

2023 OUTLOOK

# Short-term pain, long-term gain

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# Investment outlook

We expect a considerable brightening of the return outlook for major asset classes in 2023. But first: brace for more pain in the short term.



## Introduction

Stagflationary seasons are typically the toughest times for asset allocators to generate positive returns. This past year has been no exception, with very few places to hide for multi-asset investors. The bond-equity correlation turned positive due to inflation surging well above 4% in developed markets and, in real terms, even cash returns eroded wealth.

But this might all be changing into 2023 as we see three major peaks emerge: peak inflation, peak rates, and peak dollar.

While these peaks are in sight, they have yet to be reached. Central banks are still entangled in a grueling battle to bring inflation back to target. The dollar still reigns supreme with only the Mexican peso and Brazilian real holding their ground against the greenback over the year to date. The bear market in sovereign bonds doesn't seem exhausted yet either, as two-year yields are still above official rates and central banks are not yet at their second-to-last hike of the tightening cycle.

The last leg of a steep climb towards the peak can prove treacherous and markets tend to overshoot here. That implies short-term pain as exhaustion and capitulation take hold, following an already dismal performance across the multi-asset spectrum. While cash levels among retail investors are historically elevated and professional investors are moving towards a consensus of a US recession in 2023, we haven't seen full capitulation in risky assets yet.

Moreover, as often in deep bear markets, countertrend rallies last longer. This time they're fueled by the 'bad news is good news' mantra that took hold in the era of quantitative easing. We expect the last leg of the bear market cycle to emerge in 2023. This will bring the dislocation in assets that will deliver long-term gain, given the asymmetric risk-reward pay-off that will emerge.

So, in our base case, 2023 will be a recession year that – once the three peaks have been reached – will ultimately contribute to a considerable brightening of the return outlook for major asset classes.

This could hold especially for emerging market equities (ex-China) that typically outperform once a dollar bear

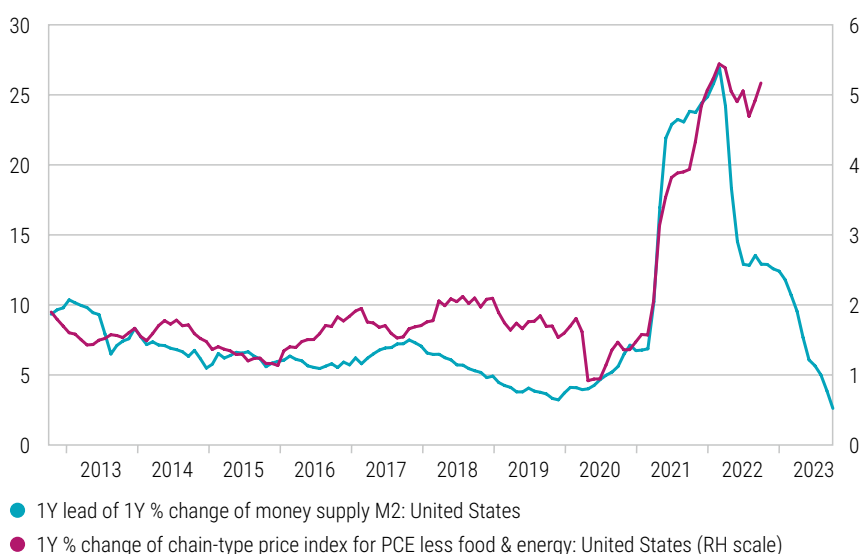
market enters the scene. Emerging markets are attractively valued versus their developed counterparts. In addition, the downturn in the earnings cycle in emerging markets is already more mature than developed market equities, in part because emerging market central banks have pre-empted developed market central banks in combating inflation.

## Macroeconomic environment: a hard landing that takes the sting out of inflation

The consensus macro narrative this year has shifted from central banks' ability to avert a slowdown altogether to the view that central bankers will engineer a soft landing in 2023. We think that the belief in central bankers' ability to prevent cyclical downturn is flawed, though. Instead, we expect a hard landing. Moreover, as recessions tend to be highly disinflationary, we believe this will take the sting out of inflation.

Having ended up behind the curve in 2021, central banks in Western economies this year swiftly morphed into dedicated inflation fighters. To regain their credibility, they now risk tightening monetary policy excessively into 2023, inadvertently creating downside risks to the consensus soft-landing scenario. The culprit here is the lagged response of inflation, housing and the real economy to central bank policy tightening. However, once the ball gets rolling, it rolls fast.

**Figure 1: Cooling money growth on the back of monetary tightening spells disinflation ahead**



Source: Refinitiv Datastream, Robeco



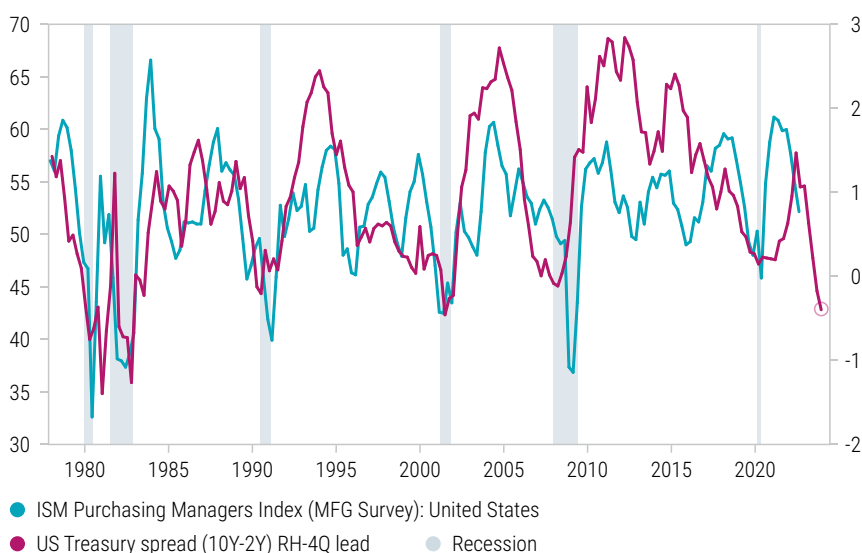
Central bankers are well aware of these policy lags. Yet, even if they believe inflation will revert back towards target by the end of 2023 as a result of past tightening, they still are incentivized to keep a tightening stance for longer, until the data provides the evidence.

A shift to an easing monetary policy stance while actual experienced inflation is still high might be interpreted by market participants as premature, thus risking central banks' credibility and (re)igniting higher medium-term inflation expectations.

While an inversion of the yield curve shows the market believes central banks are able to cool inflation, the magnitude of

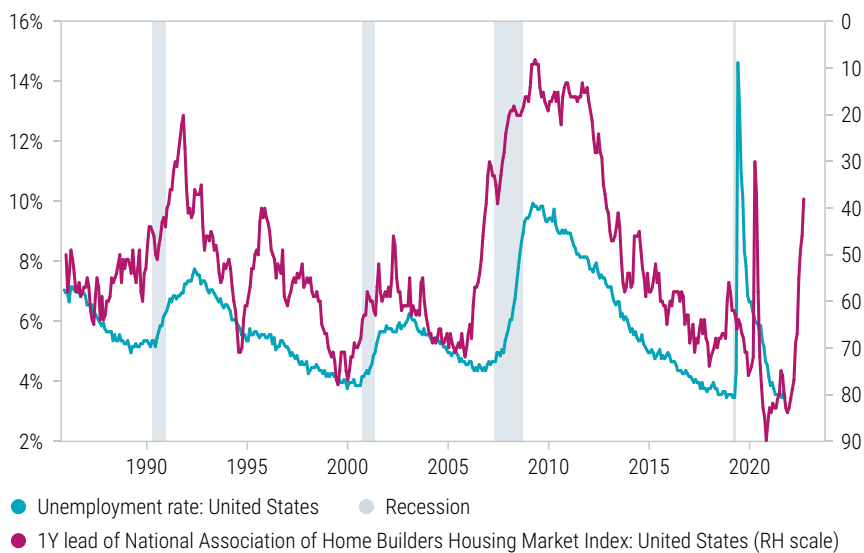
inversion currently observed in the US Treasury curve reflects this risk of excess tightening, and suggests the ISM could drop below 45 in 2023. This implies that risks are tilted to the downside for the 2023 consensus of US annual real GDP growth of 0.8%.

**Figure 2: Steep inversion of yield curve signals a sub-45 ISM is likely in 2023**



Source: Refinitiv Datastream, Robeco

Other growth engines driving the US consumer have started sputtering; a deflating housing and stock market is about to dent the wealth effect, while excess savings from the 2020-2021 savings boom are largely depleted.

**Figure 3: US unemployment rate above 5% by the end of 2023?**

Source: Refinitiv Datastream, Robeco

Yet, there are also upside risks that will steer the US economy away from a hard landing into 2023: a rebound in consumer sentiment (and spending) as inflation subsides, companies hoarding labor thereby sustaining real wages, and a stronger fiscal impulse from governments to mitigate the cyclical downturn.

For the eurozone, the consensus of 0.4% real GDP growth in 2023 is fairly consistent with leading indicators like decelerating broad money growth in the region. But here, too, we flag the risk of excess tightening by the ECB, especially to get imported inflation under control given a much higher imported energy bill, increased competition of LNG in the 2023 restocking process, and a weak euro reflecting deteriorating terms of trade.

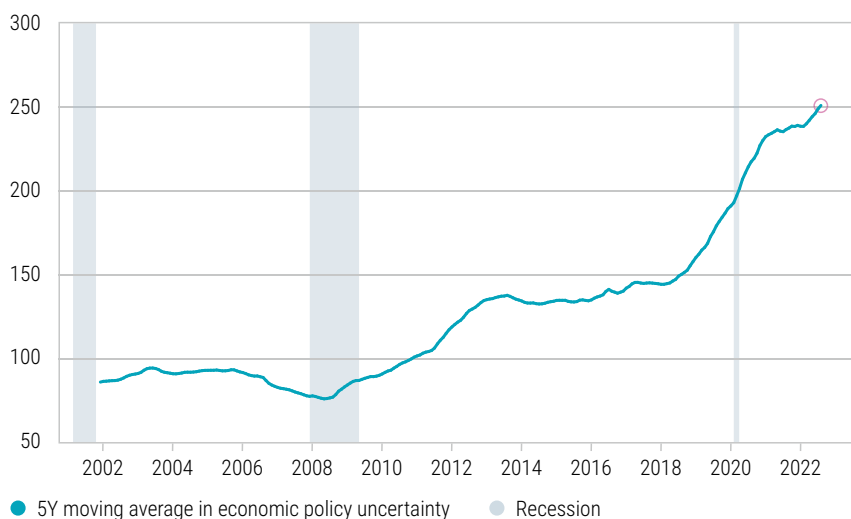


## Geopolitics: keeping an eye on regime shifts

It's been decades since the world has grappled with shocks of the severity, significance and multiplicity that we've seen over the past few years.

The Covid shock and the Russia-Ukraine war have created ripple effects that will continue to reverberate into 2023. Tensions are on the rise in the Taiwan Strait, the Black Sea, within NATO/Europe and the Korean peninsula. The Edelman 2022 Trust barometer notes a "cycle of distrust", one that is unlikely to be broken in 2023.

**Figure 4: Steady uptrend in global geopolitical uncertainty** (Economic policy uncertainty index, PPP GDP)



Source: Refinitiv Datastream, Robeco

The proposal by US Treasury Secretary Yellen this year to think about 'friendshoring', a model for free but more secure international trade, highlights the erosion of trust as pragmatism starts to challenge ideology. A global political risk metric developed by researchers at Stanford University has steadily trended up in recent years.

Both the pandemic and the Russia-Ukraine war have laid bare the vulnerabilities created by interdependence and have prompted countries to turn more inward, trying to safeguard supply chains by dual sourcing or increasing inventory-to-sales levels. 2023 will exhibit a balancing act between achieving efficiency and building economic resilience at the corporate and sovereign level.





The 20th CCP National Congress in China revealed that the country is increasingly prioritizing its national security over economic revival. The focus of Chinese policymakers is to enhance domestic supply chains and increase import substitution in order to obtain technological supremacy. The prospects of China's President Xi lifting zero-Covid policies in the first half of 2023 look slim, while the domestic real estate sector will likely see further cooling into 2023. Reappointed as leader of the CCP, an emboldened Xi could adopt a more aggressive stance towards Taiwan to distract from economic malaise on the mainland.

Europe will face its own particular trade-off between efficiency and economic security in addressing the energy crisis in 2023. Increasing energy efficiency will not be enough for the region to wean itself off Russian gas. Price caps to ensure energy security for lower-income households may also increase demand, intensifying the energy crisis. On the other hand, necessity is the mother of invention, and we expect to see energy transition goals lining up with accelerated energy security and reduced carbon footprints.

The Turkish presidential elections on 18 June 2023 will be closely watched. A change in the Turkish stance towards the Black Sea conflict could have repercussions for global food prices and raise the odds of another Arab spring.

We have entered an 'Age of Confusion', characterized by heightened geopolitical event risk. It's evident that financial markets are willing to pay an insurance premium to hedge this risk.

We know from previous experience that financial markets typically demand a risk premium during times of geopolitical

uncertainty and tend to rally afterwards when the aftermath becomes more transparent. Paying a bit of insurance premium up front as we enter 2023 therefore makes sense.

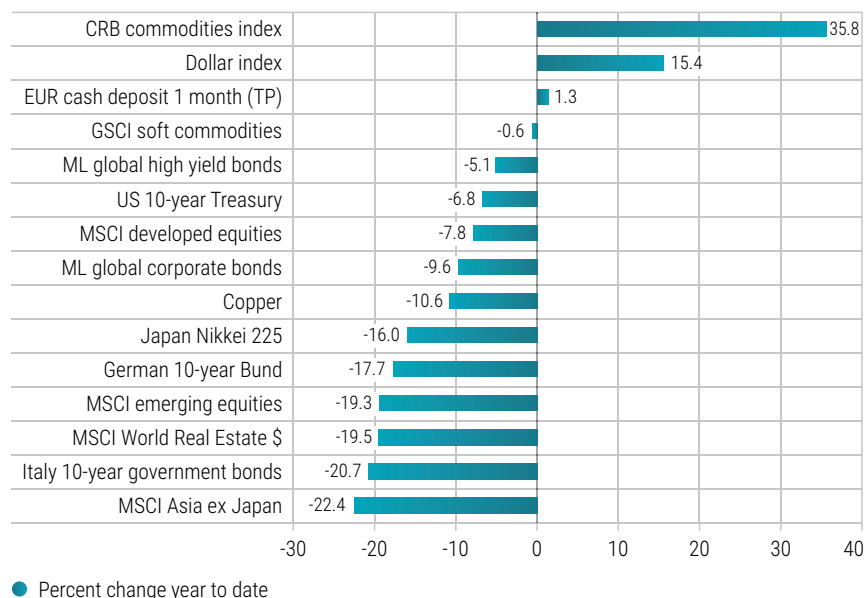


## Markets: capitulation ahead

As policymakers maintain their hard line into 2023 and global growth deteriorates further, we expect markets finally to factor in all the bad news. That's when the longer-term opportunities will start to emerge.

So far this year we have seen a bear market in everything, with the exception of cash and commodities. The cause was the persistence of inflation that kept surprising to the upside. While inflation will stay top of mind into 2023, central bankers will start to show a higher sensitivity to decelerating real activity as the impact of the tightening cycle shows up in worsening macro data.

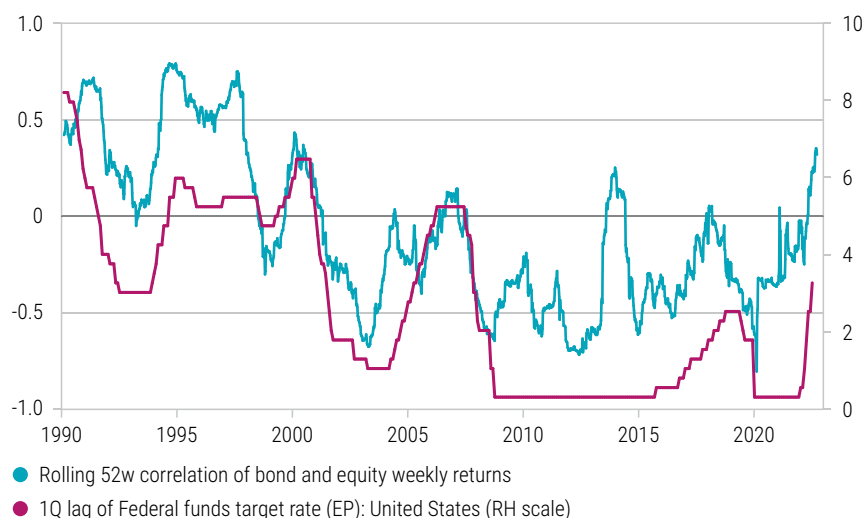
**Figure 5: A bear market in almost everything** (asset performance in %)



Source: Refinitiv Datastream, Robeco. October 2022

Note: Total return in euro except currencies and copper which are spot returns

The pace of rate hikes will slow as employment figures start to deteriorate. This will solidify the bull market for sovereign bonds and, after a dismal 2022, there will be better times ahead for the 60/40 portfolio. Yet, with core inflation still well above target in the first half of 2023, central bankers will likely stretch the pause after the hiking cycle and be reluctant to cut interest rates, even in the face of a US recession.

**Figure 6: The bond-equity correlation typically turns prior to peak policy rates**

Source: Refinitiv Datastream, Robeco

While historically the Fed started cutting rates in 80% of the cases when the ISM dropped below 50 and inflation remained above target in the subsequent quarter, the odds look lower this time around. This could be a more Volcker-like Fed that struggles to cool an overheated labor market.

It's likely that the ball will only get rolling in the second half of 2023. When unemployment surges towards 5% and disinflation accelerates on the back of a NBER recession in the second half of 2023, the Fed (and other central banks) will start cutting. Therefore, we think the Fed policy rate will be below the 4.6% December 2023 level implied in the Fed funds futures curve.

All in all, this year's bear market has been driven mainly by derating. We haven't yet seen the damage done to global earnings by the strong dollar and recent jumbo rate hikes. High ex ante valuation levels, as observed at the onset of the 2022 bear market, typically trigger deeper bear markets that last longer. The last leg of a typical bear market

initiated by an earnings recession has thus far been absent.

We think that the recognition of a hard landing by central bankers and market participants alike will usher in the final capitulation phase of this equity bear market.

Against the backdrop of inflationary pressures easing very slowly and leading activity

indicators moving only gently lower, it will take time for remaining downside earnings risks to be recognized. This is also consistent with the observation that countertrend rallies in persisting bear markets typically are of a larger magnitude.

We expect 2023 will likely create very good entry points for long duration in fixed income, followed in time by decent troughs in risky fixed income and equity markets.

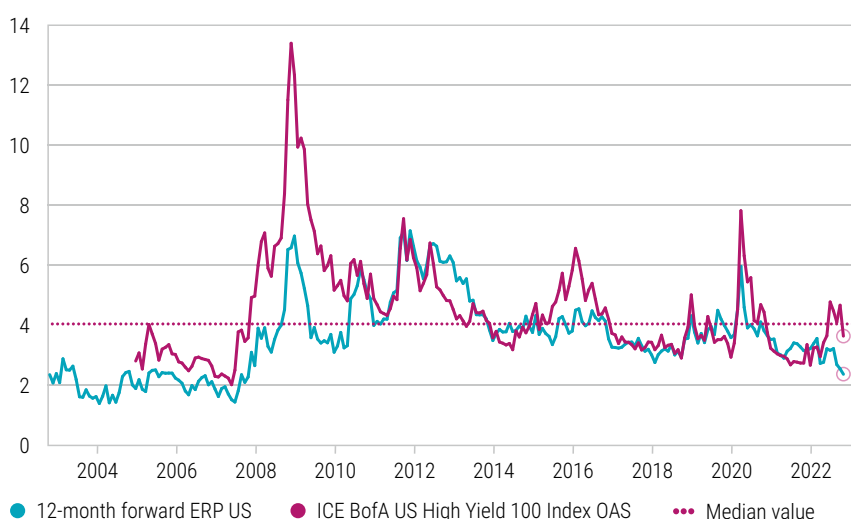


## Asset allocation: readying for peak rates, peak inflation, and peak US dollar

How to navigate another noisy year in financial markets? We have developed a dashboard focusing on key signals that will likely determine asset prices in the next 12 months.

Starting with valuations, and factoring in the actual level of real rates, we find that despite the significant derating that has taken place in 2022, equity valuations have not yet hit rock bottom. In addition, the next recession could prove to be less mild than currently priced in by, for instance, high yield option-adjusted spreads (OAS), which currently reflect 60-70% average recession-induced default risk.

**Figure 7: US HY more attractively valued compared to US equities**



Source: Refinitiv Datastream, Robeco

Comparing high yield valuations with those of equities, high yield looks more attractive at this stage. We expect an earnings recession to gain traction as we enter 2023: earnings per share could drop 20-30%. This is not yet fully recognized by the equity market.

Further negative earnings revisions typically coincide with lower equity multiples. Yet, as real rates are expected to come down, and the earnings recession gets fully priced into 2023, a major inflection point in risky asset valuations is to be expected towards 2024. Historically, the ACWI global equity index has on average troughed six months prior to the trough in earnings, reflecting investors' anticipation of the economic and earnings rebound, and effectively causing a rerating of valuations.

Monetary and fiscal impulses will continue to move in opposite directions in 2023. Broad money growth will contract, with the exception of China. Central banks' inflation-fighting stance will also create tension with fiscally less-disciplined governments seeking cheap funding to mitigate the energy crisis and the further drop in aggregate demand once recession hits.

The steep inversion observed in today's US yield curve shows the recession risk on a 12 to 24-month horizon is very high. It also shows that US 2023 GDP growth could end up below consensus estimates. However, once recession hits, yield curves typically inflect and start to steepen significantly. We expect the sovereign curves to steepen once the recession gets underway in 2023.

The direction of the dollar is a key call for multi-asset investors in 2023. The dollar bull market is maturing with the dollar now 25% above its fair value, as measured by deviations from relative PPP.

While the dollar bull market could prove to be more persistent as the Fed shows reluctance to pivot and as potential liquidity events trigger safe-haven flows towards the US, the dollar bull run will likely peak in 2023. This will be on the back of declining rate differentials between the US and the rest of the world, and a peak in US growth versus the rest of the world.

In 2023, we expect peak interest rates, peak inflation, and peak US dollar.

**Figure 8: Asset allocation dashboard**

Checklist	Now	Expectations in 12 months
Valuations	● ● ●	● ● ●
Earnings	● ● ●	● ● ●
Fiscal policy	● ● ●	● ● ●
Monetary policy	● ● ●	● ● ●
Yield curve slope	● ● ●	● ● ●
Spreads	● ● ●	● ● ●
USD	● ● ●	● ● ●
Oil and energy prices	● ● ●	● ● ●
Momentum	● ● ●	● ● ●

● Negative ● Neutral ● Positive

Source: Robeco. November 2022

# Sustainable investing outlook

The focus on sustainable investment has never been greater as we look for solutions to the challenges facing humanity. With climate change impacts becoming more visceral and material, 2023 will be a pivotal year.





## Introduction

Despite a difficult environment for sustainable equity strategies with low exposure to the energy sector that outperformed during the energy crisis, Morningstar data from 3Q 2022 recorded net inflows into sustainable funds of USD 22.5 billion, compared to outflows of USD 198 billion in their overall global fund universe. While overall assets under management in sustainable strategies will depend on the broader market in 2023, we expect the trend of SI strategies becoming a greater proportion of total AuM to continue, as investors seek shelter from multiple risks and increasingly target specific outcomes.

### ESG critics are the price of success

The increase in sustainable investments as a proportion of total AuM comes despite politically motivated critiques of ESG in the US, where some state governments are claiming ESG-related exclusions discriminate against domestic industries, especially oil, gas and coal.

The drivers of this backlash against ESG are transparent. Some are fund managers using the media to talk their own book, typically a basket of fossil fuel investments without ESG integration, and some are politicians who are using ESG as another front in the so-called 'culture wars'. While the debate over the intention behind SI strategies may continue, for the political sphere, the challenge remains to build a regulatory framework that ensures a level playing field for the private sector and provides guardrails robust enough for each country to stay on its required net-zero glidepath. From a macro-economic perspective the implications of inaction are grim. Swiss Re estimates that the world economy is set to lose up to 18% of GDP by 2050<sup>1</sup> due to climate change if no action is taken. Nor does this take into account the vast human cost, including population displacement with hundreds of millions of people facing being uprooted from their homes and livelihoods, even under the most conservative scenarios.

In 2023 and beyond, the momentum behind sustainable investing appears unstoppable. In research released in October 2022, PWC reported that 81% of US investors planned to increase allocations to ESG products over the next two years, and that ESG-oriented assets under management in the US are expected to double to USD 10.5 trillion by 2026.<sup>2</sup> This mirrors results from Robeco's Climate Survey in March 2022 which showed that climate change remains central or significant to investment policy at 84% of all investors over the next two years.<sup>3</sup>

**We believe there are several reasons why sustainable investing will grow AuM faster than the industry.**

One is that there is evidence that integrating ESG considerations alongside financial analysis can

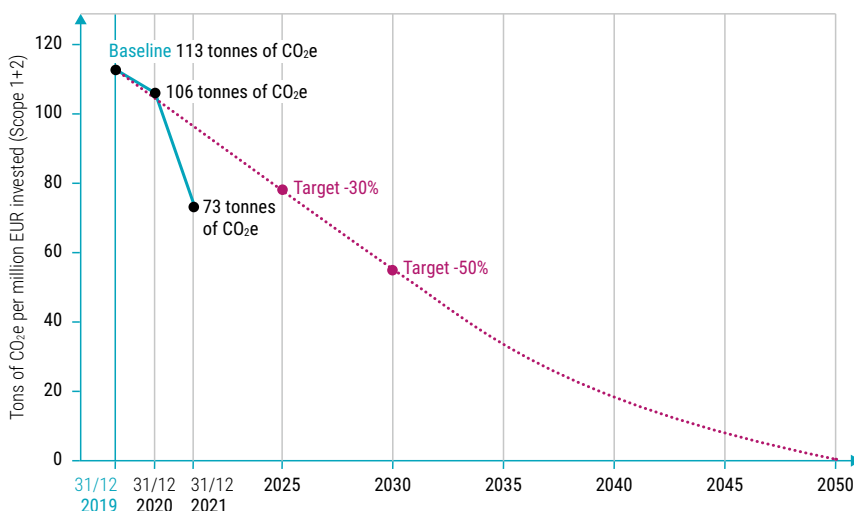
support financial returns over the long term, for example through reducing unanticipated environmental or social risks, or identifying new growth opportunities. Additionally, greater societal awareness of sustainability challenges is leading more investors to align their portfolios with their values, while the growing range of sustainable strategies available is making it possible for more investors to target both sustainable and financial goals.<sup>4</sup>

### Climate progress is being made

It's easy to become discouraged when the magnitude of the climate crisis and the relatively slow progress towards decarbonization is highlighted. In a report released in October 2022 the UN said combined commitments from nearly 200 nations put Earth on track to warm around 2.5 °C compared to pre-industrial levels by the century's end, way beyond the agreed objective of 1.5 °C. However, this compares to previous projections of 4 °C warming, so while insufficient, it does demonstrate that progress can be made if we collectively follow through on our commitments.

As we have seen, setting targets long in the future is the easy part, and we are now at the stage where prevarication has to end. The current energy crisis has seen the world's existing reliance on fossil fuels reinforced, with some countries in Europe even reopening coal-fired power generation capacity to satisfy immediate demand. In the medium to long term, though, we believe it will refocus attention on the value of investing in renewables to support energy security as well as climate commitments. At Robeco we are in the process of decarbonizing our own investment and commercial operations, aiming for a net-zero portfolio by 2050.

**Figure 1: Decarbonizing Robeco funds and operations**



Source: Robeco

After a very good start in 2020 and 2021, partly due to Covid, our decarbonization trend line has flattened relative to the red target line in 2022, probably because of greater weight for the energy sector in leading benchmarks, but we are still well ahead of where we need to be. That said, the challenge of keeping our own fund universe on track will only get more difficult as fundamental changes required in the real economy, like reducing the demand for fossil fuels, are still at an early stage.

So how are we going to achieve our goals? A key element that will become more prominent in 2023 will be to put nature at the center of our strategies.

## Harnessing nature's ability to defend the planet

The debate on the climate crisis focuses on how humans can change their behavior and systems to reduce carbon emissions. That makes sense, but we also need to look at how we can help nature regenerate.

Right now more than half of our daily carbon emissions are being absorbed by nature, by oceans and by land, so nature is already buying us time to face this challenge.

Without nature, and the planet's ability to absorb carbon, global warming would already be totally

out of control. By further destroying ecosystems and habitats, we are damaging the ability of the planet to resist climate change and making our task more difficult. Conversely, by protecting or restoring nature where it's been degraded we can recover natural capital and restore carbon sinks, which complements efforts to decarbonize.

Essentially we need to recognize that climate change, habitat loss, and biodiversity loss are interrelated and part of the same process where we as a species are testing and often exceeding the planet's boundaries.

### What does it mean for investors?

Corporates generally have a poor track record when it comes to land or ocean regeneration, particularly in sectors such as food, materials, energy, and transport. We think in 2023 investors will be better equipped to assess corporate impacts on nature, both positive and negative, as disclosure and data on those impacts improves.

One driver of this change is the Global Biodiversity Framework that will be negotiated by countries at the COP15 summit in Montreal in December 2022.<sup>5</sup> While we don't yet know the outcomes of the summit – and all signs indicate that negotiations are difficult – the framework itself clearly shows the direction of travel for the world. Draft targets for 2030 are to protect and restore 30% of land and ocean surface (roughly doubling from now), eliminate the discharge of plastic waste, and reduce the impact of pesticides by two-thirds. The framework will spur private sector action, as much as the Paris Agreement did for climate, as it explicitly requires corporates to disclose and mitigate their impacts on nature, and financial institutions to align their investments and lending activities.

### Mandating targets in law

The EU has already embedded much of these targets in its legislation. The EU Green Deal includes ambitious targets on nature restoration and reducing the adverse impacts from pesticides and other substances. The EU Taxonomy is being expanded from climate to cover all environmental goals of the EU. In January 2024 the EU Corporate Sustainability Reporting Directive (CSRD)<sup>6</sup> will also start to take effect, with companies expected to report on 2023 fiscal year environmental performance. The



CSRD embraces double materiality – that which requires companies or investors to disclose not only financial risks to themselves, but also any adverse impacts they or their operations are responsible for, on both the planet and society. Double materiality really embeds impact and ESG in legislation, and with that in data systems, in management, and in investment processes. The Taskforce on Climate-related Financial Disclosures (TCFD)<sup>7</sup> and its sister project the Taskforce on Nature-related Financial

Disclosures (TNFD)<sup>8</sup> have also adapted their frameworks to accommodate double materiality.

The adoption of double materiality opens up the investment universe to sustainable investing and makes it more accessible for investors to embrace goals related to nature conservation.

This will lead to innovation in terms of investment products that can capture specific impacts.

We already see innovative strategies in the industry coming down the track, and we anticipate investor demand for such products will be a significant development in 2023.

### 2023 regulatory highlights

In the US, the SEC is expected to publish its new rule<sup>9</sup> by the end of January 2023 that obliges publicly traded companies to provide detailed disclosures on climate risks that are reasonably likely to have a material impact on their business, results of operations, or financial condition, including greenhouse gas emissions. This takes US regulations closer to EU standards that already require such disclosures.

In the UK the FCA has announced new rules,<sup>10</sup> expected to come into force in mid-2023, establishing objective criteria for ensuring sustainable investment products are labelled accurately.

In addition to legislation and rulemaking, regulators are also increasingly flexing their muscles by requiring action from corporates in specific sectors. For example in November 2022 the European Central Bank warned banks<sup>11</sup> that failing to tackle their financial risks from climate change will result in higher capital requirements and fines, setting a deadline of 2024 for the impacted firms to satisfy the ECB's "binding qualitative requirements". These types of regulatory actions will increasingly help and inform investor decision making.

## Cost of living will emerge as a key SI focus

While the climate crisis and nature loss remain the global challenges most identified with sustainable investing, we believe the cost of living crisis and income inequality are likely to be key focus areas in 2023. In the long run the issues are interconnected, as

energy shortages and climate-related disruptions to the food chain are major drivers of increased costs of living.

Just as with environmental challenges, investors can address income inequality by influencing social policies at companies, particularly workforce, supply chain and community-related, through capital allocation and engagement.

Why would this happen in 2023?

First, the cost of living crisis has not reached its economic apogee.

The impacts are being absorbed through people running down savings or using credit,<sup>12</sup> but the crunch will come and at that point there will be pressure on companies to raise wages – especially those that employ at the lower end of the income spectrum. Second, the curious macroeconomic backdrop with very tight labor markets means companies will have to act – and those that don't are likely to face reputational issues in the wider community, and then pressure from investors.

The obvious sectors where this could happen are companies in the gig economy, extending to sectors with high numbers of generally lower paid workers such as the logistics sector, the fast-food sector and the retail sector. Inflation pressures are also feeding through to emerging markets so those industries with complex supply chains like fashion are likely to face renewed scrutiny on the totality of their operations. A greater emphasis on the social element of ESG has long been anticipated. With substantial analysis already existing on the why and how,<sup>13</sup> we think the economic environment of 2023 might prove the tipping point.

### Significant energy sector profits to face scrutiny

An additional angle on equality we are likely to see in 2023 is the energy crisis and the extraordinary profits being made by both fossil fuel and renewable energy companies. At the moment governments are imposing or considering imposing windfall taxes, but, given the global nature of oil, gas and coal operations, this is unlikely to be a blanket solution to the issue.<sup>14</sup> Sustainable investors should assess how excess profits are used, and whether some element is being invested in the energy transition, as many fossil fuel companies have claimed is their intention.

## Conclusion

Sustainable investing is here to stay and is more relevant than ever to investors facing what Robeco has termed the 'Age of Confusion'.<sup>15</sup> It is still evolving, with the complex interplay of climate change, nature degradation, geopolitics, economics, investor preference and government actions all determinants of its future form. Nevertheless, investors with scarce capital to deploy will have access to a wider choice of innovative SI products than ever in 2023. That's positive for both the investment industry and the planet, and at Robeco we believe SI will come to play an ever more important role in portfolio construction.

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15. <https://www.robeco.com/en/insights/2022/09/5-year-expected-returns-the-age-of-confusion.html>

# Important information

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any applicable exchange control regulations and taxes in the countries of their respective citizenship, residence or domicile. The Fund information, if any, contained in this document is qualified in its entirety by reference to the prospectus, and this document should, at all times, be read in conjunction with the prospectus. Detailed information on the Fund and associated risks is contained in the prospectus. The prospectus and the Key Investor Information Document for the Robeco Funds can all be obtained free of charge from Robeco's websites.

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## **Additional Information for investors with residence or seat in Brazil**

The Fund may not be offered or sold to the public in Brazil. Accordingly, the Fund has not been nor will be registered with the Brazilian Securities Commission (CVM), nor has it been submitted to the foregoing agency for approval. Documents relating to the Fund, as well as the information contained therein, may not be supplied to the public in Brazil, as the offering of the Fund is not a public offering of securities in Brazil, nor may they be used in connection with any offer for subscription or sale of securities to the public in Brazil.

## **Additional Information for investors with residence or seat in Brunei**

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**Additional Information for investors with residence or seat in Canada**

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**Additional information for investors with residence or seat in the Republic of Chile**

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Generally, no offer or sale of the Shares is permitted in Malaysia unless where a Recognition Exemption or the Prospectus Exemption applies: NO ACTION HAS BEEN, OR WILL BE, TAKEN TO COMPLY WITH MALAYSIAN LAWS FOR MAKING AVAILABLE, OFFERING FOR SUBSCRIPTION OR PURCHASE, OR ISSUING ANY INVITATION TO SUBSCRIBE FOR OR PURCHASE OR SALE OF THE SHARES IN MALAYSIA OR TO PERSONS IN MALAYSIA AS THE SHARES ARE NOT INTENDED BY THE ISSUER TO BE MADE AVAILABLE, OR MADE THE SUBJECT OF ANY OFFER OR INVITATION TO SUBSCRIBE OR PURCHASE, IN MALAYSIA. NEITHER THIS DOCUMENT NOR ANY DOCUMENT OR OTHER MATERIAL IN CONNECTION WITH THE SHARES SHOULD BE DISTRIBUTED, CAUSED TO BE DISTRIBUTED OR CIRCULATED IN MALAYSIA. NO PERSON SHOULD MAKE AVAILABLE OR MAKE ANY INVITATION OR OFFER OR INVITATION TO SELL OR PURCHASE THE SHARES IN MALAYSIA UNLESS SUCH PERSON TAKES THE NECESSARY ACTION TO COMPLY WITH MALAYSIAN LAWS.

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The funds have not been and will not be registered with the National Registry of Securities, maintained by the Mexican National Banking and Securities Commission and, as a result, may not be offered or sold publicly in Mexico. Robeco and any underwriter or purchaser may offer and sell the funds in Mexico on a private placement basis to Institutional and Accredited Investors, pursuant to Article 8 of the Mexican Securities Market Law.

**Additional Information for investors with residence or seat in Peru**

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applicable provision of the SFA. The contents of this document have not been reviewed by the MAS. Any decision to participate in the Fund should be made only after reviewing the sections regarding investment considerations, conflicts of interest, risk factors and the relevant Singapore selling restrictions (as described in the section entitled "Important Information for Singapore Investors") contained in the prospectus. Investors should consult your professional adviser if you are in doubt about the stringent restrictions applicable to the use of this document, regulatory status of the Fund, applicable regulatory protection, associated risks and suitability of the Fund to your objectives. Investors should note that only the Sub-Funds listed in the appendix to the section entitled "Important Information for Singapore Investors" of the prospectus ("Sub-Funds") are available to Singapore investors. The Sub-Funds are notified as restricted foreign schemes under the Securities and Futures Act, Chapter 289 of Singapore ("SFA") and invoke the exemptions from compliance with prospectus registration requirements pursuant to the exemptions under Section 304 and Section 305 of the SFA. The Sub-Funds are not authorized or recognized by the MAS and shares in the Sub-Funds are not allowed to be offered to the retail public in Singapore. The prospectus of the Fund is not a prospectus as defined in the SFA. Accordingly, statutory liability under the SFA in relation to the content of prospectuses does not apply. The Sub-Funds may only be promoted exclusively to persons who are sufficiently experienced and sophisticated to understand the risks involved in investing in such schemes, and who satisfy certain other criteria provided under Section 304, Section 305 or any other applicable provision of the SFA and the subsidiary legislation enacted thereunder. You should consider carefully whether the investment is suitable for you. Robeco Singapore Private Limited holds a capital markets services license for fund management issued by the MAS and is subject to certain clientele restrictions under such license.

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Robeco Institutional Asset Management B.V. is registered and regulated by the Financial Sector Conduct Authority in South Africa.

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The Prospectus has not been approved by the Securities and Exchange Commission which takes no responsibility for its contents. No offer to the public to purchase the Shares will be made in Thailand and the Prospectus is intended to be read by the addressee only and must not be passed to, issued to, or shown to the public generally.

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Some Funds referred to in this marketing material have been registered with the UAE Securities and Commodities Authority (the Authority). Details of all Registered Funds can be found on the Authority's website. The Authority assumes no liability for the accuracy of the information set out in this material/document, nor for the failure of any persons engaged in the investment Fund in performing their duties and responsibilities.

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The sale of the Fund qualifies as a private placement pursuant to section 2 of Uruguayan law 18,627. The Fund must not be offered or sold to the public in Uruguay, except under circumstances which do not constitute a public offering or distribution under Uruguayan laws and regulations. The Fund is not and will not be registered with the Financial Services Superintendency of the Central Bank of Uruguay. The Fund corresponds to investment funds that are not investment funds regulated by Uruguayan law 16,774 dated September 27, 1996, as amended.

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