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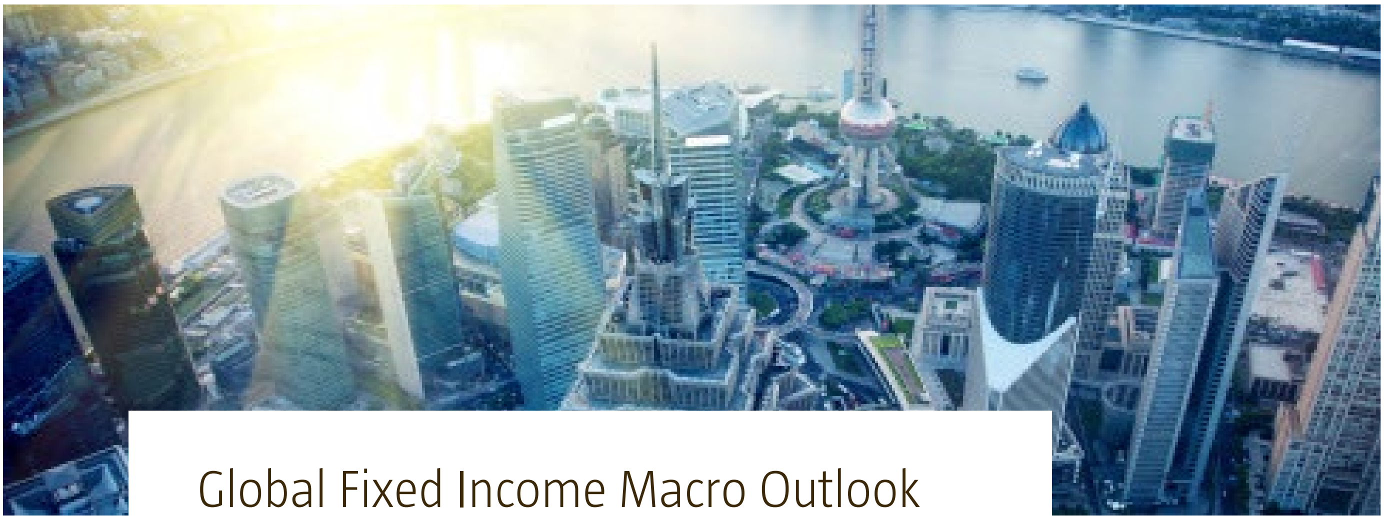

Global Fixed Income Macro Outlook

Tie break

- Central banks need a tie break to win their war against inflation
- Risk management approach to policy increases valuation appeal of bonds
- Curve re-steepening and better credit opportunities to arrive in H2

Summary

In our Q2 Quarterly Outlook, we argued that the 'Cat is out of the Bag' as the steep rise in interest rates over the past 12 months collided with record high debt levels, leading to the largest banking failures since 2008. Nonetheless, the bullish yield curve steepening in March has recently given way to a strong risk-on regime, with equities and credit spreads rallying and yield curves bear flattening. Market action clearly seems to imply that the cat is back in the bag.

But will this persist? We retain the view that the risk of recession has not disappeared, and that labor market weakness could be the catalyst for a change in market sentiment. For now, central banks seem to need a tie break to win their war against inflation and are extending their tightening cycles, even as headline inflation recedes and growth weakens. This reinforces our view that lower yields, steeper curve and credit opportunities will arrive in the second half.

We see the renewed hawkishness of the US Federal Reserve (Fed) but also at the European Central Bank (ECB) as a tendency to insure against the possibility of inflation staying more persistent than expected. By targeting real-time core inflation trends, they seem to be accepting the risk of over-tightening.

Markets have moved in line with this narrative. The pricing of the December 2023 Fed Fund contract says it all. In March, in the wake of the failure of Silicon Valley Bank, the

Outlook
For professional investors
June 2023

Robeco Global Macro team

contract rallied an astonishing 170 basis points (bps), completely pricing out hikes and actually pricing in Fed cuts by the year-end. Since the low in mid-March, this move was nearly completely reversed after a 140 bps sell-off. Fed year-end pricing is back to levels where things started to crack for small and medium-sized US banks.

Equity and credit markets have been doing well in the past few months, and we note that year-to-date spreads are now actually tighter in investment grade and high yield. This warrants some caution in specific corporate sectors. A case in point is the (commercial) real estate sector where all the pain of rate hikes by central banks is causing issues in asset prices and refinancing. Emerging market central banks seem to be ahead of their developed market counterparts. Indeed, the tightening cycle started much earlier for most of them, and they are now in the process of delivering their final hikes (or have already done so), offering some nice opportunities, most notably in Latin American markets.

As rates rise further and further, consumers and businesses will start to feel the pinch of tighter credit conditions. The services re-opening boom – we argue – is set to fade. Employment concerns are likely to start to resurface and headline inflation will likely moderate further – paving the way for a decisive turn lower in core inflation. 10-year bond yields in key markets such as the in US and Germany are back to the top of their range and 2s10s curves – a measure of the difference in interest rates between the two-year and 10-year Treasury bonds – are in deeply negative territory again.

More medium term, we expect policy rates to return back to neutral rate levels – which European markets currently seem to overestimate in our view. This is reflected in our portfolio by duration overweights in German Bunds and UK Gilts. We remain underweight Japanese Government Bonds (JGBs) as we expect the Bank of Japan (BoJ) to further adjust its yield curve control policy, possibly already in July. Within emerging market local rates, we have overweights in Latin America. In credits, we prefer euro swap spreads and covered bonds over corporate bonds, given the rich (relative) valuations in the different credit spread sectors and the potential spread widening risk. Still, our corporate risk beta is close to 1, and we like to add to corporate credit risk once spreads price recession risks accordingly.

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- Risk of recession lingers as lending, services and China slow, bankruptcies rise
- Central banks' focus on core instead of future inflation implies risk of policy error
- Labor market weakness could be the catalyst for a change of course

Growth outlook: labor markets hold the key

Based on the latest survey, production and orders data, it is hard to argue that the global manufacturing sector is having a good time. More recently, the sector's weakness seems related to the slowdown of momentum in China, where the boost to consumer spending led by the economic reopening has proved disappointing, and renewed signs of slowdown in the property sector have prompted fresh stimulus measures.

Even so, the services sector generally has remained resilient, which – in Europe's case also because of fiscal support on the energy front – has prevented most economies from slipping into anything more than a 'technical' recession (defined as two consecutive quarters of negative growth). We suspect that services resilience is partly a reflection of pandemic reopening-related spending patterns (i.e. less goods, more services). But, as ECB President Christine Lagarde recently suggested, it is also due to the sector's lower sensitivity to higher interest rates than that of industry, construction and (commercial) real estate.

Another feature of the current economic landscape – certainly across many developed markets – is the resilience of labor markets and jobs growth. This has dampened the blow to consumer spending that one would expect from the large inflation hit to purchasing power. Looking ahead though, we think it will be hard for labor markets to remain insulated from a (further) growth slowdown, now that corporate bankruptcies – which have long remained well below levels implied by the pace of growth – are on the rise. Across Europe, this also reflects an unwinding of earlier government policies aimed at averting insolvencies.

The bright news from a consumer spending outlook point of view is that wage growth remains solid, while headline inflation is slowing – which obviously has the potential to keep the services sector afloat longer than many people, including us, deemed possible. Now that more and more consumer savings are being shifted into bank term deposits, particularly in Europe, we are less convinced by the argument that a further dip in (any remaining) excess savings will keep boosting consumer spending. Also bear in mind that the sharp increase in policy rates and tightening of bank lending conditions are increasingly spilling over into bank lending flow weakness, both on the corporate loan and household mortgages front. The latter should translate into sequential consumer and business spending weakness if history is any guide.

In short, although broad economic recessions so far have been avoided, helped by a confluence of resilient labor markets, services sector reopening effects and (in some cases) fresh fiscal support, recession risks have not disappeared – despite the global slowdown in headline inflation rates. We do acknowledge though that it could still take quite a number of months before further growth fragility has translated into significant labor market weakness – which seems a key yardstick for central banks in their fight against price-wage spirals.

Inflation outlook: follow the leader

Headline inflation has continued its descent across both developed and emerging markets. Still, it's hard to argue just yet that central banks are decisively winning the war against inflation. For sure, lower food and energy commodity prices as well as disinflation in producer goods prices all point to further (sharp) falls over the coming six months. But core services inflation seems poised to remain sticky over the near term, especially in Europe, where earlier rises in inflation are still spilling over into wages. Over time, the usual time lags between inflation and wages should kick in – implying noticeably slower wage growth next year.

However, after almost two years of underestimating the inflation threat, central banks seem keen not to bank on this – instead they want to see clear signs of improvement in underlying inflation. In our view, this implies a serious risk of over-tightening. We also remain of the opinion that labor market weakness will be the catalyst for a change of course. The biggest risk to the outlook for slower wage growth and core inflation in 2024 probably comes from a sudden (perhaps energy-related) rise in headline inflation.

As for regional variations, it is worth highlighting that we do believe that inflation has structurally arrived in Japan – and that China will act as source of disinflation in the near future. We recently held our third Annual Inflation Day, at which we concluded that the 'high core inflation for longer' view seems to be a very crowded consensus among investors and analysts.

Policy outlook: it's not getting easier

Please don't interfere
While US fiscal policy is still acting as a drag on US economic growth, the drag is much smaller than in 2022, when pandemic support was withdrawn or ended. This contrasts with the Eurozone, where fiscal policy remains supportive for now due to the energy-related measures and EU recovery fund payments. But the Eurozone fiscal stance looks set to become incrementally less supportive as governments roll back support measures – which they also should, according to the ECB, "to avoid driving up medium-term inflationary pressures".

Meanwhile, in China, the stance of fiscal policy also remains expansionary, but less so if one factors in the debt predicaments of local governments' funding vehicles. Looking ahead, while we could envisage an extension of energy support in Europe in case of a renewed spike in energy prices, fresh fiscal stimulus on a grand scale to boost growth seems more challenging in a world where central banks are still fighting inflation and implementing quantitative tightening.

Monetary policy may need an extra innings
Market turmoil associated with the US banking sector prompted investors to price in an end to developed market policy rate tightening cycles back in March. But with such turmoil having eased, rate hike cycles, again, are being extended out in time. This is evident from the resumption of rate hikes by earlier pausing central banks such as the Bank of Canada (BoC) and Reserve Bank of Australia (RBA). To be sure, across emerging markets, central banks in Latin America and Central and Eastern Europe continue to stand pat – and look ahead to easing steps.

We suspect that most developed market central banks including the Fed are inclined to err on the side of caution and to deliver at least one more 25 bps rate hike. Going even further than this into restrictive territory while expected inflation is easing would imply noticeably higher real rates and reinforce our belief that a reversal of tight monetary policy is in store for 2024, as this would amplify the economic damage and disinflation pressure that already is in the pipeline. In Japan, a rate hike seems unlikely in the near future, although it is still likely that the BoJ will further modify its yield curve control (YCC) policy. In China, the latest monetary easing demonstrates that the secular downtrend in policy rates hasn't ended.

As for quantitative tightening across developed markets, our central scenario assumes a continuation until at least the end of 2023. Note that the ECB will still continue to fully reinvest maturing bonds held under the Pandemic Emergency Purchase Program (PEPP) into 2024.

Rates strategy

- Extended tightening cycle leads to a repricing of front-end yields
- Expected cuts have been priced out in the main developed markets
- Forward rates exceeding proxy for neutral in several markets

Signaling effect of central bank steps is the main driver

The extended tightening cycles of the Fed, ECB and Bank of England (BoE) have resulted in a repricing of rates valuation and further inversion of curves. Let's look at the dynamics in play and see how much further these could run. As a direct effect, the expected additional tightening itself pushes up front-end yields. This effect is probably limited, as we expect the amount of additional hikes needed to be not that large. The indirect, signaling effect is more material. Central banks communicating their intention to continue hiking rates has steered markets away from pricing in rate cuts in the near future. For example, market pricing for the Fed funds rate in July has risen by 15 bps since 1 May, while the pricing for December has risen 60 bps in that timeframe. This change in 6-12 months rates expectations has the effect of anchoring the 2-year point of the curve at a high level. Current pricing of Fed funds futures and overnight index swap (OIS) forwards shows that one 25 bps hike and no cuts are priced for the remainder of this year. For the ECB, almost two further 25 bps hikes are now discounted and no cuts until April next year. For the BoE, 125 bps in hikes are expected and no cuts until at least mid-2024.

The longer end of the curve is not immune to the direct impact of the extra rate hikes discounted, but the effect should be limited. After all, as long as the market's opinion about the policy rate prevailing in the longer term remains little changed, any hikes now should be followed by cuts at a later stage. On this issue, we find it interesting to see that euro 5y5y OIS rates are now priced above 2.75%, which is some 50 bps above the upper end of our estimated neutral rate range. For the US, we see a premium of about 0.25% via this comparison. In addition, a convincing inflation fighting stance of the central bank should help to tame the inflation risk premium that is priced in especially longer-dated bonds. One could even argue that, in the current inflation environment, the investment case for long-dated bonds is better preserved by a hawkish, rather than a dovish central bank.

The combined effects of these trends has been a renewed curve flattening. In several rates markets, 2s10s curve inversion has reached levels which look extreme in a historical perspective. The repricing of the front end also should calm down volatility in movements of the curve. We have been adding to curve steepener positions in markets where we think current levels of inversion offer attractive risk/reward opportunities. Examples are the Canadian dollar and New Zealand dollar swap markets.

The extended central bank hiking cycle also has implications for our views on duration positioning. In previous quarterly outlooks we have flagged the importance of the second-to-last rate hike in the tightening cycle. History has indicated that bond yields start to turn lower ahead of the end of monetary tightening cycles. For some markets we can be more confident that the end is near; for others, it is more difficult to draw this conclusion. What has made us more constructive, though, is valuation versus neutral, as mentioned above.

Our largest underweights are in markets where central banks are lagging in the tightening process (Japan), or where we expect the market is underestimating the tightening stance still needed (South Korea). This used to be the case for Canada and Australia as well, but we closed underweight positions there as the market repriced rate expectations higher, following surprise moves from the BoC and RBA. Our overweight positions are in markets where we are of the opinion that the amount of additional hikes needed is limited from here, or is priced in by markets. For example, recently we have been adding duration in the US, where the market has priced out much of the rate cuts that were expected earlier. For the UK as well, we have used the upward repricing of expected official rates to add to overweight positions in this market.

As some emerging market central banks were early in tightening monetary policy and have been successful in dampening inflation, we have allocated duration to some of these markets. Examples are Brazil and Mexico. While rate cuts are not necessarily immediately on the agenda, bond markets in these countries look well positioned to be able to benefit from a forthcoming easing cycle.

Fixed income asset allocation

- Credit spreads reverse post SVB widening trend
- Defaults are starting to rise
- Preference for higher-quality bonds

Credit markets: grinding tighter

Since our last Quarterly Outlook, most of the spread widening that occurred on the back of the US banking crisis and the fall of Credit Suisse has reversed, and credit spreads are now close to, or at, the year-to-date lows. Spreads could continue to tighten to levels last seen since the start of the war in Ukraine. However, we believe the market does not discount appropriately our base-line scenario for the coming 18 months, which is for a US recession.

The full effects of the 500 bps and 400 bps of tightening already done by the Fed and ECB, respectively, most likely still lie ahead of us. Real money growth as measured through M2 is currently at -9.6% in the US and -6.1% in the Eurozone, the lowest levels in recent history. Besides the effects of increases in policy rates, banks have continued to tighten their lending standards over the past quarter, as indicated by the Fed and ECB bank lending surveys. These surveys are important to watch for credit investors, since they have historically been a leading indicator for defaults, and are more instructive than volatile credit spreads.

We would like to note here that that the slide towards recession is progressing at a slow pace; perhaps slower than we have gotten used to in the last decades. Even though the manufacturing sector is clearly in recession, the services sectors are not. Elevated wage growth, dissaving and a longer lasting reopening effect from the pandemic has led to a situation where consumers are able and willing to consume more services than we expected. Still, as the re-opening boom fades and labor markets cool, the services sector is bound to (also) lose steam.

Fundamentals

Over the past quarter, we have witnessed an uptick in default rates within the high yield market. Specifically, using annualized default rates, the amount of defaults we have seen over the past month is at 4.3%[1], higher than in the past three months, which again was higher than the trailing 12-month default rate. This indicates to us we are starting to see an uptrend in corporate defaults. Not only are bond defaults up in the year to date, we have also witnessed the highest number of US bankruptcy filings to date since 2010.[2] Equally, in the UK and Europe we are seeing defaults and liquidations on the rise with a particular focus on the small to medium enterprise and mid-cap sectors, as those companies struggle to pay back the -Covid support schemes and postponed tax bills.

A topic of special interest for this outlook was the US Commercial Mortgage-Backed Securities (CMBS) market, as it has been trading significantly distressed. High regional vacancy rates and higher financing costs have left many US offices permanently scarred by the pandemic period. Many rental projects financed through the CMBS market are having trouble refinancing while maintaining a profitable business case, causing the secondary CMBS markets to reach cyclically wide levels. Protection on BBB- rated CMBS currently trades at a price of 70, implying an OAS credit spread of over +1050 bps, having traded at a spread of 350-380 bps through most of 2021.

Another area where the effects of central bank tightening are clearly visible is in the market of Swedish commercial property owners. Many of them are currently in the process of being downgraded from investment grade rated to high yield, causing spreads to widen significantly on impacted bonds.

Technicals

Issuance of credit in 2022 and in the year to date remains low, particularly for CCC-rated corporates, and in effect the market is closed for many sub-par rated issuers. This is one of the reasons why the overall maturity of the high yield market has been becoming shorter. In effect, the time at which a lot of outstanding debt has to be refinanced is steadily approaching.

Moreover, we continue to see a narrowing yield differential between short-term cash yields such as those on 3-month T-bills (5.25%) and US dollar-denominated investment grade credit (5.5%). In euro markets, the spread is at similar levels. Why buy credit for a 25 bps pick-up while having

[1] Issuer weighted default rate

[2] S&P Global

more duration, liquidity and default risk? Indeed, this trend is matched by fund flows in the year to date, with especially strong inflows into government bond funds relative to investment grade credit funds.

Valuations

Spreads widened aggressively during the banking related turmoil in March from +120 bps to +165 bps in USD investment grade bonds, and from +140 bps to +190 bps in euro-denominated bonds. Over the most recent months, spreads have tightened and are currently at +135 bps and +158 bps, respectively, which puts us at the tighter end of year-to-date ranges. Although we believe spreads can potentially continue to tighten over the summer as supply dries up, we think medium-term valuations are not compelling enough to warrant an overweight position.

In spread markets, our beta positioning is close to neutral, and we prefer to own higher-quality paper such as covered bonds and sovereign, supranational and agency (SSA)s debt during this stage of the cycle. We are ready to become more constructive once credit markets start to properly price in recession risks.

Peripheral bonds: solid as a rock

Peripheral bonds have performed strongly in the second quarter of the year, with the return of Greek government bonds particularly standing out. In our view, more is in store for Greek government bonds in the coming quarters, as the result of the second round of national elections to be held on 25 June is likely to show a clear victory of the business and Europe-friendly New Democracy party. An absolute majority outcome would mean a continuation of structural reforms, solid implementation of the Next-Generation EU (NGEU) investment projects, and later in the year a likely return to investment grade status. This would mean the return of a larger investor base.

In Italy, we also currently see limited reasons for concern. Brothers of Italy leader and Prime Minister Giorgia Meloni sits firmly in her seat, both the large left-wing parties 5-star (M5S) and Democratic Party (PD) are internally divided, and the death of Forza Italia leader and former Prime Minister Silvio Berlusconi will further strengthen Meloni's position on the right wing of the electorate. So, on the political front we expect little upheaval in Italy for the coming quarters.

A similar story can be told about Spain. While Prime Minister Pedro Sanchez from the Socialist Party announced snap elections after a crushing defeat in local elections, markets are not worried at all, with polls pointing to a strong win for center-right party Partido Popular.

While politics are stable, valuations are getting stretched, with county spreads versus Germany all close to the bottom end of their ranges. These valuation levels explain why we keep a cautious stance and have a preference for other types of risk in the portfolios, like swap spreads and highly rated government-related and covered bonds. One reason why spreads could be vulnerable in coming months is discontinuation of the ECB's reinvestments of its Asset Purchase Program (APP). This amounts to a quantitative tightening of on average around EUR 25 billion per month. Opinions differ on what the market impact will be, but if negative net supply due to massive ECB purchases turns into sizeable positive net supply, for the first time in many years, the price at which to attract a new investor base should probably be higher, not lower. The country that is least impacted by this quantitative tightening is again Greece, where not many bonds are in the hands of the ECB. This is another reason why we continue to favor Greek debt currently.

EM debt: getting constructive

Policymaker efforts to contain financial stability risks from US regional bank collapses and Credit Suisse's demise, while effective, have produced sustained easing in global financial conditions that benefitted the emerging market debt space. This, as well as promising signs of resolution for a number of distressed frontier issuers, suggests aggregate emerging market hard currency sovereign bond spreads may tighten further as the Fed's tightening cycle draws closer to its end.

In addition to greater policy flexibility, vastly improved debt and fiscal management of larger emerging market sovereign issuers, notably their reduced reliance on foreign currency funding, has produced a degree of scarcity premia for many. This, coupled with lingering market concern over Chinese corporate issuers, indicates signs of funding stress and/or sovereign defaults should remain isolated cases linked to the weakest issuers.

In the local currency markets, we find conditions look increasingly constructive, prompting us to close underweights and, in some cases, go overweight. Greater familiarity with food and energy-induced inflation surges, in tandem with a desire to retain hard won policy credibility, meant the response of many emerging market central banks was both swifter and more aggressive than their developed counterparts. This ensured any risk of price spirals were nipped in the bud and core inflation gauges have subsided.

With inflation expected to fall further, real rates in many EMs seem poised to rise sharply into the year-end. Conditions are most favorable in Latin America, and in Brazil and Mexico especially. In these countries, core and headline inflation momentum has decelerated dramatically, creating scope to maintain large real yield buffers while implementing substantial rate cuts. Real yield prospects in parts of emerging Asia, notably Indonesia and Thailand, appear similarly enticing. However, the El Nino weather pattern and the impact of global geopolitics complicate domestic food price outlooks, particularly towards the year-end. As a result, we have closed duration underweights in these markets and now prefer to be neutral.

As for Eastern Europe and African markets, we see these as largely presenting tactical opportunities. Hungary has performed well in recent months following aggressive rates hikes and fiscal regulation stimulating domestic investors to hold government bonds. Nonetheless, core inflation momentum remains well above target, suggesting markets may be disappointed by the degree of monetary policy space available. By contrast, deteriorating fundamentals in South Africa indicate rate hikes may have to extend much further than the market expects amid increasingly challenging fiscal and political circumstances.

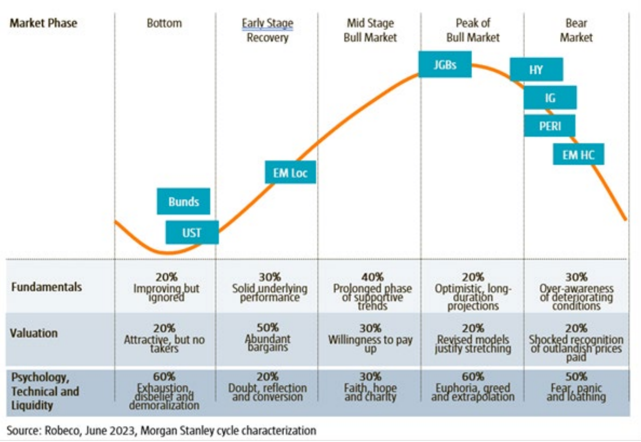
FX: waiting games and real gains

The US dollar has proven resilient despite an environment of easing US financial conditions. This is evident in both the heavily-euro-weighted DXY index and the more economically meaningful real effective exchange rate. This relative stability looks linked to sticky core inflation across the G10 complex that limits central banker's ability to address growth concerns. The resulting broad based shift in front-end rates has kept spot and expected rate differentials broadly stable, propping up the dollar.

The Bank of Japan's Yield Curve Control policy ensured that the yen was an outlier, driving it to multi-decade trade-weighted lows and raise the prospect of unilateral intervention. Yet, with underlying inflation pressure in Japan building and Governor Kazuo Ueda alluding to some discomfort, an adjustment to the policy remains a matter of 'when' rather than 'if' in our eyes. The subsequent narrowing of rate differentials should naturally benefit the yen, underpinning our long position.

Asset class positioning

Figure 1 | The market cycle



Source: Robeco, June 2023

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This material is distributed by Robeco Institutional Asset Management B.V. (DIFC Branch) located at Office 209, Level 2, Gate Village Building 7, Dubai International Financial Centre, Dubai, PO Box 482060, UAE. Robeco Institutional Asset Management B.V. (DIFC Branch) is regulated by the Dubai Financial Services Authority ("DFSA") and only deals with Professional Clients or Market Counterparties and does not deal with Retail Clients as defined by the DFSA.

Additional Information for investors with residence or seat in France

Robeco Institutional Asset Management B.V. is at liberty to provide services in France. Robeco France is a subsidiary of Robeco whose business is based on the promotion and distribution of the group's funds to professional investors in France.

Additional Information for investors with residence or seat in Germany

This information is solely intended for professional investors or eligible counterparties in the meaning of the German Securities Trading Act.

Additional Information for investors with residence or seat in Hong Kong

The contents of this document have not been reviewed by the Securities and Futures Commission ("SFC") in Hong Kong. If there is in any doubt about any of the contents of this document, independent professional advice should be obtained. This document has been distributed by Robeco Hong Kong Limited ("Robeco"). Robeco is regulated by the SFC in Hong Kong.

Additional Information for investors with residence or seat in Indonesia

The Prospectus does not constitute an offer to sell nor a solicitation to buy securities in Indonesia.

Additional Information for investors with residence or seat in Italy

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Additional Information for investors with residence or seat in South Korea

The Management Company is not making any representation with respect to the eligibility of any recipients of the Prospectus to acquire the Shares therein under the laws of South Korea, including but not limited to the Foreign Exchange Transaction Act and Regulations thereunder. The Shares have not been registered under the Financial Investment Services and Capital Markets Act of Korea, and none of the Shares may be offered, sold or delivered, or offered or sold to any person for re-offering or resale, directly or indirectly, in South Korea or to any resident of South Korea except pursuant to applicable laws and regulations of South Korea.

Additional Information for investors with residence or seat in Liechtenstein

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Additional Information for investors with residence or seat in Malaysia

Generally, no offer or sale of the Shares is permitted in Malaysia unless where a Recognition Exemption or the Prospectus Exemption applies: NO ACTION HAS BEEN, OR WILL BE, TAKEN TO COMPLY WITH MALAYSIAN LAWS FOR MAKING AVAILABLE, OFFERING FOR SUBSCRIPTION OR PURCHASE, OR ISSUING ANY INVITATION TO SUBSCRIBE FOR OR PURCHASE OR SALE OF THE SHARES IN MALAYSIA OR TO PERSONS IN MALAYSIA AS THE SHARES ARE NOT INTENDED BY THE ISSUER TO BE MADE AVAILABLE, OR MADE THE SUBJECT OF ANY OFFER OR INVITATION TO SUBSCRIBE OR PURCHASE, IN MALAYSIA. NEITHER THIS DOCUMENT NOR ANY DOCUMENT OR OTHER MATERIAL IN CONNECTION WITH THE SHARES SHOULD BE DISTRIBUTED, CAUSED TO BE DISTRIBUTED OR CIRCULATED IN MALAYSIA. NO PERSON SHOULD MAKE AVAILABLE OR MAKE ANY INVITATION OR OFFER OR INVITATION TO SELL OR PURCHASE THE SHARES IN MALAYSIA UNLESS SUCH PERSON TAKES THE NECESSARY ACTION TO COMPLY WITH MALAYSIAN LAWS.

Additional Information for investors with residence or seat in Mexico

The funds have not been and will not be registered with the National Registry of Securities, maintained by the Mexican National Banking and Securities Commission and, as a result, may not be offered or sold publicly in Mexico. Robeco and any underwriter or purchaser may offer and sell the funds in Mexico on a private placement basis to Institutional and Accredited Investors, pursuant to Article 8 of the Mexican Securities Market Law.

Additional Information for investors with residence or seat in Peru

The Fund has not been registered with the Superintendencia del Mercado de Valores (SMV) and is being placed by means of a private offer. SMV has not reviewed the information provided to the investor. This document is only for the exclusive use of institutional investors in Peru and is not for public distribution.

Additional Information for investors with residence or seat in Singapore

This document has not been registered with the Monetary Authority of Singapore ("MAS"). Accordingly, this document may not be circulated or distributed directly or indirectly to persons in Singapore other than (i) to an institutional investor under Section 304 of the SFA, (ii) to a relevant person pursuant to Section 305(1), or any person pursuant to Section 305(2), and in accordance with the conditions specified in Section 305, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. The contents of this document have not been reviewed by the MAS. Any decision to participate in the Fund should be made only after reviewing the sections regarding investment considerations, conflicts of interest, risk factors and the relevant Singapore selling restrictions (as described in the section entitled "Important Information for Singapore Investors") contained in the prospectus. Investors should consult your professional adviser if you are in doubt about the stringent restrictions applicable to the use of this document, regulatory status of the Fund, applicable regulatory protection, associated risks and suitability of the Fund to your objectives. Investors should note that only the Sub-Funds listed in the appendix to the section entitled "Important Information for Singapore Investors" of the prospectus ("Sub-Funds") are available to Singapore investors. The Sub-Funds are notified as restricted foreign schemes under the Securities and Futures Act, Chapter 289 of Singapore ("SFA") and invoke the exemptions from compliance with prospectus registration requirements pursuant to the exemptions under Section 304 and Section 305 of the SFA. The Sub-Funds are not authorized or recognized by the MAS and shares in the Sub-Funds are not allowed to be offered to the retail public in Singapore. The prospectus of the Fund is not a prospectus as defined in the SFA. Accordingly, statutory liability under the SFA in relation to the content of prospectuses does not apply. The Sub-Funds may only be promoted exclusively to persons who are sufficiently experienced and sophisticated to understand the risks involved in investing in such schemes, and who satisfy certain other criteria provided under Section 304, Section 305 or any other applicable provision of the SFA and the subsidiary legislation enacted thereunder. You should consider carefully whether the investment is suitable for you. Robeco Singapore Private Limited holds a capital markets services license for fund management issued by the MAS and is subject to certain clientele restrictions under such license.

Additional Information for investors with residence or seat in Spain

Robeco Institutional Asset Management B.V., Sucursal en España with identification number W0032687F and having its registered office in Madrid at Calle Serrano 47-14º, is registered with the Spanish Commercial Registry in Madrid, in volume 19.957, page 190, section 8, sheet M-351927 and with the National Securities Market Commission (CNMV) in the Official Register of branches of European investment services companies, under number 24. The investment funds or SICAV mentioned in this document are regulated by the corresponding authorities of their country of origin and are registered in the Special Registry of the CNMV of Foreign Collective Investment Institutions marketed in Spain.

Additional Information for investors with residence or seat in South Africa

Robeco Institutional Asset Management B.V. is registered and regulated by the Financial Sector Conduct Authority in South Africa.

Additional Information for investors with residence or seat in Switzerland

The Fund(s) are domiciled in Luxembourg. This document is exclusively distributed in Switzerland to qualified investors as defined in the Swiss Collective Investment Schemes Act (CISA). This material is distributed by Robeco Switzerland Ltd, postal address: Josefstrasse 218, 8005 Zurich. ACOLIN Fund Services AG, postal address: Affolternstrasse 56, 8050 Zürich, acts as the Swiss representative of the Fund(s). UBS Switzerland AG, Bahnhofstrasse 45, 8001 Zurich, postal address: Europastrasse 2, P.O. Box, CH-8152 Opfikon, acts as the Swiss paying agent. The prospectus, the Key Investor Information Documents (KIIDs), the articles of association, the annual and semi-annual reports of the Fund(s), as well as the list of the purchases and sales which the Fund(s) has undertaken during the financial year, may be obtained, on simple request and free of charge, at the office of the Swiss representative ACOLIN Fund Services AG. The prospectuses are also available via the website.

Additional Information relating to RobecoSAM-branded funds/services

Robeco Switzerland Ltd, postal address Josefstrasse 218, 8005 Zurich, Switzerland has a license as asset manager of collective assets from the Swiss Financial Market Supervisory Authority FINMA. RobecoSAM-branded financial instruments and investment strategies referring to such financial instruments are generally managed by Robeco Switzerland Ltd. The RobecoSAM brand is a registered trademark of Robeco Holding B.V. The brand RobecoSAM is used to market services and products which entail Robeco's expertise on Sustainable Investing (SI). The brand RobecoSAM is not to be considered as a separate legal entity.

Additional Information for investors with residence or seat in Taiwan

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Additional Information for investors with residence or seat in Thailand

The Prospectus has not been approved by the Securities and Exchange Commission which takes no responsibility for its contents. No offer to the public to purchase the Shares will be made in Thailand and the Prospectus is intended to be read by the addressee only and must not be passed to, issued to, or shown to the public generally.

Additional Information for investors with residence or seat in the United Arab Emirates

Some Funds referred to in this marketing material have been registered with the UAE Securities and Commodities Authority (the Authority). Details of all Registered Funds can be found on the Authority's website. The Authority assumes no liability for the accuracy of the information set out in this material/document, nor for the failure of any persons engaged in the investment Fund in performing their duties and responsibilities.

Additional Information for investors with residence or seat in the United Kingdom

Robeco is temporarily deemed authorized and regulated by the Financial Conduct Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorization, are available on the Financial Conduct Authority's website.

Additional Information for investors with residence or seat in Uruguay

The sale of the Fund qualifies as a private placement pursuant to section 2 of Uruguayan law 18,627. The Fund must not be offered or sold to the public in Uruguay, except under circumstances which do not constitute a public offering or distribution under Uruguayan laws and regulations. The Fund is not and will not be registered with the Financial Services Superintendency of the Central Bank of Uruguay. The Fund corresponds to investment funds that are not investment funds regulated by Uruguayan law 16,774 dated September 27, 1996, as amended.