ROBECO
The Investment Engineers

Fundamental Equities Outlook
Q4 2022

Winter really is coming

- Inflation is draining consumer confidence with recession coming
- Defensive strategy required favoring value over growth
- EM is better placed than DM despite dollar strength

"If you think this has a happy ending, you haven't been paying attention." is a quote from Game of Thrones bad guy Ramsey Bolton, but it could easily been straight from the mouth of Federal Reserve Chairman Jerome Powell. In our last Quarterly outlook we asked for clarity on the size of rate rises and now we certainly have it. At the September Fed meeting Powell ruled out any lingering hopes of a soft landing, describing it with typical understatement as a "very challenging" prospect. Recession in the US and Europe is almost certain this winter.

"Companies with pricing power that aren't over-leveraged are preferred"

At the moment the markets are rough and are recalibrating to a changing environment of higher rates and lower liquidity. In the last week of September numbers came out which have rarely be seen in the last 25 years. At the time of writing, inflation in The Netherlands was reported at almost 18%; during a few hours it was possible to make some 40% in UK gilts; spending on mortgage payments for an average American family has even spiked up to levels last seen in the early eighties.

Outlook
For professional investors
October 2022

Robeco Fundamental Equity Team

A rapid rise in interest rates, oil prices and the dollar is usually not a good cocktail for stock prices. The markets have adjusted lower since March with the S&P500 down 25% by the end of September from its peak at the end of 2021, and Investment Grade Credits down by about 15%. So far this year US bond and equity markets have seen a drawdown of more than USD 55 trillion from their recent peak. This wealth effect is reflected in consumer confidence. October is often a month when bear markets reach their nadir. However, even with the current decline behind us, our outlook for global equities remains cautious. Increasing financing costs combined with rising input costs and the threat of lower consumption puts pressure on corporate profitability. Shrinking market liquidity brings multiple expansion to a halt.

With regards to emerging markets for the coming quarter, we maintain our five factor scores as they are. It's important to note that central banks in many emerging countries have been tightening for a long time already, while the Fed is far from finished and the ECB in Frankfurt has only just started to raise interest rates. So, less inflation comes with potentially fewer interest rate hikes in the emerging world. The outlook for emerging markets is therefore significantly better from the point of view of inflation and interest rates than in developed markets.

So what's a constructive way forward for equity investors?

The central line in the approach of our teams is that they focus on solid businesses with good earnings potential and strong cash generation, which can be bought at appealing valuations. Not just cheap stocks, but healthy stocks which will do well over a period longer than just an occasional quarter. We do not take a punt on the current macro events, but will factor in the consequences of a changing macro environment for our portfolio companies' prospects. Companies with pricing power that aren't over-leveraged, now available at much lower prices, are preferred. These value-oriented stocks will likely provide protection from inflation and have a good chance to outperform in this environment. We are positioning our portfolios to reflect that higher-than-average inflation could last for some time. One sector of particular interest is healthcare and with its recurring revenues it is widely considered to be more recession-proof than other sectors. We also continue to find high-quality companies in two favoured sectors, technology and financials, where we have high exposure. Though current markets are challenging, this is also a time of opportunity for stock picking.

Audrey Kaplan (Portfolio Manager Global Equities)
Wim-Hein Pals (Portfolio Manager Emerging Markets Equities)
Kees Verbaas (Head of Fundamental Equity)

October 2022

ROBECO
The Investment Engineers

Table of Contents

Q&A with Kees Verbaas – Head of Fundamental Equity 4
Developed Market Equities 6
Emerging Market Equities 12

“It’s great to be back” – Q&A with Kees Verbaas, Head of Fundamental Equity

This month you returned to Robeco, as the new lead of the Fundamental Equity teams. Are you happy with your timing?
It’s interesting timing for sure. At the moment the markets are volatile and investors are rightly being defensive. It is hugely challenging but this is also where active managers can really make a difference.

How does it compare to previous periods of volatility like the financial crisis?
It was an electrifying period, with big markdowns for stocks. I had just started at Hermes in London as captain of the Emerging Markets team, in the midst of the financial crisis. It taught me that during these difficult times you have to keep your eye on the big picture and be resilient. Markets tend to overshoot on bad news and looking at valuation of a company’s cashflow can be a good guide. Fundamental analysis pays off.

So then you came back to the Netherlands?
Yes, after three years of weekly commutes to London my wife sent me a subpoena to come back home, a bit to my despair but rightfully stating that I was married to her and not to the job. Positive memories about the competitive City spirit will always stay with me.

So that became your first stint at Robeco?
I then joined Robeco as a client portfolio manager for Emerging Markets. Interacting with clients around the world on a daily basis proved to be a very valuable and rewarding experience. However, I wanted to broaden my knowledge of investments beyond EM equities. Upon leaving I had the strong desire to come back to Robeco one day, as it proved to be a fantastic firm to work at. Main appeal was (and is) the smart people that work here and the firm’s ability to turn a strong research capability into products that meet today’s *and* tomorrow’s client demand.

Where did you go next?
The opportunity of a new learning curve was given to me by Blue Sky Group, manager of the pension funds for KLM, where I became responsible for all externally managed investment solutions, across different asset classes. The beauty of manager selection is that you get to work with the best asset managers in the business. During those 5 years we invested significant amounts in private markets and turned the majority of the portfolio from passive to active strategies. My key take-away from that period is that active management does work, despite the adage that the average manager does not beat the market. A topic maybe worth a separate piece someday!

And where were you before you came for your second stint at Robeco?
I had switched to Altis, NNIP's manager selection specialist now part of Goldman Sachs. The broader platform offered the opportunity to work for multiple clients instead of only one, as the company services a range of pension funds, insurance companies and private banks. Interestingly, when Altis makes objective comparisons, Robeco is up there with the very best, in Fundamental Equities but also in other segments such as Credits and Quant solutions. Sometimes to the surprise of clients, who wonder how it is possible that a worldwide search ends up in Rotterdam, 30 km down the road.

What originally got you into investing?
I got interested in stocks as a teenager after I had lost a large part of my savings in a silver trade. Hard earned money from years at tomato picking and newspaper delivery jobs was wiped out when the Hunt brothers cornered the market. It provided a good lesson about the difference between speculating and investing! Before entering the investment profession I worked for a number of years as a project manager for the World Bank in several countries and I headed the Trade Delegation of the Netherlands in Russia. From those years stems my passion for Emerging Markets and for entrepreneurial companies. Both offer fantastic investment opportunities. Unfortunately, recent developments in Russia/Ukraine show that not all positive change lasts forever. From there I was recruited by ABN Amro Asset Management for the Eastern Europe Equity Fund and teamed up with Dimitri Chatzoudis, now a colleague here at Robeco. That was 1999 and the start of my investment career. We both moved up to lead Global Emerging Markets, which we built out to a top-5 unit globally. Fortis took us over and that was that, we were all fired, so I went to London, heading the Emerging Markets team at Hermes.

What do you want to achieve now you are back at Robeco?
With the experience from my previous jobs I hope to bring challenge and perspective to the teams. Investment performance remains our key priority. At the same time we translate sustainability objectives to products and portfolios, in a way that combines risk awareness with opportunity thinking. Today's changing world brings plenty of investment possibilities for strong results. Also, I intend to listen carefully to our clients and our sales people who talk to clients all the time. We aim to develop solutions that meet a continuously evolving client demand. This also requires ongoing investment in our people, our key assets. Robeco's teams, processes, ESG integration and track records are at high level, so there is no need for radical changes. The intent is to further strengthen the proposition of Fundamental Equity.

What have you found in your first weeks?
It was a warm welcome, with still many familiar faces. At my previous companies we selected numerous Robeco strategies and built a firm belief in the teams' craftsmanship. Now that I see them in action on a daily basis, I believe in them even more. It is great to be back!

Developed Market Equities | With persistent inflation and earnings declines: position portfolio to areas of resilience

- Sentiment factor remains neutral; stick with companies that generate strong free cash flow
- Economic outlook is downgraded as the longer rate increases persist, the longer the slowdown
- We have downgraded both our earnings (prior quarter) and valuation factors, but it is not all doom and gloom
- Overall, we have an increasingly cautious outlook for developed equities and recommend minimizing portfolio risk until the rate hike cycle is nearing completion
- Invest in high-quality companies with pricing power and strong free cash flow

Five-factor summary

Factors	Score	Changes since last quarter
Macro	-	↓
Earnings	-	No change
Valuation	=	↓
Technicals	=	No change
Sentiment	=	No change
Overall	-	↓

Source: Robeco Global Equities team

Sentiment: Slumping again after bear market rally

We are moving from the "Summer of Hikes" into a cold winter. The summer was about yearning for lower inflation. Three months on from our last outlook, we see increasing uncertainty over the likely persistence of inflation with confidence over any soft-landing evaporating in the summer heat.

The VIX Index – which is often referred to as the fear index and is a measure of the expected volatility of the S&P 500 – was in a "normal" range, around 15, during the two years prior to the pandemic, which included the US-China trade war. It rose during the pandemic to an average of about 25. The VIX peaked at around 40 in early March after Russia's invasion of Ukraine before moderating. In early July, the VIX hovered at 28 before improving to 19.5 in mid-August at a time when sentiment appeared to be recovering. That was only a brief reprieve as the VIX signal has risen again to exceed 30 suggesting investors are worried about the winter to come.

During the U.S. equity market contraction in September, equity flows – particularly from private clients and corporate clients (especially in the form of buybacks) remained tilted toward buying while institutional selling was driving the market lower. However, according to Bank of America, year-to-date inflows are on pace to exceed 2019's records and clients have purchased stocks across all but one sector (Utilities) for the first time in their data. While this implies long term confidence in equities, the IPO market is having its slowest year in more than a decade in the U.S, indicating negative sentiment and risk aversion.

The mixed sentiment data we monitor (including items such as flows, IPOs, buybacks) combined with the VIX's snap back above 30 indicate that sentiment indicators are currently mixed. **The result is that the sentiment factor remains neutral in our scorecard.** We do not see a market capitulation signal yet, and neither are our sentiment indicators flashing "buy". Our research suggests that market rallies of 10% are common even during bear markets, so we believe it is more important than ever to focus your portfolio on high-quality, defensive value stocks as these tend to outperform during economic slowdowns. We believe in fundamental factors that measure free cash flow generation and free cash flow yield. These indicators have strong track records over multiple decades to identify companies with long-term favorable stock performance. We will provide more details on our positioning later.

Macro: Downgrade to Negative from Neutral

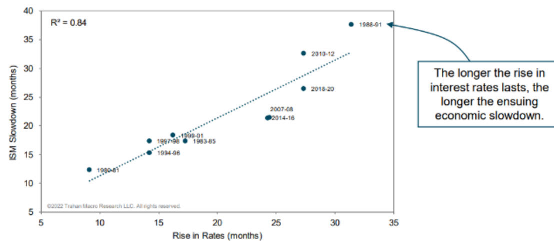
We lower our economic outlook for developed market equities as it's clear the "Summer of Hikes" will continue into winter as inflation is still elevated. We see Europe and the US continuing their attempt to tame inflation. Global growth forecasts have come down for both 2H 2022 and 2023 while inflation risks and policy-rate projections have risen. In addition to prolonged inflation, the war, the energy crisis, and lockdowns (Covid disruptions) in China have all contributed to derailing the post-Covid global recovery.

The global manufacturing PMI as reported by Deutsche Bank, a coincident indicator of GDP growth, is now slightly below the 50 mark, pointing to stagnating activity this summer. The risk is that global demand could ease further. In Europe, we have seen financial conditions tightening since early 2022 and they will continue to tighten in the coming months. We expect a more front-loaded ECB hiking cycle than we did just a quarter ago. Bloomberg reports that traders expect the ECB key rate at 3% by May, double the expectation from the start of September.

The post-Covid excess savings that have been underpinning household spending will likely wane in coming months. We see higher uncertainty and a more persistent real income squeeze. Combined with Consumer Staples companies taking price increases of 8-12% during the past quarter – with pricing taken on everything from cereal to coffee to fish sticks -- and preparing markets for more increases over

the balance of the year – we expect to see a real income squeeze on consumption. Overall, we see the chances of a recession rising, especially in economies with the most exposure to the gas supply shock such as Germany and Italy.

Figure 1| Duration of tightening impacts duration of slowdown



Source: Trahan Macro Research

In the US the Fed is raising rates while the economy is slowing. In September the Fed raised rates by 75 bps for a third consecutive meeting and indicated the market would see another similar rate hike in November. The Fed is committed to reducing core inflation and signaled they're willing to accept a recession as a necessary trade-off for curbing inflation. But a problem is tightness in the labor markets with unemployment levels at a 50-year low and a hiring gap at near record levels which is at odds with reducing inflation. This points to rates rising for longer and higher than consensus expects, and we expect the hikes will continue into 2023, beyond consensus expectations. Economist models based on historical patterns suggest that the longer the rise in interest rates lasts, the longer the ensuing downturn (Figure 1). **We downgrade our macro outlook from neutral to negative.**

Lower forecasts for global GDP offset by higher highs for USD

What does this all mean for Global Developed Markets (DM) GDP? In aggregate using the most recent outlook relative to our July forecasts, we expect DM GDP growth to deteriorate further. The Bloomberg consensus forecasts imply a growth deceleration from 1.9% in 2022 to 0.9% in 2023. While the outlook for the global economy has disappointed the market, it has been strongly positive for the USD which is at record strength relative to other world currencies including GBP, EUR and JPY. We expect higher highs in global rates, higher highs in global yields, and conditions persisting for (yet) higher highs for the USD as we see increasing market and economic pressures that favor the USD. For example, in late September, the BoJ kept rate its policy rate unchanged, maintaining its strong easing policy stance. BOJ Governor Kuroda's dovish press conference triggered further JPY depreciation, which prompted a historic Ministry of Finance FX (forex) intervention.

Figure 2| U.S. Dollar Index (DXY Currency) reaches higher highs

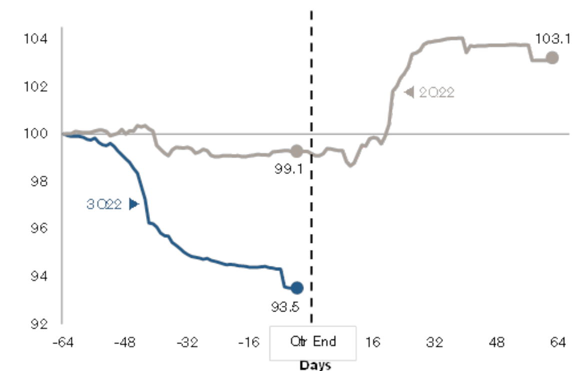
Source: Bloomberg

The record strength in the USD has cushioned non-USD priced portfolios YTD. Figure 2 illustrates the general value of the USD currency by comparing it to other major world currencies. As shown, the USD continues to reach higher-highs and is currently above its twenty-year high. In turn, the MSCI World priced in USD (at the time of writing) has declined (-24.5%) which trailed the MSCI World priced in EUR (-11.5%) by 13 percentage points as the latter benefits from non-US investors investing in USD assets.

Earnings: Rolling over despite pockets of strength

As we noted when we lowered our earnings outlook factor last quarter (Q3 Outlook), tightening monetary policy often triggers reductions in earnings forecasts. In the H1 through June global earnings expectations remained resilient, especially in the US. However, by midsummer, the market began to experience earnings forecast cuts as shown in Figure 3 for S&P 500 companies for Q3. **In August, global analysts cut earnings expectations in every region and in the majority of global sectors. We maintain our earnings outlook factor at negative.**

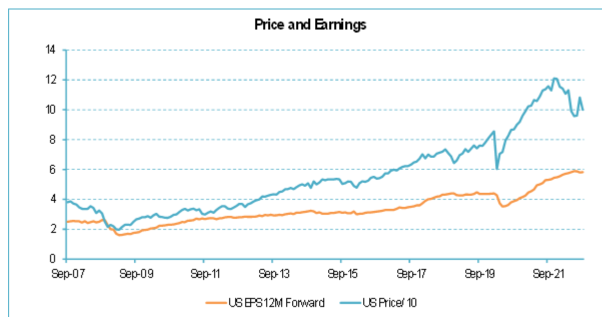
Figure 3| Path of consensus S&P 500 EPS: 3Q22 vs. 2Q22



Source: Standard & Poor's, Refinitiv, FactSet, Credit Suisse

Globally, the Energy sector continues to have positive and improving revisions. Other sectors with more upgrades than downgrades include Banks, Insurance, and Telecom companies. In the US some industries look more favorable than others – broadly Financials and areas of the non-Discretionary economy such as (i) Utilities, (ii) Healthcare – Providers & Service companies, (iii) Consumer Staples (e.g. Food & Beverage companies). While downgrades are most pronounced in the Technology sector and specifically in Semiconductors.

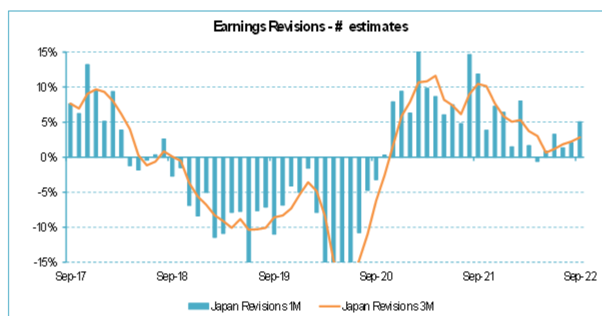
Figure 4 | US earnings growth expectations show resilience over the next-twelve-months, but we remain cautious



Source: IBES, MSCI, Robeco September 2022

It is not all doom and gloom however as although there have been more downgrades recently for Q3, at least in the US (Figure 4), S&P 500 EPS growth is still expected to be positive for the full H2 2022 as well as in H1 2023 in the 5-7% range per consensus while YoY Growth for Q3 forecast has been cut from 9.8 to 3.2% as of 23-Sept. Other positive highlights include Japan (Figure 5) and Europe achieving resilient upward revisions ratios – which are outperforming both the US and Rest of World (including EM and Asia ex Japan). During recent decades it has been rare to see Japanese earnings revisions positively exceed US ones. Research suggests that in times of USD strength and Japanese earnings momentum, it may be opportune to go shopping amongst high quality Japanese companies for bargains and price performance.

Figure 5 | Japan earnings revisions were the most improved during the summer months



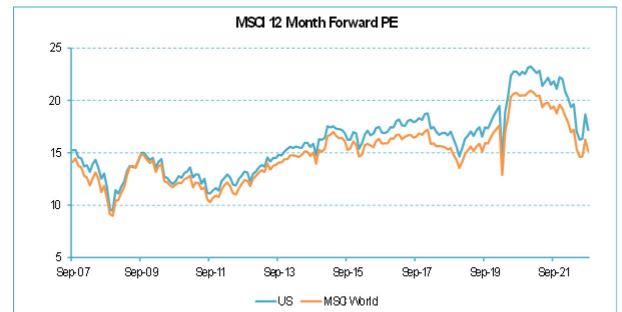
Source: IBES, MSCI, Robeco September 2022

Valuation: Beware The Fed (which wants to avoid a repeat of the 1970s)

One year ago, the DM economies were recovering from the Covid-induced global slowdown and monetary policy was loose. Now the prevailing viewpoint is that we will have a cold winter (both due to the energy shock and slowing growth). Moreover, the market has accepted that most central banks will continue to hike to ease inflationary pressures. In particular, the Fed will look back to the history of the 1970s. In that stagflationary era, the Fed famously declared victory far too early, when inflation dropped from 11.7% in February 1975 to 5.9% in November 1977, only to see it reaccelerate towards double-digits in the early 1980s. When this happened, it took even more drastic policy tightening, and two difficult recessions, to finally bring inflation under control.

With the ECB, the Fed, the BoE and other central banks unlikely to pivot from the "Summer of Hikes" to easing anytime soon (in order to avoid a repeat of the 1970s), we think hikes will extend beyond expectations and valuations will become even more challenged. Figure 6 suggests forward P/E multiples for both the U.S. and the World have contracted back to the pre-pandemic range, but we expect more pressure on valuations in the near-term. **We are downgrading our Valuation Factor from Positive to Neutral.**

Figure 6 | P/E multiples (U.S. and World) have come down but rising bond yields may pressure valuations further



Source: IBES, MSCI, Robeco September 2022

Technical indicators take a back seat to risk

We posited last quarter that technical factors were supportive of USD investments as there were no real signs that the EUR or JPY were bottoming, and indeed this came to pass. We continue to believe that risk remains high and that sentiment is dominant. In these kinds of conditions, we watch CDS indices and credit spreads closely – both continue to widen. 10-year bond yields are heading higher. Risk remains high and some argue it is heading higher. There is concern over deteriorating credit markets and widening spreads, but we believe corporate delinquencies are likely to stay under control (at least for the next 6-to-12-months).

We met with several large-cap global banks at a recent financial institution conference in New York. While the single largest investor concern raised was asset quality, the CEO's affirmed that net charge-offs remain low with no signs of normalization in the near-term.

We must consider the possibility that some major institutions, banking systems or even countries are under rising stress due to rising global rates. It is possible that something will blow up – for example, an overleveraged hedge fund or over indebted country, or some other surprise. This should signal that a bottom for equities is near and other trends could reverse in tandem. Meanwhile, we are searching our technical signals for signs of significant changes in trends as we move into winter, but do not see any yet. We **downgraded our technical factor from positive to neutral last quarter. And, our current technical indicators remain neutral.** While technical indicators remain cautious, there are some signals within the factor that have improved such as the AAII Bull-Bear signal which is at an all-time low. As a contrarian signal this suggests excessive bearishness, but this is just one indicator of many, and we reiterate our Technical factor neutral.

Implications for positioning (Global Equity Portfolios)

Earlier in the year we began more closely aligning our portfolio's regional allocation with that of its benchmark to reduce risk, although we remain underweight in the Asia-Pacific region and Japan where we are searching for high quality opportunities. Our portfolios are focused on what we view as high-quality sectors and stocks that we believe can perform well in a period of higher-than-average inflation, and we are positioning our portfolios to reflect that high inflation could last for some time.

Emphasis on high quality companies selling at discounted valuations

Having downgraded our valuation score (after downgrading our growth outlook the prior quarter), we continue to position ourselves in highly profitable companies with pricing power and strong cashflows to face the inflationary headwinds. Companies with strong free cash flow generation and associated high free cash flow yields have convincing performance track records over the last 70 to 95 years according to empirical research. We especially prefer companies with pricing power in the US and Europe, where inflation is having a bigger impact than in Japan. We believe companies offering premium products in their segments will outperform across all sectors.

Added selectively to defensives while profit taking where company management outlook indicates a more cautious view

During Q2 we focused on finding those leading companies that will outperform as the consumer environment deteriorates, indicating a shift from discretionary to staples purchasing. For example, we added a high-quality Consumer Staples holding that increases retail share as consumers seek value-price product positioning, while reducing a specialty ingredients company that is more discretionary in nature due to concerns on the latter company's ability to pass on steeply rising input costs in a weaker discretionary demand environment. We also added selectively to other defensives such as a consumer healthcare product company. We remain focused on purchasing companies that have a strong track record and ability to raise prices without losing market share, including within the EV-manufacturing space. High-quality brands matter in an inflationary environment. Also, we actively participated in profit taking in any companies where management indicated a more cautious view based on a slowing global economy.

High-quality stocks and defensive sectors have provided protection during previous bear markets, and we would expect more of the same if earnings growth takes the hit we anticipate. While the valuations of these groups are roughly in line with long-term averages, we would expect them to achieve clear premiums, as they have in previous periods of slowing earnings.

Spotlight on favored healthcare sector

Even after some modest profit taking during Q2, our largest sector overweight is in healthcare sector (18%) as our research suggests the sector is amongst the top third relative to the 10 other sectors in terms of both high quality and cheap value. The sector has better fundamentals and lower risk than other sectors thought to be more recession-proof such as Utilities (0%). In this economically volatile period, we believe pharmaceuticals, managed care and consumer healthcare companies are relatively insulated from macroeconomic headwinds. For example, US biopharma companies have pricing power and can protect their operating margins, and they outperformed in the previous three periods of economic contraction. In fact, hospital revenues in the US actually grew during the global financial crisis. As such, we feel the sector is the (relative) safest haven at this point in the economic cycle.

Two other sectors with large portfolio weights are technology (24%), where we added slightly to our favored tech hardware company on a recent pullback, and financials (12%) where we own best-in-class positions in global banking and insurance industries. We continue to find high-quality, profitable companies in both cyclical sectors. Within all sectors, we are reviewing companies that have fallen sharply but have strong or improving sustainability profiles, impressive long-term track records of return on invested capital and attractive valuations as measured by high free cash flow.

Emerging Market Equities | Inflation is not impacting EM with the same intensity

- Although some EM in our view look very appealing, we remain cautious against a backdrop of geopolitical uncertainty and global monetary tightening
- China is at a different stage of the cycle given its benign inflation and has ample room for stimulus
- Economic resilience combined with DM rate hikes could still be a catalyst for "value" asset classes such as EM equities

Five-factor summary

Factors	Score	Changes since last quarter
Macro	=	No change
Earnings	=	No change
Valuation	+	No change
Technicals	-	No change
Sentiment	=	No change
Overall	=	No change

Source: Robeco Emerging Markets Team

Too early to be brave

Winter may be causing trepidation in developed markets but the macroeconomic outlook for emerging markets is relatively benign in comparison. However, we have not upgraded our macro factor just yet. Although some EM economies are currently in the welcome position of having more monetary policy flexibility than DM, the economic recovery in China is not yet convincing enough to justify a positive overall macro conclusion. Unfortunately, the scores for the five factors in the table above suggest conditions are not yet supportive enough of a convincing overweight in emerging markets relative to developed equities.

Over the past couple of months, the Federal Reserve has tightened monetary policy more than expected and adopted a more hawkish tone to get stubbornly high inflation under control. Rate hikes have not ended yet and significantly higher rates are likely not just in the US, but also in the Eurozone and UK.

By contrast, some large emerging countries either have room to cut interest rates – the most prominent example being China – or are almost at the end of their monetary tightening cycle, such as Brazil.

In fact, Brazil started hiking rates very early in the cycle, beginning over a year ago. Since March 2021 the Selic rate in Brazil has steadily increased from 2.00% to its current level of 13.25% after the latest hike on 15 June.

The Chinese government is actively, and more convincingly than in the recent past, stimulating the economy with more and larger investment programs to support its real economy. Inflation in China is currently running at a relatively low level – just 2.5% in September. The largest and most important emerging nation has a relatively benign macroeconomic backdrop, it also has abundant foreign exchange reserves, and is running a large current account surplus every month.

Commodity exporting countries like Brazil and Indonesia will also benefit from still high dollar denominated commodity prices, helping cushion any secondary inflation effects from higher import prices.

Some other countries, however, are still struggling to get inflation under control and have only just started to hike interest rates. For instance, the India and South Africa economies could slow down more substantially in the coming quarters. Meanwhile, emerging countries in central Europe are currently dealing with the twin issues of high inflation and the macro- and micro-economic disruptions resulting from Russia's invasion of Ukraine.

All in all, we believe it is wise to remain prudent, so maintain our overall neutral stance on emerging equities. The macroeconomic backdrop is mixed, as is the earnings picture. Earnings revisions have weakened recently, with earnings revision ratios for both developed and emerging markets falling below 1.0. We still have a neutral view on emerging markets' earnings growth prospects relative to developed markets. As the table above shows, our valuation factor is positive, and it became even more compelling in Q3. Emerging equities' derating has led to the price/earnings (P/E) ratio of the MSCI EM Index falling to close to 11x 2022 expected EPS. By contrast, the MSCI World's P/E ratio is over 15x.

Meanwhile, the technical picture for emerging markets is similar to developed markets. Our sentiment factor remains neutral as there have been unprecedented inflows into emerging equities of around USD 200 billion since October 2020. This is likely to persist as investors are increasingly looking for "value" opportunities. So, we expect continued inflows, but at a slower pace than in recent quarters.

In conclusion, high inflation, accelerated global monetary tightening and weakening G7 growth are likely to weigh on emerging market ex-China assets. Structurally strong commodity demand will create some winners, while depressed valuations will give rise to value opportunities over the longer term. Nevertheless, for the coming quarter, we maintain our five factor scores as they are, and our neutral stance in emerging markets relative to developed markets.

Where is the inflation in EM?

Let's ask ourselves this somewhat provocative question; provocative, since we see it all around us in Europe. When

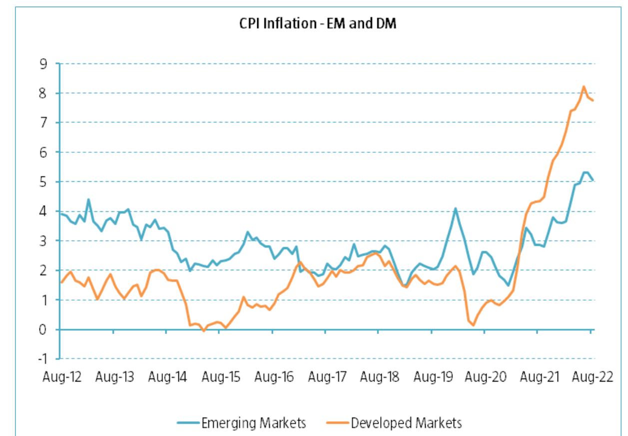
we pay for our daily groceries, fill up our old-fashioned ICE car with dirty petrol or diesel, or tick off our overnight stay in a hotel. I was shocked recently when I checked out of a hotel in Paris. I knew that prices in the eternal city were high, but I was surprised when I had to pay twice as much as I had for a similar hotel in London the previous month.

This is an interesting bridge to the inflation backdrop in emerging markets. In China, inflation is weakening and is currently 2.5% and in Taiwan the inflation rate hovers around 2.7%. In South Korea, we are talking 4.4% core inflation. The "notoriously high inflation country" Indonesia, has seen an increase in consumer prices of 4.7%. None of these countries exceed five percent while in Europe we are dealing with an inflation rate that is in the double digits and the latest CPI figure in the US was 8.3%. Brazil has an inflation level of roughly 9%, but even in this other "notorious inflation country" it is therefore lower than in the EU.

The point we would like to stress with all the above figures is that inflation is much more a problem of the rich industrialized countries (G7) than of the emerging countries in Asia, Africa, the Middle East and even Latin America. We should consider the fact that central banks in many emerging countries have been tightening for a long time already, while the Fed is far from finished and the ECB in Frankfurt has only just started to raise interest rates. So, less inflation comes with potentially fewer interest rate hikes in the emerging world. The outlook for emerging markets is therefore significantly better from the point of view of inflation and interest rates than in developed markets.

Other than Turkey, only in Brazil is inflation currently slightly higher than in the US. But again, Brazil has taken appropriate monetary measures to rein in inflation. In all other emerging countries in the MSCI Emerging Markets, inflation is lower than in the US. Figure 7 makes clear the current discrepancy between inflation in emerging and developed markets.

Figure 7 | Inflation estimates in EM and DM



Source: Bloomberg, Robeco

Central banks in almost all emerging countries are still tightening, though in Latin America they should be close to the end of the cycle. China has even been easing monetary policy already by cutting rates and reducing the required reserve ratio. It has ample room to engage in further monetary stimulus, and with inflation not currently a problem in the country – the latest reading came in at 2.5% – we expect further easing in the fourth quarter of 2022.

Emerging markets continue to face headwinds, including geopolitical uncertainty

In our last quarterly outlook, we referred to stubbornly high inflation resulting in monetary tightening in the US as a risk factor for emerging markets. The tragedy in Ukraine added to the problems and we concluded that the war might remain an issue for months. Meanwhile, the situation in China was uncertain due to its zero-Covid policy and selective lockdowns.

Sadly, the war in Ukraine continues and energy prices remain high as one of the economic consequences. The Chinese macroeconomic situation looks a lot better than it did, however, with almost all the country having reopened and only a small number of areas where the authorities are still mass testing and keeping some restrictions in place. China’s reopening and substantial stimulus packages mean the second half of the year might be a lot better than the first half from a GDP growth perspective, all else being equal. From a geopolitical perspective, the relationship between China and Taiwan deteriorated after the controversial visit of Nancy Pelosi to the island. Thus, the geopolitical uncertainty has only increased over the course of Q3.

Commodity exporters well placed

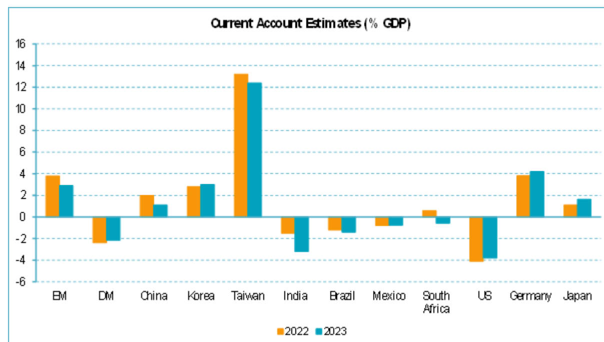
During the first three quarters we have been adding to our positions in Latin American and southeast Asia as these markets' commodity exposure means they tend to act as better inflation hedges than large markets such as South Africa and India. Another argument in support of these portfolio positions is that some Latin American and Asian companies can maintain operating margins in their respective sectors since they are more vertically integrated than companies elsewhere, and thus don't suffer that much from the rise in most commodity prices.

This is not taper tantrum 2013 revisited

Back in 2013, when the US last set out on a severe tightening cycle, some emerging countries were labelled as fragile. Most economists agreed that Brazil, South Africa, Turkey, India and Indonesia fell into this category as they had large deficits on both the fiscal balance and the current account. This time around, however, fundamentals have changed for the better in most of these countries. Indonesia, for example, had a current account deficit of close to 5% of GDP in 2013, but now it is running a current account surplus. This provides considerable fundamental support for the rupiah.

As a group, emerging countries have a substantial current account surplus, whereas developed countries run a combined current account deficit, as Figure 8 shows. This is the main reason why we do not expect severe depreciation of some of the emerging market currencies as the Fed continues to tighten. Some currencies might even appreciate versus the dollar due to their countries' strong trade account and large forex reserves.

Figure 8 | Current account estimates

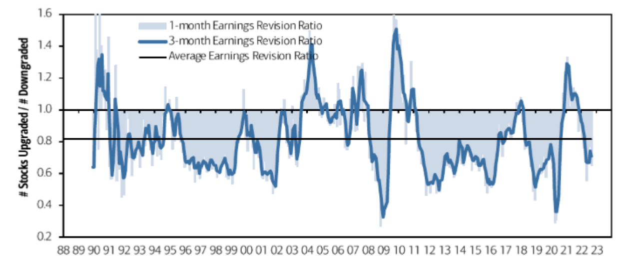


Source: Bloomberg, Robeco

Earnings expectations are slowing down in both developed and emerging markets

The one-month earnings revision ratio for emerging markets stabilized around 0.7 in September, as we can see in Figure 9. It remains below its long-term average, which is a negative sign for emerging market corporate earnings. However, the earnings picture for emerging markets is similar to that of developed markets.

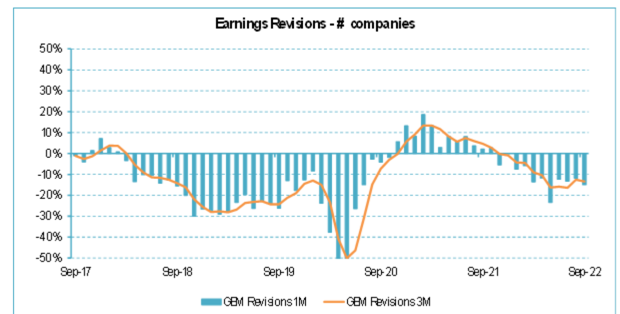
Figure 9 | Emerging market earnings revisions ratio



Source: Bank of America, September 2022

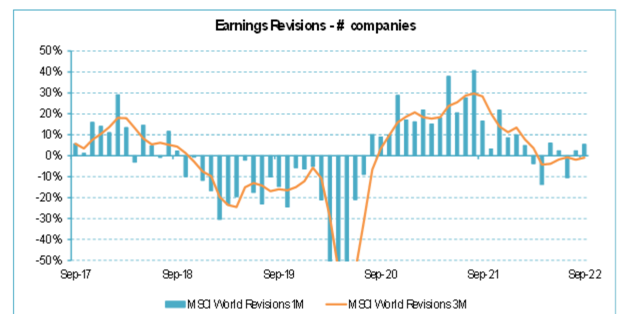
After earnings in emerging markets rose by around 40% in 2021, expected earnings growth is likely to fall to around 10% this year. Overall, we view earnings as neutral for emerging equities.

Figure 10 | Emerging market earnings revisions



Source: IBES, Robeco, September 2022

Figure 11 | MSCI World earnings revisions



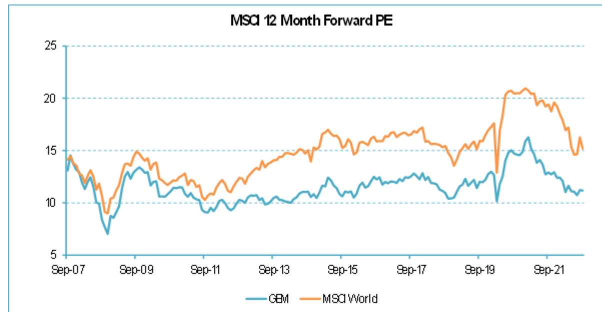
Source: IBES, Robeco, September 2022

ROBECO
The Investment Engineers

Valuations positive for emerging equities

Valuations remain positive for emerging equities, in our view. After their 12-month forward P/E ratio approached a ten-year low of 10x in early 2020 it rebounded sharply but has since fallen back again, as Figure 12 shows.

Figure 12 | Emerging equity valuations look attractive



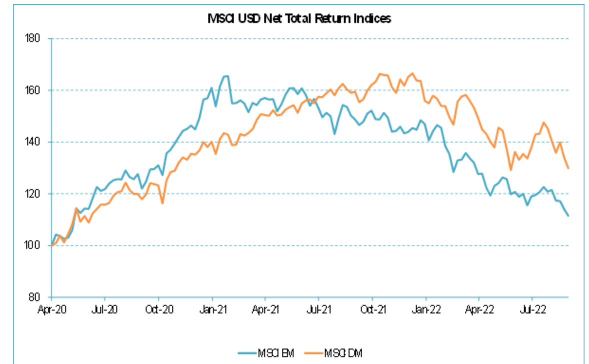
Source: MSCI, Robeco, September 2022

At the time of writing the P/E ratio of emerging equities is close to 11x – well below the 15x of MSCI World. This is equivalent to a circa 30% valuation discount – a significantly larger discount compared to its historical average discount of close to 15%. Emerging equities are also trading at a 30% discount to developed markets from a price-to-book perspective. The emerging markets' P/E- and P/B ratios relative to developed markets are currently at 15-year lows.

Technical picture still negative

Year-to-date, emerging equities performed roughly in line with developed equities, as both regions declined by 12%. On a twelve-month basis emerging markets underperformed developed markets. The share price momentum remains quite dire in almost all global equity markets. As a result, our assessment of the technical picture for emerging markets is still negative.

Figure 13 | Relative performance of MSCI EM and MSCI DM

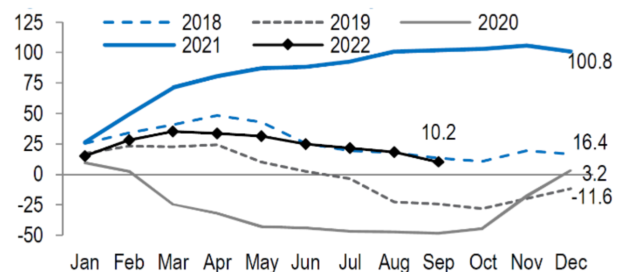


Source: MSCI, Robeco, September 2022

Sentiment still neutral

Our assessment of sentiment towards emerging equities is still neutral. There have been USD 200 billion inflows into emerging equity funds since October 2020, and we expect inflows to continue as investors look for attractively valued asset classes providing high yields. However, inflows have slowed down so far in 2022, in which there have been USD 10.2 billion inflows into emerging equity funds after more than USD 100 billion inflows in 2021, as Figure 14 shows. We expect the current slower pace of inflows to persist over the remainder of 2022 due to the tightening in the developed world.

Figure 14 | Cumulative flows into emerging equities by year



Source: EPFR Global, September 2022

Implications for portfolio positioning (EM portfolios)

We remain overweight in some of the most important commodity-rich nations such as Brazil and Indonesia, on the back of still high prices of most commodities on the global market. The portfolios continue to be overweight in north Asia as well, based on the region's relatively strong macroeconomic fundamentals. In the current era of tapering, investor focus is likely to shift towards potential macroeconomic vulnerabilities, such as current account deficits. The largest current account surpluses are to be found in the north Asian countries of China and Taiwan, so

these countries' currencies are likely to be resilient. We are maintaining the value tilt in our emerging market equity portfolios, which have a lower average P/E ratio than the MSCI Emerging Markets Index.

The portfolios will remain overweight in South Korea, Brazil, Indonesia, Taiwan, Vietnam, Greece and Hungary as we believe their economies have a strong chance of rebounding, and because corporate earnings growth potential is high going into 2023. Current valuations do not reflect these relatively strong fundamentals.

At the sector level, we are overweight in consumer discretionary and information technology and remain underweight in the expensive consumer staples sector. We are also overweight in financials.

Focus on China

We have a cautiously optimistic view on the Chinese equities market for 4Q 2022. Valuation is at a trough level, but we need catalysts such as a confirmed exit strategy from Covid control and a step-up in efforts to stabilize the property market, with more policy clarity expected from the highly anticipated China 20th party congress in October. There are reasons to believe the worst is now over, but we still expect significant volatility in China's equity markets before a more sustained recovery can take hold.

The latest Covid wave likely peaked in mid-August and the number of high- and medium-risk areas also peaked in early September. Despite a much larger number of risk areas than previous waves, the latest wave is still much more modest than the most severe situation in April-May. The Covid situation has stabilized with 'Dynamic Zero Covid Control' the policy until the year-end, with measures likely to be less restrictive over time and China will likely gradually open from early 2023. This is underpinned by a more aggressive vaccination program with 80% of over-60s to be vaccinated by the year-end, and therapeutic solution availability improving, supporting the healthcare sector. China is also conducting data analysis to gauge the likely virulence of the various Covid variants in the coming winter to guide policy.

The property market slump does not present any systemic risk yet as the China banking system is well-buffered to absorb this shock. However, stronger government support is needed to reverse the trend of declining home sales and property investment. Given it was a central government decision to finally rein in developers which prompted the correction in housing prices, and developers' current financing issues, we are hopeful that the central government will ultimately step in with targeted policy support.

Meanwhile the government is continuing pro-growth policies including accelerating infrastructure investments. A resurgence in infrastructure spending through new provision for local government special bonds will be supportive. Alongside a moderate easing in monetary conditions, this will encourage economic growth into 2023, a contrast to tightening monetary policy in Europe and the US.

Geopolitical risk remains high since Nancy Pelosi, the US House of Representatives Speaker, visited Taiwan in August 2022. At the same time the US Senate pushed forward the Taiwan Policy Act, which could designate Taiwan as a "a major non-NATO ally", and more semiconductor technology export restrictions were announced. To balance these negatives, the recent ADR auditing deal is a positive sign that in some areas progress can be made.

We are looking for more de-escalation signs after the 20th party congress in October and the US mid-term elections in November, or after a potential Xi-Biden meeting, also slated for November. However, long term US-China tension is unlikely to subside in our view. The hawkish stance of the Fed also continues to support the strength of USD and put pressure on the CNY. The prospect of global recession could also negatively impact China's exports.

With negative macro-economic developments recently, earnings revisions could face further downward pressure, but will likely start showing signs of stabilization towards the year end. Valuation has come back to an attractive level as seen in March. Globally, China is a relatively better placed market thanks to low domestic inflation and an easing policy cycle.

Important Information
Robeco Institutional Asset Management B.V. has a license as manager of Undertakings for Collective Investment in Transferable Securities (UCITS) and Alternative Investment Funds (AIFs) ("Fund(s)") from the Netherlands Authority for the Financial Markets in Amsterdam. This marketing document is intended solely for professional investors, defined as investors qualifying as professional clients, who have requested to be treated as professional clients or are authorized to receive such information under any applicable laws. Robeco Institutional Asset Management B.V. and/or its related, affiliated and subsidiary companies, ("Robeco"), will not be liable for any damages arising out of the use of this document. Users of this information who provide investment services in the European Union have their own responsibility to assess whether they are allowed to receive the information in accordance with MiFID II regulations. To the extent this information qualifies as a reasonable and appropriate minor non-monetary benefit under MiFID II, users that provide investment services in the European Union are responsible for complying with applicable recordkeeping and disclosure requirements. The content of this document is based upon sources of information believed to be reliable and comes without warranties of any kind. Without further explanation this document cannot be considered complete. Any opinions, estimates or forecasts may be changed at any time without prior warning. If in doubt, please seek independent advice. This document is intended to provide the professional investor with general information about Robeco's specific capabilities but has not been prepared by Robeco as investment research and does not constitute an investment recommendation or advice to buy or sell certain securities or investment products or to adopt any investment strategy or legal, accounting or tax advice. All rights relating to the information in this document are and will remain the property of Robeco. This material may not be copied or shared with the public. No part of this document may be reproduced or published in any form or by any means without Robeco's prior written permission. Investment involves risks. Before investing, please note the initial capital is not guaranteed. Investors should ensure they fully understand the risk associated with any Robeco product or service offered in their country of domicile. Investors should also consider their own investment objective and risk tolerance level. Historical returns are provided for illustrative purposes only. The price of units may go down as well as up and past performance is no guarantee of future results. If the currency in which the past performance is displayed differs from the currency of the country in which you reside, then you should be aware that due to exchange rate fluctuations the performance shown may increase or decrease if converted into your local currency. The performance data do not take account of the commissions and costs incurred when trading securities in client portfolios or for the issue and redemption of units. Unless otherwise stated, the prices used for the performance figures of the Luxembourg-based Funds are the end-of-month transaction prices net of fees up to 4 August 2010. From 4 August 2010, the transaction prices net of fees will be those of the first business day of the month. Return figures versus the benchmark show the investment management result before management and/or performance fees; the Fund returns are with dividends reinvested and based on net asset values with prices and exchange rates as at the valuation moment of the benchmark. Please refer to the prospectus of the Funds for further details. Performance is quoted net of investment management fees. The ongoing charges mentioned in this document are the ones stated in the Fund's latest annual report at closing date of the last calendar year. This document is not directed to or intended for distribution to or for use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, document, availability or use would be contrary to law or regulation or which would subject any Fund or Robeco Institutional Asset Management B.V. to any registration or licensing requirement within such jurisdiction. Any decision to subscribe for interests in a Fund offered in a particular jurisdiction must be made solely on the basis of information contained in the prospectus, which information may be different from the information contained in this document. Prospective applicants for shares should inform themselves as to legal requirements which may also apply and 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.

Additional Information for US investors
Robeco is considered "participating affiliated" and some of their employees are "associated persons" of Robeco Institutional Asset Management US Inc. ("RIAM US") as per relevant SEC no-action guidance. Employees identified as associated persons of RIAM US perform activities directly or indirectly related to the investment advisory services provided by RIAM US. In those situations these individuals are deemed to be acting on behalf of RIAM US, a US SEC registered investment adviser. SEC regulations are applicable only to clients, prospects and investors of RIAM US. RIAM US is a wholly owned subsidiary of ORIX Corporation Europe N.V. and offers investment advisory services to institutional clients in the US.

Additional Information for investors with residence or seat in Australia and New Zealand
This document is distributed in Australia by Robeco Hong Kong Limited (ARBN 156 512 659) ("RIAM BV"), which is exempt from the requirement to hold an Australian financial services license under the Corporations Act 2001 (Cth) pursuant to ASIC Class Order 03/1103. Robeco is regulated by the Securities and Futures Commission under the laws of Hong Kong and those laws may differ from Australian laws. This document is distributed only to "wholesale clients" as that term is defined under the Corporations Act 2001 (Cth). This document is not intended for distribution or dissemination, directly or indirectly, to any other class of persons. In New Zealand, this document is only available to wholesale investors within the meaning of clause 3(2) of Schedule 1 of the Financial Markets Conduct Act 2013 (FMCA). This document is not intended for public distribution in Australia and New Zealand.

Additional Information for investors with residence or seat in Austria
This information is solely intended for professional investors or eligible counterparties in the meaning of the Austrian Securities Oversight Act.

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
The Prospectus relates to a private collective investment scheme which is not subject to any form of domestic regulations by the Autoriti Monetari Brunei Darussalam ("Authority"). The Prospectus is intended for distribution only to specific classes of investors as specified in section 20 of the Securities Market Order, 2013, and must not, therefore, be delivered to, or relied on by, a retail client. The Authority is not responsible for reviewing or verifying any prospectus or other documents in connection with this collective investment scheme. The Authority has not approved the Prospectus or any other associated documents nor taken any steps to verify the information set out in the Prospectus and has no responsibility for it. The units to which the Prospectus relates may be illiquid or subject to restrictions on their resale. Prospective purchasers of the units offered should conduct their own due diligence on the units.

Additional Information for investors with residence or seat in Canada
No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein, and any representation to the contrary is an offence. Robeco Institutional Asset Management B.V. relies on the international dealer and international adviser exemption in Quebec and has appointed McCarthy Tétrault LLP as its agent for service in Quebec.

Additional information for investors with residence or seat in the Republic of Chile
Neither Robeco nor the Funds have been registered with the *Comisión para el Mercado Financiero* pursuant to Law no. 18.045, the *Ley de Mercado de Valores* and regulations thereunder. This document does not constitute an offer of or an invitation to subscribe for or purchase shares of the Funds in the Republic of Chile, other than to the specific person who individually requested this information on their own initiative. This may therefore be treated as a "private offering" within the meaning of article 4 of the *Ley de Mercado de Valores* (an offer that is not addressed to the public at large or to a certain sector or specific group of the public).

Additional Information for investors with residence or seat in Colombia
This document does not constitute a public offer in the Republic of Colombia. The offer of the Fund is addressed to fewer than one hundred specifically identified investors. The Fund may not be promoted or marketed in Colombia or to Colombian residents, unless such promotion and marketing is made in compliance with Decree 2555 of 2010 and other applicable rules and regulations related to the promotion of foreign Funds in Colombia.

Additional Information for investors with residence or seat in the Dubai International Financial Centre (DIFC), United Arab Emirates
This material is distributed by Robeco Institutional Asset Management B.V. (DIFC Branch) located at Office 209, Level 2, Gate Village Building 7, Dubai International Financial Centre, Dubai, PO Box 482060, UAE. Robeco Institutional Asset Management B.V. (DIFC Branch) is regulated by the Dubai Financial Services Authority ("DFSA") and only deals with Professional Clients or Market Counterparties and does not deal with Retail Clients as defined by the DFSA.

Additional Information for investors with residence or seat in France
Robeco Institutional Asset Management B.V. is at liberty to provide services in France. Robeco France is a subsidiary of Robeco whose business is based on the promotion and distribution of the group's funds to professional investors in France.

Additional Information for investors with residence or seat in Germany
This information is solely intended for professional investors or eligible counterparties in the meaning of the German Securities Trading Act.

Additional Information for investors with residence or seat in Hong Kong
The contents of this document have not been reviewed by the Securities and Futures Commission ("SFC") in Hong Kong. If there is in any doubt about any of the contents of this document, independent professional advice should be obtained. This document has been distributed by Robeco Hong Kong Limited ("Robeco"). Robeco is regulated by the SFC in Hong Kong.

Additional Information for investors with residence or seat in Indonesia
The Prospectus does not constitute an offer to sell nor a solicitation to buy securities in Indonesia.

Additional Information for investors with residence or seat in Italy
This document is considered for use solely by qualified investors and private professional clients (as defined in Article 26 (1) (b) and (d) of Consob Regulation No. 16190 dated 29 October 2007). If made available to Distributors and individuals authorized by Distributors to conduct promotion and marketing activity, it may only be used for the purpose for which it was conceived. The data and information contained in this document may not be used for communications with Supervisory Authorities. This document does not include any information to determine, in concrete terms, the investment inclination and, therefore, this document cannot and should not be the basis for making any investment decisions.

Additional Information for investors with residence or seat in Japan
This document is considered for use solely by qualified investors and is distributed by Robeco Japan Company Limited, registered in Japan as a Financial Instruments Business Operator, [registered No. the Director of Kanto Local Financial Bureau (Financial Instruments Business Operator), No, 2780, Member of Japan Investment Advisors Association].

Additional Information for investors with residence or seat in South Korea
The Management Company is not making any representation with respect to the eligibility of any recipients of the Prospectus to acquire the Shares therein under the laws of South Korea, including but not limited to the Foreign Exchange Transaction Act and Regulations thereunder. The Shares have not been registered under the Financial Investment Services and Capital Markets Act of Korea, and none of the Shares may be offered, sold or delivered, or offered or sold to any person for re-offering or resale, directly or indirectly, in South Korea or to any resident of South Korea except pursuant to applicable laws and regulations of South Korea.

Additional Information for investors with residence or seat in Liechtenstein
This document is exclusively distributed to Liechtenstein-based, duly licensed financial intermediaries (such as banks, discretionary portfolio managers, insurance companies, fund of funds) which do not intend to invest on their own account into Fund(s) displayed in the document. This material is distributed by Robeco Switzerland Ltd, postal address: Josefstrasse 218, 8005 Zurich, Switzerland. LGT Bank Ltd., Herrengasse 12, FL-9490 Vaduz, Liechtenstein acts as the representative and paying agent in Liechtenstein. The prospectus, the Key Investor Information Documents (KIIDs), the articles of association, the annual and semi-annual reports of the Fund(s) may be obtained from the representative or via the website.

Additional Information for investors with residence or seat in Malaysia

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.

Additional Information for investors with residence or seat in Mexico

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

The Fund has not been registered with the Superintendencia del Mercado de Valores (SMV) and is being placed by means of a private offer. SMV has not reviewed the information provided to the investor. This document is only for the exclusive use of institutional investors in Peru and is not for public distribution.

Additional Information for investors with residence or seat in Singapore

This document has not been registered with the Monetary Authority of Singapore ("MAS"). Accordingly, this document may not be circulated or distributed directly or indirectly to persons in Singapore other than (i) to an institutional investor under Section 304 of the SFA, (ii) to a relevant person pursuant to Section 305(1), or any person pursuant to Section 305(2), and in accordance with the conditions specified in Section 305, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other 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.

Additional Information for investors with residence or seat in Spain

Robeco Institutional Asset Management B.V., Sucursal en España with identification number W0032687F and having its registered office in Madrid at Calle Serrano 47-14º, is registered with the Spanish Commercial Registry in Madrid, in volume 19.957, page 190, section 8, sheet M-351927 and with the National Securities Market Commission (CNMV) in the Official Register of branches of European investment services companies, under number 24. The investment funds or SICAV mentioned in this document are regulated by the corresponding authorities of their country of origin and are registered in the Special Registry of the CNMV of Foreign Collective Investment Institutions marketed in Spain.

Additional Information for investors with residence or seat in South Africa

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

Additional Information for investors with residence or seat in Switzerland

The Fund(s) are domiciled in Luxembourg. This document is exclusively distributed in Switzerland to qualified investors as defined in the Swiss Collective Investment Schemes Act (CISA). This material is distributed by Robeco Switzerland Ltd, postal address: Josefstrasse 218, 8005 Zurich. ACOLIN Fund Services AG, postal address: Affolternstrasse 56, 8050 Zürich, acts as the Swiss representative of the Fund(s). UBS Switzerland AG, Bahnhofstrasse 45, 8001 Zurich, postal address: Europastrasse 2, P.O. Box, CH-8152 Opfikon, acts as the Swiss paying agent. The prospectus, the Key Investor Information Documents (KIIDs), the articles of association, the annual and semi-annual reports of the Fund(s), as well as the list of the purchases and sales which the Fund(s) has undertaken during the financial year, may be obtained, on simple request and free of charge, at the office of the Swiss representative ACOLIN Fund Services AG. The prospectuses are also available via the website.

Additional Information relating to RobecoSAM-branded funds/services

Robeco Switzerland Ltd, postal address Josefstrasse 218, 8005 Zurich, Switzerland has a license as asset manager of collective assets from the Swiss Financial Market Supervisory Authority FINMA. RobecoSAM-branded financial instruments and investment strategies referring to such financial instruments are generally managed by Robeco Switzerland Ltd. The RobecoSAM brand is a registered trademark of Robeco Holding B.V. The brand RobecoSAM is used to market services and products which entail Robeco's expertise on Sustainable Investing (SI). The brand RobecoSAM is not to be considered as a separate legal entity.

Additional Information for investors with residence or seat in Taiwan

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice. This document has been distributed by Robeco Hong Kong Limited ('Robeco'). Robeco is regulated by the Securities and Futures Commission in Hong Kong.

Additional Information for investors with residence or seat in Thailand

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.

Additional Information for investors with residence or seat in the United Arab Emirates

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.

Additional Information for investors with residence or seat in the United Kingdom

Robeco is temporarily deemed authorized and regulated by the Financial Conduct Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorization, are available on the Financial Conduct Authority's website.

Additional Information for investors with residence or seat in Uruguay

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.

© Q4/2022 Robeco