

Press Release

Robeco publishes Expected Returns 2020-2024: ‘Escaping the hall of mirrors’

Rotterdam, 1 October 2019 – Robeco has published its annual Expected Returns report (2020-2024), a look at what investors can expect over the next five years. Robeco expects that a recession in the next five years is inevitable and will result in many assets generating returns below average historical returns. The next recession won’t be an edge-of-the-world event, like the global financial crisis was, however. Instead it will likely be more of a smörgåsbord recession – smaller pockets of excess in the global economy snowballing into something substantial enough to stifle global growth.

With the prices of risky assets up over the year, patience has proven to be a virtue so far, similar to the title of last year’s publication. On a five-year horizon, Robeco has revised the return forecast downwards for most asset classes. For government bonds, the outlook for the next five years is divided. German Bunds are significantly overvalued and as inflation picks up, returns are predicted to remain well below cash. In contrast, US Treasuries will benefit the most when the recession sets in, comfortably beating cash.

Valuation is also a negative factor for developed market equities. Still, returns could remain relatively strong in the first half of the forecasting period. However, as Robeco expects a recession in the second half, returns end at relatively low levels towards the end of this projection period. Emerging equities are generally quite cheap, but Robeco kept the return outlook relative to developed markets intact due to lingering protectionism, the expectation is only a 50-basis-point premium versus developed equities.

The macro environment is becoming less supportive for investment grade credit and high yield, and Robeco expects excess returns to be below average historical levels, despite neutral valuations. There is one bright spot in terms of relative returns, namely commodities, which it has kept at the same level compared to last year.

Expected annual returns 2020-2024*

Developed market equities	3.25%
Emerging market equities	3.75%
German government bonds	-1.75%
Developed global government bonds	-0.375%
Emerging government debt (local)	2.75%
Investment grade credits	0.25%
High yield	0.75%
Commodities	4.00%
Cash	-0.50%

* Returns are denominated in euros. Bond and cash returns are euro hedged, except for local currency emerging market debt. Source: Robeco

The theme for this year is ‘Escaping the hall of mirrors’, referring to a scenario described by former Federal Reserve chief Ben Bernanke, when he warned against central banks focusing too much on meeting market expectations.

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Jaap Hoek, portfolio strategist at Robeco: *“The view we take in this report is based on a five-year outlook, extending to 2024. We look beyond short and mid-term events and provide both our institutional and professional investors input for portfolio construction, and a deeper understanding of the markets in which they invest. Although we have lowered our expectations, investors should be aware that, just like we said last year, the greater risk would be doing too much de-risking too soon, as we believe that there are still opportunities to harvest risk premiums in the major asset classes.”*

Peter van der Welle, strategist at Robeco: *“Markets were volatile over the summer, mirroring investor nerves about the US-China trade war and slowing global growth. A notable shift in this year’s report is our downward revision of expected returns, owing to our view that a recession is inevitable between now and 2024. It is essential for central banks to escape the ‘hall of mirrors’ strategy, as they have been too central in market discussions, trying to meet market expectations for ever lower interest rates.”*

In addition to the five-year outlook, the Expected Returns publication also covers four special topics, broadly related to the theme: ‘Escaping the hall of mirrors’:

- [Paving the way for unconventional policy](#)
- [Refining the inclusion of views in portfolio construction](#)
- [Giving China its rightful share in your portfolio](#)
- [Celebrating 30 years of inflation targeting?](#)

The full report is available upon request, or can be downloaded here: <https://www.robeco.com/en/themes/expected-returns/2020-2024/>

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About Robeco

Robeco is a pure play international asset manager founded in 1929. It currently has 17 offices worldwide and is headquartered in Rotterdam, the Netherlands. Through its unique integration of fundamental, sustainable and quantitative research, Robeco is able to offer both institutional and private investors an extensive selection of active investment strategies, covering a broad range of asset classes. As at 30 June 2019, Robeco had EUR 186 billion in assets under management, 74% of which were institutional. Robeco is a subsidiary of ORIX Corporation Europe N.V. which had assets under management of EUR 298 billion as at 30 June 2019. More information is available at www.robeco.com.