for an undetermined period of time as an open-ended investment company based in Luxembourg, issuing and redeeming its shares on a daily basis at prices at net asset value per share. The Company reserves the right to refuse any subscription request at any time. Its Articles of Incorporation were published in the 'Mémorial, Recueil des Sociétés et Associations' of the Grand Duchy of Luxembourg (the 'Mémorial') on 11 July 1992. The Articles of Incorporation were last amended on 31 March 2017 and such amendments were published in April 2017 in the Mémorial. Robeco (LU) Funds III (formerly Robeco Interest Plus Funds) is a 'Société d'Investissement à Capital Variable' (Investment Company with variable capital) pursuant to the law of 10 August 1915, as amended, on commercial companies and to part I of the modified law of 17 December 2010 on undertakings for collective investment of the Grand Duchy of Luxembourg. The Company takes the form of an umbrella fund, i.e. it can be made up of several sub-funds each representing an investment portfolio and other assets and liabilities corresponding to a different investment policy. Each sub-fund is therefore represented by a different type of share with one or more classes of shares. The Board of Directors has the authority to issue different classes of shares within each of the sub-funds. Details of the characteristics of such classes of shares offered by the Company will be determined by the Board of Directors. The Directors of the Company may at any time decide upon the issue of Class A, AH, D, D2, D2H, DH, F, FH, I, IH, M, M2, M2H, MH, Z and ZH shares (accumulating) and Class A1, A1H, B, BH, Bx, BxH, C, CH, Cx, CxH, D3, D3H, E, EH, G, GH, IB, IBH, IBx, IBxH, IE, IEH, IEx, IExH, M3, M3H, MB, ZB, ZBH, ZE and ZEH shares (distribution) to investors in one or several sub-funds. The reference currency of the classes of shares may be the euro (EUR), the US dollar (USD), the British pound (GBP), the Swiss franc (CHF), the Japanese yen (JPY), the Canadian dollar (CAD), the Mexican peso (MXN), the Hong Kong dollar (HKD), the Singapore dollar (SGD), the Swedish crown (SEK), the Norwegian crown (NOK), the Danish crown (DKK), the South-African rand (ZAR) or the Australian dollar (AUD). Only the shares mentioned in the paragraph 'Share Capital' are active at the reporting date. At the end of the reporting period, the only active sub-fund was Robeco QI Long/Short Dynamic Duration. The name of the sub-fund was changed from Robeco Flex-o-Rente to Robeco QI Long/Short Dynamic Duration on 31 March 2017.

### Legal entity

The Company as a whole constitutes a single legal entity but the assets of any one sub-fund will only be available to satisfy the rights of investors in relation to that sub-fund and the rights of creditors whose claims have arisen in connection with the creation, operation or liquidation of the sub-fund. With respect to the relations as between shareholders, each sub-fund is deemed to be separate entity.

### Share capital

The capital of the Company will automatically be adjusted in case additional shares are issued or outstanding shares are redeemed without special announcements or measure of publicity being necessary in relation thereto.

Class DH and EH shares are available to all investors.

Class FH and GH shares (privileged shares) are available in certain countries, subject to the relevant regulatory approval, through specific distributors, selected by the Board of Directors.

Class IH shares are only available to institutional investors within the meaning of article 174 (2) of the law of 17 December 2010 on collective investment undertakings and may only be subscribed directly with the Registrar. If it appears that Class IH shares are being held by non-institutional investors the Company will redeem these shares. Class IH shares have a minimum subscription amount of (the equivalent of) EUR 500,000. The Board of Directors can waive this minimum subscription amount at its discretion. The Company, for the account of classes of shares for which the currency of expression is USD, GBP or CHF (collectively of individually 'Hedged Class(es)'), engages in currency hedging transactions to preserve, to the extent possible, the currency of expression value of the Hedged Class assets against the fluctuations of the currencies, with a substantial weight, in which the assets of the Company allocable to the Hedged Class are denominated. The attention of the investors is drawn to the fact that the Company have several classes of shares which distinguish themselves by, inter alia, their reference currency and that they are exposed to the risk that the net asset value of a class denominated in one currency can move unfavourable vis-à-vis another class denominated in another currency.

### Sales commissions

The maximum sales commission is 3%, except for shares that are only available to institutional investors for which the maximum sales commission is 0.50%. The percentage represents a percentage of the total subscription amount. This commission rate is to be considered as a maximum rate and the sales agents may decide at their discretion to waive this sales commission in whole or in part. The Company reserves the right to refuse any subscription request at any time. Sales commissions are not booked in the fund.

### **Dividend policy**

The general policy regarding the appropriation of net income and capital gains is as follows:

#### **Class DH, FH and IH shares**

Income is automatically reinvested and added to the relevant class and will thus contribute to a further increase in value of the total net assets.

#### **Class EH and GH shares**

After the end of the reporting period, the Company can recommend what distribution shall be made from the net investment income and capital gains attributable to the relevant class. The annual general meeting of shareholders will determine the dividend payment. The Board of Directors of the Company may decide to distribute interim dividends in accordance with Luxembourg law.

#### **General remarks**

As provided by the 2010 law, the Company may decide to distribute dividends with no other limit than the obligation that any such dividend distribution does not reduce the net asset value of the Company below the legal minimum amount. Similarly, the Company may decide to distribute interim dividends and may decide to pay dividends in shares. If dividends are distributed, payments of cash dividends to registered shareholders are made in the currency of the relevant class to such shareholders at the addresses they have given to the Registrar. Dividend announcements (including names of paying agents) shall be published in a leading newspaper circulating in the countries where the Company's shares have been sold as determined by the Board of Directors. Dividends not collected within five years will lapse and accrue for the benefit of the Company in accordance with Luxembourg law.

### **Open-ended fund**

Robeco (LU) Funds III (formerly Robeco Interest Plus Funds) is an open-ended investment company, meaning that, barring exceptional circumstances, Robeco (LU) Funds III (formerly Robeco Interest Plus Funds) issues and purchases its shares on a daily basis at prices at net asset value per share. The Company reserves the right to refuse any subscription request at any time.

### **Swing pricing**

Shares are issued and redeemed on the basis of the net asset value per share. However, the actual costs of purchasing or selling assets and investments for a sub-fund may deviate from the latest available prices, as appropriate, in calculating the net asset value per share. This deviation can be caused by duties and charges and spread from buying and selling prices of the underlying investments ("spreads"). These costs have an adverse effect on the value of a sub-fund and its underlying share classes and are known as dilution. To mitigate the effects of dilution, the Directors may, at their discretion, make a dilution adjustment to the net asset value per share. The Directors will retain the discretion in relation to the circumstances under which to make such a dilution adjustment. At the end of the reporting period, no swing adjustment was made.

### **Pooling and co-management**

For the purpose of efficient management and to reduce administrative costs, the Board of Directors may decide to co-manage some or all of the assets of the Company with assets of other Luxembourg UCIs of the Robeco Group ('co-managed units'). In this case, the assets from different co-managed units will be jointly managed using the technique of pooling. Assets that are co-managed will be referred to using the term 'pool'. Such pools will only be used for the purposes of internal management. They will not constitute distinct legal entities and will not be directly accessible to investors. Each co-managed unit will have its own assets allocated to it. During the reporting period no pooling or co-management took place.

### **Affiliated parties**

Robeco (LU) Funds III (formerly Robeco Interest Plus Funds) is affiliated to the entities belonging to ORIX Corporation Europe N.V. (until 1 January 2018 Robeco Groep N.V.) The affiliation with ORIX Corporation Europe N.V. is the result of the possibility of having decisive control or a substantial influence on the Company's business policy. ORIX Corporation Europe N.V. is part of ORIX Corporation. The management structure of ORIX Corporation Europe N.V. is such that ORIX Corporation does not have any meaningful say in or influence on the Company's business policy. ORIX Corporation Europe N.V. pursues an independent investment policy on behalf of its affiliated investment companies, taking into account the interest of the investors involved. Besides services of other market parties, Robeco (LU) Funds III (formerly Robeco Interest Plus Funds) also utilizes the services of one or more of these affiliated entities including transactions relating to securities, treasury, derivatives, securities lending, and subscriptions and redemptions of its own shares, as well as management activities. Transactions are executed at market rates.

## Financial Instruments

### Risks

Transactions in financial instruments may lead the sub-fund to be subject to the risks described below or to the sub-fund transferring these risks to another party.

#### General investment risk

The value of the investments may fluctuate. Past performance is no guarantee of future results. The net asset value of the Company is affected by developments in the financial markets and may both rise and fall. Shareholders run the risk that their investments may end up being worth less than the amount invested or even worth nothing.

Bonds or other debt securities involve credit risk to the issuer which may be evidenced by the issuer's credit rating.

Securities which are subordinated and/or have a lower credit rating are generally considered to have a higher credit risk and a greater possibility of default than more highly rated securities. In the event that any issuer of bonds or other debt securities experiences financial or economic difficulties, this may affect the value of the relevant securities and any amounts paid on such securities. This may in turn affect the NAV per share. General investment risk can be broken down into market risk, concentration risk and currency risk.

#### Market risk

The net asset value of the sub-fund is sensitive to market movements. In addition, investors should be aware of the possibility that the value of investments may vary as a result of changes in political, economic or market circumstances. No assurance can, therefore, be given that the sub-fund's investment objective will be achieved. It cannot be guaranteed either that the value of a share in a sub-fund will not fall below its value at the time of acquisition.

#### Concentration risk

Based on its investment policy, the Company may invest in financial instruments from issuing institutions that (mainly) operate within the same sector or region, or in the same market. If this is the case, the concentration of the investment portfolio of the sub-fund may cause events that have an effect on these issuing institutions to have a greater effect on the sub-fund's assets than would occur with a less concentrated investment portfolio.

#### Currency risk

All or part of the investment portfolio of a sub-fund may be invested in currencies other than the euro. As a result, fluctuations in exchange rates may have both a negative and a positive effect on the investment result of the sub-fund.

Robeco QI Long/Short Dynamic Duration limits the general investment risk by investing in transferable securities and instruments (which may include certificates of deposit, money-market instruments and commercial papers) with a minimal short term rating of A-1 for money market instruments and a minimal long term rating of BBB- for other instruments. Robeco QI Long/Short Dynamic Duration minimizes the general investment risk as well by actively managing the duration of its portfolio.

#### Counterparty risk

A counterparty of a sub-fund may fail to fulfil its obligations towards that sub-fund. In case of hedging transactions in classes of shares, the relevant sub-fund carries the counterparty risk. This risk is limited as much as possible by taking every possible care in the selection of counterparties. Wherever it is customary in the market, the Company will demand and obtain collateral. Robeco QI Long/Short Dynamic Duration minimizes this risk by trading exclusively with counterparties which it believes to be creditworthy.

#### Risk of lending financial instruments

In the case of financial-instrument lending transactions, the Company runs the risk that the borrower cannot comply with its obligation to return the financial instruments on the agreed date or furnish the requested collateral. The lending policy of the Company is designed to control these risks as much as possible.

The lending policy of the Fund is designed to control these risks as much as possible. The credit worthiness of counterparties in securities-lending transactions is assessed on the basis of how independent rating agencies regard their short-term credit worthiness and on the basis of their net assets. Guarantees given by parent companies are also taken into account. The fund only accepts collateral from OECD countries in the form of:

- government bonds with a minimum credit rating of BBB;
- the bonds of supranational bodies with a minimum credit rating of BBB-;
- stocks listed on the main indexes of stock markets in OECD countries;
- cash (CAD, CHF, EUR, GBP, JPY of USD) .

### Liquidity risk

The actual buying and selling prices of financial instruments in which the Company invests partly depend upon the liquidity of the financial instruments in question. It is possible that a position taken on behalf of the sub-fund cannot be quickly liquidated in a good time at a reasonable price due to a lack of liquidity in the market in terms of supply and demand. The sub-fund minimizes this risk by mainly investing in financial instruments that are tradable on a daily basis.

### Euro currency risk

All or part of the assets of a sub-fund may be invested in securities denominated in Euro. In the event of any adjustments, including a full break-up, an exit of individual countries or other circumstances that may result in the emergence or reintroduction of national currencies, a sub-fund runs the risks that the value of its investments is reduced and/or the liquidity of its investments is (temporarily) reduced, regardless of the measures the Company may seek to reduce this risk.

### Operational risk

The operational risk is the non inherent risk remaining after determining the risks as detailed above (general investment risk, counterparty risk, liquidity risk, risk of lending financial instruments or Euro currency risk). It mainly includes risks resulting from breakdowns in internal procedures, people and systems.

### Insight into actual risks

The report of the Board of Directors, the Statement of net assets, the Notes to the financial statements and the Investment portfolio, which include currency classification of the investments, give an insight into the actual risks at the end of the reporting period.

### Risk management

Managing risk is a part of the investment process as a whole and with the help of advanced systems, the risks outlined above are limited, measured and monitored on the basis of fixed risk measures.

### Policy regarding the use of derivatives

Investing implies that positions are taken. As it is possible to use various instruments, including derivative instruments, to construct an identical position, the selection of derivatives is subordinate to the positioning of an investment portfolio. In our published information, attention is given primarily to the overall position, and secondarily to the nature and volume of the financial instruments employed.

### Derivative instruments

The unrealized results of derivative instruments (except on future contracts) are reported in the Statement of net assets and are disclosed by contract. Commitments to derivatives are not included in the Statement of net assets. They are, however, explained in the Notes. The derivative instruments listed in the notes are transacted through third party brokers. The company is exposed to counterparty risk in respect of all amounts due to it from such brokers.

## 2 Summary of significant accounting principles

### General

Unless stated otherwise, the items shown in the financial statements are included at their nominal value and expressed in the reference currency of the relevant sub-fund. The reference currency of the sub-fund is the euro. This annual report covers the period from 1 January 2017 through 31 December 2017.

### Preparation and presentation of financial statements

The financial statements are prepared and presented in accordance with Luxembourg generally accepted accounting principles for investment funds.

### Foreign currencies

Transactions in currencies other than the reference currency of a sub-fund are converted into the reference currency at the exchange rates prevailing at the time of the transaction. The market value of the investments, assets and liabilities expressed in currencies other than the reference currency of the sub-fund are converted into the sub-fund's reference currency at the exchange rates prevailing at the end of the reporting period. Any positive or negative exchange differences arising are accounted for in the Statement of operations and changes in net assets under the

heading 'Net realized and changes in unrealized results on investments and other financial instruments'. The table on page 29 shows the exchange rates as at 31 December 2017.

## Valuation of investments

### **Transferable securities, money market instruments and/or financial derivative instruments listed on an official stock exchange listing**

These instruments are valued at their last available market price; in the event that there should be several such markets, on the basis of the last available price of the main market for the relevant security or asset. Should the last available market price for a given transferable security, money market instrument or financial derivative instrument not truly reflect its fair market value, then that transferable security, money market instrument or financial derivative instrument is valued on the basis of the probable sales price which the Board of Directors deems prudent to assume. Fixed income securities not traded on such markets are generally valued at the last available price or yield equivalents obtained from one or more dealers or pricing services approved by the Board of Directors, or any other price deemed appropriate by the Board of Directors.

### **Transferable securities and/or money market instruments dealt in on another regulated market**

These instruments are valued on the basis of their last available market price. Should the last available market price for a given transferable security and/or money market instrument not truly reflect its fair market value, then that transferable security and/or money market instrument is valued by the Board of Directors on the basis of the probable sales price which the Board of Directors deems prudent to assume.

### **Transferable securities and/or money market instruments not listed or dealt in on any stock exchange or on any regulated market**

In the event that any assets are not listed or dealt in on any stock exchange or on any regulated market, or if, with respect to assets listed or dealt in on any stock exchange, or on any regulated market as aforesaid, where the above valuation methods are inappropriate or misleading, the Board of Directors may adopt any other appropriate valuation principles for the assets of the Company. The valuation of CDs and CPs is based on a discounted cashflow model, using interest rates on balance sheet date.

Sub-funds primarily invested in markets which are closed for business at the time of valuation of the sub-fund are normally valued using the prices at the previous close of business.

Market volatility may result in the latest available prices not accurately reflecting the fair value of the sub-fund's investments. This situation could be exploited by investors who are aware of the direction of market movements, and who might deal to exploit the difference between the next published Net Asset Value and the fair value of the sub-fund's investments. By these investors paying less than the fair value for shares on issue, or receiving more than the fair value for shares on redemption, other shareholders may suffer a dilution in the value of their investment. To prevent this, the sub-fund may, during periods of market volatility, adjust the Net Asset Value per Share prior to publication to reflect more accurately the fair value of the sub-fund's investments. Adjustment will be made provided that such change exceeds the threshold as determined by the Board of Directors. If an adjustment is made, it will be applied consistently to all classes of shares. At the end of the reporting period, no such adjustments were made.

### **Investment transactions and investment income**

Securities are initially recorded at cost, and where applicable on the basis of exchange rates prevailing on the date they are purchased. Results on sales of securities are determined on the basis of the average cost method (for futures first in first out method). Investment transactions are accounted for on the trade date. Interest income is recorded on an accrual basis. Discounts/Premiums on zero coupon bonds are accreted as adjustments to interest income. Interests and capital gains on securities may be subject to withholding or capital gains taxes in certain countries.

### 3 Open forward exchange transactions

Open forward exchange transactions are valued with market practice valuation models using forwards rates based on exchange and interest rates applicable at 31 December 2017. The unrealized results of these transactions have been recorded gross in the Statement of net assets under the heading 'Unrealized gains/losses on open forward exchange transactions' and changes in unrealized results are recorded in the Statement of operations and changes in net assets under the heading 'Net realized and changes in unrealized results on investments and other financial instruments'. The contracts outstanding as at 31 December 2017 are disclosed in the table below.

#### Open forward exchange transactions

	Currency bought	Amount bought	Currency sold	Amount sold	Counterparty	Maturity date	Unrealized gains/losses EUR x 1
Robeco QI Long/Short Dynamic Duration DH CHF shares	EUR	51,344	CHF	60,000	Rabobank Nederland	11/01/2018	63
	EUR	68,525	CHF	80,000	Rabobank Nederland	11/01/2018	150
							<b>213</b>
Robeco QI Long/Short Dynamic Duration IH CHF shares	CHF	120,000	EUR	102,394	Rabobank Nederland	11/01/2018	169
	EUR	85,631	CHF	100,000	Rabobank Nederland	11/01/2018	161
	EUR	7,859,393	CHF	9,194,000	Rabobank Nederland	11/01/2018	1,368
							<b>1,698</b>
Robeco QI Long/Short Dynamic Duration DH USD shares	EUR	84,302	USD	100,000	Rabobank Nederland	11/01/2018	1,071
	EUR	84,434	USD	100,000	Rabobank Nederland	11/01/2018	1,204
	EUR	557,851	USD	661,000	Rabobank Nederland	11/01/2018	7,695
							<b>9,970</b>
Robeco QI Long/Short Dynamic Duration IH USD shares	EUR	143,992	USD	170,000	Rabobank Nederland	11/01/2018	2,499
							<b>2,499</b>
<b>Total unrealized gains</b>							<b>14,380</b>
Robeco QI Long/Short Dynamic Duration DH CHF shares	CHF	20,969,894	EUR	17,948,760	Rabobank Nederland	11/01/2018	-25,994
							<b>-25,994</b>
Robeco QI Long/Short Dynamic Duration IH CHF shares	CHF	32,039,637	EUR	27,423,685	Rabobank Nederland	11/01/2018	-39,715
	CHF	284,000	EUR	243,642	Rabobank Nederland	11/01/2018	-910
							<b>-40,625</b>
Robeco QI Long/Short Dynamic Duration FH GBP shares	GBP	84,000	EUR	95,035	Rabobank Nederland	11/01/2018	-429
							<b>-429</b>
Robeco QI Long/Short Dynamic Duration DH USD shares	USD	8,860,778	EUR	7,444,357	Rabobank Nederland	11/01/2018	-69,451
	USD	153,000	EUR	130,094	Rabobank Nederland	11/01/2018	-2,751
							<b>-72,202</b>
Robeco QI Long/Short Dynamic Duration IH USD shares	USD	14,134,000	EUR	11,874,640	Rabobank Nederland	11/01/2018	-110,782
	USD	50,000	EUR	42,038	Rabobank Nederland	11/01/2018	-423
							<b>-111,205</b>
<b>Total unrealized losses</b>							<b>-250,455</b>

### 4 Financial futures

Regulated futures contracts are valued at their exchange quoted settlement price. Until 31 December 2016, all open futures contracts are marked to market with changes in market value recognized as unrealized gains or losses. As of the financial year 2017, the daily results on open financial futures are settled daily on the future margin account (variation margins). As a consequence, the amounts corresponding to "Unrealized gains/losses on financial futures" in the statement of net assets are reflected, as from financial year 2017, in margin deposits included within the heading "Deposits and other cash".

Initial margin deposits are made upon entering into futures contracts. Variation margin payments are made or received, depending on whether daily realized losses or gains are incurred. When the contract is closed, the Company records a

realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and price of the previous net asset value date.

Changes in unrealized results and realized results during the year are both recorded in the Statement of operations and changes in net assets under the heading 'Net realized and changes in unrealized results on investments and other financial instruments'.

All margin deposits are included in the Statement of net assets under the heading 'Deposits and other cash' and amounted to EUR 0.8 million at the end of the reporting period. The contracts outstanding as at 31 December 2017 are disclosed in the following table.

<b>Financial futures</b>						
<b>Purchase/ Sale</b>	<b>Quantity</b>	<b>Denomination</b>	<b>Currency</b>	<b>Maturity date</b>	<b>Commitment EUR x 1</b>	
Sale	752	EURO-SCHATZ FUT XEUR	EUR	MAR-2018	84,205,200	
Sale	105	US 10YR NOTE (CBT) XCBT	USD	MAR-2018	10,846,870	
Sale	146	US 2YR NOTE (CBT) XCBT	USD	MAR-2018	26,032,619	
Sale	342	US 5YR NOTE (CBT) XCBT	USD	MAR-2018	33,084,701	
Sale	161	US LONG BOND(CBT) XCBT	USD	MAR-2018	20,513,824	

## 5 Collateral and Overdraft

The sub-fund of Robeco (LU) Funds III receives or pays collateral to cover the unrealized results on derivative instruments, except financial futures. Collaterals are calculated and settled on a daily basis per counterparty. The collateral is primarily cash held at the broker in the name of the sub-fund. The paid collateral is restricted cash and is included in the Statement of net assets under the heading 'Other assets'. The received collateral is included in the Statement of net assets under the heading 'Collateral due to broker'. As at 31 December 2017, no collateral was paid or received.

The Company has access to an overdraft facility (the "Facility"), established with the Depositary, intended to provide for short-term/temporary financing if necessary, subject to certain restrictions, in connection with abnormal redemption activity. Each portfolio of the Company is limited to borrowing 10% of its respective net assets. Borrowings pursuant to the facility are subject to interest at a mutually agreed upon rate and security by the underlying assets of each portfolio. The number of days to refund in case of a temporary overdraft is set at 30 days.

## 6 Investment portfolio

The investment portfolio of Robeco QI Long/Short Dynamic Duration is included at the end of this report.

## 7 Securities lending

During the reporting period no securities lending transactions took place.

## 8 Taxes

The classes of shares of the sub-fund are liable in Luxembourg to an annual duty ('taxe d'abonnement-subscription tax') at the rate of 0.05% per annum of their net assets calculated and payable at the end of each quarter. This rate is 0.01% per annum for institutional classes of shares such as IH shares. To the extent that the assets of the sub-fund are invested in investment funds which are established in Luxembourg, no such a tax is payable, provided that the relevant investment funds have been subject to this tax. The sub-fund will receive income from its investments after deduction of applicable withholding taxes in the country of origin. There are no Luxembourg income, withholding, capital gains, estate or inheritance taxes payable by the sub-fund.

## 9 Management company

The Directors of the Company have appointed Robeco Luxembourg S.A. (the 'Management Company') as the management company to be responsible on a day-to-day basis, under supervision of the Board of Directors of the Company, for providing administration, marketing and investment management services. The Management Company has delegated its investment management services to Robeco Institutional Asset Management B.V. (the 'Investment Adviser'). The Management Company has delegated the administration and registrar agent functions to RBC Investor Services Bank S.A. (acting as 'Administration Agent' and 'Registrar Agent'). The Management Company was incorporated as a 'Société anonyme' under the laws of the Grand Duchy of Luxembourg on 7 July 2005 and its Articles of Association

were published in the Mémorial on 26 July 2005. The Management Company is approved as Management Company regulated by chapter 15 of the Luxembourg law of 17 December 2010 relating to undertakings for collective investment. The Management Company is part of ORIX Corporation Europe N.V. and also acts as Management Company for Robeco Capital Growth Funds, Robeco QI Global Dynamic Duration (formerly Robeco Lux-o-rente), Robeco Global Total Return Bond Fund and Robeco All Strategies Funds.

## 10 Management and service fee

The classes of shares incur an annual management fee payable to the Management Company, which reflects all expenses related to the management of the Company. Furthermore the different classes of shares incur an annual service fee payable to the Management Company reflecting all remaining expenses such as the fees of the Administration Agent, the Registrar Agent, auditors and legal advisers, the costs of preparing, printing and distributing all prospectuses, memoranda, reports and other necessary documents concerning the Company, any fees and expenses involved in the registration of the Company with any governmental agency and stock exchange, the costs of publishing prices and operational expenses, and the cost of holding shareholders' meetings.

The annual charges, both management fee and service fee, are expressed as a percentage of the net asset value. The charges, paid monthly, are based on the net asset value of the relevant period and are reflected in the share price. The table below shows the percentages for the different classes of shares.

<b>Management fee</b>					
In %	DH shares	EH shares	FH shares	GH shares	IH shares
Robeco QI Long/Short Dynamic Duration	0.70	0.70	0.35	0.35	0.30

  

<b>Service fee <sup>1</sup></b>					
In %	DH shares	EH shares	FH shares	GH shares	IH shares
Robeco QI Long/Short Dynamic Duration	0.12	0.12	0.12	0.12	0.08

<sup>1</sup> If the assets of a sub-fund exceed EUR 1 billion, for the assets above EUR 1 billion the service fee will be reduced by 0.02%. If the assets of a sub-fund exceed EUR 5 billion, for the assets above EUR 5 billion the service fee will be reduced by a further 0.02% (for IH shares 0.01%). However, the annual service rate cannot be less than 0.01% for a specific share class.

## 11 Depositary fee

The Depositary bank is remunerated in accordance with the agreement between RBC Investor Services Bank S.A., acting as the Depositary, and the Company.

## 12 Distributed dividends

During the reporting period the following distributions took place.

<b>Distributed dividend</b>				
	Currency	Amount per share	Ex-dividend date	Payment date
<b>Robeco QI Long/Short Dynamic Duration</b>				
EH EUR shares	EUR	0.42	21/04/2017	28/04/2017
GH EUR shares	EUR	0.71	21/04/2017	28/04/2017

## 13 Transaction costs

The Company and its classes of shares pay directly commissions, brokerage fees and taxes resulting from financial transactions. These costs are recorded in the Statement of operations and changes in net assets under the heading "Transaction costs".

## 14 Ongoing charges

The ongoing charges express the operational costs (e.g. management fee, service fee, taxe d'abonnement, depositary fee and bank charges) charged to the sub-fund as a percentage of the average assets entrusted, calculated on a daily basis, during the reporting period. The ongoing charges as shown in the table below do not include transaction costs. The other costs concern mainly bank charges, depositary fees and taxe d'abonnement. The ongoing charges are annualized for



periods less than one year. Comparative figures are only disclosed for the sub-funds and share classes outstanding at the beginning of the reporting period.

## Ongoing charges

In %	01/01/2017				01/01/2016			
	Management fee	Service fee	Other costs	Total	Management fee	Service fee	Other costs	Total
				31/12/2017				31/12/2016
<b>Robeco QI Long/Short Dynamic Duration</b>								
DH EUR shares	0.70	0.12	0.06	<b>0.88</b>	0.70	0.12	0.06	<b>0.88</b>
EH EUR shares	0.70	0.12	0.06	<b>0.88</b>	0.70	0.12	0.06	<b>0.88</b>
FH EUR shares	0.35	0.12	0.06	<b>0.53</b>	0.35	0.12	0.06	<b>0.53</b>
GH EUR shares	0.35	0.12	0.06	<b>0.53</b>	0.35	0.12	0.06	<b>0.53</b>
IH EUR shares	0.30	0.08	0.02	<b>0.40</b>	0.30	0.08	0.02	<b>0.40</b>
DH CHF shares	0.70	0.12	0.06	<b>0.88</b>	0.70	0.12	0.06	<b>0.88</b>
IH CHF shares	0.30	0.08	0.02	<b>0.40</b>	0.30	0.08	0.02	<b>0.40</b>
FH GBP shares	0.35	0.12	0.06	<b>0.53</b>	0.35	0.12	0.06	<b>0.53</b>
DH USD shares	0.70	0.12	0.06	<b>0.88</b>	0.70	0.12	0.06	<b>0.88</b>
IH USD shares	0.30	0.08	0.02	<b>0.40</b>	0.30	0.08	0.02	<b>0.40</b>

## 15 Hard commissions and soft-dollar arrangements

There were no hard commissions or soft-dollar arrangements during the reporting period.

## 16 Turnover ratio

This is the turnover ratio of the investments, including derivative instruments, against the average assets entrusted and this is a measure of the incurred transaction costs resulting from the investment portfolio policy pursued and the ensuing investment transactions. In the calculation method that is used the amount of turnover is determined by the sum of purchases and sales of investments, including derivatives, less the sum of issuance and repurchase of own shares, divided by the daily average of the net assets. The turnover ratio is determined by expressing the amount of turnover as a percentage of the average assets entrusted. The turnover ratio for Robeco QI Long/Short Dynamic Duration over the reporting period is 80%. Over the period 1 January 2016 through 31 December 2016 the turnover ratio was –19%.

## 17 Changes in the investment portfolio

The statement of changes in the investment portfolio during the period from 1 January 2017 to 31 December 2017 inclusive may be obtained free of charge at the offices of the Company, the Depositary, or any Nominee.

## 18 Retrocessions and trailer fees

Trailer fees for the marketing of the sub-fund (Commission d'Encours) are paid to distributors and assets managers from the management fee. No retrocession has been granted during the reporting period.

Luxembourg, 18 April 2018

The Board of Directors  
D.R. (Rob) van Bommel  
J.H. (Jeroen) van den Akker  
H.P. (Pierre) de Knijff

# REPORT OF THE REVISEUR D'ENTREPRISES AGREE

## Report on the audit of the financial statements

### *Opinion*

We have audited the accompanying financial statements of Robeco (LU) Funds III ("the Fund"), which comprise the statement of net assets and the investment portfolio as at December 31, 2017 and the statement of operations and changes in net assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Robeco (LU) Funds III as at December 31, 2017, and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

### *Basis for opinion*

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier ("CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the financial statements » section of our report. We are also independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### *Valuation and existence of the investment portfolio (Refer to note 2)*

*Why the matter was considered to be one of the most significant to the audit*

The investment portfolio at market value represents 92.56% of total net assets (by value) as at 31 December 2017, and is considered to be the key driver of the Fund's performance. The market value of the majority of the Fund's investments is based on available market prices from an official stock exchange or another regulated market. Accordingly, the valuation of investments is considered to be a key audit matter due to the significance of the balance to the financial statements as a whole.

*How the matter was addressed in our audit*

We have performed the following procedures:

- for the investments where market prices were available, we compared their valuation using externally quoted prices;
- for the investments where market prices were unavailable, we verified that the valuations were performed in accordance with the valuation principles established for the Fund; and
- agreed holdings in the investment portfolio as at year-end to independently received depository confirmation.

## ***Other information***

The Board of Directors of the Fund is responsible for the other information. The other information comprises the information stated in the annual report but does not include the financial statements and our report of “Réviseur d’Entreprises agréé” thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

## ***Responsibilities of Board of Directors of the Fund for the financial statements***

The Board of Directors of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors of the Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors of the Fund is responsible for assessing the Fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of the Fund either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

## ***Responsibilities of the “Réviseur d’Entreprises agréé” for the audit of the financial statements***

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of “Réviseur d’Entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Fund.
- Conclude on the appropriateness of Board of Directors of the Fund’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of “Réviseur d’Entreprises agréé” to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of “Réviseur d’Entreprises agréé”. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

### ***Report on other legal and regulatory requirements***

We have been appointed as “Réviseur d’Entreprises agréé” by the General Meeting of the shareholders on May 26, 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 4 years.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014, on the audit profession were not provided and that we remain independent of the Fund in conducting the audit.

Luxembourg, April 25, 2018

KPMG Luxembourg  
Société coopérative  
Cabinet de révision agréé  
39, Avenue John F. Kennedy  
L-1855, Luxembourg

V. Ehx  
Associate Partner

## Exchange rates

		31/12/2017 Against EUR x 1		31/12/2016 Against EUR x 1
CHF	1	0.8546	1	0.9328
GBP	1	1.1266	1	1.1715
JPY	100	0.7393	100	0.8129
USD	1	0.8328	1	0.9481

## Historical review

		Net assets			Number of shares outstanding			Net asset value per share		
		31/12/2017	31/12/2016	31/12/2015	31/12/2017	31/12/2016	31/12/2015	31/12/2017	31/12/2016	31/12/2015
<b>Robeco QI Long/Short Dynamic Duration</b>	DH EUR	38,148,044	71,875,403	61,200,431	360,972	669,944	560,444	105.68	107.29	109.20
	EH EUR	931,411	1,303,513	1,586,917	10,380	14,244	16,866	89.73	91.51	94.09
	FH EUR	13,740,019	13,544,491	10,219,889	137,466	133,951	99,648	99.95	101.12	102.56
	GH EUR	7,178,059	7,969,118	6,045,782	75,351	82,082	60,786	95.26	97.09	99.46
	IH EUR	152,979,216	117,703,141	42,126,649	1,363,427	1,038,316	366,861	112.20	113.36	114.83
	DH CHF	20,855,862	31,027,751	14,392,077	222,517	324,652	147,053	93.73	95.57	97.87
	IH CHF	23,181,707	29,471,242	52,472,378	236,401	296,142	517,377	98.06	99.51	101.42
	FH GBP	84,801	416,260		860	4,210		98.56	98.87	
	DH USD	8,174,430	15,894,343	11,435,150	75,636	147,640	105,724	108.08	107.66	108.16
	IH USD	14,026,184	7,468,464		140,569	75,486		99.78	98.94	

# Investment portfolio

## Robeco QI Long/Short Dynamic Duration

At 31 December 2017

		Maturity date	Face value	Market value EUR x 1	In % of net assets
<b>Transferable securities and money market instruments admitted to an official stock exchange listing and other regulated market</b>					
<b>EUR</b>					
<b>Interest rate</b>					
0.0000	BUNDESSCHATZANWEISUNGEN	16/03/2018	12,170,000	12,188,498	4.53
0.0000	(FRN) AGENCE FRANCAISE DEVELOP	19/09/2018	6,000,000	6,009,060	2.23
0.0000	(FRN) EUROPEAN INVESTMENT BANK	15/01/2018	4,000,000	4,000,880	1.49
0.0000	(FRN) FMS WERTMANAGEMENT	27/01/2019	800,000	804,824	0.30
0.0000	(FRN) FMS WERTMANAGEMENT	23/01/2018	7,000,000	7,002,240	2.60
0.0000	(FRN) NEDER WATERSCHAPS BANK	01/11/2018	5,000,000	5,016,001	1.86
0.0000	FMS WERTMANAGEMENT	18/09/2020	800,000	806,912	0.30
0.0000	FMS WERTMANAGEMENT	22/05/2020	5,000,000	5,042,700	1.87
0.0000	France (GVT of)	21/02/2018	8,000,000	8,008,960	2.98
0.0400	DEXIA CREDIT LOCAL	11/12/2019	4,950,000	4,981,581	1.85
0.0710	(FRN) FREIE HANSESTADT HAMBURG	18/02/2020	5,000,000	5,072,850	1.88
0.1000	BANK OF NOVA SCOTIA	21/01/2019	6,550,000	6,582,816	2.45
0.1000	CANADIAN IMPERIAL BANK	14/12/2018	6,400,000	6,429,248	2.39
0.1710	(FRN) LAND BERLIN	09/10/2023	5,000,000	5,216,050	1.94
0.1710	(FRN) NYKREDIT REALKREDIT AS	01/10/2022	6,500,000	6,656,650	2.47
0.5000	BUNDESOBLIGATION	23/02/2018	4,150,000	4,157,055	1.54
0.7500	NATIONWIDE BLDG SOCIETY	25/06/2019	6,400,000	6,504,256	2.42
0.7500	ROYAL BANK OF CANADA	19/06/2019	6,400,000	6,504,192	2.42
1.0000	CREDIT SUISSE GUERNSEY	12/03/2019	6,400,000	6,501,888	2.42
1.0000	STADSHYPOTEK AB	19/06/2018	6,400,000	6,441,920	2.39
1.1250	CAISSE CENT CREDIT IMMOB	22/04/2019	5,900,000	6,016,584	2.24
1.1250	CIE FINANCEMENT FONCIER	11/03/2019	6,400,000	6,517,056	2.42
1.1250	DNB BOLIGKREDITT AS	12/11/2018	6,400,000	6,485,184	2.41
1.2500	AGENCE FRANCAISE DEVELOP	25/05/2019	5,700,000	5,829,276	2.17
1.2500	BELFIUS BANK SA/NV	28/01/2019	6,400,000	6,511,616	2.42
1.2500	NORDEA MORTGAGE BANK PLC	14/01/2019	6,400,000	6,509,440	2.42
1.3750	COMMONWEALTH BANK AUST	22/01/2019	6,400,000	6,518,080	2.42
1.6250	DEXIA CREDIT LOCAL	29/10/2018	9,500,000	9,660,550	3.59
3.2500	European Union	04/04/2018	7,000,000	7,067,830	2.63
3.5000	CREDIT AGRICOLE HOME LOA	14/06/2018	6,400,000	6,512,384	2.42
4.3750	SANTANDER UK PLC	24/01/2018	6,000,000	6,016,740	2.24
4.5000	Spain (Kingdom of)	31/01/2018	16,050,000	16,114,682	5.99
4.8750	BANK OF SCOTLAND PLC	04/06/2019	6,400,000	6,875,904	2.55
5.2500	ING BANK NV	05/06/2018	6,400,000	6,553,472	2.43
				<b>217,117,379</b>	<b>80.68</b>
<b>Total transferable securities admitted and money market instruments admitted to an official stock exchange listing and other regulated market</b>				<b>217,117,379</b>	<b>80.68</b>
<b>Other transferable securities and money market instruments</b>					
<b>CDs and CPs</b>					
<b>EUR</b>					
	BANQUE FED CRED MUTUEL	22/03/2018	8,000,000	8,007,114	2.97
	BNP PARIBAS FORTIS SA	02/02/2018	8,000,000	8,003,264	2.97
	Nordea Bank AB	06/02/2018	8,000,000	8,003,635	2.97
	KBC Bank NV	22/02/2018	8,000,000	8,004,988	2.97
<b>Total other transferable securities and money market instruments</b>				<b>32,019,001</b>	<b>11.88</b>
<b>Total securities portfolio</b>				<b>249,136,380</b>	<b>92.56</b>
<b>Other assets and liabilities</b>				<b>20,058,212</b>	<b>7.44</b>
<b>Total net assets</b>				<b>269,194,592</b>	<b>100.00</b>