

Press Release

Robeco publishes Expected Returns 2019-2023: 'Patience is a virtue'

Rotterdam, 25 September 2018 – Robeco has published its annual Expected Returns report (2019-2023), a look at what investors can expect over the next five years. Robeco's Investment Solutions department sees that the global economic cycle is enjoying a prolonged mature phase, however as central banks continue their shift away from quantitative easing to tighter monetary policy, this expansion will slow. With valuations for every major asset class looking stretched, a transition to the next phase could easily send markets into a tailspin. It seems inevitable that a recession will happen at some point.

There is certainly no reason to panic right now, according to the team, as the global economy is currently still in relatively good shape, and growth remains solid. The US is still going strong, and the Federal Reserve's tighter policy has not put a spanner in the works. Meanwhile, China has done well to manage down unsustainable debt-fueled growth to more sensible levels and the Eurozone has continued to grow, while emerging economies are expected to outperform developed economies.

The team expects equities to be the best-performing asset class over the next five years, with emerging market stocks returning 4.5% a year and developed markets 4% for euro investors. German government bonds will deliver negative returns of -1.25% a year, while developed global government bonds should return -0.25%. Emerging market debt in local currencies is seen returning 3.75% a year, while investment grade corporate bonds should deliver 1% and high yield (non-investment grade) credits, 1.5%.

*Expected annual returns 2019-2023**

Developed market equities	4.00%
Emerging market equities	4.50%
German government bonds	-1.25%
Developed global government bonds	-0.25%
Emerging government debt (local)	3.75%
Investment grade credits	1.00%
High yield	1.50%
Listed real estate	3.25%
Commodities	4.00%
Cash	0.50%

* Returns are denominated in euros. Bond and cash returns are euro hedged, except for local currency emerging market debt. The value of your investments may fluctuate and past performance is no guarantee of future results. Source: Robeco

On a five-year horizon, the US is likely to experience a recession at some point – if only on the basis of Minsky's maxim that 'stability breeds instability'. It could take place after the presidential elections in November 2020. The US authorities will probably let the economy grow above its potential in the run-up to the elections, by implementing a procyclical policy mix that will ultimately prove unsustainable due to rising inflationary pressures and public debt levels. Trade tensions are likely to be kept in check as a serious escalation would be counterproductive.

Press Release

Bart Oldenkamp, head of Robeco's Investment Solutions department: *"It is clear that the investment environment could change dramatically in the next five years and that current conditions are already quite challenging with compressed spreads, widespread overvaluation in the major asset classes and low volatility. For long-term investors, it makes sense to start anticipating these changes. Opting for a more defensive portfolio is often the default solution, but in the current economic climate there are risks associated with doing too much, too soon. Therefore investors should not forget that patience is a virtue in the world of investing too, as we believe that there are still opportunities to harvest risk premiums in the major asset classes."*

In addition to the five-year outlook, the Expected Returns publication also covers five special topics, broadly related to the theme: 'Patience is a virtue':

- [Valuations \(Time to get defensive?\)](#)
- [Debt \(All roads lead to Rome but few lead to Italian debt sustainability\)](#)
- [Stranded assets \(Oil will have to be written off at some point. But not yet!\)](#)
- [Asset allocation \(Bond. Corporate bond.\)](#)
- [US equities \(The potential rewards of diversifying away from US equities\)](#)

The full report is available upon request, or can be downloaded here: <https://www.robeco.com/en/themes/expected-returns/2019-2023/index.html>
A video and an executive summary are also available.

Media enquiries

Robeco

Corporate Communications

Office: +31 (0) 10 224 2241

Email: cc@robeco.nl

About Robeco

Robeco is a pure play international asset manager founded in 1929. It currently has 15 offices worldwide and is headquartered in Rotterdam, the Netherlands. Through its unique integration of fundamental, sustainable and quantitative research, Robeco is able to offer both institutional and private investors an extensive selection of active investment strategies, covering a broad range of asset classes. As at 30 June 2018, Robeco had EUR 167 billion in assets under management, 70% of which were institutional. Robeco is a subsidiary of ORIX Corporation Europe N.V. which had assets under management of EUR 296 billion as at 30 June 2018. More information is available at www.robeco.com.