ROBECO
The Investment Engineers

Multi-asset market outlook

The new scarcity: Diversification

July 2026

Marketing materials for professional investors, not for onward distribution.

General overview

Rate sensitive areas performed well as bond yields fell

Multi asset	1mo	3mo	YTD	1yr	3yr	5yr
Global real estate (UH, EUR)	2.6%	8.4%	15.7%	21.0%	10.5%	4.9%
EMD hard currency (UH, EUR)	2.4%	4.1%	4.4%	10.0%	6.8%	2.4%
EMD local currency (UH, EUR)	1.7%	3.9%	2.5%	6.7%	4.5%	2.4%
MSCI World (UH, EUR)	1.3%	14.6%	12.7%	24.6%	17.4%	12.3%
Emerging Markets (UH, EUR)	0.6%	25.0%	27.2%	47.3%	21.1%	8.0%
Global high yield (H, EUR)	0.5%	3.3%	1.9%	5.9%	8.6%	2.7%
Global Gov Bonds (H, EUR)	0.2%	0.5%	-0.3%	0.0%	1.1%	-2.1%
Global investment grade bonds (H, EUR)	0.2%	1.4%	0.4%	2.4%	3.9%	-1.0%
Cash (EUR)	0.2%	0.5%	1.0%	2.1%	3.1%	2.1%
MSCI World local currency	-0.1%	14.0%	10.4%	22.6%	19.2%	12.2%
Emerging Markets (LC)	-0.1%	24.1%	26.8%	50.2%	25.1%	10.1%
MSCI World (H, EUR)	-0.2%	13.5%	9.5%	20.7%	17.6%	10.5%
Global inflation-linked bonds (H, EUR)	-0.5%	0.4%	0.8%	1.4%	0.9%	-2.7%
GSCI Commodities (USD)	-8.0%	-10.7%	27.5%	33.9%	12.8%	14.2%
Gold (USD)	-11.8%	-13.5%	-7.4%	21.0%	26.8%	17.0%
Oil Index (USD)	-18.5%	-21.6%	43.8%	36.0%	17.8%	14.7%

Gulf conflict moves markets past peak uncertainty

- In June 2026, financial markets were driven primarily by the interaction of geopolitics, inflationary pressures and central bank expectations. Equities advanced as investor risk appetite improved following signs of easing Middle East tensions and continued enthusiasm around AI-related earnings and capital expenditure, although concerns about higher inflation limited gains.
- Bonds were influenced by expectations that the Federal Reserve would keep policy restrictive for longer, with elevated inflation and energy-driven price pressures supporting higher yields.
- Commodities were dominated by oil market volatility, as the US-Iran conflict, disruptions around the Strait of Hormuz, and subsequent peace negotiations drove sharp swings in energy prices. Currency markets were led by interest rate differentials and inflation expectations, with the US dollar supported by resilient growth and a cautious Fed stance

Past performance is no guarantee of future results. The value of your investments may fluctuate.
Source: Robeco, Bloomberg. All market data to 30 June 2026 unless mentioned otherwise.

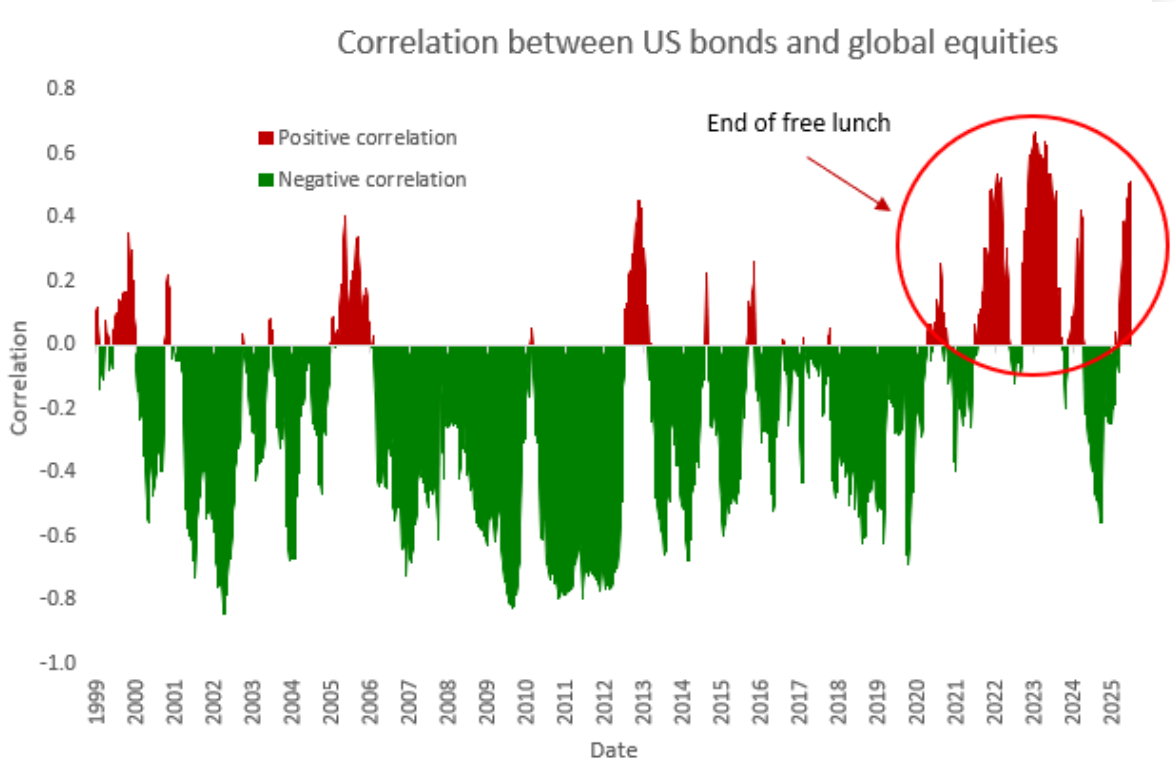
Theme of the month

The new scarcity: Diversification

Diversification is no longer a ‘free lunch’

- Traditional multi-asset diversification is becoming harder to achieve as the old relationship between equities and bonds has weakened. For decades, the 60-40 portfolio worked because bonds often offset equity losses, providing a reliable risk cushion.
- That negative correlation has been far less dependable since 2022, with inflation shocks, geopolitical tension and policy uncertainty causing asset classes to move more closely together. At the same time, equity markets have become increasingly concentrated, with a small group of large technology companies driving a disproportionate share of developed market returns.
- Emerging markets are also more exposed to technology-related themes such as semiconductors, AI infrastructure and digital platforms. As a result, many investors may be less diversified than headline asset allocation numbers suggest.

The normal negative correlation between stocks and bonds has gone



Source: Robeco, Bloomberg

Past performance is no guarantee of future results. The value of your investments may fluctuate.
Source: Robeco, Bloomberg. All market data to 30 June 2026 unless mentioned otherwise.

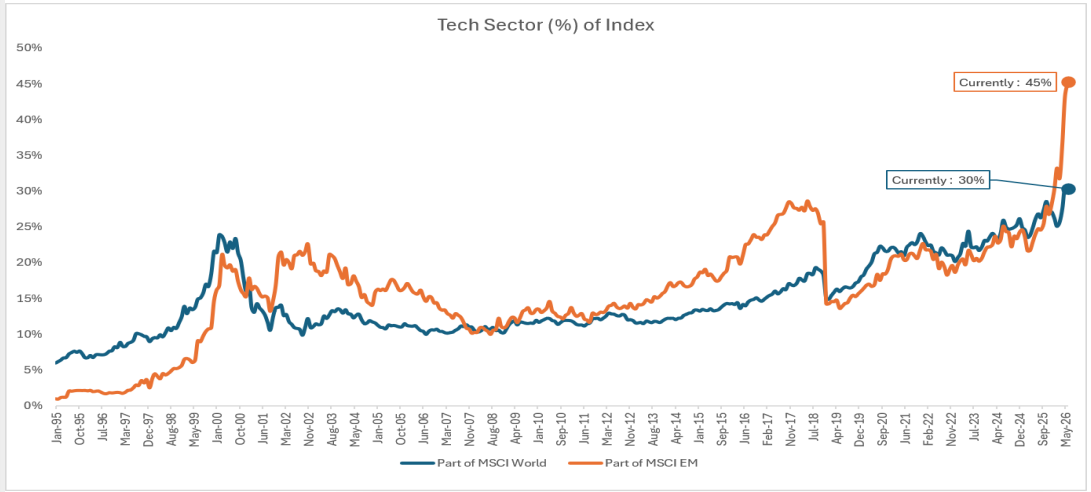
Theme of the month

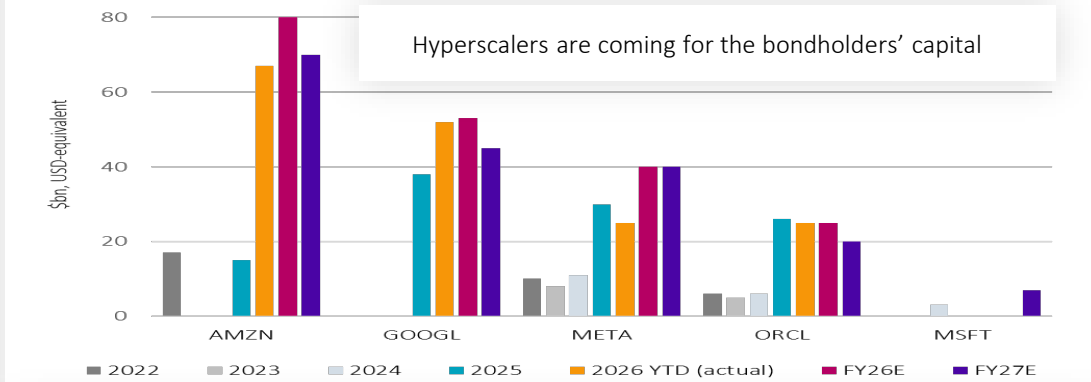
The new scarcity: Diversification

Portfolio managers need to work harder

- Robeco's multi asset team argues that investors need to move beyond simply blending traditional equity and credit styles. A more resilient approach combines quantitative and fundamental investing.
- Quantitative techniques can scan broad datasets to identify opportunities and manage exposures systematically, while fundamental analysis adds forward-looking judgement, macro context and economic interpretation.
- Together, this 'dual alpha' approach can help create a more balanced risk-return profile across market cycles and reduce tail risks. The objective is to reduce reliance on narrow market leadership and build portfolios that are more adaptable when correlations, inflation regimes or policy conditions shift.

Big Tech is crowding out other sectors





Source: Robeco, Bloomberg, Morgan Stanley as at June 2026

Past performance is no guarantee of future results. The value of your investments may fluctuate.
Source: Robeco, Bloomberg. All market data to 30 June 2026 unless mentioned otherwise.

Theme of the month

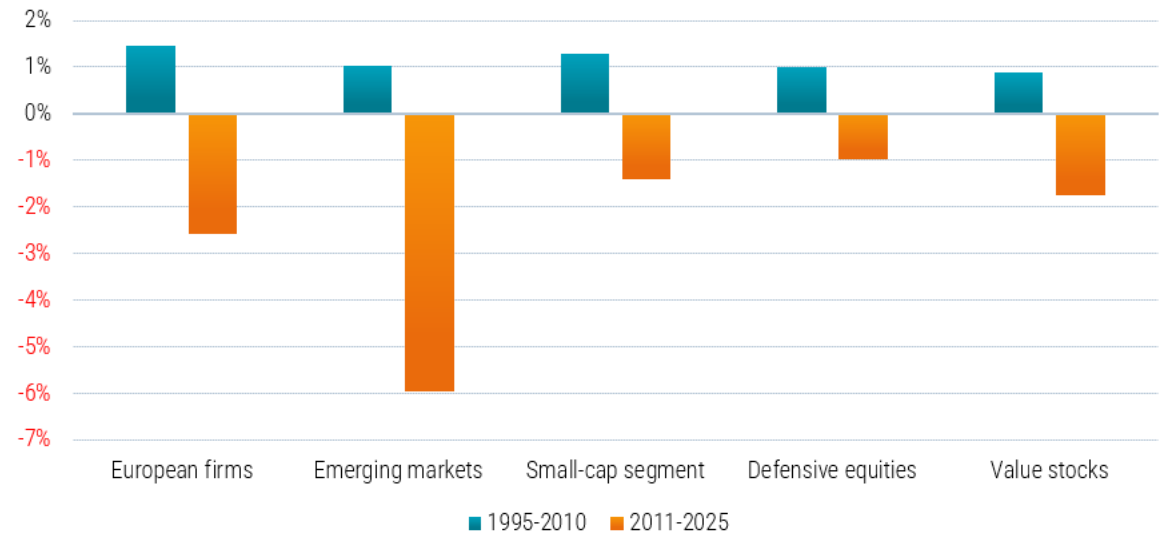
The new scarcity: Diversification

Broaden the opportunity set

- To restore diversification, investors should broaden their opportunity set through satellite allocations around a robust core portfolio. Examples include listed private equity replication, commodities, factor investing, emerging market debt, global small caps and selected thematic exposures.
- Commodities can help during inflation surprises or supply disruptions, while within the bond markets, emerging market debt offers income and with different growth and risk dynamics.
- Structural themes such as clean technology, water infrastructure and healthcare innovation may also provide long-term growth opportunities as market leadership rotates.
- The key message is that future returns are unlikely to be as dominated by one region, asset class or theme; portfolios need multiple return engines.

Historical returns show the need for diversification

Figure 1 – Relative performance versus MSCI ACWI, from January 1995 to December 2025



Source: LSEG, MSCI, Robeco. For the global market we use the MSCI All Country World Investable Market Index (ACWI IMI), while for the contrarian alternatives we consider the MSCI Europe Index for European firms, MSCI Emerging Markets Index for emerging markets, MSCI All Country Small Cap Index for the small-cap segment, MSCI World Minimum Volatility Index for defensive equities, and MSCI All Country World Investable Value Index for value stocks. Data is available from January 1995 to December 2025. All returns are based on total returns and denominated in US dollars.

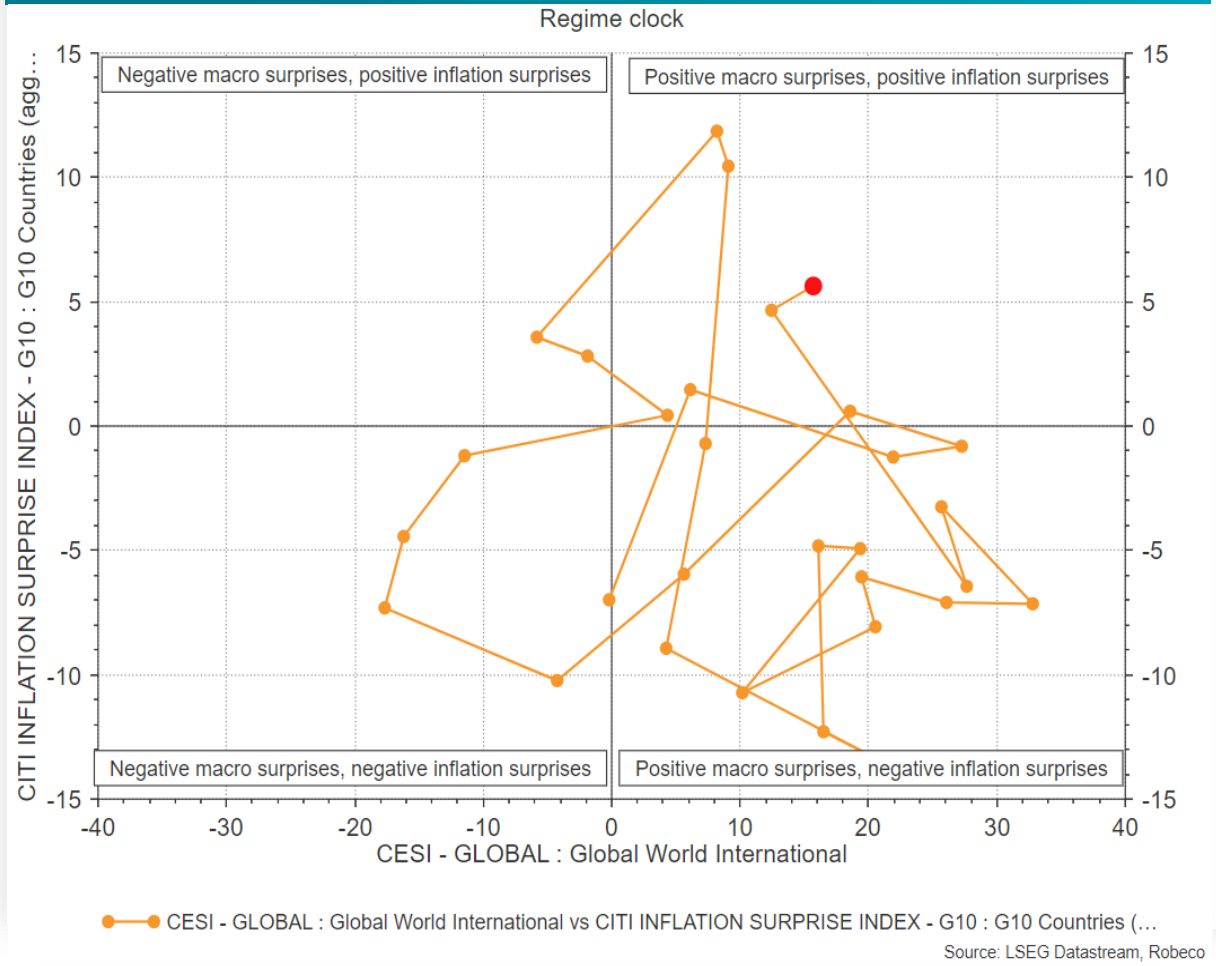
Source: Robeco,

Past performance is no guarantee of future results. The value of your investments may fluctuate.
Source: Robeco, Bloomberg. All market data to 30 June 2026 unless mentioned otherwise.

Economy

Lower oil prices alleviate strained lower-income US households

We are moving further into the reflation quadrant



Source: LSEG Datastream, Robeco

Declining stagflation fear as major Middle East chokepoint eases

> Stagflation fears eased last month as the global economy moved further into reflation territory instead, thanks to positive inflation and macro data surprises. Despite net oil importers like Europe taking a hit from the largest oil shock in recent history, lower energy intensity of oil within GDP prevented a 1970s style recession.

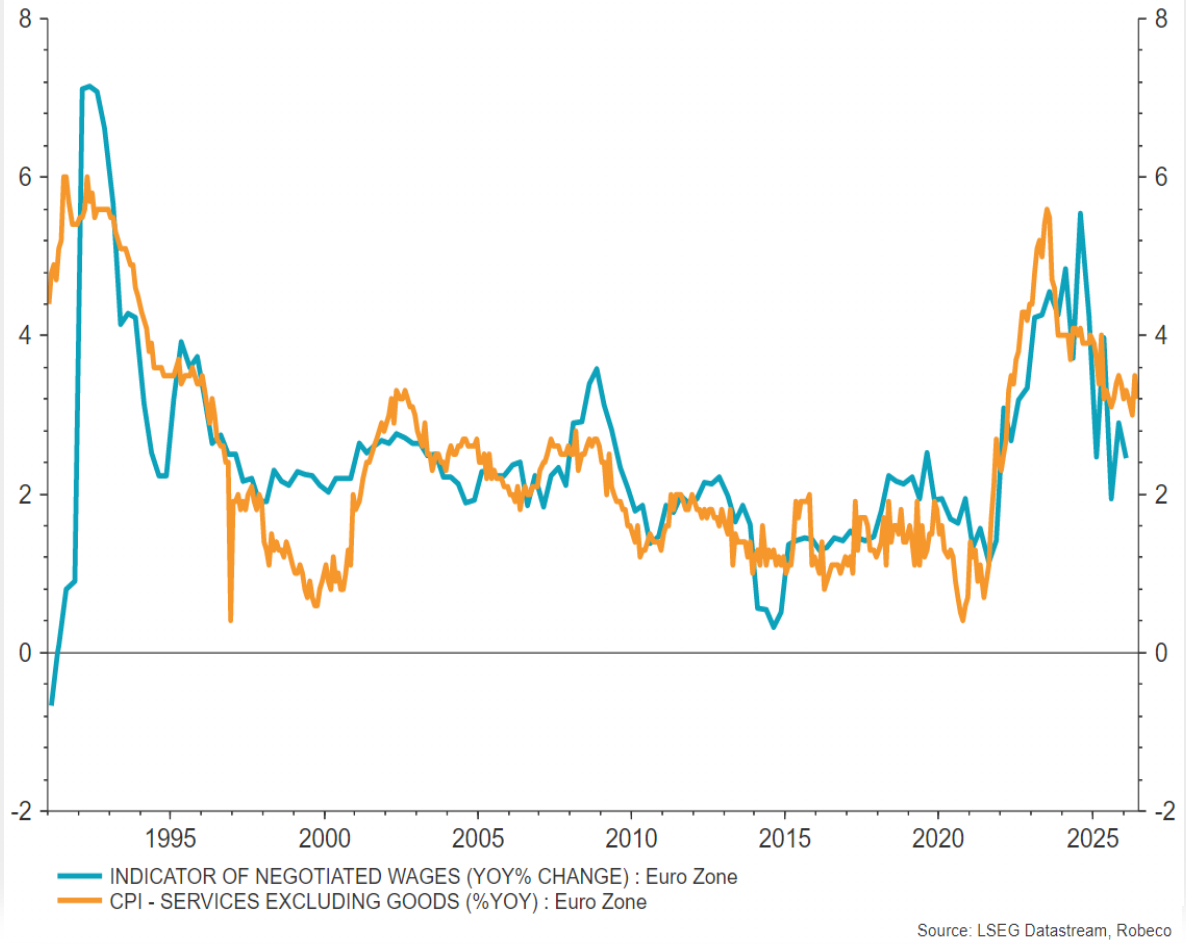
> With the signing of a peace deal between the US and Iran in mid-June, and more tanker traffic starting to flow through the Strait of Hormuz, we had more visibility on the impact of the oil shock. Oil prices in USD declined by 18.5% in June, alleviating the pressure on consumer purchasing power, even as the May US headline CPI jumped to 4.2%, a level not seen since the pandemic.

> Kevin Warsh, the new Fed president, gave a press conference which was perceived as hawkish, removing forward guidance and underlining the Fed's mission to hit the 2% inflation target. The US economy is running close to full capacity, with decent job growth averaging 111,000 over the past three months, making a rate hike before the November mid-terms unlikely.

Economy

Closely watched EZ services inflation declined in June

Eurozone services CPI (excluding goods) declined to 3.2% in June



Source: LSEG Datastream, Robeco

ECB officials have shifted tone

- Producer confidence in the Eurozone is still below pre-Iran war levels, but some recovery in sentiment in flash PMIs over June became visible. The decline in confidence observed over the last couple of months remains considerably larger than the deterioration in hard economic data. If energy prices remain stable throughout the summer, this suggests more room for an improvement in European producer and consumer sentiment.
- As a result, market expectations for a further ECB rate hikes have shifted, pricing out a full 25 bps rise following the US-Iran accord. More recently, ECB officials have been sounding less hawkish. We have been arguing that the impact of the oil price spike on European core inflation is likely to remain limited, as the potential for second round effects was lower than the ECB initially feared.
- Capacity in the services sector is modestly below trend, lowering the bargaining power of workers. Negotiated Q1 wage growth in the Eurozone declined to 2.5% from a Q4 2024 peak of 5.5%.

Important information

Robeco Institutional Asset Management B.V. (Robeco B.V.) has a license as manager of Undertakings for Collective Investment in Transferable Securities (UCITS) and Alternative Investment Funds (AIFs) ("Fund(s)") from The Netherlands Authority for the Financial Markets in Amsterdam. This document is solely intended for professional investors, defined as investors qualifying as professional clients, who have requested to be treated as professional clients or who are authorized to receive such information under any applicable laws. Robeco B.V and/or its related, affiliated and subsidiary companies, ("Robeco"), will not be liable for any damages arising out of the use of this document. The contents of this document are based upon sources of information believed to be reliable and comes without warranties of any kind. Any opinions, estimates or forecasts may be changed at any time without prior notice and readers are expected to take that into consideration when deciding what weight to apply to the document's contents. This document is intended to be provided to professional investors only for the purpose of imparting market information as interpreted by Robeco. It has not been prepared by Robeco as investment advice or investment research nor should it be interpreted as such and it does not constitute an investment recommendation to buy or sell certain securities or investment products and/or to adopt any investment strategy and/or legal, accounting or tax advice. All rights relating to the information in this document are and will remain the property of Robeco. This material may not be copied or used with the public. No part of this document may be reproduced, or published in any form or by any means without Robeco's prior written permission. Investment involves risks. Before investing, please note the initial capital is not guaranteed. This document is not directed to, nor intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, document, availability or use would be contrary to law or regulation or which would subject Robeco B.V. or its affiliates to any registration or licensing requirement within such jurisdiction.

Additional Information for US investors

This document may be distributed in the US by Robeco Institutional Asset Management US, Inc. ("Robeco US"), an investment adviser registered with the US Securities and Exchange Commission (SEC). Such registration should not be interpreted as an endorsement or approval of Robeco US by the SEC. Robeco B.V. is considered "participating affiliated" and some of their employees are "associated persons" of Robeco US as per relevant SEC no-action guidance. Employees identified as associated persons of Robeco US perform activities directly or indirectly related to the investment advisory services provided by Robeco US. In those situation these individuals are deemed to be acting on behalf of Robeco US. SEC regulations are applicable only to clients, prospects and investors of Robeco US. Robeco US is wholly owned subsidiary of ORIX Corporation Europe N.V. ("ORIX"), a Dutch Investment Management Firm located in Rotterdam, the Netherlands. Robeco US is located at 90 Park Avenue, 21st Floor, New York, NY 10016.

Additional Information for investors with residence or seat in Canada

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

© Q3/2026 Robeco

ROBECO