

QUARTERLY OUTLOOK – APRIL 2023

# Crisis rhymes but no repeat: equity markets left finely balanced

- Echoes of 2008 but the policymaker and regulator response is faster and more decisive
- Quality remains the focus, enabling us to stay invested and capture upside when it comes
- Emerging markets to outperform as dollar weakens and China recovery gathers pace

**As volatility increases after the inflation fight destabilizes the banking sector, we continue to recommend exposure to a diversified portfolio of quality stocks and an increased allocation to emerging markets.**

The 22 March, 2023 decision by the Federal Reserve to raise its policy rate only 25 bps sets the scene for a much-anticipated rate hike pause later in the year. After three weeks of US banking sector stumbles the Fed's room to hike is now limited and Fed chairman Powell's relatively dovish post-meeting comments reflect that. We don't believe this is a repeat of the crisis of 2008, with policymakers acting much faster to address stability issues, but volatility is here to stay as the global economy continues to adjust to a higher inflation, higher interest rate environment.

Within this environment there are excellent opportunities for long term equity investors but that doesn't include just buying and holding the index. The strange juxtaposition of headlines about US authorities considering how to insure all US bank deposits<sup>1</sup>, with 'Biggest Fear for Trillion-Dollar Funds Is Missing Next Rally'<sup>2</sup> shows that this is an uncertain and potentially treacherous time where active strategies will prevail over passive.

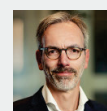
**Inflation is still elevated but dollar spigot turned on**  
Recent data points from around the world show inflation still isn't dampening down enough to allow policymakers to turn decisively dovish. Inflation data has surprised on the upside recently, notably in the UK, Switzerland and Singapore, while in Europe the ECB remains hawkish<sup>3</sup> with eurozone CPI inflation sticky around 8.5%. The trend in the US is more helpful with producer prices falling 0.1% month on month in February, helping firm projections that a peak policy rate level is in sight. In addition, in conjunction with other central

banks the Fed has eased dollar liquidity considerably<sup>4</sup> to take pressure off the banking sector, partially reversing its quantitative tightening program. These indications and actions are now supporting equity markets.

Increasing dollar liquidity will only work if it more than offsets the tightening of financial conditions caused by bouts of deposit flight, and reduced inter-bank trust. Stress in the commercial real estate market<sup>5</sup> is also likely to complicate efforts to move beyond the current scrutiny of US banks. As a result, based on the experience of 2008, the Fed is likely to remain generous in its liquidity provision until sentiment is normalized. In addition, if the problem at mid-size banks is due to concentrated long treasuries exposure as at SVB, then declining yields will help solve that. Either way, a more accommodative monetary environment is likely to manifest itself through the year to try and stop credit being squeezed which will offer some support for equities, even if the economy slows.

## OUTLOOK APRIL 2023

Marketing material for professional investors,  
not for onward distribution



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**DM economic data belie recession fears**

Macro indicators are still proving resilient in developed markets despite the difficult environment and ongoing pessimism from some analysts. That Europe survived the winter without energy related disruption has helped, and kept Germany in positive growth, while eurozone PMI surprised on the upside in March coming in at 54.1. In the US retail sales weakened in February after strong data in December and January, and weekly unemployment claims are still showing the labour market is relatively tight. Japan is also set up for growth in 2023 with recent inflation data encouraging the belief that the BoJ will finally exit its zero interest rate policy.

**Nevertheless EM remain much better placed than DM**

Despite a rather tepid market reaction to China’s conservative GDP growth forecast of 5%, data is moving in the right direction with consumption and fixed asset investment both looking good in January and February. Add a weakening US dollar and the ingredients for EM outperformance are in place. The banking crisis manifesting in the US and Switzerland has seen Chinese equities, led by the financial sector, rally, supporting this thesis. The more general macroeconomic positive for EM is that inflation just hasn’t embedded itself in the same way as in the developed world. The largest emerging economies like Brazil and India are at a different stage in the credit cycle, and are benefiting from some one-off deflationary anchors, including cheap Russian oil in India’s case. All this will add up to faster growth for EM compared to DM.

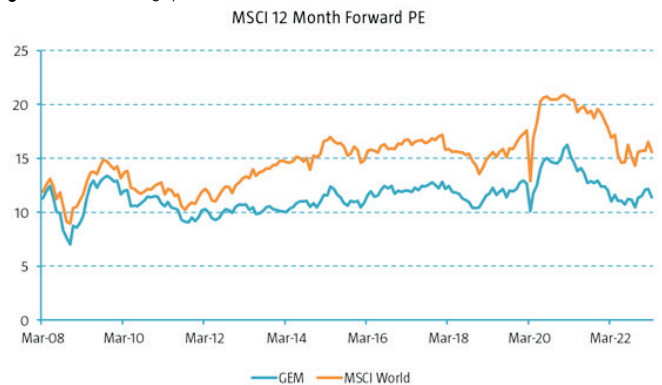
**Figure 1 – GDP expectations in EM are much more positive**



Source: IMF, Jan 2023

In addition valuation metrics hit extremes in 2022 with EM trading at a 30% discount to DM. This gap has narrowed slightly but remains unjustified in our view.

**Figure 2: Valuation gap DM vs EM**



Source: IBES, Robeco

**Quality focus will capture upside when it comes**

Economic data is resilient and monetary policy will turn supportive, but there is still a coalescence of different risks to equities, including still high inflation, ongoing recession fears, banking troubles, and signs of stress in the commercial real estate market. Quality names have outperformed in early 2023 after lagging in 2022, and we believe focusing on quality in an equity portfolio is the best way to navigate this turbulence.

By quality, Robeco means a high return on invested capital (ROIC) with clear reinvestment opportunities, high free cash flow generation and a discount to intrinsic value. Screening for companies that offer a macro shield in downturns, but will also capture upside when it comes, enables us to stay invested.

Developed Market Equities | Financial cracks suggest a continued flight to quality

- Sentiment factor remains neutral; stick with high quality, large cap, low leverage companies
- Technicals take a back seat to rate hike outlooks and bank contagion risk
- In February, prior to the bank crisis, 94% of US CEOs are readying their company for a recession in the next 12-18 months
- Expect more downgrades to global DM earnings despite some signs of strength (e.g. China)
- As the US hiked itself into restrictive territory, we sought more opportunities in other regions

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 Global Equities team

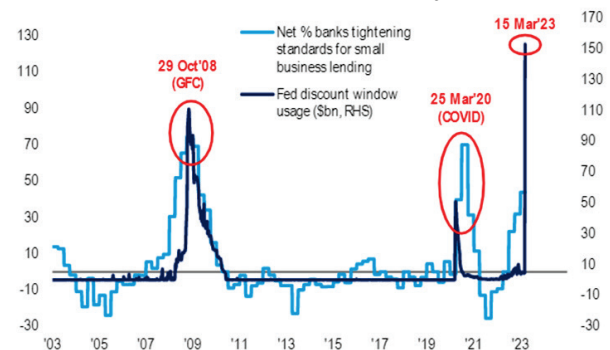
Sentiment: Synchronized global monetary tightening dents market resilience

As we highlighted in each of the prior two quarterly outlooks, we correctly anticipated “the possibility that some major institutions, banking systems or even countries are under rising stress due to rising global rates”. We know from reviewing financial history that rapidly rising rates often precipitate additional market stress. In the 2008 GFC, financial firms ran into trouble rolling over funding facilities because the lenders did not trust the asset quality of the firms’ mortgage books.

What we began suspecting more than six months ago, while facing aggressive global monetary tightening, actually materialized with a case of history repeating at Silicon Valley Bank (SVB), the 16<sup>th</sup> largest bank in the U.S., where depositors commenced a bank run – perhaps initially because they needed to improve their own liquidity position (as low interest private equity funding dried up for innovative tech start-ups) or because they simply wanted higher rates of return on their deposits or maybe even they just received a social media message to move their funds. Either way, when pulling their cash out, SVB faced exposure to market risk that rose because of the Fed’s aggressive 450 bps of rate hikes over the prior year. On the day of SVB’s collapse the company was expecting more than USD 100 bln to go out the

door. We have seen historically that poor executive management also compounds problems in times of aggressive tightening and that’s an argument to stay in the highest quality assets for the medium term. **Large cap, high quality companies will be less effected by the tightening standards for business lending (Figure 3) as a result of the March banking crisis.**

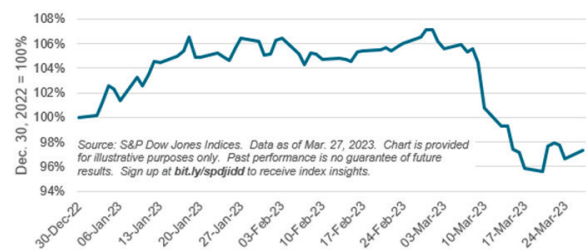
Figure 3 - Banking crisis create tighter lending standards: Tightening lending standards for small biz vs Fed discount window usage



Source: BofA Global Investment Strategy, Bloomberg

The rapid nature of SVB’s failure precipitated other bank meltdown concerns – initially with similar regional U.S. banks, and then extending to one of Europe’s oldest banks (Credit Suisse, 167 years old and the world’s 45<sup>th</sup> largest bank by assets) which suddenly looked more risky as investors started to pull funds – more than USD 10 bln a day in the case of the latter. It is true that CS has dealt with a string of problems in recent years, from worries about its financial controls to government probes, court-room setbacks, and several quarters of eye-watering losses, among other issues, that had already left investors wondering if it would survive, but SVB’s funding crisis was the match that lit the fire.

Figure 4 - S&P Listed Private Equity Index vs. S&P 500, Ratio of price return indices



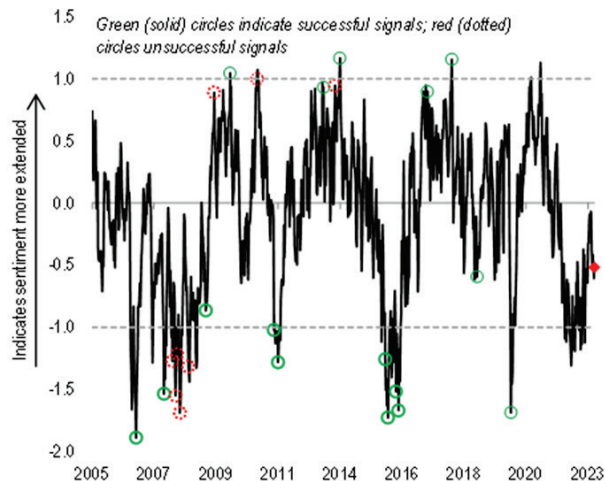
Source: S&P Dow Jones Indices

These large bank failures including Credit Suisse, SVB and Signature Bank, a bank with heavy exposure to private equity (see Figure 4) create contagion fear. We note that private equity received a huge positive tailwind during the prior decade of low-cost funding, but is now coming under pressure and this raises concerns about market resilience.

Now at the end of the Q1, we are searching for signs of positive sentiment to balance contagion concerns.

We monitor multiple sentiment indicators including equity market flows, IPOs, and buybacks indicators. For example, early in 2023, we saw a decent January pick-up in IPOs, but by the end of March, following the US IPO market's slowest year (2022) in decades, the first quarter of 2023 continued the trend with only 23 IPOs raising just USD 2.2 bln (compared to the USD 100 bln pulled from SVB in a single day – this indicates negative sentiment and more risk aversion). In other words, deal flow that started the year at a decent pace failed to pick back up after the February lull, as hawkish signals from the Fed, renewed recession fears, and turmoil within the banking industry brought on new risk aversion.

**Figure 5 -** Aggregated Sentiment Indicators provide no clear market direction



**Source:** Bloomberg Finance L.P., Refinitiv, Credit Suisse research as of March 29<sup>th</sup>.

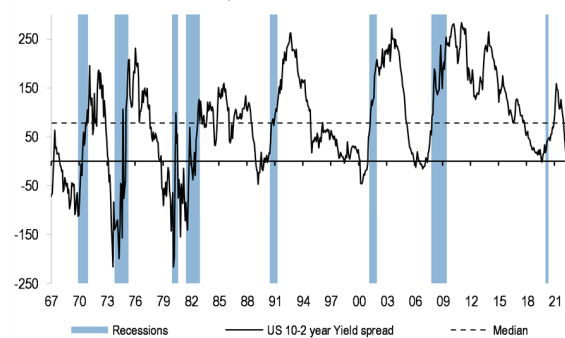
Figure 5 illustrates that overall market sentiment is currently more extended (more negative – and as this is an aggregated contrarian indicator thus indicates sentiment is more depressed and is moving towards a buy signal). If we compare this to end of February results, sentiment has actually improved since the bank failures (moved more negative). This is a measure of multiple underlying indicators including individual investors (not) buying, corporate buying/selling (not only the executives at SVB selling just days before failure!), and other global risk appetite indicators.

**We hold the Sentiment indicator neutral in our scorecard.** We do not see a market capitulation signal yet, and neither are our sentiment indicators flashing “buy”. In this quarter, aggregated risk sentiment indicators are becoming more bullish, but IPOs, private equity investment, bank lending slowdown, and investor flows are all lackluster. **Given these mixed signs, we continue to hold the sentiment factor neutral in our scorecard.**

**Technical indicators continue to take a back seat to rate hike outlooks and bank contagion risk**

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, and from the October’s low we indeed observed just that, we recorded a near 10% rally in risk assets and cyclicals with MSCI World (+8.6% EUR) to mid-Feb before declining again (-6.7% EUR) through the key dates of the banking crisis only to recover again (+4.3%) from mid-March through quarter-end. MSCI Europe led returns with a strong rally since October’s low (+18%) through Mar 31<sup>st</sup>. Our best case scenario from here is that the markets stay in a trading range until there is clarity on (1) timing of a rate pause (the Fed, ECB and others), (2) stabilization of bank deposit outflows especially in the U.S. and/or (3) yield curve flattens into inversion causing a recession.

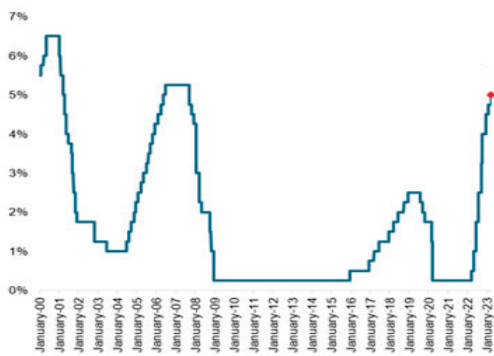
**Figure 6 -** 10y-2y spread has flattened significantly, but has not inverted yet...the key is that equities tended to peak for the cycle only sometime after the curve inverts, could be up 15% in the interim...



**Source:** J.P. Morgan Research.

Based on our research it is more important than ever to focus your portfolio on high-quality, large-cap, low-debt stocks with strong free cash flow (FCF) generation and high FCF yield as these tend to outperform during times of financial stress. The huge move in Fed funds creates mounting stresses in the banking system, a looming credit crunch and still elevated inflation. The Fed raised the rate by 25 bps at its March 21-22 meeting, lifting the target rate to 4.75%-5.00% (Figure 7). In the 10 days following pre-SVB March 8th– March 20th close, in the U.S. Microsoft, Apple, Nvidia, Alphabet, Amazon, Meta, AMD, P&G and Eli Lilly all outperformed as investors searched for safety. High debt and leveraged companies will be under increased scrutiny in this environment, the sweet spot will be found in low debt, high FCF companies which are driven by shareholder returns. This focus on high-quality investment strategy has a strong track record over multiple decades to identify companies with long-term favorable stock performance. We will provide more details on our global positioning later.

Figure 7 - Federal Funds Target Rate – Huge move in upper bound



Source: S&P Dow Jones Indices. Data as of March 22, 2023.

Historically when the Fed stops hiking, the S&P 500 gains 14% on average the next 12 months. We are waiting to see more economic forecasts anticipate that rates are peaking. However, this time we may need to see rates decline rather than just the peak due to the rapid and steep record increase in rates. At the start of 2023 only one-third of forecasters were expecting easing rates by the end of 2023. As of March 29<sup>th</sup>, from a live JPMorgan Survey, 56% of market participants believe the Fed has tightened enough following 9 consecutive hikes. We have been watching for a pivot from one-third to two-thirds, as we believe this would be a stronger positive signal than any other current technical indicator.

Meanwhile, bond markets are providing a more negative technical signal about the markets and potentially indicating a recession ahead. Two year yields have dropped sharply in both the U.S. and Europe during the past few weeks which is a similar pattern to March 2020 and August 2007. Fed funds futures are now consistent suggesting that rates having reached a peak and a first rate cut is coming in June. This looks inconsistent with the message that central banks are providing and equity markets are echoing.

As with sentiment indicators, technical signals are currently mixed and not currently suggesting a clear direction for global equities. We believe we are in a trading range – where there will be no real bull or bear trends – this market will likely gyrate between individual company news and macro news. We believe that sentiment, rate hikes (macro), earnings, and valuation all matter more today than traditional technical signals. We are continuing to monitor our technical signals for signs of significant changes in trends as we head into midyear 2023, but until we see some capitulation in earnings or clarity on terminal Fed rates, we are less focused on technical factors.

**We downgraded our technical factor from positive to neutral mid-year 2022 and we will hold it at that level.**

**Macro: The threat of runaway inflation has not been tamed although central bank policy guidance has shifted more dovish**

**Our macro outlook remains negative following our downgrade at the beginning of 2023.** We see that DM central banks are indicating that financial stability (e.g. bank stability) and inflation mandates are separable based on their decision to continue to hike rates and implies their focus remains on stubborn inflation (Figure 8). The Fed policy statement said “some additional policy firming” may be appropriate. This striking change in tone from prior communications, suggests the policy rate is now close to “sufficiently restrictive” and was echoed in the Fed’s updated Summary of Economic Projections (SEP), in which the median year-end policy rate forecast for 2023 was left unchanged at 5.1%, implying just one more 25bp rate hike this year according to some economists.

Figure 8: US CPI still a long way from 2% target



Source: S&P Dow Jones Indices, Robeco.

Central bankers also may be signaling that tighter credit can substitute for rate hikes. As we come to the end of Q1, the Fed, BoE, ECB, and SNB all hiked policy rates over the past days, signaling that recent interventions to stem deposit outflows and promote liquidity are sufficient to allow central banks to continue their rate hike campaigns for now. Forward guidance on rates has shifted more dovish. For example,

- The FOMC kept its peak policy rate forecast unchanged from December at 5-5.25%, after suggesting that an increase in the dots was likely prior to the SVB failure
- The BoE and ECB emphasized greater caution and data-dependence in coming meetings, and that they would continue to closely monitor market conditions related to recent banking stress.

As reported by Goldman Sachs, The policy rate path will ultimately depend on how much stricter lending standards weigh on growth; in their baseline, the Fed and ECB will each hike 50 bps further from here.

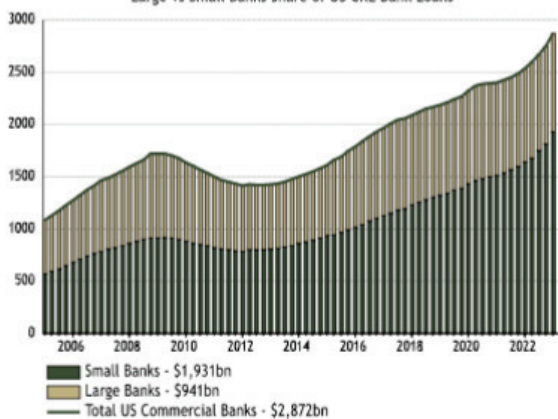
**CBs continue tightening amidst a flight to safety (ergo shift position for higher quality)**

At the time of writing, it is unknown if the US bank failures and CS’s downfall are isolated or will spread in concert with further credit tightening. The CBs are aiming to avoid repeating the scenario of either the 1970s or the GFC (2008)

policy errors – while still tackling inflation. Lending standards for both US and Eurozone banks (prior to CS downfall) were already tightening. We expect to see lending standards tighten further which also means increasing risk of writing down past bad loans.

We suspect this adds pressure onto the US commercial loan market (Figure 9). Pressure on banks has already been rising for a full year – with bank deposits falling and moving to (less risky, higher quality) money market funds (MMFs). According to Bank of America, last week saw the biggest weekly inflow to cash (USD 142.9 bln) since March 2020 and the biggest 6-week inflow to Treasuries (USD 29.3 bln) ever. Money market fund AUM has surged above USD 5.1 tln, up >USD 300 bln in the past 4 weeks. The prior 2 surges '08/'20 coincided with big Fed cuts. In Q1, according to EPFR, investors added > USD 500 bln to MMF. **These MMFs flows are unprecedented in the prior 50 years.**

Figure 9 - US Bank Exposure to commercial Real Estate  
Large vs Small Banks Share of US CRE Bank Loans



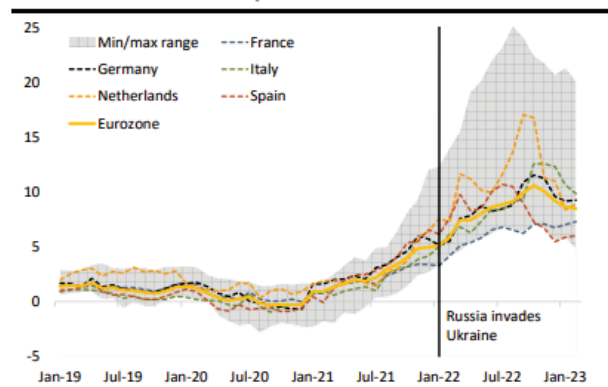
Source: ASR Ltd./ US FRB – Table H.8 / Refinitiv Datastream

With the banking crisis uncertainty, we recommend investors shift their portfolio toward higher quality assets. We view the most vulnerable areas as unprofitable companies that depend on steady flow of equity capital to fund operations and tight carry trades implemented over the last 10-20 years (CRE, shadow banking, levered buyouts, subprime ABS & consumer loans, short-term rentals, etc.). In particular, commercial real estate (CRE) stresses appear to be rising, amplified by banking shocks that could complicate their debt roll. In addition, several geopolitical crises are coinciding, with the war in Ukraine ongoing and political unrest in Europe and the Middle East. Bond yields have whipsawed amid macro data and ongoing banking sector concerns, amplified by very poor liquidity conditions.

Despite the benign headlines suggesting several Eurozone countries are experiencing falling inflation, the picture is still worrisome (Figure 10). We are seeing a tightening of credit in Europe similar to the U.S. and ongoing rate hikes risk shifting Europe into a recession. On March 30<sup>th</sup> the ECB executive board member Schnabel highlighted on Bloomberg that

financial market turbulence hasn't led to deposit outflows at banks in the euro area; "we've not seen a general deposit outflow of the banks" but the region is definitely seeing some tightening of credit conditions. Tighter credit standards in Europe amplifies the pass through of higher interest rates to the real economy. Also, similar to the U.S., regulatory oversight is likely to tighten which may make banks safer, but at the expense of credit availability to the economy.

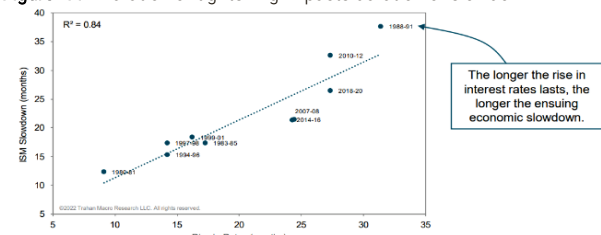
Figure 10 - ECB aims to tame inflation across all members



% yoy; Harmonised Index of Consumer Prices (HCIP); minimum/maximum range gives highest and lowest inflation rates among member states for a given month. Sources: Eurostat, Berenberg

The peak of the market stress observed in mid-March may put a drag on GDP growth – both in US and Europe. Uncertainty is high amongst both households and manufacturers. In the US, luxury home sales are down 45% in the most recent quarter versus a year ago. We've already shared that duration of tightening correlates with duration of slowdown (Figure 11), economist models based on historical patterns suggest that the longer the rise in interest rates lasts, the longer the ensuing downturn.

Figure 11 - Duration of tightening impacts duration of slowdown

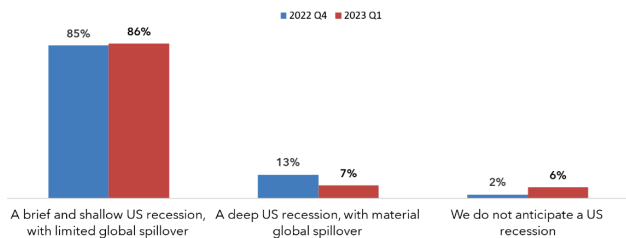


Source: Trahan Macro Research

Aside from the market focus on central bank hikes and duration of hikes, we are considering other economic indicators to determine if the worst of the economic slowdown may be in the rear-view mirror. Right now the macro impact is having a great impact on micro. For example, by reviewing The Conference Board's Measure of CEO Confidence, we can get a barometer of the health of the U.S. economy from the perspective of US CEOs based on their perceptions of current and expected macroeconomic business and industry conditions.

As of mid-February, the majority of CEOs are preparing for a brief and shallow US recession, with limited global spillover, over the next 12-18 months (Figure 12). This outlook potentially creates a negative economic feedback loop increasing the risk of recession as CEOs are actively reducing hiring plans (48%), including selective hiring freezes, are reducing workforces (22%) and taking other actions to face the economic challenges on the horizon.

Figure 12 - Over the next 12-18 months, are you preparing for ....



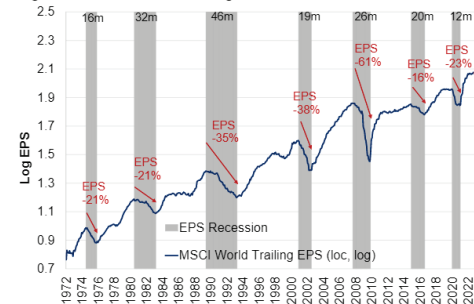
Source: The Conference Board; The Business Council

CEOs are continue to face inflationary pressures, rising input costs, rising interest rates, and rising employee wage demands, among other drags on business confidence. Most companies we speak to are preparing for a recession in 2023. Whether or not a recession arrives or a more shallow slowdown, these C-suite concerns are overall putting more negative risk on the economy as companies take actions that reduce growth, such as reducing capital expenditure plans, limiting new hires (or reducing staff), or shoring up their corporate balance sheets. FactSet counted that 148 companies in the S&P 500 (those with 4Q2022 earnings conference calls from December 15 through March 10) cited the term "recession" during their earnings calls for the fourth quarter, which is well above the 5-year average of 71 and the 10-year average of 57. And, in the camp of not-a-surprise – Financials (61%) and Real Estate (47%) sectors have the highest percentages of companies citing "recession" on Q4 earnings calls.

Global growth forecasts have come down for both 2023 and 2024 while inflation risks and policy-rate projections have risen. In addition to the war, the energy crisis, and bank failures, we suspect this will lead to a further reduction in corporate earnings.

Earnings: Will earnings resilience end with a plummet? Europe revisions holding up better than U.S. and strong full year earnings support from Asia

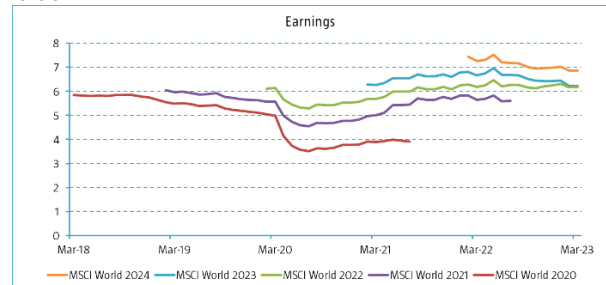
Figure 13 - MSCI World Trailing EPS



Source: Citi Research, DataStream December 2022

As Citi Research reported in December, the MSCI World trailing EPS (Figure 13) generally trends higher, with earnings growing at a compound 6% per annum over 50 years, but there have been significant setbacks along the way, usually coinciding with global recessions. On average earnings fall 31% over 2 years in a recession. The biggest drop was in 2007-10 when MSCI World EPS fell by 61%. The longest contraction began in 1989, with earnings taking 4 years to fall 35%.

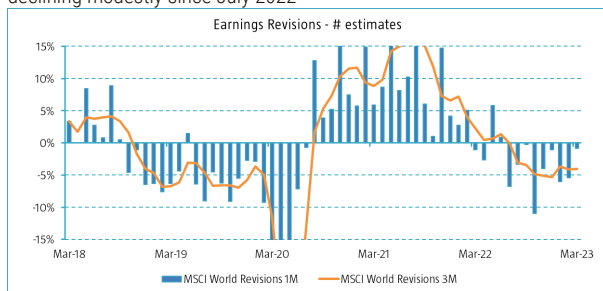
Figure 14 - MSCI World 2023 forecast earnings at risk to fall below 2022 levels



Source: IBES, MSCI, Robeco March 2023

As we noted when we lowered our earnings outlook factor in 2022, tightening monetary policy often triggers reductions in earnings forecasts. While the MSCI World 2022 actual earnings remained resilient, especially in the US (S&P 500 4.0% actual), the current consensus earnings growth for US and Europe are hovering near flat at 0.6% and -0.2% respectively for 2023 and we expect MSCI World 2023 earnings will fall further below 2022 actuals (Figure 14 and 15). Historically, banking crisis events cause global recessions and/or earnings declines. While the MSCI World forecast earnings have so far remained resilient (almost flat), they are likely to weaken given bank emergency borrowing, tighter lending standards, small business credit crunch and higher unemployment.

**Figure 15 -** MSCI World earnings estimates have been declining modestly since July 2022

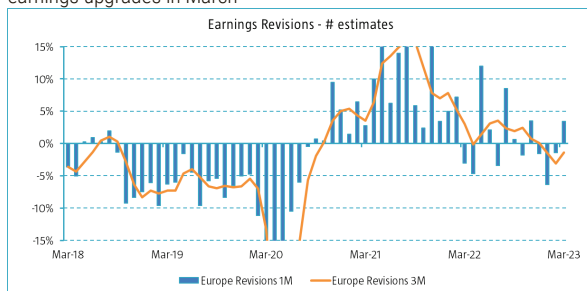


Source: IBES, MSCI, Robeco March 2023

Elsewhere, in Asia, 2023 forecast earnings growth is better than US and Europe. Japan is expecting moderate growth (6.5%) and especially strong growth is expected in China (14.9%). China’s abrupt abandonment of its zero-COVID strategy has so far provided a big lift to the domestic economy, and not much lift for the rest of the world. However, we do believe that some developed market companies exposed to Chinese spending and tourism will benefit, especially as the Chinese consumer currently has double the savings today versus January 2022 which means large growth opportunities for those companies with exposure to this theme.

Over the past month, Europe is the only region achieving more upgrades than downgrades (Figure 16). We are monitoring closely whether earnings expectations can remain resilient as the impact of tighter monetary policy and reduced bank lending ripples through the economy, but overall we expect more downgrades in developed markets versus upgrades as companies have yet to fully reflect the negative impact of tighter monetary policy

**Figure 16 -** A bright spot: Bank failures have not (yet) dented European earnings upgrades in March



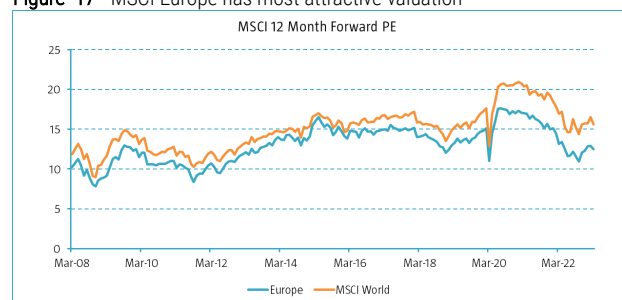
Source: IBES, MSCI, Robeco March 2023

**Valuation: Beware the Fed (which wants to avoid a repeat of the 1970s); Continue to search for opportunities in Europe and companies with exposure to China**

The 15-year average valuation for MSCI World as measured by forward P/E is 14.9x. After falling to 14.4x (a discount to history) in October 2022, it has now risen back to 15.6x, partly due to a strong 6-week streak of inflows to large cap tech companies, but also better than anticipated economic data. For example, in the US Atlanta Fed’s GDPNow tracking

model shows real GDP increasing 3.2% (saar) during Q1-2023 as of March 24. Most impressive is that real personal consumption expenditures is tracking at a 5.0% annual rate. But, the stubborn inflation which we already wrote about, prompt continued worries about Fed policy. As we 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.

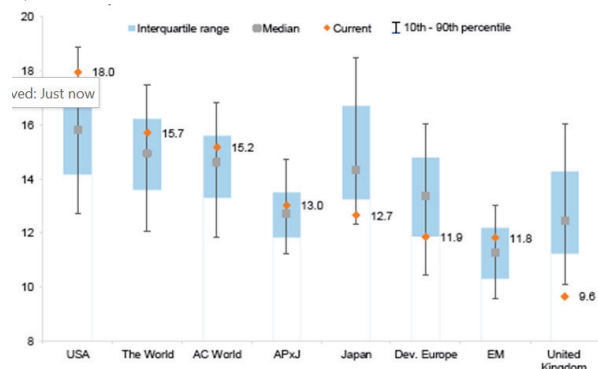
**Figure 17 -** MSCI Europe has most attractive valuation



Source: IBES, MSCI, Robeco March 2023

Yet, despite renewed tighter monetary policy globally, market valuations are still not close to depressed levels, so it’s hard to get overly excited at this stage, especially with anticipated global earnings slowing and central banks still in tightening mode. Too many pockets in the global markets have not seen real multiple compression while earnings risk remains to the downside as we progress to mid-year 2023. As shown in Figure 17, Europe appears most attractive relative to MSCI World (low P/E relative its 15-year range). It normally trades at a 11-12% discount, but now trades at a 20% discount to MSCI World. In addition to Europe, discounted regions include UK and Japan as show in Figure 18.

**Figure 18 -** MSCI Regions Valuation ranges (20-years); 12-Month Forward P/E



Source: FactSet, Goldman Sachs Global Investment Research, March 2022

With the ECB, the Fed, the BoE and other central banks unlikely to pivot to easing just yet (in order to avoid a repeat of the 1970s), we think hikes and tighter credit conditions will



drag on earnings and valuations may become even more challenged. March 2023 looks set to be the first month in 20 years when global equity markets post a positive return despite a near 10% drop in Financials. **Overall, valuation does not look overly stretched nor does it look cheap and we maintain our valuation factor at neutral.**

**Implications for positioning (Global Equity Portfolios): Emphasis on high quality companies particularly in Europe selling at discounted valuations**

We continue to actively search for high quality, low debt opportunities in the U.S. and we strategically added to Europe and Japan during the quarter. We are currently most overweight in European high quality companies as they appear attractively valued after underperforming for the prior three years by taking some profits from a couple of top performing U.S. companies. The Europe quality overweight is supported by both better valuation (relative historical) and earnings growth resilience (see again Figure 16 and 17). We continue to position the portfolio in highly profitable companies with pricing power and strong FCF that can perform well in a tighter lending environment. With the bank failures dominating headlines, we reduced global bank weight as we expect US and European banks ROE is structurally impaired for some time. We have reduced exposure to corporate leverage across the portfolio companies and reduced exposure to commercial real estate. We believe companies offering premium products in their segments will outperform across all sectors.

**As the US hiked itself into restrictive territory, we sought more opportunities in other regions**

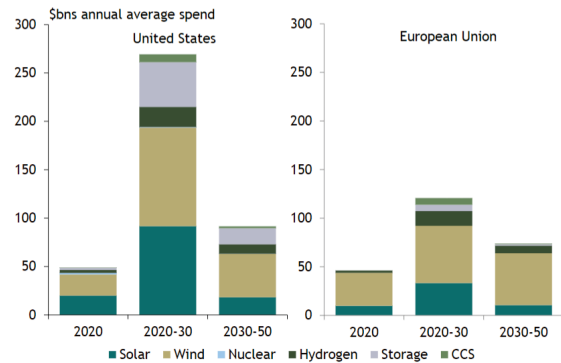
Early in the year we took profits from several of the best 2022 performers (especially in large healthcare companies and US staples companies) in order to redeploy those assets to parts of the global market where we expect growth to hold up better as the pace of monetary tightening means ex-US should have better opportunities for growth.

As we believe the Chinese consumer is out of the doldrums for now after spending recent years in rolling lockdowns we increased exposure to China's eCommerce sector. We also added some profitable Asian companies including a Japan electronics and entertainment name, and one of the largest Japanese banks – as our analysis indicates the stability of Japanese banking system is extremely high versus RoW's banks.

We've built up our exposure to leading European companies during the quarter including a well-run European mixed-signal semiconductor company specialized in power-efficient microcontrollers used in consumer electronics and electric vehicles, which along with several other tech names aided relative performance year-to-date. We also added exposure

to European companies focused on electrification and the digitization of industry.

Figure 19 - Significant investment in clean energy required for net zero



Source: ASR Ltd. / NGFS as of December 2022

Despite our current six percentage point underweight US equities, we are still able to focus on some high quality long-term opportunities, including beneficiaries of infrastructure stimulus in both the US and Europe (Figure 19). Even if we face a recession in the coming quarters, we have selected lower risk companies relative to others in their sectors with a focus on those that will benefit from the Inflation Reduction Act of 2022 which provides nearly USD 400 bln in tax credits, loan guarantees and subsidies for purchases of clean energy products (electric vehicles, solar panels, etc.). These government subsidies will stimulate consumer spending and business investment. Tax credits are being provided for purchases of electric vehicles and other green energy products. Credits and subsidies are also being provided for business investment in new or expanded clean energy generation, electrification, green technology retrofits for building, greater use of clean fuels, and environmental conservation.

**In these trading range roller-coaster markets, continuously sharpen your pencils to selectively trim (for profit taking) to divert into more attractive firms**

One quarter ago we modestly trimmed the healthcare sector, which had been our top 2022 alpha generator, in order to add to high quality global technology companies. Now this quarter-end, we are not sitting back, but are again sharpening the pencils to insure we take profits in the technology names which have become more expensive in order to divert investment back to the defensive healthcare companies where valuations are more compelling now for the long-term.

Aside from our technology weight (23.1%), other sectors with large portfolio weights are: health care (14.0%), consumer discretionary (11.7%), and industrials (10.7%). We have least weight in Utilities (0%), Real Estate (1.0%) and Materials

(3.6%). We continue to seek high-quality, profitable companies in both cyclical and defensive sectors that 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 | A dent in sentiment after another DM crisis**

- EM in our view continue to look appealing, as macroeconomics are solid compared to DM
- China has very low inflation, easy monetary policy and a massive surplus on the current account
- Financial turmoil in the US and Europe has nothing to do with EM, only a sentiment factor

**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	+	↑

Source: Robeco Emerging Markets Team

**Yet another crisis in the 'developed' world**

It is funny that when acute liquidity or solvency problems arise in the financial world or, even worse, there is a real crisis in the financial sector, the gaze of many investors is still focused on the so-called emerging markets. This is even though, since the nineties, there has actually been no significant financial crisis in mainstream emerging countries. Yes, we all remember the Asia crisis that began in Thailand in July 1997. The Thai Baht fell out of bed, local interest rates went up exponentially to save some of its currency and as a direct result the domestic economy collapsed. Like an oil slick, this crisis spread to almost all other Asian, and later Latin American countries. Since then, the emerging world has remained free from a financial crisis, with the exception of a few frontier markets such as Argentina or Turkey.

This myopia of the financial herd has always intrigued me enormously and over the past month this fascination was made complete. The recent eruption of major problems in some regional U.S. banks and an outflow of customers at Credit Suisse surprised many investors. Some regional banks in the United States have since collapsed and the Swiss central bank has engineered a takeover and provided a substantial rescue loan to deal with the problems in the short term at CS. Hundreds of billions in market capitalization were lost in the days after the problems came to light. Wounds are still being licked. Yet another example of a crisis taking place

in the developed countries, with no fundamental problems arising in emerging countries.

Virtually all financial crises of the past two decades have their origins in the developed world. In the early 2000s it was in the rich and industrialized countries, such as the United States and Europe, where fraud violations took place at companies from Enron to Ahold and Worldcom and many others. More recently, the Great Financial Crisis (GFC) of 2008-2009 also began in the rich world, again in the United States. The rampant speculation with derivative instruments in the U.S. housing market led to imploding balance sheets at many Western financial institutions. The collapse of the iconic Lehman Brothers of the US in 2008 marked the beginning of the deepest financial crisis in post-war history. Saving the 'rock-solid' Dutch banks is still fresh in our minds. Europe then made a contribution with the economic crisis in southern Europe. Another crisis where the epicenter was in the West. Meanwhile, the Japanese bubble of the nineties slowly deflated over a time span of more than two decades, after massive overcapacity and speculation in the stock and real estate markets led to excesses in the financial sector in Tokyo. Again ... all developed countries that faced enormous financial chaos.

We can safely conclude that by far the most crises in the past twenty years have arisen not in the emerging world, but in the developed world. Also today, the inflation problem is not an emerging market issue, but one that is most harmful in the US and Europe. At the same time – also a fascinating phenomenon - investors are still willing to pay a hugely high valuation for US listed companies. For example, the US S&P 500 is trading at an average P/E ratio of 18 times. European and Japanese stocks are cheaper on average. However, the real value is to be found in the emerging world, where an average price-to-earnings ratio around 11 applies. So, in the emerging world, you get a significant discount on your basket of stocks compared to developed equivalents. For a long time, this discount was justified by inferior balance sheet positions of many governments and companies and therefore risks of crises. Today, however, there is a reverse situation, namely inferior balance sheets in the West, both at government level and in the financial sector. Think again of the United States, with large deficits in the budget and also in the current account of the balance of payments. In my view, this is one of the biggest and longest lasting anomalies in the investment world.

**Constructive macroeconomic background for EM**

Although some EM economies are still going to see slowdowns in their real economies, tailwinds are apparent. One of the most important events in the second quarter of

2023 might be the end of the Fed's monetary tightening cycle. This could mean that we have seen the peak in the US dollar already late 2022, after the strong run it had against all major currencies in the world.

Another tailwind comes from China, where the zero-Covid era is now completely over. Re-opening in China leads us to expect higher GDP growth numbers across Asia in 2023. The stimulatory measures taken in the Chinese property sector further strengthen our more constructive position, and with inflation running at a just 1.0% in February, the largest emerging nation has a relatively benign macroeconomic backdrop. It also has abundant foreign exchange reserves and is running a large current account surplus.

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

The earnings backdrop is mixed. Earnings revisions have weakened recently, with earnings revision ratios for both developed and emerging markets below 1. 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. Emerging equities' derating has led to the price/earnings (P/E) ratio of the MSCI EM Index falling to 11.5x 2023 expected EPS. By contrast, MSCI World's P/E ratio is 15.8x. Meanwhile, the technical picture for emerging markets is still negative, compared to that one of the developed markets. Our sentiment factor remains neutral as there have been strong though decelerating inflows into EM equities since October 2020. Investors are increasingly looking for "value" opportunities. So, we expect continued inflows.

In conclusion, high but falling inflation, and an expected peak in the USD and a reversal in global monetary tightening are likely to enhance the prospects for emerging market assets. Structurally strong commodity demand will create some winners, while depressed valuations will give rise to value opportunities over the longer term. For the coming quarter, we keep our overweight stance in emerging markets.

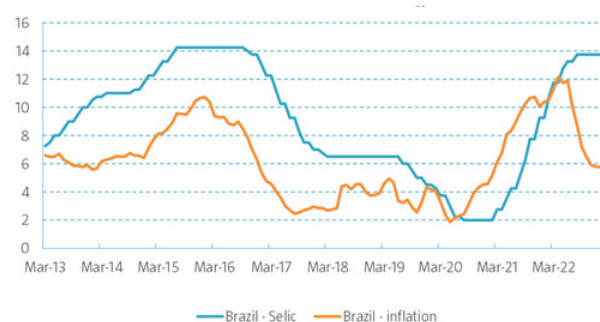
### EM monetary easing will precede DM

Central banks in almost all emerging countries are still tightening, though in Latin America they should be close to the end of the cycle. To use Brazil as an example, Figure 20 illustrates the high real rates in Brazil. The convincing drop in

Brazilian average price levels to below 6% even has not yet resulted in a decline in interest rates, currently at 13.75%.

These record high real interest rates of over 8% are not sustainable in the long run. For the second half of 2023, there is ample room to cut policy rates in Brazil. China has been easing monetary policy already by cutting rates and reducing the required reserve ratio, the last RRR cut was last month. It has more room to engage in further monetary stimulus, and with inflation not currently a problem in the country – the latest reading came in at a very benign 1.0% – we expect further monetary easing in 2023.

Figure 20 - Inflation and interest rates in Brazil



Source: Bloomberg, Robeco

### Commodity exporters well placed

We stick to our positions in Latin America 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.

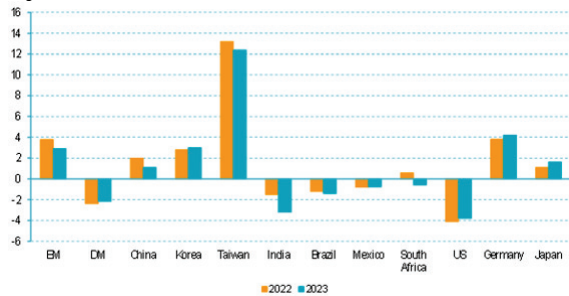
### This is not taper tantrum 2013 revisited

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, with the exception of Turkey. 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 21 shows. This

is the main reason why we do expect a better environment for emerging market currencies as the Fed will likely pause tightening after the second quarter. The currencies of the countries' with the strongest trade accounts and large forex reserves might appreciate the most versus the US dollar.

Figure 21 - 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 has risen during the first quarter, but dropped a little in the last month, from 0.85 to 0.74, and stabilized around 0.65 in March, as we can see in Figure 22. It remains below its long-term average, which is a negative sign for emerging market corporate earnings. The earnings picture for emerging markets is similar to that of developed markets.

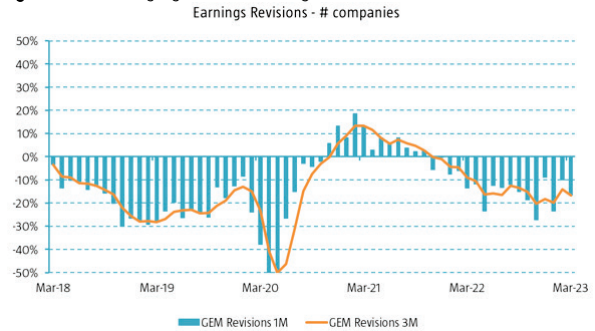
Figure 22 - Emerging market earnings revisions ratio



Source: Bank of America, March 2023

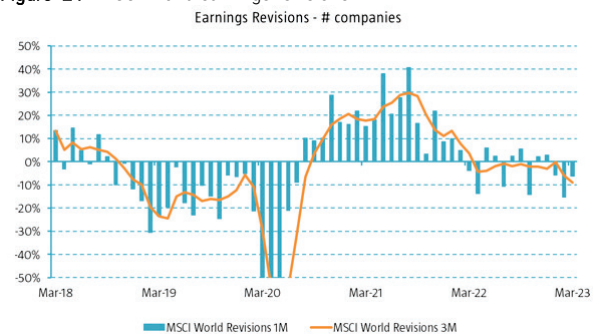
After earnings in emerging markets rose by around 8% in 2022, expected earnings growth is likely to decelerate. For 2023, IBES consensus earnings growth hovers around 2% to 3% for both the group of emerging countries and the group of developed countries. Overall, we view earnings as neutral for EM equities.

Figure 23 - Emerging market earnings revisions



Source: IBES, Robeco, March 2023

Figure 24 - MSCI World earnings revisions



Source: IBES, Robeco, March 2023

**Valuations positive for EM 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 the metric rebounded sharply, but has since fallen back again, as Figure 25 shows.

Figure 25 - Emerging equity valuations look attractive



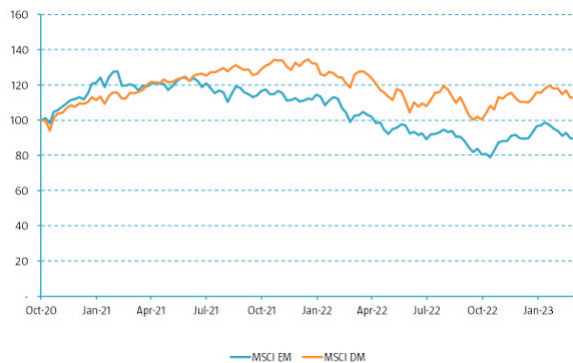
Source: MSCI, Robeco, March 2023

At the time of writing the P/E ratio of emerging equities is at 11.8x – well below the 15.8x 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**

Emerging equities slightly underperformed developed equities year-to-date, as MSCI EM increased 1.5% and MSCI World was up 4.5%. On a twelve-month basis emerging markets underperformed developed markets as well. 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 26 - Relative performance of MSCI EM & MSCI DM**  
MSCI USD Net Total Return Indices

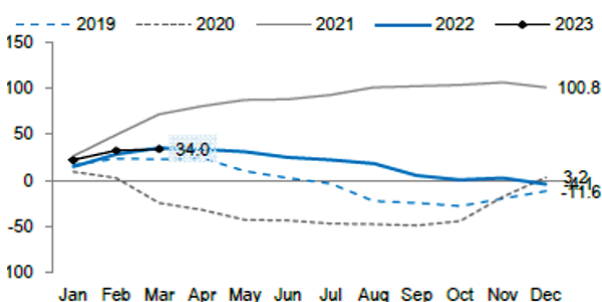


Source: MSCI, Robeco, March 2023

**Sentiment remains neutral**

Our assessment of sentiment towards EM equities is neutral. We expect inflows to continue as investors look for attractively valued asset classes. However, inflows have slowed down from the second quarter of 2022, as Figure 27 shows. We expect the current slower pace of inflows to persist in the first half of 2023 as monetary tightening in the developed world reaches its conclusion.

**Figure 27 - Cumulative flows into EM equities by year**



Source: EPFR Global, March 2023

**Implications for positioning in the 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, Mexico, Indonesia, Vietnam, Greece and Hungary as we believe their economies have a strong chance of rebounding, and because corporate earnings growth potential is high. Current valuations do not reflect these 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 constructive view for Chinese equities as China is generally on track for recovery with pro-growth policy support, although geopolitical risk escalation could still lead to market volatility.

China’s GDP target of 5% is at the low end of the anticipated range, which reflects the challenges the economy still faces, but it doesn’t mean growth is not important. China set a target for new urban employment of 12 million, the highest in history, signaling still ambitious economic growth, especially in labor intensive sectors. Infrastructure spending will continue to be the counter-cyclical measure that supports GDP growth, if necessary. Given the once-a-decade government reshuffle this year, the KPI for the new government has shifted from Covid control to high quality growth. We also see various pro-business initiatives from the government in trying to regain the confidence of the private sector.

China’s recovery is largely on track so far with mobility improving, while the consumption recovery is still uneven, with consumer services generally better than goods, and middle and mass consumption weaker than low end and luxury. Looking ahead, economic activity is likely to rebound further, especially in services, which will help support employment and household income, and both are likely to underpin the overall consumption recovery.

However, the recovery of the property sector remains the key issue to monitor as it will impact the sustainability of the consumption recovery. The property sector has shown some

early signs of stabilization in prices after a terrible 2022, but new housing starts are still contracting. Investment is likely to only recover later after sales momentum increases.

The prospect of a global recession is also impacting the growth of China's exports, while accommodative policy, as well as China's medium-term strategic focus on industrial upgrade, should remain supportive this year.

On the geopolitical side, long term US-China tension is unlikely to subside; in the near term escalation could still happen. Since reopening, China is also actively trying to reach out to the world, with more opening up measures to restore foreign companies confidence, and more diplomatic activities as China positions itself to play a peace-making role.

The recent US and European banking stress situation has limited direct implication on China. On the other hand, China's independent macro recovery cycle and relatively dovish macro policies could also help reinforce the investment case for China.

Earnings revisions are stabilizing, and will be on a recovery path, helped both by the turnaround in domestic fundamentals as mobility and economic activities continue to improve, and a lower base in 2022. Valuations remain attractive from a historical average point of view.

Sector-wise, we are overweight in industrials, consumer discretionary, consumer staples and materials, and underweight in financials and energy.

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<sup>1</sup> <https://www.bloomberg.com/news/articles/2023-03-22/can-us-guarantee-all-bank-deposits-why-fdic-is-considering-raising-the-limit?srnd=premium-europe>

<sup>2</sup> <https://www.bloomberg.com/news/articles/2023-03-21/markets-investors-jpmorgan-look-beyond-recession-to-rally-that-follows>

<sup>3</sup> <https://www.bloomberg.com/news/articles/2023-03-22/ecb-officials-viewing-inflation-threat-feel-vindicated-on-hike>

<sup>4</sup> <https://edition.cnn.com/2023/03/19/economy/central-banks-fed-dollar-liquidity/index.html>

<sup>5</sup> <https://markets.businessinsider.com/news/stocks/commercial-real-estate-debt-regional-banks-risk-stock-market-cre-2023-3>

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**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**

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**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 OR MALAYSIA. NO PERSON SHOULD MAKE AVAILABLE OR MAKE ANY INVITATION TO 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 or 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 Superintendencia del Mercado de Valores (SMV) does not exercise any supervision over this Fund and therefore the management of it. The information the Fund provides to its investors and the other services it provides to them are the sole responsibility of the Administrator. This Prospectus 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 their 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: Leutschenbachstrasse 50, 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 Information Documents (PRIIP), 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. 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**

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**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 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 27 September 1996, as amended.