ROBECO
The Investment Engineers

5-YEAR EXPECTED RETURNS **SUMMARY**

The Stale Renaissance

SUMMARY (10 min. read) ● Emerging market equities seen delivering the highest returns ● Introducing a new asset class of EMD in hard currency ● Artificial intelligence growth faces four headwinds ● US policy incoherence affects 2026-2030 forecasts ● Bull, bear and base case scenarios ● Four special topics (small-caps, Treasuries, private equity, SI)

2026
2030

It was Leonardo da Vinci who epitomized the Italian Renaissance and a new era of creativity following the end of the medieval period. Yet the renaissance that ushered in enlightenment was also a time of intense political turmoil. Today the global economy is in a similar state, in what our 15th edition of Expected Returns views as 'The Stale Renaissance'.

The paradox of innovation meeting chaos can be seen in artificial intelligence driving humanity's economic and social progress, while global policy uncertainty remains elevated, receiving its impetus from the US as the world's largest economy. Still, this is all captured by financial markets, and it offers opportunities for investors across the major asset classes.

Emerging market equities are seen as the asset class that will deliver the highest returns, delivering 7.5% a year in euros from 2026-2030. Developed market equities are seen returning 6%; not far behind are emerging market local government debt and listed real estate, at 5.5%.

> “ *Emerging market equities are seen as the asset class that will deliver the highest returns*

Unlike previous years, corporate bonds are not seen returning much more than government bonds, with returns of 3.25% for hedged credits and 3% for investment grade, compared to 2.75% for German government bonds and 3% for developed global government bonds. This year sees the introduction of a new asset class in Expected Returns: emerging markets debt in hard currency, where returns of 3.75% are forecast.

Finally, commodities are seen among the higher returners, delivering 5.25%, while cash should return 3%. Inflation, which presents a headwind for economic growth in the report, is seen as staying around 2.5%, above the traditional central bank target of 2%.

Table 1: Our Expected Returns forecasts for the major asset classes

	5-year annualized return	
	EUR	USD
Fixed income		
Domestic cash	3.00%	3.75%
Domestic government bonds	2.75%	3.50%
Developed global government bonds (hedged)	3.00%	3.75%
Emerging government debt (local)	5.50%	6.25%
Emerging government debt (hard)	3.75%	4.50%
Global investment grade credits (hedged)	3.00%	3.75%
Global corporate high yield (hedged)	3.25%	4.00%
Equity		
Developed market equities	6.00%	6.75%
Emerging market equities	7.50%	8.25%
Listed real estate	5.50%	6.25%
Commodities	5.25%	6.00%
Consumer prices		
Inflation	2.50%	2.75%

Capital at risk: Returns are geometric and annualized. The scenarios presented are not an exact indicator. They are an estimate of future performance based on current market conditions and evidence from the past on how the value of this investment varies. Expected returns will vary dependent on market performance. Source: Robeco, September 2025.

The rise of the digital Da Vinci

"The Stale Renaissance is a world where technological breakthrough meets macroeconomic headwinds; where progress keeps momentum going even as macro headwinds are fading AI's luster," says Robeco strategist Peter van der Welle, a co-author of the report.

"We are entering a period, as former Google CEO Eric Schmidt put it, 'where AI systems will be able to do things that only Da Vinci could do.' Except now they can do it in a split second."

"We are already moving from generative pre-trained transformer (GPT) models to GPT agents, an important stepping stone toward artificial general intelligence (AGI), which promises to accomplish every task better and more cheaply than human workers."

"Every year AI researchers drop their estimated arrival year of AGI. The progress that awaits us will likely bring about a renaissance of productivity growth after the US trend productivity growth rate made a cycle low in 2020 and has seen a sluggish recovery since."

Four headwinds to growth

The growth of AI should feed through into higher industrial productivity and many economists see a coming productivity boom. But there are four headwinds to this.

> “ *Foreign investors are reassessing their exposure to US assets, raising funding costs and challenging the sustainability of American exceptionalism*

The first headwind is the ongoing policy incoherence within the US and the rising external skepticism. Foreign investors are reassessing their exposure to US assets, raising funding costs and challenging the sustainability of American exceptionalism.

Then there are the shifting tectonic plates of power (the sub-theme of last year's outlook) as China continues to reshape macroeconomic dynamics, with the US trade war as its latest symptom. Taiwan provides another potential flashpoint, though not enough to risk a war over it.

Inflation still rears its head

The third is that inflation continues to present problems in developed markets for central banks, whose ability to contain it to within long-standing 2% targets is declining as a power play with fiscal authorities intensifies. US inflation forecasts were raised in this year's outlook due to tariffs and a depreciating dollar.

Finally, the net-zero ambition continues to take a back seat, and long-term sustainability is no longer a default virtue, but has become a conditional strategy. "As green premiums fade and climate risks reprice, capital flows become increasingly contingent on evidence of real-world climate impact rather than ideals," says researcher and co-author Laurens Swinkels.

"We believe the climate transition will happen, with new technologies enabling a further decline in energy consumption per unit of GDP."

Factors that could influence the macro environment include a potential bond glut due to higher net issuance, greater defense spending, sticky labor market dynamics, and the effect of populism depressing investment.

Economic scenarios

In common with prior editions, Expected Returns presents three possible outcomes:

- Base case (50% probability): The Stale Renaissance
  US economic policy incoherence exerts a gravitational pull on the US economy, as self-defeating policies like constraining migration and weaponizing tariffs leaves US economic growth looking more stale. The eurozone, Japan and emerging markets see their growth differentials with the US improve.

- Bull case (15% probability): The Luminous Renaissance
  The world enters an innovative period marked by a global synchronized cyclical upswing powered by the steady diffusion of AI. The Goldilocks scenario of above-trend growth with inflation at target levels awaits. Geopolitical fragmentation moderates and globalization resumes.

- Bear case (35% probability): The Exorbitant Decay
  This foresees a further unraveling of the global economic order as institutions like the World Trade Organization are sidelined, causing an exorbitant decay. The peace dividend morphs into a security premium. Fiscal dominance, central bank lenience and trade and hybrid wars trigger stagflation.

Navigating returns when breadth fades

So, what does this all mean for markets? “At this point in time we are seeing a market that is very concentrated and momentum-driven, where markets rally, but breadth and conviction are lacking, and investors are climbing a wall of worry rather than embracing a new golden age,” says Van der Welle.

> “ *Valuation levels for some asset classes, notably US equities and risky fixed income, look stretched and more reflective of our bull case*

“This could partially be a sign that the rally in risky assets has legs as the lack of irrational exuberance makes this market more feel like a buzzing instead of a bursting bubble.”

“However, valuation levels for some asset classes, notably US equities and risky fixed income, look stretched and more reflective of our bull case, The Luminous Renaissance,” adds Swinkels.

“This suggests elevated downside risk in these asset classes coming years, making unloved hedges like commodities and REITs more appealing.”

Four special topics

With each edition of Expected Returns, we additionally offer analysis on four special topics of particular interest to investors, but with a unique twist on each one. This year we cover facets of AI, safe havens, private equity and SI.

1. **Using AI for small-cap stocks**: How artificial intelligence can be used to find the best companies worth less than USD 10 billion.

2. **From safe haven to stormy waters**: What to do when traditional safe havens such as US Treasuries run into problems of their own.

3. **A liquid alternative to private equity**: The different types of strategies for investing in a market now approaching USD 10 trillion.

4. **Staying the course on SI**: How sustainable investing can still thrive amid geopolitical disruption and a decelerating transition.

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