



FUNDAMENTAL EQUITY QUARTERLY Q2 2026

THIS EDITION'S HIGHLIGHTS

P3 Introduction: Kees Verbaas, Head of Fundamental Equities

The economic outlook has been thrown into uncertainty due to the Middle East conflict, but global equity investors should balance short-term risks against the opportunities offered by established long-term secular themes.

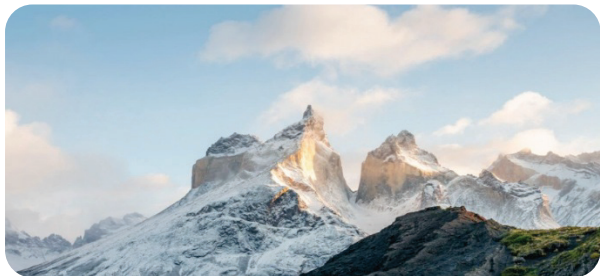
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P8 Interview with Cornelis Vlooswijk, portfolio manager in the Emerging Markets equities team

Cornelis Vlooswijk talks about his investment background, how he sees emerging markets in light of the Middle East conflict, and how Africa's leading economies are positioned in 2026.

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THIS EDITION'S HIGHLIGHTS



P10 Trip notes: Chile and Argentina

Equity analyst João Giesta heads south and finds optimism in Chile and Argentina as new leadership attempts to unlock the economic potential of both countries.

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P11 Where we differ from the market: Pharmaceuticals

Richard Purkiss, portfolio manager in the Global equities team gives a perspective on the rapidly changing landscape for investors in the pharmaceutical industry.

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GLOBAL EQUITIES STALLED BY ENERGY SHOCK

+3.22%

MSCI EM IN Q1

After surging into late February the Middle East conflict saw USD strength and rising oil prices wipe out most gains. Index to 30 March close, USD price return.

-6.02%

MSCI WORLD IN Q1

Magnificent 7 wobbles and Middle East conflict sees a negative print for the global benchmark in Q1. To 30 March close, USD price return.

-4.23%

MSCI EUROPE IN Q1

Momentum stalled as Europe fears an energy shock like 2022. MSCI Europe Index to 30 March close, USD, price return.

US: A TOUGH Q1 FOR TECH AND FINANCIALS

-7.52%

MSCI USA INDEX IN Q1

Magnificent 7 hasn't provided the same leadership this year. Index to 30 March close in USD, price return.

-13.30%

US TECH IN Q1

Software struggles added to the pain as investors sought exposure beyond tech in Q1. MSCI USA Tech 125 Index to 30 March in USD, price return.

-12.03%

US FINANCIALS IN Q1

Optimism stalled by private credit worries. MSCI USA Financials Index to 30 March in USD, price return.

Past performance is no guarantee of future results. The value of your investments may fluctuate.

From positive to perilous

After a full month of war in Iran and the wider Middle East, we appear further away from a resolution, and markets are responding accordingly. Our constructive view on equities for 2026 is in peril. Oil and refined product inventories in key locations are shrinking, LNG cargoes are subject to a bidding war as both Asia and Europe try to restock, while the impact on other commodity markets, like grains, fertilizer and aluminum, is yet to be fully felt. All this adds up to inflationary pressure, which obviously isn't good for the global economy and equities.

It's now a known known that you should stay invested through crises, conflict and shock. From a long-term perspective this is undeniable, but it's also becoming reflexive behavior in markets. The dynamics this month have been remarkable, with the muscle memory of the rapid equity market snapback after 'Liberation day' this time last year still fresh. You can feel the desire to return to risk-on at every hint of a ceasefire.

We have to face reality though, and while we hope for off-ramps to materialize for all parties to bring a speedy end to this conflict, at the time of writing the US is still assembling ground forces in the Middle East, and attacks on vital infrastructure from different sides are becoming more frequent.

As long-term investors we have been working hard to protect our portfolios. Our significant established investments in the renewable energy sector have helped, while positioning in traditional energy segments in our global and European equities strategies have acted as partial hedges. Beyond seeking inflation protection, the secular themes we track are largely intact. For example, the AI theme in both the US and China, where energy remains abundant, are still in our sights. Also, while the oil-price shock and recent USD strength have been a challenge for emerging markets, the long-term EM thesis remains valid, with strong macro fundamentals, lower debt and geopolitical optionality all worth investing in, as Wim-Hein Pals discusses in our EM outlook. Our Latin America analyst João Giesta writes about his findings from a recent visit to Argentina and Chile, while portfolio manager Richard Purkiss gives a fascinating perspective on the ongoing revolution in the pharmaceutical sector.

Let's hope the conflict turns out to be short-lived and we have a more positive backdrop for equities by the start of the third quarter.

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Kees Verbaas



Iran shock impacts real economy and Fed



Our short-term view has recalibrated as macroeconomic risk has risen sharply on the oil and commodity price shock emanating from the Middle East conflict, but our long-term view remains intact.

The Ides of March

The positive structural thesis we laid out at the beginning of the year – AI adoption broadening, earnings breadth improving (see Outlook Q1) – remains intact as a 12- to-18-month framework. But the near-term sequencing has deteriorated relative to the prior analysis. This is no longer merely a market premium shock. We now have the physical closure of the world's most critical energy chokepoint combined with a Fed that is explicitly paralyzed between its two mandates and is in the midst of a leadership transition. Add to that equity markets which are now pricing recession probabilities at 35%, and you have a qualitatively different risk environment compared to January. The structural supply shock today is a magnitude not seen since the 1970s which means the appropriate sizing of conviction should be governed by one variable above all others: the duration of the Strait of Hormuz disruption. If flows resume materially within four to six weeks, the recovery trade is legitimate and the bull case intact. If the disruption extends into Q2, the stagflationary scenario graduates from tail risk to base case and equity targets across the board require further downward revision.

Given these developments, oil is now up over 70% year-to-date, with energy stocks up approximately 30%. The supply chain dimension is still an underappreciated second-order risk. Beyond oil, fertilizer, aluminum, petrochemicals, plastics feedstocks, pharmaceuticals, and Asian garment manufacturing all transit the Strait, with inventories for many commodities covering only a few weeks – meaning shortages could emerge relatively quickly if disruptions persist.

This broadens the inflation shock beyond gasoline and into goods more broadly – complicating the Fed's ability to treat this as a 'one-time' shock analogous to tariffs.

The Fed meeting was resolved hawkishly

The Fed held rates steady at 3.5-3.75% at its March 18 meeting, with the dot plot now pointing to just one reduction this year and another in 2027, and seven officials signaling rates should stay unchanged in 2026 – one more than December. The Fed revised its 2026 (PCE) inflation forecast higher to 2.7% on both headline and core, while Chairman Powell said the central bank had not made as much progress on inflation as it had hoped, and that the rate forecast is conditional – 'if we don't see that progress, you won't see the rate cut.' The critical signal: Powell explicitly acknowledged that the Fed is balancing downside risks to the labor market against upside inflation risks simultaneously – describing the current stance as "on that borderline, the higher borderline of restrictive versus not restrictive." This is as close to an admission of policy paralysis as the Fed will make publicly. The monetary easing tailwind – a central pillar of the original 2026 constructive thesis – is now effectively suspended for the foreseeable future. The Iran war "delays, not denies" rate cuts.

The S&P 500 is down 7% year-to-date¹, with the VIX elevated at 31.05 and the 10-year Treasury yield at 4.39%.² The S&P 500 has now posted five consecutive weekly declines, falling nearly 8.7% off the yearly high, while the Nasdaq has dropped more than 12.2% from its peak – testing support levels not seen since September 2025 – and the Dow is off more than 10%. This is no longer a correction confined to mega-cap tech; the drawdown is broadening.

¹ Based on closing level 27 March 2026.

² Past performance is no guarantee of future results. The value of your investment can fluctuate.

“Equity market pricing now implies a 35% probability of recession

Equity market pricing now implies a 35% probability of recession, up from 10% in early March, while the implied probability of stagflation has barely moved at 8% – suggesting the market is trading more for recession than the stagflation scenario that the energy data actually supports. That disconnect is important for active managers: if stagflation rather than recession is the realized outcome, the sectoral implications differ materially.

The bottom line

We still believe the positive structural thesis remains intact, with AI adoption broadening, earnings breadth improving, and supportive monetary conditions supportive. What has changed is the sequence. The geopolitical shock introduces a 60-to-90-day period of elevated uncertainty where the risk premium on energy, inflation, and rates is repricing simultaneously. Historical patterns suggest the market impact of US-involved geopolitical conflicts has tended to be short-lived (see Figure 1), with risk premia reversing over time; the current administration's stated preference for short, forceful actions, rather than prolonged engagement, supports that base case.

Move up the Quality curve

The right posture is not to capitulate but to use this dislocation to stay selective. The technology sector has dropped to a 20% discount to fair value composite estimates.

In particular, the software selloff has gone further than fundamentals alone would justify in several cases. We believe the AI theme still has a long way to go as demand is very strong. Our teammates who attended a large tech conf in San Francisco came back bullish. Therefore, our largest sector overweight is technology (especially Semiconductors and Semiconductor equipment companies) and we are adding to select high-quality Software companies. We also invest in a leading global manufacturing services provider that designs, builds and manages supply chains for electronics and complex products.

On the defensive side, not all defensives are performing the same given oil and rates sensitivity. Health Care remains a favored sector, including both pharma companies and life sciences tools & services. Staples, however, has disappointed since the Mid-East conflict. We fund the overweights by underweighting Financials and Utilities. Financial Services providers and Insurance are some of the companies with most exposure to automation by AI.

For active managers, the table has been set. We advise staying focused on the underlying earnings recovery, leaning into the breadth rotation, and distinguishing between the true AI beneficiaries and AI disruption victims in order to stay well positioned when the geopolitical premium fades – as it almost always does.

Figure 1: S&P 500 performance during previous US-Iran incidents or conflicts

Incident	Date	+1w	+1m	+3m	+6m	+12m
1953 coup	Aug-53	-3.6%	-7.8%	-0.3%	5.8%	24.8%
US embassy hostage crisis	Nov-79	-1.0%	4.2%	12.3%	3.0%	25.9%
US support for Iraq during the Iran-Iraq War	Sep-80	-5.3%	1.2%	2.5%	2.8%	-10.5%
Iran-Contra affair	Aug-85	0.0%	-2.5%	5.7%	16.8%	32.8%
Iran Air Flight 655 shot down	Jul-88	-0.6%	0.1%	0.0%	2.2%	17.5%
Clinton era sanctions	May-95	1.0%	3.0%	7.5%	13.4%	23.4%
US raids on Iran consulate	Jan-07	0.2%	1.0%	1.1%	6.1%	-1.6%
US-Iranian naval dispute	Jan-08	-0.8%	-5.3%	-2.9%	-10.5%	-34.3%
Gulf of Oman - oil tanker incident	May-19	-0.8%	0.1%	1.3%	7.3%	1.7%
Iranian shoot-down of American drone	Jun-19	-1.0%	0.8%	1.8%	8.1%	4.9%
US and Israel strike Iran's nuclear sites	Jun-25	-0.2%	4.5%	10.2%	14.2%	
US military assets rise in middle east	Feb-26	0.4%	-7.2%			
Average perf.		-1.0%	-0.1%	3.5%	6.3%	8.4%
Median perf.		-0.7%	0.8%	1.8%	6.1%	11.2%

Source: Barclays Research, March 2026. Past performance is not guarantee of future results. The value of your investment may fluctuate.

Geopolitics temporarily disturbing the EM picture

Though the war in Iran has momentarily slowed the surge in emerging markets equities, when the dust settles compelling earnings, valuations, and tech-focused growth mean EM should resume its robust rally.

The winds of war

The war between the US, Israel and Iran is a major geopolitical headwind to the strong equity rally in the emerging world. Since the start of the war, the gauge for emerging markets (MSCI EM) has corrected 10.7%, more than MSCI World which was down 8.3% through March.³ Still, emerging equities are slightly up year-to-date, whereas MSCI World is down 6%. After the dust has settled, we expect emerging equities to resume their strong run and regain lost territory relative to developed markets.

Middle East exposure

Zooming in on the Middle East, we are underweight in the region; and substantially underweight in Kuwait, Qatar and Saudi Arabia. We have a small overweight position in the United Arab Emirates (UAE) and continue to believe in the UAE's longer-term future as a powerful regional hub in the Middle East. Therefore, we have made no changes to our positioning there since the start of the conflict.

Energy weakness

Compared to other regions, emerging Asia seems to be the most vulnerable in times of exploding energy prices given the extreme dependence of many of its larger economies including China, India, South Korea and Taiwan on Middle Eastern oil and gas. Robeco's Fundamental Emerging Equities portfolio is significantly underweight in emerging Asia, with large underweight positions in India and Taiwan and smaller ones in China and Southeast Asia. The portfolio is also underweight in

the Philippines which is the most sensitive to energy price spikes. Malaysia is the only country in Asia that is a net exporter of energy. However, its disappointing structural earnings growth in combination with unattractive valuation metrics are the primary reasons for being underweight there.

We have been buyers of Latin American markets over the last few quarters and now have modest overweight positions in Brazil, Chile, Mexico and Peru.

Powerful structural shifts

Focusing on the sectoral breakdown of the emerging asset class, it is striking how different it is relative to previous major crises. During the global financial crisis in 2008, cyclical sectors such as energy and materials were the largest sectors (see Figure 2). Currently, the sectors that dominate EM are information technology, consumer discretionary and communication services. These three sectors combined are responsible for around half the weight in MSCI EM.

³ MSCI data in USD to close 27 March

“We have been buyers of Latin American markets

Emerging markets are no longer a derivative of the global economic cycle; they are now a play on technological leapfrogging and the digitization of domestic consumption. The advanced hardware essential to the AI supply chain, now comes almost exclusively from the emerging world (e.g., South Korea and Taiwan). This underlying trend is still valid and robust, despite the war.

Post-war recovery

After the disruption from the Iran war, we believe EM equities are poised for strong performance in 2026, supported by lower local interest rates, higher earnings growth, attractive valuations, further improvement in corporate governance, and healthier fiscal balance sheets. We still foresee higher returns in EM than in DM in the current calendar year. The valuations are very attractive, with a discount to developed markets that has receded slightly but is still a generous 30%. This is an untenable anomaly, in our view. But it is not just valuation. The trade war is now pretty much priced-in to EM assets and the consensus for 2026 expects earnings growth to pick up across the board: 21% earnings growth for emerging, 14% for mature. It will therefore be the third consecutive year that the earnings environment in emerging countries is better than in the rich countries.

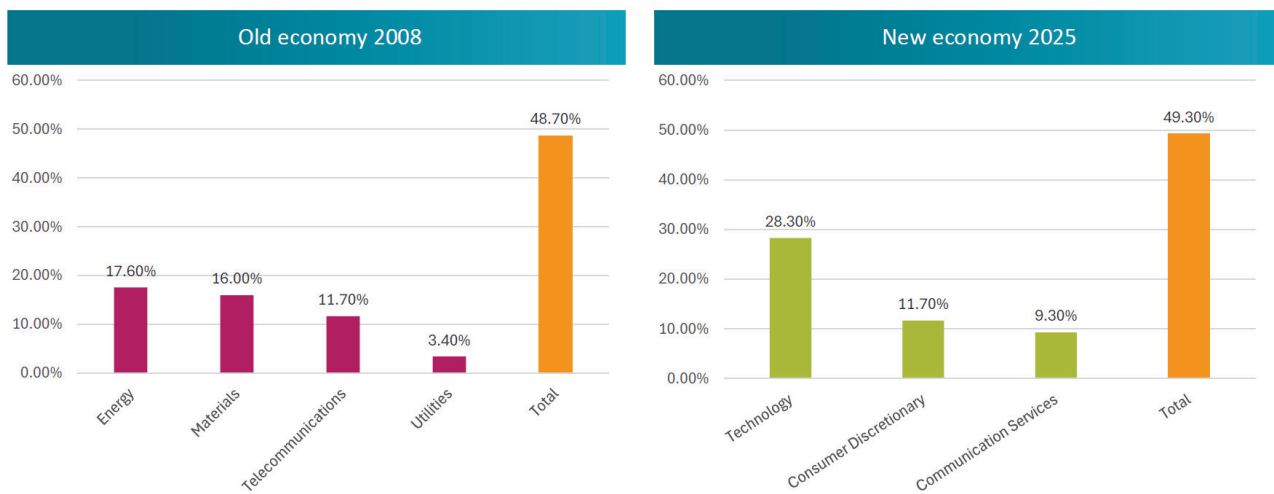
While we maintain our positive EM thesis for now, we acknowledge that an extreme scenario of a prolonged conflict in the Middle East could jeopardize some of the drivers behind our bull case and bear factors could arise, including persistent geopolitical tensions, a stronger US dollar, higher inflation and reviving recession concerns.

Ready for a rebound

In our Fundamental Emerging Equities portfolio, we continue to be overweight South Korea, as it remains fundamentally attractive with strong earnings (revisions), low valuation parameters and structural reforms. The portfolio also remains overweight in Indonesia and Vietnam, since both countries are blessed with high growth and attractive valuations. Furthermore, on both China and India we remain cautious. The latter’s valuation metrics are still too high. In China’s case, the latest earnings numbers show a slow recovery, with EPS growth being powered by buybacks and margins.

In the rest of EM, we like South Africa, which received a boost from its terms of trade, and gold/platinum group metals rally, as well as Greece, and Poland, which received boosts from the EU. In Latin America we are overweight in Mexico, Chile and more recently Brazil, since the latter country is a beneficiary of higher oil prices.

Figure 2: MSCI EM index weights 2008 vs 2025



Source: MSCI, December 2025

INTERVIEW

Cornelis Vlooswijk, Portfolio Manager, Emerging Market Equities

“A good company doesn't always make a good stock”

Cornelis Vlooswijk is senior portfolio manager for Robeco's Global Emerging Markets Core strategy as well as the Afrika equity strategy. Here he reflects on his own investment journey and gives us his take on emerging market trends and opportunities in the months ahead.

What originally got you into investing?

I've been interested in markets since my early teens as I watched my father, a retail investor, check share prices every evening when he came home from work. I became intrigued at how quickly share prices could move for seemingly no reason. I liked numbers and accounting and the competitive aspect of investing. It's not a lottery – you're constantly challenged to gather information, assess it, and make calculated decisions that are better (or faster) than others.

While at university, I joined the student investment association and studied economics and finance. After graduating, I moved to London to work in M&A and corporate finance. It was an interesting experience, but it confirmed for me that I preferred the dynamics of stock-market investing. Markets move constantly and you have to stay sharp, informed, and decisive. I initially started with Robeco as part of a research joint venture with Rabobank, and in 2008 moved into the Emerging Markets team.

What makes a good stock?

A good stock for me is one that is underpriced. And a good company doesn't always make a good stock – valuation matters. That could translate into a strong company whose long-term earnings and cash-flow potential are undervalued by broader markets. That could also mean a mediocre company that investors have abandoned to the point where valuations are extremely low (and extremely attractive). Sometimes the most interesting opportunities are companies with problems that the market is treating too pessimistically. When the valuations sink,

the risk-reward can become irresistibly compelling. I manage Robeco's African equities strategy, where we often observe companies trading at significant discounts to other regions. While not flawless, they can deliver attractive returns based on an initially low starting valuation.

What's your biggest lesson learned over the years?

If something looks too good to be true, do more due diligence. While markets aren't perfectly efficient, they aren't stupid either. When a company seems fine, but its share price is falling, don't assume the market is wrong. There may be information circulating, perhaps locally, that isn't widely known; this is especially true in emerging markets. That doesn't necessarily mean insider trading, but it does mean proceed with caution. Conversely, don't get over-confident when something looks like an easy win.

Emerging markets started strong in 2026, but momentum has stalled amid the Iran conflict. How do you see prospects for EM equities as we enter Q2?

It's difficult to forecast equity markets overall because so much depends on how the Iran war will evolve. However, I do believe the outlook for emerging markets is significantly better than for developed ones. First, EM companies and economies are starting from such a low base, they can easily generate real growth, even in challenging environments. Similarly, valuations are also much lower, which makes EM companies relatively more attractive. The picture is a bit more nuanced for Africa.

“ Many investors assume EM is low-tech and behind; but innovation isn’t confined to developed markets.

Higher oil import costs and lower metal prices are negative for South Africa but share prices have corrected sharply since the conflict began. However, this has created compellingly low valuations and nice re-entry points. We are cautious on Egypt due to the war. It had strong momentum before the conflict but is now vulnerable due to its dependence on Gulf States for financing, which is reflected in very low valuations. In contrast, as oil and gas exporters Nigeria, Algeria, Angola, Mozambique and a few other African nations, are benefiting as energy prices rise. The war is not good for any region, but Africa is somewhat better insulated than Europe or parts of Asia.

Which trends and opportunities are you most excited about in emerging markets?

The biggest opportunities today are clearly in Africa. Given more than a decade of disappointing returns (2011-2024), except for South Africa, global investors largely abandoned it. After years of poor economic policies, countries such as Ghana and Nigeria have implemented reforms which are backed by commodity tailwinds – gold for Ghana and oil for Nigeria.

With an improving macro backdrop and low valuations, businesses operating in these economies are well-positioned for earnings growth. Demographic trends such as population growth and an expanding youth base create natural demand for products and services. Adoption of mobile telecom and mobile money payments are illustrative examples. Companies like MTN and Vodacom combine strong technology with exposure to fast-growing markets such as Egypt, Tanzania, and the Democratic Republic of Congo (DRC). Mobile money is creating huge efficiency gains in areas where traditional banking infrastructure is limited.

What is the most misunderstood aspect of investing in EM equities?

Many DM investors still assume EM is low-tech and ‘behind’; but innovation isn’t confined to developed markets. Emerging markets can dominate major parts of the supply chains across industries. Take semiconductors; Taiwan’s TSMC produces the world’s most advanced processors, and two of the three global leaders in high-bandwidth memory, SK Hynix and Samsung, are based in Korea.

What are your favorite EM countries right now?

After the recent correction, many Korean companies stand out given strong earnings potential that is still underappreciated, especially in tech-related sectors. Nigeria and Ghana are also strong picks, driven by meaningful economic reforms and commodity tailwinds.

If you could meet any historical figure who influenced the financial world, who would it be and what would you ask?

I would choose Benjamin Graham, the father of value investing. His work brought discipline and rationality to markets that were far more speculative in his time. More specifically, I would ask him at what valuation discount would he prefer emerging market equities over US equities?

He valued business quality and low valuations so it would be interesting to know how he would weigh those factors today, especially given how expensive US markets have become relative to EM.

The companies named on this page are for illustrative purposes only. No inference can be made on the future development of the company. These are not buy, sell or hold recommendations.

TRIP NOTES

João Giesta, Equity analyst

South America's rare asado

João Giesta, an Equity Analyst for Robeco's EM Equities team, recently returned from South America, where fiscal restraint, structural reforms and a raw materials boom are converging to create a rare but positive outlook.

Charming cities, mild temperatures, sunny days, and delicious Argentinian *asados* were on a program that began at LarrainVial's Andean Investment Conference, in Santiago, and ended in Buenos Aires with visits to key institutions.

Less red tape, more discipline

Chile's Kast government aims to make the country safer, reignite economic growth, and slash red tape. The economic agenda is a critical priority to unlock growth and create jobs. A proposal to gradually lower the corporate tax from 27% to 23% is the most relevant legislation in the coming months. Another program pillar is simplifying the country's backlogged permitting system which should improve growth and investments across diverse sectors – from mall expansions to mining developments.

In Argentina, the government seems genuinely committed to maintaining a fiscal surplus, opening the economy, passing structural reforms, taming inflation, and restoring trust in the Argentine peso (ARS). As a native Brazilian, parallels between President Milei's plan and our successful 'Plano Real' reforms of the mid-1990s, are encouraging. However, Argentina is still a deeply bi-monetary economy, where the population saves in dollars and treats the peso with understandable skepticism; Milei cannot afford to lose credibility.

His government is also intent on passing the Glaciers Law, which should unlock major mining projects and draw billions in foreign direct investment (FDI). Finally, Argentina's central bank (BCRA) is ensuring the ARS stays within defined FX bands until it can accumulate enough reserves to absorb potential shocks. Understandably, the BCRA will not issue ARS to buy reserves. Apart from FDI, other forms of financing reserve purchases will come from the sale of state-owned assets.



Selectively optimistic across sectors

The region's copper miners believe the market will remain in structural deficit for years, supported by growing demand and limited new supply. In Chile, changing the permits system is seen as a means for expanding brownfield production. Chilean consumer names, on the other hand, are seeing a much more mixed reality: lower-income consumers are under pressure and promotions are intense in staples. Meanwhile, malls and some discretionary names continue to perform relatively better. Oil and gas (O&G) companies in Argentina will keep ramping up production in Vaca Muerta, while expanding the infrastructure needed to connect the basin to export markets. Overall sentiment is selective, but constructive. Peru was a preferred market for most, combining growth, mining exposure, and still-attractive valuations. Chile is seen as the least risky, though many investors argue good news is already priced in. Argentina remains the higher-risk, higher-upside story, but investors want to see more and meaningful FDI before turning constructive. They are more positive on Argentine's O&G names. Colombia was clearly the negative consensus, with a complex fiscal situation to be inherited by whoever wins the election.

Iran war – pain for Chile, cushion for Argentina

Chile is significantly exposed as it depends heavily on imported energy so a prolonged war could derail its positive prospects for 2026. Thanks to its booming O&G industry, which has made the country an energy net exporter since 2024, Argentina has a partial hedge: higher energy prices still press inflation but also support exports and external accounts. That asymmetry could matter more than investors think if the shock persists.

With improving policy direction, visible reforms, meaningful mining potential, and still-reasonable valuations (in select pockets), the current backdrop in Chile and Argentina can be described in the same way an *asado* can only be properly appreciated: rare.

Markets are under-pricing quality-growth in pharma

The pharmaceutical sector is in a state of recovery after some slips and a hard fall in 2025. The market is neglecting a strong bill of health for some companies, creating seldom-seen opportunities in the sector.

The Trump slump

The pharmaceutical sector has been on the mend after a sharp, post-Trump slump that finally bottomed in August 2025, with a 39% discount to market – its deepest discount in 35 years. Sentiment has since improved as US drug pricing policy headwinds have now largely cleared allowing the sector to return to its current premium of 7% – so in its more typical valuation range with respect to the overall market. The revival in sentiment was very sharp and broad-based but has left the better growth stories in the sector significantly mis-priced in our view relative to companies with little or no growth.

Pharma's formula for growth

Growth cycles in the pharmaceutical industry are typically long, often lasting 10-13 years, and most are unrelated to wider macroeconomic cycles. Rather, growth is driven by revenue gains from the innovative new drugs that emerge from pipelines over and above any revenue losses associated with patent expirations.

The novel drugs driving growth in this cycle span many therapeutic areas – from the much-discussed GLP-1 drugs in the diabetes/obesity segment to new disease-modifying treatments for historically untreatable neurodegenerative diseases. It also includes innovative cancer therapies and new classes of drugs helping

patients living with a growing number of chronic inflammatory diseases.

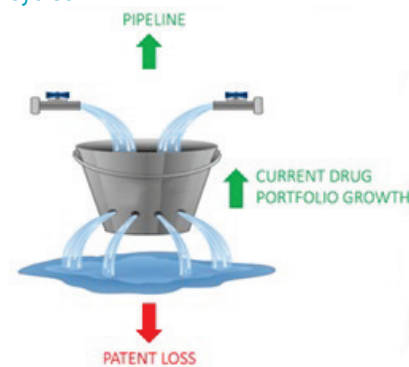
A story of haves and have-nots

What is unusual in this particular growth cycle is that many of the companies with the lowest patent expiry burdens (i.e., positive for growth) also have the most compelling late-stage pipelines (also positive for growth).

Conversely, companies with the largest patent expiry burdens (negative for growth) also have the weakest pipelines (also negative for growth). Indeed, the spread between the three highest growth companies and the three lowest growth companies in the sector is especially wide over the 2025-30 period, with an EPS CAGR differential now of 19.3%.

That spread is double historical levels and, in our view, represents a compelling opportunity for long-only portfolio strategies, particularly following the sector's upward re-rating which currently appears to have largely ignored these significant differences in the sector's medium-term outlook.

Key drivers of pharmaceutical growth cycles



Source: Robeco

The bottom line

As a result, the pharmaceutical sector's top three growth stories are now trading at an average 1-year forward P/E of 16.4x, only just above the average of their 5-year compound annual EPS growth of 16.3%.

By contrast, the three weakest growth stories whose average 5-year compound annual EPS is expected to decline over the period at a rate of -3.0% per year, are trading on an average 1-year forward P/E of 10.7x. Historically, such an undervaluation of quality-growth compounders in this long-cycle sector with high visibility and relatively low correlation to macroeconomic cycles is rare and usually short-lived.

Climate investing under Trump 2.0

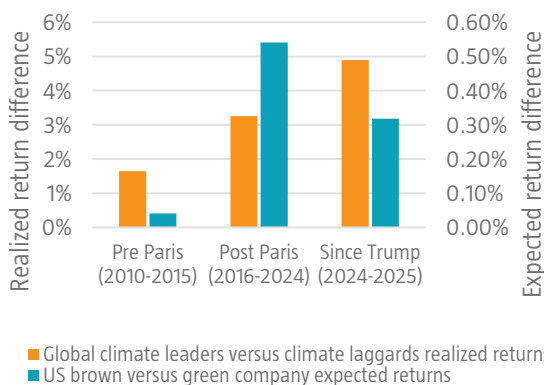
The universal support of the 2015 Paris Agreement has been challenged in the Age of Trump. As ‘the climate’ on climate changes, we examine how green companies are faring relative to brown. It’s a nuanced story that interweaves cost of capital, earnings expectations, and politics.



The cost of capital

One factor at work is the cost of capital – the required return demanded by investors for holding a company’s shares. If the required (or expected) return rises, the share price falls, even if the company’s business and earnings stay the same. Following the Paris Agreement, the cost of capital for brown, carbon-intensive companies rose by 0.55 percentage points compared to similar green, low-emission companies (see Figure 3, Post-Paris blue bar). This likely reflects investors’ demands to be rewarded for the increased transition risks that brown companies are exposed to.

Figure 3: The expected versus realized returns paradox



Source: Robeco, Markwat, Hanauer, Swinkels (2026).⁴

Climate investment policy also plays a role. Large institutional investors often divested from fossil-fuel-heavy industries, because carbon-intensive firms face stricter regulation, stranded-asset risk, volatile demand, and future liabilities. This also pushed share prices of brown stocks down, which may have contributed to the increase in cost of capital. Ironically, once the higher cost of capital is priced in, brown companies should eventually earn higher returns, compensating investors for their

elevated climate risks (i.e., the climate risk premium) – assuming their earnings meet investor expectations.

Earnings expectations

Now let’s look at realized returns (see orange bars in Figure 3). If the world is becoming more concerned about global warming and is embracing the clean energy transition, businesses that drive this transition should enjoy better growth prospects. Robeco calls these companies climate leaders – firms with credible plans to decarbonize. From a carbon emission perspective, climate leaders may be brown currently, such as a steel or cement manufacturer. When such brown companies have ambitious decarbonization targets and a credible delivery plan, we assess them as climate leaders. Our research shows that climate leaders have consistently outperformed climate laggards in their sectors. One reason why these stocks may have outperformed is earnings expectations. Across sectors, climate leaders delivered better-than-expected growth. Investors may have underestimated how fast clean technologies would grow and how strongly demand would change. When profit forecasts were revised upward, share prices rose.

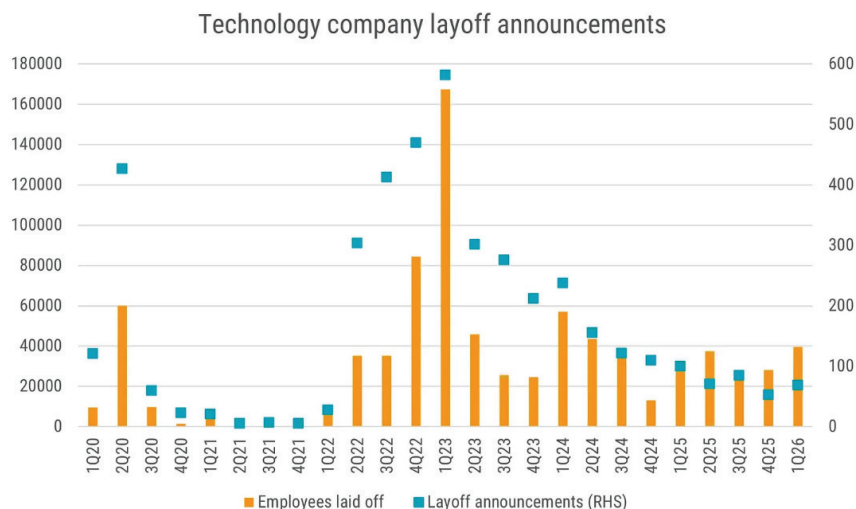
The Trump 2.0. effect

Even as policies reversed under Trump, climate leaders have benefitted from improving earnings expectations – driven by technological momentum, falling clean-energy costs, and supportive policies in Europe and Asia. Upward profit revisions translated into higher stock prices. While brown companies received a short-term boost from the US’s pull-back, global climate leader companies are still enjoying better-than-expected growth. In summary, the post-Paris story is far more nuanced than a simple win for clean energy. It’s a paradox that involves repriced risks, shifting expectations, and geopolitical reversals. It also underscores that in financial markets, climate change is not an abstract future threat, it’s already moving prices today.

⁴ To read the full research paper, please see ‘[The Illusion of the Carbon Premium](#).’ SSRN, February 2026.

AI seeking humans

While concern remains that artificial intelligence will take away jobs, leading developers of the technology are rapidly expanding their headcount. According to the Financial Times, OpenAI plans to nearly double its workforce from 4,500 to 8,000 this year. Anthropic, another leading AI model developer, has more than doubled its workforce over the last year. In the broader technology market, despite a few well-publicized announced layoffs, hiring has outpaced firings. According to the tracking service layoffs.fyi, there have been 39,482 announced technology sector firings so far in Q1 2026, up from the same period in 2025 but still well beneath the levels recorded in 2024 and 2023. At the same time, overall technology employment continues to expand. Net hiring of technology professionals at both tech firms, and in other industries rose by 40,000 in the first two months of the year according to CompTIA, a training and certification provider.



Source: layoffs.fyi March 2026

For more stunning statistics, scan for the Robeco Thematic Equities team's Daily Sketch here



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