

FUNDAMENTAL EQUITY QUARTERLY Q4 2026

THIS EDITION'S HIGHLIGHTS

P3 Introduction: Kees Verbaas, Head of Fundamental Equities

Competing narratives around bond market volatility aren't making it any easier for asset allocators, but we believe the investment thesis for global equities remains intact.

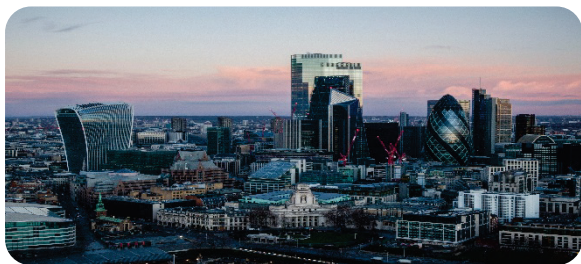
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P8 Interview with Natalie Falkman, Portfolio Manager for the Circular Economy strategy

In this wide-ranging interview Natalie reflects on her personal investment journey and why economics is driving companies to apply circular solutions.

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THIS EDITION'S HIGHLIGHTS



P10 Trip notes: London

Equity analyst Rodrigo Baptista attended a recent London industrials conference where the focus was on the AI buildout and automation. The macroeconomic and geopolitical backdrop is not reassuring for every segment though.

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P11 Where we differ from the market: Argentina

Argentina's intense economic reform process is on track and the financial and energy sectors offer compelling risk-reward, says João Giesta, analyst in Robeco's EM equities team.

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TOP 3 EM EQUITY MARKETS YEAR TO DATE

+95.53%

MSCI KOREA

Despite a sell-off in July, AI-powered Korea still leads the emerging markets pack. USD price return year-to 28 September 2026.

+69.31%

MSCI TAIWAN

Taiwan is close behind its North Asian peer Korea, driven by the same AI build-out demand driver. USD price return year-to 28 September 2026.

+42.28%

MSCI COLOMBIA

Colombia equities have benefited from peso appreciation vs the USD and a right-wing political swing. USD price return year-to 28 September 2026.

TOP 3 DM EQUITY MARKETS YEAR TO DATE

+28.03%

MSCI AUSTRIA

Financials and energy have underpinned Austria, augmented by a sprinkling of AI stardust. USD price return year-to 28 September 2026.

+24.52%

MSCI NORWAY

Europe's energy giant has had a strong year, benefiting from high oil and gas prices. USD price return year-to 28 September 2026.

+20.46%

MSCI SINGAPORE

Singapore equities have benefited from AI exposure and safe haven flows from Indonesia. USD price return year-to 28 September 2026.

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

Parallel worlds

In financial markets, there are often two competing narratives to consider. What we face at the moment is of a different order – two seemingly parallel worlds.

First, the positive world. The global economy is growing fast, driven by extraordinary innovation and technological progress. An industrial revolution is taking place and its impact is everywhere, as are the related investment opportunities. This structural background is validated by economic data which reflect an accelerating transformation with US manufacturing running hot, emerging markets contributing an ever-increasing proportion of global growth and wealth, and even struggling economies like Germany showing signs of recovery. From a bottom-up perspective, record high profit margins are fueling broad-based earnings momentum, and well-run companies with good visibility can be found in every corner of global markets. In short, a golden age for equities sustained by real economic activity. The recent monetary tightening in the US, Europe and Japan reflects a desire to temper any inflationary consequences.

However, at precisely the same time we are in a world sometimes described as an “omnicrisis” or a “perfect storm” with bond markets selling off as governments grapple with large and growing debt loads, political strife, US-China trade dislocation, and an energy crisis caused by two major wars. As credit conditions tighten, asset markets look vulnerable as refinancing gigantic global debt loads becomes more and more difficult. Moreover, the AI boom is driving inflation in energy and hard assets while encouraging rampant borrowing, crowding out government debt-raising, which is pushing up yields even further. A fragile edifice.

We tend towards the positive viewpoint. Earnings growth, still healthy liquidity and several forms of stimulus going into the US mid-term elections are the overriding factors for a constructive outlook, while being cognizant that the risks are very real, and building.

We are endeavoring to present a balanced and constructive perspective in this equity quarterly. As well as the DM outlook from Tom Globe and the EM outlook from Wim-Hein Pals, we visit London, Argentina and many points in between. Also included is an interview with Natalie Falkman, our Zurich-based portfolio manager of Robeco's Circular Economy, one of our thematic equity strategies.

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Kees Verbaas



Resilience rather than euphoria



Despite multiple risk factors including the upcoming US midterm elections, we still believe equities have momentum but careful positioning is required, and investors should consider sector exposure beyond the powerful AI trade sooner rather than later.

Markets seem increasingly prone to moving rapidly through something akin to the five stages of grief whenever a new shock emerges. Initial alarm ultimately gives way to acceptance, albeit via an uneven path, and markets resume their seemingly inexorable climb higher, disregarding ongoing uncertainties with little more than the occasional passing comment while refocusing on the positives.

A genuine wall of worry

Which gets us to the current point in time: another war in the Middle East that, despite numerous claims to the contrary, has not been resolved quickly, resulting in the most disruptive event for energy markets in recent history. This is on top of an ongoing war on the fringes of Europe, erratic foreign policy from the US, inflation rearing its head once again, and central banks that are now having to assert some degree of control. Nevertheless, despite what most would agree to be a concerning backdrop, markets keep making new highs.

The only way is up?

So with all the apparent negativity, why are markets so strong? What should be reassuring is that the rally is heavily earnings-based: the S&P earnings forecasts for the year range from mid 20s to high 30s, with expectations for mid-teens growth in 2027, and the consensus for the STOXX is high single-digit. While it is undeniable that AI infrastructure spend remains the dominant driver of earnings, there is a degree of breadth demonstrated by a recovery in industrial production.

Stronger demand from manufacturing/infrastructure spend is driving earnings growth outside of technology. We are also seeing this reflected in market moves, with the Mag 7 overall now being less dominant than they have been in previous years.

Pre-election jitters despite the year-3 track record

It is hard to ignore the looming US midterms. Historically, markets have performed well after midterms due to greater visibility; however US politics feel particularly combative and there is the consideration that, leading up to November, President Trump has to keep one eye on public perception.

Once we're through that and past the final public vote, the fact that President Trump cannot seek a third term raises questions about what comes next for policy – from tariffs to the Iran war – and what further escalation in the Middle East would mean for global energy markets and inflation.

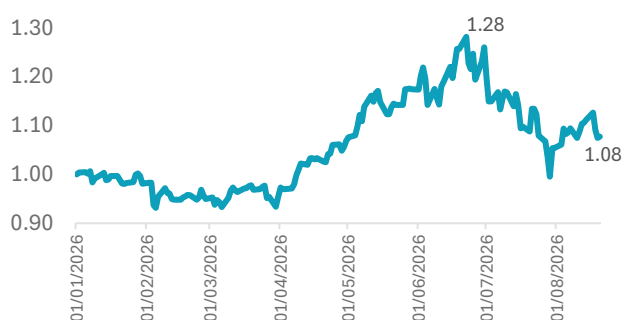
Current expectation is that the Republicans lose the House but retain the Senate, as the Senate would require a much bigger swing for Democrat control. So, with that as a base case – and putting aside key-man risk – historically the third year of a Presidential term has the highest average returns (see Figure 2 overleaf) and the best odds of positive returns. With a divided government, political gridlock could take some of the focus off politics and bring fundamentals back to the forefront.

“The momentum trade is not the only option out there”

Positioning for a strong but nervous market

The base case for equities is still for further moves up, albeit with volatility as the market continues to process concerns. The overhangs going into the final quarter of what has been a broadly positive year are familiar: geopolitics looks set to remain a focus and inevitably AI will be a topic of discussion. The market has taken setbacks in its stride so far. The shift from expectations of rate cuts to rate hikes in the US, and a ‘higher for longer’ outlook in Europe, has done little to dampen enthusiasm. The US midterms appear likely to have little direct impact, at least in the near term, while S&P earnings are climbing at a pace not seen in over a decade.

Figure 1: MSCI US momentum relative to S&P Equal Weight



Source: Bloomberg, year to 20 August 2026

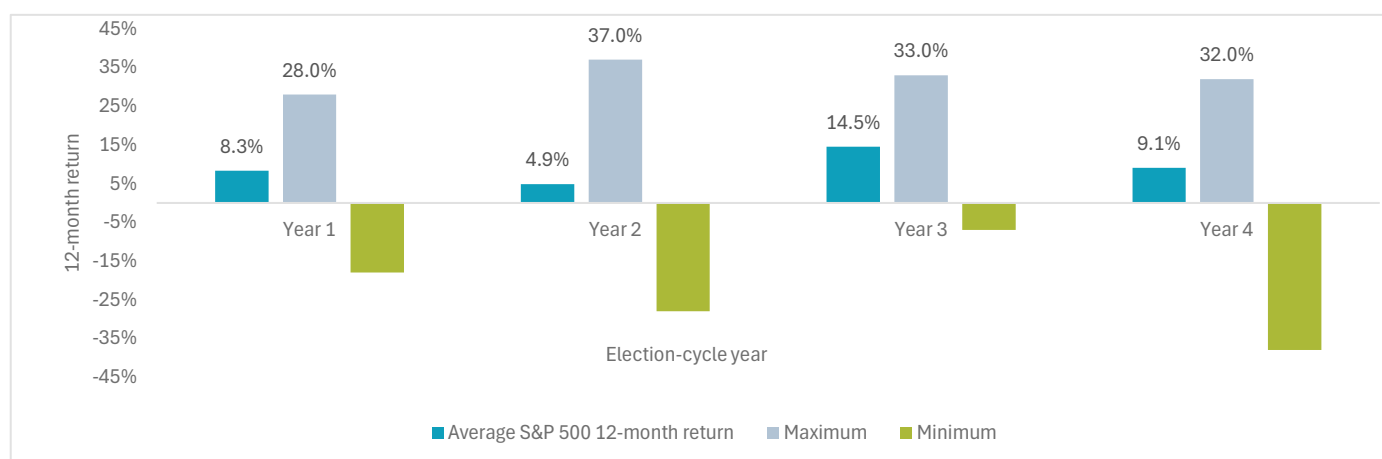
While momentum names had a mixed start to the third quarter, with a particularly weak July, the reversion has already started, with a notable bounce through the remainder of the period taking

us into the final quarter. This setup suggests a continuation of what now appears to be the norm: strong, yet nervous, markets that are susceptible to flash rotations. Provided earnings continue on their current trajectory, there are no major hyperscaler capex shocks, and there is no significant escalation in the Iran war – although ‘significant escalation’ is now very open to interpretation following the events in Q3 – it is hard to see what will derail markets in the short term.

As we look further ahead into 2027 we face a number of unknowns in the form of potential further rate hikes in both the US and Europe, more abrupt changes to US foreign policy, and market attitudes towards valuation. However, so far this has not dampened market enthusiasm. When you set that against a backdrop of expectations of high earnings growth for 2027, it’s hard to feel overly pessimistic about the coming 12 months, with the caveat that sector rotations can be swift and unforgiving.

Despite how it may feel, the AI/momentum trade is not the only option. While certain sectors remain beaten up, there is still plenty of growth elsewhere, and even with the momentum trade rebounding, the market has more breadth than it did earlier in the year. It is also worth noting that performance of high free-cash-flow-yielding companies has continued through the July rotation and into subsequent months, suggesting that the market isn’t just split into binary options of AI or not AI.

Figure 2: Historic stock market returns and the election cycle



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

Source: Haver Analytics, Fidelity Investments. Average S&P 500 12-month return November to November since 1950.

Earnings are what matters for EM

The risk factors for emerging markets are very much the same as for developed markets, like geopolitics. That leaves earnings as the major comparator for investors aiming to calibrate their exposure, and by that measure, EM is justifying the hype.

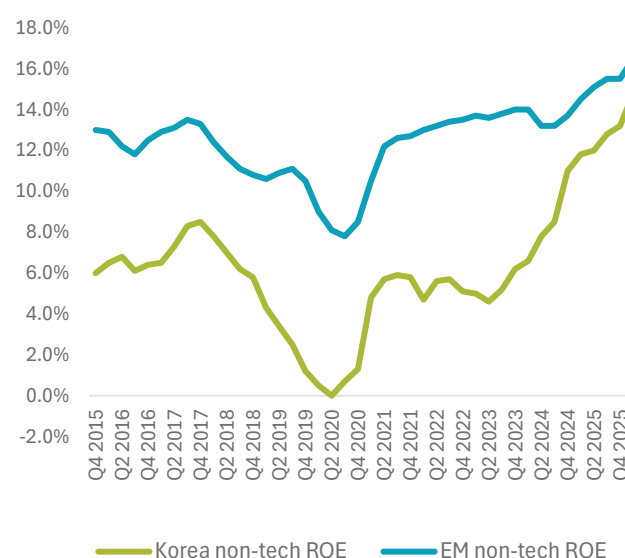
If we go back to the start of 2023 and compare the performances of the MSCI EM with MSCI World until today, the total returns in both regions are in line. In less than four years and in both categories, you would have doubled your money in USD. More recently, emerging markets have substantially outperformed their developed peers. From the start of 2025 to the end of August 2026, the total return of the MSCI EM has been double its developed equivalent (MSCI World).¹ Is this strong performance, both from an absolute and relative point of view, sustainable in the near future? To answer this question, we focus on the earnings per share in EM. In this context we look at both the numerator (earnings) as well as the denominator (number of shares), since dilution can significantly distort the picture from an EPS point of view.

The numerator: EM earnings growth

Emerging markets' earnings have undergone a remarkable breakout, with USD EPS growing at a 20% CAGR since April 2024 (see Figure 4). Earnings growth has exceeded expectations by the widest margin since 2000, while the market is forecasting a 43 percentage points earnings growth advantage for EM over DM in 2026. Earnings revisions also remain supportive. By now the earnings growth story is well-known, but broader than the 'Semi3', Taiwan Semiconductor (TSMC), Samsung Electronics and SK Hynix.² If we zoom into Korea's recent earnings record, it is remarkable that its EPS estimates have been upgraded by 40% (vs. EM EPS seeing 10%). There are also signs of broadening of strength beyond technology/memory companies into non-tech sectors, such as energy, healthcare,

industrials, consumer staples and financials. Market leadership is expected to gradually shift from memory-driven EPS revisions toward improved shareholder returns and broader-sector EPS recovery. While a lot of focus is on the tech parts of Korea, there has been a steady pickup in Korea non-tech return on equity (ROE), catching up toward the non-tech parts of broad EM. Undoubtedly 'Value-Up' has contributed to this trend over the last few years, as illustrated in Figure 3.

Figure 3: Return on Equity in non-tech sectors, Korea versus EM



Source: IBES, MSCI, Datastream, UBS.

¹ MSCI EM at 162.82 vs 132.29 for MSCI World, USD net return based to 100, from 1 January 2025 to 31 August 2026

² The companies shown here are for illustrative purposes only. No inference can be made on the future development of the company. This is not a buy, sell, or hold recommendation.

“We have seen a structural shift in net issuance, leading to lower earnings dilution”

In general, the outperformance of EM has been driven by its robust earnings growth, supported by both top-line growth and EBITDA growth. As expected, much of the outperformance came from IT, led by Korea and Taiwan, though strength has broadened. Emerging Asia remained the regional leader, while Latin America and EMEA also exceeded expectations, helped by strong results in the energy sector, as geopolitical tensions tightened crude and refined-product supply. India reported better-than-expected earnings as well, with management teams citing resilient domestic demand. In China, the innovation complex (AI ecosystem, healthcare) grew strongly, while domestic demand exposed areas stayed soft.

Looking ahead to the earnings revisions, we also see broader strength, as gains extended beyond IT to energy, materials, healthcare, and financials (the second-largest sector in EM). The earnings-revisions ratio is near a five-year high in EM, and has risen from 0.87 to 1.03, according to data from Bank of America.

The denominator: the number of shares in EM

The expected earnings pool is one thing; earnings per share is another issue, and that was a significant headwind for EM in the period 2014-2024. Over the last two years, we have seen the increasing strategic importance of share buybacks in EM as a means of enhancing shareholder returns and a cushion against the drag from dilution in EM equities. Despite 5% compound annual growth in total earnings over the last 15 years (in USD), EPS growth over the corresponding period has been flat. More recently, we have seen a structural shift in net issuance, leading to lower earnings dilution.

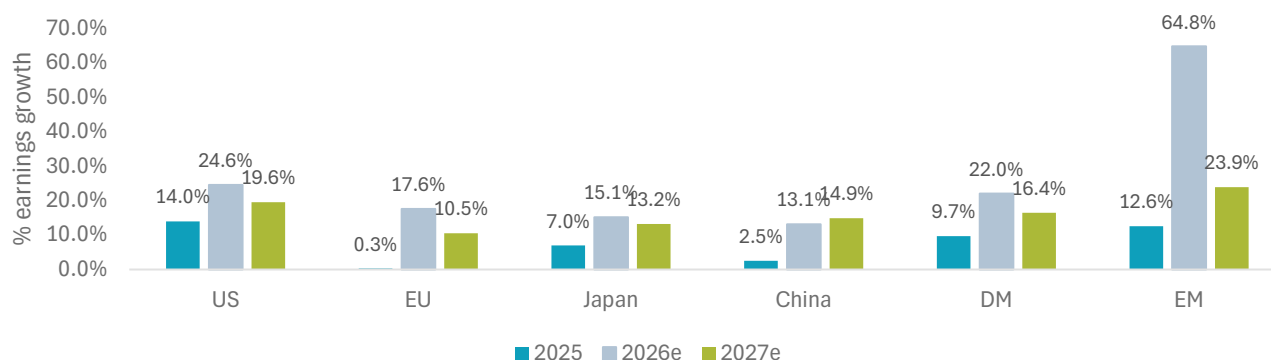
Buybacks in vogue*

Multiple large-scale buybacks have been announced this year. For example, SK Hynix announced a USD 30 billion buyback and cancellation program, one of the largest shareholder-return programs ever announced in Korea. Worth noting is the company's apparent willingness to move beyond its previous 'less than 50% of free cashflow' framework toward a far more aggressive return policy. The company is expected to pursue additional shareholder returns given expectations of record FCF generation over the next few years. Samsung Electronics formally announced the long-awaited shareholder return policy, where it plans to pay a USD 20 billion special dividend and guides for a USD 70 billion shareholder return over 2024-2026E.

It is not only some memory companies that are causing the change. China has also rolled out market reforms aimed at strengthening the governance guardrails in their equity markets and protecting investor interests. Latin American markets with longstanding listings in the US are already accustomed to DM-like institutional efficiency in financial markets. Improving governance, positioned as value-unlock initiatives and ultimately margin-accretive, is one of the key elements supporting the argument for a larger allocation to EM equities. To conclude, the combination of robust earnings execution on the one hand and the broadening of large share-buyback programs on the other, is a very powerful one. It structurally supports the outlook for EM equities.

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Figure 4: Aggregate earnings estimates suggest 2027 is set to be another year of higher earnings growth in EM than DM



Source: MSCI, IBES, 30 July 2026.

INTERVIEW

Natalie Falkman, Portfolio Manager

“The strategy’s mid- and small-cap focus is a true differentiator”

Natalie Falkman is senior portfolio manager for Robeco’s Circular Economy strategy. Here she reflects on her personal investment journey and why economics is driving companies to apply circular solutions.

What originally got you into investing?

Investing in equities is almost a national sport in Sweden. Some blame the high taxes for the fact that the horse track and the stock market are among the few places still left to get rich. My first investment was in high school and, unsurprisingly, it was in the Swedish telco equipment and mobile phone maker, Ericsson³ (a tech stock darling at the time). I opened an account with the Swedish Young Shareholders' Association, a cheap way to buy and sell stocks. It was thrilling trying to understand as well as constantly track the performance variables of the companies that were eating all my pocket money. I've been hooked ever since.

What makes a good stock?

A good stock, for me, is one I can see myself owning for a long time – a business that gets better as it grows, not just bigger. Good management is an outsized part of that. I am no expert in running any of the businesses I own, so when I invest in a company, I invest just as much in the people who run it. They shape the culture, and that matters a great deal for long-term success. That's why I like founder-led businesses, not empire builders.

What's your biggest lesson learned over the years?

Get comfortable with being uncomfortable. That includes asking questions – even when you appear to be the dumbest person in the room. Not asking can get expensive.

To many, the circular economy may seem like a niche theme. How do you find the breadth to keep up with broader markets?

The circular economy is a theme, but it's neither niche nor narrow. At its core, circularity is about efficiency – getting more out of less in every process, in every part of the economy. The earlier in the value chain it's applied, the bigger the impact. As a result, the theme runs through every sector and region globally, and that is where the breadth comes from.

Why would an investor choose Circular Economy over other ecological or environmentally themed strategies?

The Circular Economy strategy's mid- and small-cap focus is a true differentiator compared with many global products, including both regular global funds and environmental strategies. We have also shown that we can adapt and seize opportunities as they appear. This year, an important source of alpha⁴ has been AI-bottleneck companies, many of them in Asia, while in 2022 – with Covid lockdowns still in place – the strategy had a clear defensive tilt. The strategy is broad, flexible and truly active; we are not governed by the large weights in global indices.

³ 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.

⁴ Alpha refers to the excess return of an investment relative to a benchmark index and is a measure of performance.

“Sometimes the hardest part of a great investment is simply holding on to it”

Lastly, I strongly believe the thematic lens works to our advantage. It strengthens our selection process by pointing us to companies that bring real value to their customers. Those are the companies that can profitably outgrow GDP over time.

What are the key structural trends driving demand for circular economy solutions?

Many mistakenly assume top-down regulation is a driver, but economics is actually a far more powerful incentive. Being circular is the same as being smart and proactive. For example, in a world where resources are scarce and supply chains are regularly disrupted, recycling materials simply makes business sense. So, the move toward circularity is driven by companies themselves, striving to become more efficient, save money and build resilient supply chains.

How have you overcome concentrated market leadership, first from megacaps and more recently from the AI trade?

A market driven by a handful of stocks is probably the toughest environment there is for a diversified, mid-cap-focused strategy like ours. During the years when the Magnificent Seven dominated, we still benefited from strong stock selection outside that limited cohort. Understandably, relative returns lagged the MSCI World somewhat, but we were largely in line with, or ahead of, the global categories.

Fortunately, this year, market narrowing has been driven by a few themes rather than a few stocks. The AI trade is also broadening and our breadth of coverage across market caps, regions and sectors has meant we could embrace it rather than skirt around it. Early in the year, the AI enablers were companies showing exceptional profit growth at reasonable valuations. We leaned into that and benefited as the market gained confidence in their earnings strength.

Toward the end of H1, however, the AI theme was running hot. As investors grew more enthusiastic, they cared less about valuations and the risks that narrow positioning brings. Not every AI company is worthy of investment, but AI demand is real, spreading, and delivering efficiency and innovation. That presents excellent opportunities for balanced exposure between AI enablers and AI adopters beyond the tech sector.

At the end of the day, we stay active but we also stay true to the theme. That combination keeps us adaptive, yet disciplined on the fundamental criteria a holding must meet to make it into the portfolio.

What's been your best investment ever?

I tend to remember the worst but those also count toward lessons learned. One positive instance that springs to mind is my purchase of Nvidia* well before it became part of the Magnificent Seven. At the time it was largely a gaming company, but the pivot toward accelerated computing had begun, and the potential of GPUs beyond graphics was becoming visible. Management is always part of my thesis, and here it was central: a founder-led business, with Jensen Huang seeing the shift years before the market did. I sold too early. Sometimes the hardest part of a great investment is simply holding on to it.

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

Howard Marks's book, 'The Most Important Thing', is instructive, as it challenges investors to go beyond consensus thinking, and consider second-level effects of trends or events. It also stresses the trap of human emotions that sometimes sabotage good investing. I still read his memos, which are great at cutting through the noise and distilling what really matters. If we met, I'd like to know how he tells the difference between being early and being wrong real-time, not in hindsight.

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London calling for industrials majors

The long-term industrials picture is one of rapid innovation, spurred by the AI buildout and automation. The optimism is not present in every segment though, given the macroeconomic and geopolitical backdrop.

London might not be the most exotic travel destination, but there is hardly a better location to meet investors and top executives from all corners of the world. Once home to the first industrial boom that helped shape the industrialized world as we know it, it is only fitting that it recently hosted leading companies in the Morgan Stanley Industrials Unplugged CEOs conference, the largest annual European Industrials event.

Through the first eight months of the year, the European Industrials sector remained largely in line with the broader European market, with the +12.9% performance of the MSCI European Industrials index being only a modest 70 bps above the broader MSCI Europe index.⁵ But below the surface, the year has hardly been uneventful, with the Iran war, trade policy, and AI momentum each taking its turn in driving risk sentiment and diverging performances across the different subsectors.

Confidence in the AI buildout

It was no surprise that AI infrastructure continued to dominate attention at the conference, and companies across the data center supply chain had no issue in filling meeting rooms. The clear stand-out theme across multiple companies is that the data center buildout trend continues at full speed. Companies in electricals and power equipment now see backlogs extending beyond 2030, with, so far, no impact from the recent heightened local and political backlash against data center construction.

The debate over the shift to the more power-efficient 800VDC architecture has lost prominence, and equipment suppliers are now preparing for a phased transition involving both a side-car (at first, a decentralized 800VDC conversion next to the racks, preserving the existing AC data center) and a Solid State Transformer (centralized, which converts power to 800VDC at facility-scale, thus redesigning the data center power backbone), rather than an immediate paradigm shift.

However, management teams are conscious of the potential cyclicality of this buildout. Despite still comfortable lead times



and (so far) reliable supply chains, they are planning capacity additions carefully, as well as devoting more attention to building a stronger service network. The demand picture for power infrastructure is clearly positive, as hyperscalers and utilities rush to secure capacity, whether through backup and prime power engines, gas turbines, battery storage systems or, on a longer horizon, nuclear SMRs.

Caution in other industrial segments

If electrical and power suppliers are increasingly confident, the mood across shorter-cycle industrials was more cautious. With overall economic growth not evenly distributed to different industries, higher rates, fuel prices and geopolitical instability continue to take a toll on consumer and business confidence, and corporates remain cautious over near-term prospects.

This is particularly true for the auto sector. Multiple headwinds are affecting end-customer demand, as seen in China where, despite a surge in auto exports, car output is expected to have fallen -7% YoY due to faltering domestic demand. Tiremakers are, however, benefiting from an accelerating tailwind in electrification, as it steadily increases the proportion of high-value tires in the sales mix.

In the commercial space, while the truck cycle has accelerated across both the US and Europe, it has been largely replacement-driven, and commentary across most OEMs and tire makers highlighted uncertainty on the cycle duration, and the outlook for new orders in 2027.

Industrial Automation has shown pockets of growth and was at the center of discussion in multiple sessions, with physical AI promising to automate workflows, expedite processes, and help deal with industry-wide labor shortages. Aerospace and Defense companies transmitted a positive message in the midst of budget uncertainty. Mining equipment players also remained positive, seeing brown and greenfield investments supported by higher metals prices.

⁵ Year to date performance MSCI Europe Industrials vs. MSCI Europe, 31 August 2026.

Argentina: Reform progress is real

Argentina's intense economic reform process is on track and we believe the financial and energy sectors offer compelling risk-reward, says João Giesta, analyst in Robeco's EM equities team.

Twin surplus status for Milei

In less than three years, President Milei's government has delivered an exceptionally large fiscal shock of around 5% of GDP, cut inflation from close to 300% y/y to current levels of around 34%, approved a flagship incentive regime for large investments (RIGI) that is boosting investments in the oil, gas and mining sectors, as well as other microeconomic reforms and deregulation. At the same time, thanks to a surging trade surplus on the back of oil, gas, and grain exports, Argentina is now projected to run a current account surplus and has been able to accumulate reserves at a strong pace since the beginning of 2026.

Argentina is also on track to run a fiscal surplus for the third consecutive year. It will be the only G20 country to run twin surpluses in 2026. We believe the combination of high oil prices and a well-addressed external debt payment schedule going into next year will place Argentina in a more robust position to withstand FX shocks going into 2027.

In that context, after almost a decade of zero exposure, we decided to add positions in the country. We are particularly constructive on the banking and energy sectors.

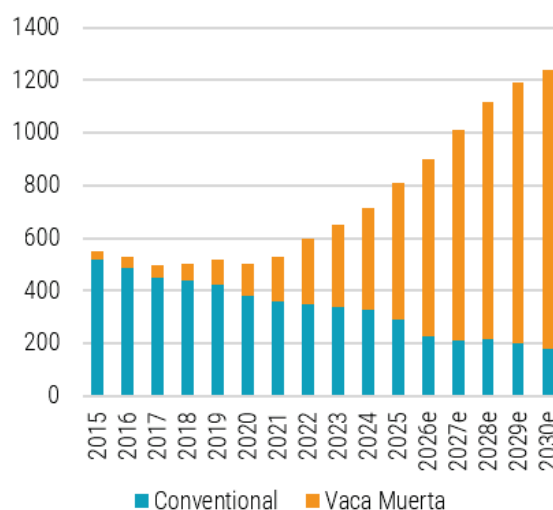
Banks

We see a virtuous cycle unfolding: the replenishment of reserves and decreasing inflation are leading to stronger confidence and increasing demand for the Argentine peso (ARS). The steady ARS has helped tame inflation given the high pass-through in Argentina. In this benign environment, interest rate volatility is decreasing, credit growth is accelerating, and capital markets are expanding. Credit growth and financial deepening are leading to further investments, economic dynamism and growth. This is underpinned by attractive valuations, with banks trading at book values below 1.5x, reflecting relative stress rather than optimism.

Energy

The combination of supportive oil prices, world-class execution, competitive costs, fiscal incentives with higher regulatory predictability stemming from RIGI, increasing worldwide demand for gas and energy, and attractive valuations, make the Argentine oil and gas companies an interesting way to gain exposure to the sector. That is best reflected in the pace of production growth in Vaca Muerta, a shale formation in northern Patagonia.

Figure 5: Argentina oil and gas production by source (Kbpd)



Source: Morgan Stanley, 2026

2027 will be a pivotal year

The main risk to our view would be a change in government at the October 2027 election and a subsequent return to past policies associated with macroeconomic instability and chronic inflation. We are closely watching President Milei's approval rating, the inflation rate and the sluggish growth in labor-intensive sectors including manufacturing and construction.

We believe the market is currently overestimating risks, especially for companies related to the domestic economy, given Argentina's robust position to withstand external shocks and the apparent unwillingness of the Argentines to go back to these past policies: President Milei's approval rating is around 38%, only slightly lower than at the midterm congressional elections, where his party La Libertad Avanza won 41% of the vote versus 31% for the Peronist coalition. A strong sign supporting the thesis.

We, therefore, view those perceived risks as *buenas oportunidades*.

Active ownership: Alive and kicking

The 2026 US proxy season saw smaller shareholders' influence diminish. By contrast, reforms in markets such as South Korea are aimed at distributing influence more broadly among shareholders, says Michiel van Esch, Head of Voting at Robeco.

Governance and AI were proxy voting targets in H1 2026.

The 2026 proxy season has highlighted the rapid evolution of shareholder rights and corporate governance priorities. Annual general meetings are a direct platform where investors can seek accountability and potentially influence decision-making, but the issues debated, and how investors exercise their rights, continue to differ markedly across regions.

US: AI and exec pay front and center

In the US, regulatory developments and a wider backlash against environmental and social initiatives led to a significant fall in shareholder proposals. Environmental and social resolutions reached their lowest levels for several years, reflecting a more cautious stance among proponents and a changing regulatory environment. Nevertheless, shareholder proposals remain an important mechanism for highlighting material business risks. The focus is increasingly shifting toward governance, accountability and risk management, including the responsible development and use of AI.

Executive remuneration was another defining issue. Particularly in the technology sector, companies sought shareholder approval for large incentive arrangements intended to reward exceptional growth and performance. While boards may argue that such awards are needed to attract and retain talent, we remain concerned about the risks created by highly leveraged, upside-only pay structures. Meanwhile, European companies continued to adapt remuneration frameworks in response to an increasingly global market for executive talent.

Climate strategies under scrutiny in Europe

Climate remained prominent in Europe, although the debate evolved. Rather than concentrating solely on emissions-reduction targets, investors increasingly sought clarity on the long-term profitability and financial consequences of capital-allocation decisions linked to climate strategies. This reflects a broader demand for companies to explain how their climate ambitions support value creation or mitigate risk.



Asia: Value up

In Asia, the potential for governance reform to unlock shareholder value is starting to manifest. Regulators, stock exchanges and investors in markets including Japan and South Korea continued to press for stronger governance, higher shareholder returns, simpler corporate structures, more effective boards and improved capital management. Progress elsewhere was less consistent, underlining the reality that governance standards and shareholder rights are advancing at different speeds across regions.

Why stewardship matters

Against this regional backdrop, we believe that proxy voting remains one of the most effective tools available to protect long-term shareholder interests. Our voting policy is designed to help clients meet their investment objectives by supporting our investment thesis. In practical terms, voting helps protect minority shareholders while holding companies accountable for their management of long-term risks and opportunities.

Walking the walk

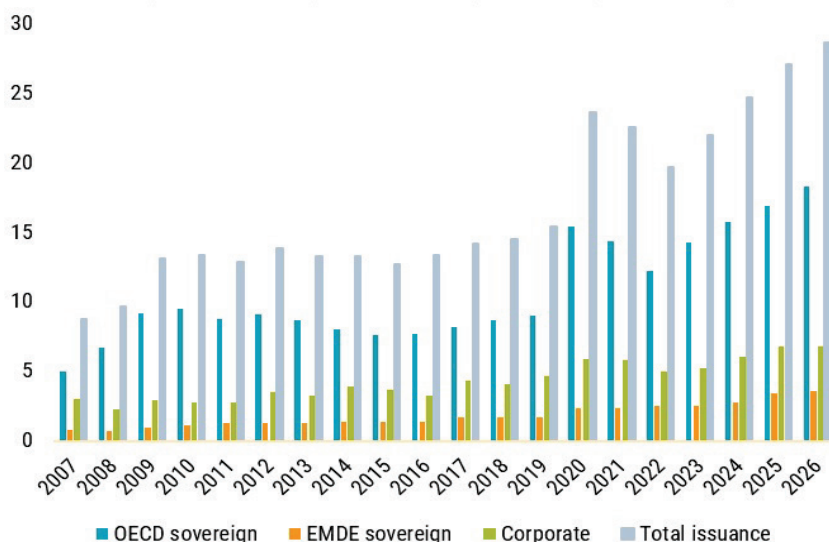
During the first half of 2026, we voted at 4,633 meetings, covering 51,863 agenda items. We voted against at least one management proposal at 59% of meetings, broadly in line with the previous year. Our support for environmental and social shareholder proposals declined, partly because of a higher proportion of anti-ESG resolutions and partly because some proposals did not make a meaningful contribution to long-term sustainable value creation.

A wave of high-profile stock market debuts has also raised concerns over unusual governance arrangements that limit shareholder rights. However, regulators have been relaxing listing rules, amid a shortage of new IPOs coming to the market, rather than seeking to strengthen them, making shareholder engagement even more vital.

Bond issuance bonanza

The 2026 rise in bond yields could partially reflect record issuance, with governments' and companies' gross bond market borrowing projected at USD 29 trillion in 2026, according to the OECD. The expected 2026 issuance is 6% higher than in 2025, more than double the amount of issuance ten years ago.

Corporate bond issuance is likely to reach an estimated USD 6.8 trillion, dwarfing a projected ~USD 1 trillion in global Equity Capital Market (ECM) issuance. The ECM projection depends on a continued pipeline of large deals before the end of the year, including the prospective Anthropic IPO. First half ECM volume was USD 729 billion, up 73% vs. H1 2025, according to Dealogic.



Source: OECD (2026), *Global Debt Report 2026: Sustaining Debt Market Resilience Under Growing Pressure*, OECD Publishing, Paris.

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



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