ROBECO
The Investment Engineers

FIXED INCOME
GLOBAL MACRO
OUTLOOK

It's hard not to be bullish

Sustainable Investing Expertise by ROBECOSAM

Contents

“ It’s hard not to be bullish…

FIXED INCOME GLOBAL MACRO OUTLOOK SEPTEMBER 2023

Marketing material for professional investors, not for onward distribution

Robeco Global Macro Team

Summary

- Policy rate peaks are close or have arrived
- This reinforces the valuation appeal of government bonds…
- …as we await the arrival of steeper curves and better credit opportunities

Optimism around the US economy have markets further embracing a so-called 'soft landing' scenario instead of the 'hard landing' recession variant.

Over the past few months bond yields have drifted higher again, with US Treasuries leading the way. In this economic environment, central banks continue to be determined to curb inflation by tightening monetary conditions within the context of a risk-management approach, as we outlined in our previous outlook 'Tie Break'.

Central banks aim to err on the side of caution, thereby accepting the risk of tightening too much to bring inflation back under control. With inflation receding already, real rates are set to rise regardless of any further hikes in official rates. The combination of elevated real rates, tighter lending conditions and less fiscal support should weigh on growth.

In particular, the Eurozone seems to be at risk of a more pronounced slowdown, and it seems unlikely that the US will fully escape the global cooling. Therefore, we believe that policy rate peaks are close or have arrived and that in both a 'hard' or 'soft' landing scenario bonds can rally from current levels. The yield on the Bloomberg Global Aggregate Index touched 4.11% a 15-year high (see figure 1).

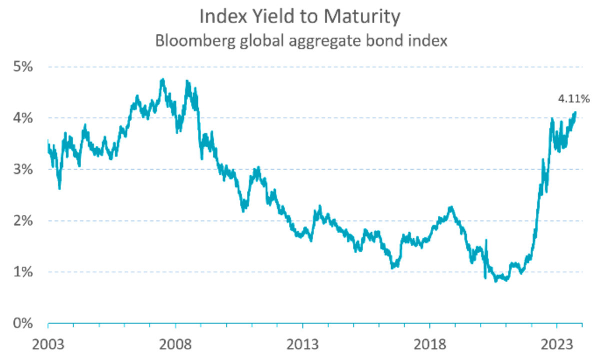
This reinforces the valuation appeal of government bonds. To benefit from this development our portfolios have a duration overweight mostly concentrated in front-end US Treasuries, German Bunds and UK Gilts. However, we remain underweight Japanese Government Bonds (JGBs). The BoJ, is becoming increasingly aware of strong economic growth and core-inflation dynamics. Data dependency of the BoJ will likely increase, creating optionality to eliminate their easing bias. In addition, portfolios continue to run a significant steepener position in several regions. Even as curves have retraced somewhat from the profoundly inverted levels seen at the end of Q2 they remain in deeply inverted territory. Inverted curves tend to normalize overtime, as the impact of tighter monetary policy hits the economy.

We think there is an opportunity in Emerging Market local currency bonds in a handful of countries. In particular we like overweight duration positions in Brazil, Mexico, Thailand and Indonesia as real interest rates rose sharply following (aggressive) monetary tightening cycles. In these countries we expect central banks to cut policy rates over time in an effort to sufficiently cool their economies, leading to ongoing disinflationary trends.

> *"We believe that policy rate peaks are close or have arrived*

Credit markets have continued to do well in the past few months, as spreads benefitted from the soft-landing narrative. Nonetheless, we expect the impact of policy tightening to start manifesting in the broader economy amid decelerating growth and tougher lending environments. Hence some caution is warranted. This is reflected in a somewhat conservative portfolio corporate credit beta, which is close to 1. Moving forward, we continue to believe that Euro swaps spreads and highly rated Euro SSA paper provide opportunities.

Figure 1 – Index yield has now exceeded 4%



Source: Bloomberg as of 19/09/2023

As economic fundamentals turn tougher going into Q4 we expect spreads next year in High Yield (HY) and hard-currency Emerging Market Debt (EMD) to trade wider to properly price the impact of defaults. For HY and EMD we are looking for spreads of circa 550 bps to start building overweight positions in both asset classes.

Macroeconomic and policy outlook

- US decoupling from China and Europe growth weakness unlikely to persist
- Central banks (almost) finished hiking but keen to stay restrictive
- Lower core inflation and labor market weakness required for a dovish turn

Two key features of the current economic landscape are the resilience of US macro data, in the context of weak growth momentum in China and Europe, and the resilience of global labor markets – which appear more robust than one would expect given the pace of economic growth.

Growth outlook: soft landing far from assured

As the external speakers at our Quarterly Outlook forum argued, the US consumer-led resilience can be explained by a number of factors, including a looser-than-expected fiscal stance, the low personal saving rate, and a slower-than-usual feed through of tightener monetary policy. And with inflation dipping below wage growth, consumer spending in the US could continue to defy gravity.

However, with higher oil prices now derailing the disinflation trend and job growth slowing – with more to come if rising bankruptcies are any guide – this looks unlikely. And even more unlikely if you factor in that excess savings have been run down and consumer debt delinquency is on the rise. Thus, we believe it is premature to conclude that a soft landing should now be the base case for the US economy nor do we think the US can sustainably decouple from the growth weakness in China and Europe.

Admittedly, fresh monetary and property stimulus has been unleashed in China recently. But this does not constitute a bazooka that will prevent property from remaining a drag on growth, even if cyclical momentum improves somewhat into 2024, helped by a recovery in some services activity. As such, the subpar performance of the Chinese economy should continue to keep a lid on export growth in those economies most dependent on Chinese demand, including South Korea, Taiwan and Germany.

The latter economy – and the Eurozone more broadly – has already come to a standstill, thanks to the downturn in manufacturing, which, like in the US, could have been even worse if not for the rebound in car production – which is related to the disappearance of earlier supply bottlenecks. For a while, the services sector was able to provide an offset, but with services activity having risen above its pre-pandemic trend, one should be prepared for ongoing stagnation in Europe at best, and recession at worst. This is corroborated by the notion 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 mortgage front. Certainly, the low unemployment backdrop may well continue to prevent the downturn from turning uglier. That said, we think it will be hard for labor markets to remain insulated from the weak growth environment.

In short, although broad recessions so far have been avoided, helped by resilient labor markets, services sector reopening effects and (in some cases) fresh fiscal support, recession risks have not disappeared. However, we acknowledge that especially in the case of the US it could still take several months before further growth fragility has translated into meaningful labor market weakness – which seems a key milestone for central banks in their fight against inflation.

> *"One should be prepared for ongoing stagnation in Europe at best, and recession at worst*

Inflation outlook: oil tempers disinflation trend

In many EM and DM countries core inflation is trending lower, led by goods disinflation while catching up to the earlier softening in headline CPI. However, this process could be potentially derailed if the recent uptrend in oil prices continues. Indeed, amidst tight labor markets, a renewed energy-led rise in headline CPI could trigger fresh demands for higher wages, certainly in Europe – and consequently keep core services inflation elevated.

However, for now, given the supply-led nature of the oil price rise and our below-consensus growth outlook– and hence oil demand – we assume that the softening trend in core inflation will not be fully derailed. Here we take some comfort from the observation that wage growth in job postings, which has tended to presage the broader trend in wages in recent years, has continued to slow down. This should continue, especially if we are correct on the assumption that growth weakness will start to spillover to the labor market over the next 6 months.

As for regional variations, it is worth reiterating that we do believe that inflation has structurally arrived in Japan – and that China, given the FX weakness, will act as a meaningful source of goods disinflation in the near future.

Policy outlook: restrictive overall

Less of a helping hand going forward

As said, fiscal support is a key reason why many economies have so far dodged a recession. In the US, the stimulus in 1H 2023 mainly took the form of lower income and payroll tax revenues. This arose from last year's weak performance of financial assets and California's tax deadline extension to October, as well as from stronger fiscal spending. In the Eurozone it is mainly NGEU disbursements and energy-crisis related support that offered a helping hand to activity.

Looking ahead, as we move towards 2024, the fiscal stance in both regions is likely to turn less supportive. In Europe the energy support will become less generous as earlier pandemic related support fades further. In the US the above sources of expansion should either reverse or moderate and will be joined by spending caps in the Fiscal Responsibility Act and the resumption of student loan payments. In contrast the stance of fiscal policy in China should be more supportive but may lessen if one factors in the debt predicaments of local governments' funding vehicles.

DM central banks to keep talking tough

While central banks in Latam and CEE countries have started to embark on rate cuts, most DM counterparts still retain a hiking bias. In some countries, like Norway and the UK, this might be followed up with at least one more 25 bps hike, while in others like the US, the chance of one more hike hangs in the balance. In the Eurozone, where growth has come to a standstill and contraction looms, policy rates might already be at their peak, although it looks increasingly likely that the ECB will bring forward the end date of full reinvestments under the PEPP, currently foreseen to continue until "at least the end of 2024".

In all of the above DM regions, central banks, given the continued elevated level of core inflation and latest rise in oil prices, are likely to signal a resolve to keep policy rates in restrictive territory for a protracted period of time. Even so, if either expected inflation recedes (further) and/or labor markets start to meaningfully weaken, talk about a reversal towards easing in 2024 could quickly gain traction – also as keeping policy rates stable amidst lower expected inflation would imply embarking on a more restrictive stance.

In Japan, where policy rates remain in negative territory, the BoJ looks set to end this by the turn of the year, while further modifying its yield curve control (YCC) policy. Meanwhile, in China, the latest monetary easing demonstrates that the secular downtrend in policy rates hasn't ended.

Rates strategy

- Hiking cycles look close to completion
- Valuation of long-term yields more attractive
- Steepening move set to continue

With the ECB and Fed entertaining the thought that policy rates have reached their peak level for this cycle, front-end rates may find some relief from their slow but steady upward drift.

End of hiking cycles in sight

As most of the additional tightening – something which we alluded to in the previous outlook – is now either implemented or priced in by markets, valuations have become increasingly attractive.

Repricing of rate expectations has been particularly strong in the US. Over the past two months, pricing for the July 2024 Fed funds contract has risen by 50 bps to 5.20%, reflecting the higher-for-longer narrative of central banks. Current pricing of the Fed funds rate in Q3 2024 is now very close to our base case. Following the move up in Fed rate expectations the yields on 2 and 10-year Treasury notes have retraced back to their pre-SVB highs of 5.05% and 4.30%, respectively.

In Europe, front end rates have remained more stable. Market pricing for the ECB's main policy rate in July next year remains at 3.7%, similar to levels at the start of July this year. After the 'dovish' hike of the September meeting, no more hikes are being discounted, as well as no cuts for up to the second half of 2024.

Aside from the move upward in expected policy rates, market expectations on the long-term neutral rate – proxied by the 5y5y OIS – have also edged higher. For the USD and EUR these are currently priced around 3.6% and 3.1%, respectively. We agree that the long-term neutral policy rates are likely to have been affected to some degree post pandemic, but current pricing of long-term forward yields is quite elevated in our view.

The upward pressure on front-end yields in previous quarters was accompanied by an even larger uptick in the 10-year point, likely driven by both positive risk-on sentiment and an unexpected surge in issuance. These combined factors probably explain the rare bear steepening move visible across DM curves. The 2-10 year spread for German government bonds has risen by around a quarter percent, up to a level of -55 bps. For the US, we saw a similar move up to a level of -75 bps. As a result , curve inversions have moderated from recent extremes. Still, valuations remain quite attractive from a historical perspective, and we remain positioned for further steepening in a range of markets, including Canada and New Zealand.

Now that central bank hiking cycles appear to be coming to an end, we feel supported in our overweight duration stance in DM rates. Historically, we see yields reaching peak levels around the second-to-last rate hike of the cycle. Our base case entails that for many central banks this marker is already behind us. Therefore, we aim to use value opportunities in the belly of the curve to add duration.

> *"Current pricing of long-term forward yields is quite elevated in our view*

For some specific markets we maintain an underweight duration position. These are primarily markets where we see central banks still significantly lagging the tightening cycle of their peers. Our largest underweight position remains in Japan, where we expect a further rise in 7-10- year yields as the BoJ is shifting towards a more restrictive policy stance. For South Korea we maintain a more moderate underweight as we believe the market is currently underestimating additional tightening needed to cap inflation. We hold a similar view for monetary policy in Australia and are positioned for a re-flattening of the curve.

Several EM markets such as Brazil and Mexico started the hiking cycle sooner and Brazil is already starting to cut rates as inflation has been steadily falling back. Here we hold modest duration positions in the local bonds as these countries look well positioned to benefit from a forthcoming easing cycle. In the case of Mexico, we have used the recent repricing in global yields to add to our existing overweight.

Fixed income asset allocation

- Summer lull
- Defaults are starting to rise
- Trading up in quality

It has been an remarkable summer in corporate bond markets with market narratives shifting rapidly.

Credit markets: summer lull

The market has moved from speculating that all the monetary tightening so far "had to break" the financial system and lead to a deep global recession, to the view of a strong US economy with a soft landing. China would experience potentially weak growth and again export deflation to the rest of the world. As market views evolved credit spreads tightened somewhat over the summer, passing almost unnoticed. Spread compression in IG markets was relatively modest with 13 bps in Q3 for both EUR and USD IG. USD HY was almost unchanged with 'only' 8 bps of tightening while EUR HY spread compression was more forceful with 48 bps. While rather moderate in size, the low volatility and tightening trend in credit spreads was still remarkable in the grand scheme of things.

In our previous Quarterly Outlook, we advocated for a defensive credit positioning with a beta of 1, while favoring high quality credit sectors like covered bonds and SSA over HY and subordinated financials. Our preferences were based on the expectation of a weakening of economic conditions in the coming quarters. This remains our base case and our approach moving forward remains similar. We see selective attractive opportunities in our fixed income universe, but we expect (much) better entry points for spread risk in fixed income in the future.

As highlighted in the macroeconomic and policy chapter of this outlook, a broad range of leading economic and financial indicators signal a high probability of further weakening of the global economy moving forward. Higher for longer policy rates and a gradual cooling economy is the ideal transmission mechanism that will eventually feed into to lower corporate earnings and a further increase in corporate defaults. Moreover, it raises the risks of unanticipated financial stress, like we witnessed in March this year.

Looking at fundamentals we have seen USD HY defaults slow down over the past quarter, causing year over year default rates to decline to 2.0%, while in EUR they ticked up to 1.3%. In our eyes the slowdown in the USD HY default rate is a bit of an anomaly. Broader bankruptcy filing data in the US is diverging and points to more defaults and restructurings than the headline default number in credit markets suggests.

The same trends in bankruptcy data can be observed in Europe and the UK. We expect default rates to rise further, underpinning our view that we still need to see a full credit default cycle in the future and we expect the natural selection process in credit markets to continue. Historically, defaults rates have been anywhere between 3.4% and 11% at the time the credit cycle peak was reached. Default rates are currently still below these levels. However, we expect these to continue to rise moving forward and this should create an environment where spreads can widen. We do note that the peak in default rates historically tends to occur after the peak in spreads.

We also are of the opinion that the technicals in the corporate bond market warrant caution, in particular for the riskier fixed income space. Issuance of credit in 2022 and 2023 has remained low especially for CCC-rated companies, which signals a lack of appetite to finance high-risk segments in the market. We also see sustained outflows in the leveraged loan markets. This is especially concerning when considering the refinancing needs required by issuers in the HY and leverage loan markets over the next two years, when 9.8% and 9.1% of outstanding debt will be due.

Credit markets also face continued competition from short term cash yields. With money market funds offering similar yields relative to IG cash. Why own credit at current spreads levels while having more duration, liquidity and rating/default risk? Indeed, fund flows year-to-date suggest that this competition is real and has room to grow as front-cash yields remain elevated.

A similar buyers strike for EUR and USD IG corporate bonds is coming from Japan. Over the last decade, both corporate bond markets were interesting for Japanese investors versus domestic Japanese fixed income. However, given the synchronous tightening cycles of both the ECB and FED the FX hedging costs have impacted prospective returns rather negatively. At the same time 10yr+ JGB yields have been steadily rising, reflecting the changes made by the BoJ in its YCC policy. For the first time in many years it makes more sense for Japanese based investors to buy their own market!

Overall we remain cautious on the riskier credit sectors given the prementioned technicals and the fact that more realistic default rates have not yet been priced in. Based on our calculations we believe EUR and USD HY spreads should trade in excess of 550 bps. These calculations assume adequate compensation for historical default rates of 5% and 7.5% respectively.

If we compare current spread levels with both long-run and shorter-run historical data, we judge that EUR and USD IG are valued no more than average and therefore we prefer to take a neutral position in these markets. We continue to like covered bonds, SSA and swap spreads over HY and EMD hard currency, given where we are in the cycle fundamentally and based on technicals (negative for risky asset segments) and valuations. In addition, covered bonds, SSA and swap spreads look cheap versus their own spread history. Hence, we maintain a portfolio that is up in quality.

Peripheral bonds: surprisingly resilient

Peripheral bond spreads traded in a surprisingly narrow bandwidth over the course of the summer. There were plenty of events that could have widened spreads: an inconclusive outcome of the snap elections in Spain, with Catalan separatist leader Puigdemont kingmaker in a potential leftwing coalition, the power vacuum within Italy's Forza Italia after the death of Silvio Berlusconi and national disasters due to extreme weather conditions in several parts of Southern Europe. Additionally, the ECB kept hiking interest rates despite clear signs of a deteriorating economic environment.

The magnitude of both the NGEU program and the TPI safety net have probably been the cause of this unexpected calmness in European government bond markets. That said, moving forward things might change as the ECB is likely to place more emphasis on balance sheet reduction. Whether PEPP purchases will no longer be partly reinvested, or the central bank will move to actively selling bonds from the APP purchase program, thereby incurring losses for national governments, remains to be seen. However, the direction of thinking within the Governing Council seems to be heading in one of either directions.

So far Italian retail demand, still faced with very low deposit rates, has been a supportive factor for government bond interest, but it remains to be seen how deep these pockets are, especially compared to the massive amount of central bank holdings. Increasing migration issues, larger budget deficits, delays in disbursements of NGEU money, and political cracks that are starting to appear could all lead to a change in sentiment towards these bonds, for which we stand ready.

Italy seems particularly vulnerable, as the cost of the 'Superbonus' housing tax credit is ramping up, while disbursement of the 4th NGEU tranche by year-end is not certain at all. The increase in the free float of BTPs could be historically high next year at about EUR 150 bln, potentially causing concern among investors about the ability of the market to absorb increased borrowing and forcing the current government coalition towards hefty spending cuts.

> *" Greece remains the only country within the periphery which we still view positively*

Greece remains the only country within the periphery which we still view positively. After the DBRS upgrade to BBB- (investment grade) and the Moody's upgrade to Ba1 (1 notch below investment grade) over the last weeks, we expect more upgrades in the remainder of the year from S&P and Fitch. If both rating agencies upgrade their rating for the country, as we expect, this would result in benchmark inclusion in all relevant Bloomberg indices, leading to forced buying of Greek government bonds.

EM debt: going local

Against building expectations of developed market central banks nearing the end of their tightening cycle, financial market conditions have consistently eased, benefitting larger Emerging Market Debt (EMD). In hard currency, this has resulted in sovereign IG spreads close to pre-2008 tights. Undoubtedly, the shrinking basket of IG issuers has been a key contributing factor.

In contrast, the outlook for high yield sovereign spreads looks mixed. Aggregate high yield sovereign spreads remain elevated, suggesting the tightening trend that began in mid-2022 has room to run. Yet, this masks a deep divergence in the prospects of established and frontier issuers. IMF disbursements to several troubled frontier markets have already begun, or are poised to begin, supporting tightening trends. However, more established high yield sovereign issuers face weakening growth prospects, declining terms of trade and, by extension, negative rating pressures that are liable to cause their spreads to widen.

Matters are further compounded by already tight 5-year CDS levels for most major EMs. The exception is the greater China markets, where the mainland's ongoing property market problems and souring growth expectations are leading to signs of greater stress. Dynamics in local currency debt markets are more constructive as the macro cycle continues to turn for many. Brazil and Mexico, which saw some of the most aggressive EM central bank tightening, are among the most attractive markets to extend duration in the EM universe. Their respective inflation paths have turned markedly lower, creating ample room for policy rate cuts and broad-based bond rallies.

Confirmation of the El Nino weather pattern leads to a more selective approach among Asia's local currency markets. Subdued core and food price inflation dynamics in Thailand and Indonesia suggest upward pressure on cereal and vegetable prices may struggle to drive headline inflation above targeted levels, underpinning our bias to extend duration in these markets.

Similar dynamics, aided by much lower consumer basket weighting to food, also support a preference to go long Korean 10-year bonds should yields back-up to over 4%. At the other end of the spectrum, India and the Philippines have much larger weightings to food stuffs in their consumer baskets, as well as large current account deficits. This has prompted nationalistic food policy responses aimed at limiting the domestic political impact, however, this does not help capital owners leaving their currencies and fixed income assets vulnerable.

Eastern Europe, while less susceptible to food price shocks, is adversely affected by higher energy prices, rising political risks and still strong wage momentum, suggesting Hungary's recent policy easing was premature. Models indicate CEEMEA rates markets are priced for sustained disinflation, leaving yield curves vulnerable to further sell-offs that may present better levels to enter curve steepeners.

Still, there remains plenty of volatility in the likes of Hungary and Poland and this provides tactical trading opportunities for long positions. Lastly, deteriorating fundamentals continue to cast a pall over South Africa and, in our view, markets are yet to sufficiently account for increasingly challenging fiscal and political circumstances.

FX: Lagging BoJ gives yen value

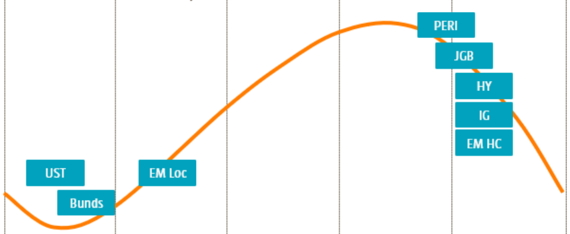
As evidence of the global growth impact of 2022 and 2023's aggressive central bank tightening has become harder to ignore, markets have priced out further tightening across much of the G10 space. Yet, indications of continued US consumer resilience has prompted front-end rates markets to re-think the timing of Fed policy rate cuts despite moderating near-term inflation outcomes. The subsequent anticipation of more favorable rate differentials has led to a 3.5% gain in the USD's real effective exchange rate thus far in 3Q23.

We are long the Japanese yen as it stands as the best value case among G10 currencies should the Fed be nearing the end of its policy tightening cycle. Although the Bank of Japan (BoJ) has altered its Yield Curve Control policy to allow for a more market determined yield curve, debate has begun to swirl around the prospect it may shift away from its long-standing accommodation bias.

The persistence of elevated headline inflation prints, enduring core CPI gains and calls for further wage hikes, has seen growing consternation among BoJ officials with current policy settings. We suspect this has left the door open to policy rate hikes, an option BoJ has not used since 2007. While this may support a stronger trade-weighted JPY, we expect the adjustment of front-end rate differentials with the US to benefit the JPY. This should be further re-enforced by the greater relative allure of JGB yields for local investors, discouraging JPY-hedged flows into US Treasuries and corporate credit.

Balanced against this, we prefer underweights in cyclical Asian currencies like the SGD. Recent global oil price increases and an expected 1%-point consumption tax rise in January 2024 may keep Singapore 2024 core CPI elevated. Yet, softening global growth and weak per employee compensation growth could heighten fears that the SGD's 8% trade-weighted gain in 2023 has greatly eroded economic competitiveness, prompting MAS to pare the pace of nominal effective exchange rate appreciation.

Figure 2 – The market cycle



Market Phase	Bottom	Early-Stage Recovery	Mid-Stage Bull Market	Peak of Bull Market	Bear Market
Fundamentals	20% Improving but ignored	30% Solid underlying performance	40% Prolonged phase of supportive trends	20% Optimistic, long-duration projections	30% Over-awareness of deteriorating conditions
Valuation	20% Attractive, but no takers	50% Abundant bargains	30% Willingness to pay up	20% Revised models justify stretching	20% Shocked recognition of outlandish prices paid
Psychology, Technical and Liquidity	60% Exhaustion, disbelief and demoralization	20% Doubt, reflection and conversion	30% Faith, hope and charity	60% Euphoria, greed and extrapolation	50% Fear, panic and loathing

Source: Robeco, Morgan Stanley cycle characterization

Source: Robeco, September 2023

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The Prospectus relates to a private collective investment scheme which is not subject to any form of domestic regulations by the Autoriti Monetari Brunei Darussalam ("Authority"). The Prospectus is intended for distribution only to specific classes of investors as specified in section 20 of the Securities Market Order, 2013, and must not, therefore, be delivered to, or relied on by, a retail client. The Authority is not responsible for reviewing or verifying any prospectus or other documents in connection with this collective investment scheme. The Authority has not approved the Prospectus or any other associated documents nor taken any steps to verify the information set out in the Prospectus and has no responsibility for it. The units to which the Prospectus relates may be illiquid or subject to restrictions on their resale. Prospective purchasers of the units offered should conduct their own due diligence on the units.

Additional information for investors with residence or seat in Canada

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

Additional information for investors with residence or seat in the Republic of Chile

Neither Robeco nor the Funds have been registered with the *Comisión para el Mercado Financiero* pursuant to Law no. 18.045, the *Ley de Mercado de Valores* and regulations thereunder. This document does not constitute an offer of or an invitation to subscribe for or purchase shares of the Funds in the Republic of Chile, other than to the specific person who individually requested this information on their own initiative. This may therefore be treated as a "private offering" within the meaning of Article 4 of the *Ley de Mercado de Valores* (an offer that is not addressed to the public at large or to a certain sector or specific group of the public).

Additional information for investors with residence or seat in Colombia

This document does not constitute a public offer in the Republic of Colombia. The offer of the fund is addressed to less than one hundred specifically identified investors. The fund may not be promoted or marketed in Colombia or to Colombian residents, unless such promotion and marketing is made in compliance with Decree 2555 of 2010 and other applicable rules and regulations related to the promotion of foreign funds in Colombia. The distribution of this Prospectus and the offering of Shares may be restricted in certain jurisdictions. The information contained in this Prospectus is for general guidance only, and it is the responsibility of any person or persons in possession of this Prospectus and wishing to make application for Shares to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for Shares should inform themselves of any applicable legal requirements, exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile

Additional information for investors with residence or seat in the Dubai International Financial Centre (DIFC), United Arab Emirates

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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 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
This document is exclusively distributed to Liechtenstein-based, duly licensed financial intermediaries (such as banks, discretionary portfolio managers, insurance companies, fund of funds) which do not intend to invest on their own account into Fund(s) displayed in the document. This material is distributed by Robeco Switzerland Ltd, postal address: Josefstrasse 218, 8005 Zurich, Switzerland. LGT Bank Ltd., Herrengasse 12, FL-9490 Vaduz, Liechtenstein acts as the representative and paying agent in Liechtenstein. The prospectus, the Key Information Documents (PRIIP)the articles of association, the annual and semi-annual reports of the Fund(s) may be obtained from the representative or via the website.
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 or 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 Superintendencia del Mercado de Valores (SMV) does not exercise any supervision over this Fund and therefore the management of it. The information the Fund provides to its investors and the other services it provides to them are the sole responsibility of the Administrator. This Prospectus 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 their 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: Leutschenbachstrasse 50, 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 Information Documents (PRIIP), 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. 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
The contents of this document have not been reviewed by any regulatory authority in Hong Kong. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice. This document has been distributed by Robeco Hong Kong Limited ("Robeco"). Robeco is regulated by the Securities and Futures Commission in Hong Kong.
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 deemed authorized and regulated by the Financial Conduct Authority.
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 27 September 1996, as amended.