FIXED INCOME GLOBAL MACRO OUTLOOK

Risk-on, but not gone

- Risk markets are priced for a perfect landing
- ECB and Fed rate cuts this summer should help normalize yield curves
- Preference for SSA and covered bonds over IG & HY credit

Markets appear to be looking through rose-tinted glasses as a perfect economic landing is now fully priced in. In addition, concerns are mounting that the dis-inflation momentum is fading. This has resulted in significant repricing of front-end rates. Nonetheless, we expect that inflation will resume its gradual downward trend to allow the ECB and Fed to cut rates this summer. Stock and credit markets are priced for perfection, but we do not fully sympathize with current valuations, as weaknesses in many economies remain. Indeed, even though it's firmly risk-on, downside risk are not fully gone. We added to curve steepeners and prefer highly rated SSAs and covered bonds over investment grade and high yield credit.

Summary

In our previous outlook 'Staying Power' we argued that markets were catching up with our 'there is value in bonds' view. Nonetheless, we mentioned that fundamentals would be important for retaining positive sentiment in the bond market. In the US, the economy has been defying the slowdown seen in Europe and China, supported by vigorous consumption, fiscal support and a slow feed-through of higher interest rates. Europe remains in economic stagnation, but the robust labor market keeps it afloat. The strong performance in equity markets with new highs in the S&P, Nikkei and Stoxx 600, indicates that markets are convinced that central banks have accomplished their mission of achieving a soft landing. Equally, credit spreads are taunting with all-time lows not observed since the start of the GFC. Robeco's risk aversion barometer (see Figure 1) points to markets approaching 'risk loving' territory as strong spread tightening momentum suggests there is a concerted willingness to take risk. Indeed, the March 2023 US small-mid-size banking crisis ('The cat is out of the bag') seems like a distant memory. Nonetheless, with inflation retreating, the Fed's reaction function can become more asymmetrical, or at least less singularly focused on inflation. After all, declining inflation opens up the possibility for the Fed to step in and cut rates should market sentiment around growth deteriorate.

> *"We do not fully embrace the growth euphoria*

We acknowledge that recession risks appear to have eased for now, but we do not fully embrace the growth euphoria. Economic weaknesses remain and geopolitical events, such as the European elections this spring and the US presidential elections in November, loom. In our base case we expect the Fed and ECB to cut this summer. We see June as most likely. Indeed, for the Fed the window to cut could close in the fall as initiating a rate cutting cycle close to the presidential elections could be conceived as political.

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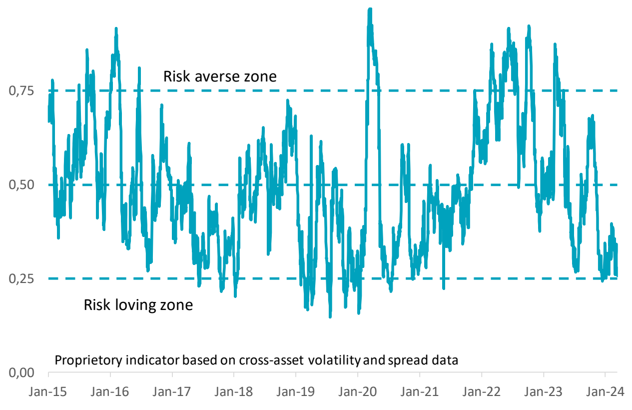
Robeco Global Macro Team

We cannot exclude a curve twist steepen later this year

Our approach to duration is more cautious and we have reduced overweight duration positions. We continue to see good opportunities in the steepening of curves. Hence, we have increased curve steepener positions. Yield curves should normalize from their current, still very inverted, levels when central banks cut. Even as markets have repriced the number of Fed and ECB cuts considerably, we believe we have seen the peak in policy rates. In our view it's not only about the number of cuts being priced for this year. History suggests that even modest size cuts should result in steeper curves.

Rising term premia could also support a steeper curve. Term premia should go up as uncertainty around the inflation path increases. After all, in such a scenario an investor would demand for more 'inflation risk' compensation when investing in longer-dated bonds. On top of this, there is continued supply risk in bond markets. It's hard to see fiscal consolidation in the US this year (as it's an election year) and this trend is likely to continue beyond, pushing the term premium higher. With this in mind, we actually do not exclude that, later this year, we could even see the curve 'twist' steepen, with front-end yields rallying while the long end sells off quite meaningfully.

Figure 1 –Robeco risk aversion index



Source: Bloomberg, Robeco, March 2024

With regard to credit, we remain cautious. Credit spreads are sharply tighter as markets embraced the risk-on narrative. Risks are increasing that markets have become too complacent about remaining downside growth risks. Hence, we continue to take a neutral approach on credit and favor the higher up in quality approach. We like covered bonds, SSA, swap spreads and selected hard currency bond (Poland and Hungary in EUR) papers over investment grade corporates. For now we prefer to watch the high yield market from the sidelines.

Macroeconomic and policy outlook

- Risk markets anticipate either 'no landing' or a clear growth pick-up, and no longer price recession risk
- We agree that downside growth risks have eased, but caution against too much euphoria...
- ...even as cooling labor markets and underlying inflation allow DM central banks to start cutting rates in mid-2024

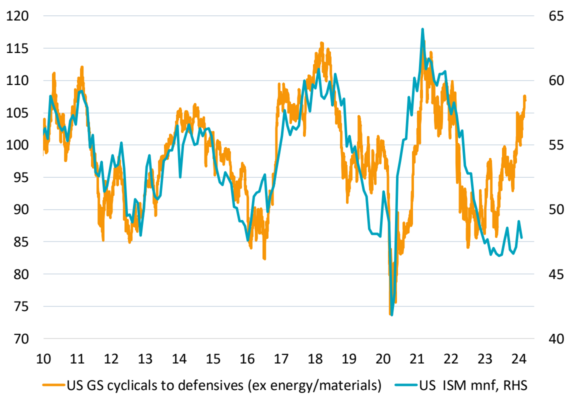
Growth outlook: the good, the bad and the ugly

The US economy retains significant forward momentum. This is despite the persistent inversion of the yield curve, sustained sub-50 readings of the closely watched ISM manufacturing index, and emerging signs of weakness in the SME sector. The list of explanations for the resilience of the US economy is well known: fiscal support, which also boosted business investment last year through the CHIPS (Creating Helpful Incentives for Producing Semiconductors) act – even as tech investments were already contributing and the slower-than-usual feed-through of higher interest rates (large corporations and existing homeowners have locked in low borrowing costs and now benefit from higher return on their cash/savings). Additionally, robust goods consumption has persisted amidst a low personal savings rate and low (though now slightly rising) unemployment.

However, Europe remains in economic stagnation due to weak consumer spending and a faster transmission of tight monetary policy (via the banking system). Nevertheless, labor markets have not yet shown significant signs of cracking, even in Germany – which has helped prevent worse consumer spending outcomes. Moreover, it's essential to consider the lingering post-pandemic reopening effects in tourism and the ongoing fiscal support, partly funded through the Next Generation EU Recovery Fund, which have contributed to maintaining economic growth in Southern Europe. In Italy, the 'Superbonus' scheme for housing renovation – which expired on 1 January for single-family homes – has helped drive housing investment to nearly 80% (!) above pre-pandemic levels. Meanwhile, in China, economic sentiment remains pessimistic as the property market continues to exhibit weakness, leading to further rounds of monetary and fiscal easing.

Looking ahead, the global manufacturing sector looks set to gradually emerge (further) from the downturn, with Europe aided by reduced gas and electricity prices. However, based on recent developments in China, the recovery in manufacturing is expected to be fragile. Moreover, while, positive real income growth of households should support consumption, labor markets are likely to contribute less positively – and in the US the scope for a persistently low savings rate appears depleted. Additionally, there continue to be weaknesses in many economies in the area of commercial real estate, and (geo)political events, including the US presidential elections and more far-right election victories across Europe. These could adversely impact business and consumer confidence. Therefore, while we acknowledge that recession risk appears to have eased, we don't fully embrace the growth euphoria discounted by stock markets.

Figure 2 – Equity market priced for surge in ISM manufacturing index



Source: Bloomberg, Robeco, March 2024

Inflation outlook: disinflation temporarily stalls

As we anticipated in our previous outlook, the pace of disinflation in many DM economies has lost momentum over the past months. This is primarily due to stickiness in services price inflation, which in the US also relates to the shelter component in the Consumer Price Index (CPI). However, inflation pressure on goods has remained low, despite the increase in selected shipping rates in the wake of the Red Sea crisis. The subdued goods price inflation is likely influenced by China's dampening effect. In the Eurozone, the recent stalling of disinflation is also connected to governments rolling back earlier measures aimed at mitigating the energy shock. Meanwhile, in many emerging markets, including Central and Eastern Europe, disinflation has continued.

While we do see a chance of some further stalling in disinflation, especially in the US, we do expect it to resume. Ultimately, central banks will also need to see a further cooling of wage growth – which is still running above levels (of 3.5% and 3%, respectively) consistent with a sustained return to target inflation in the US and Eurozone – before declaring inflation under control. Encouragingly, the decline in the voluntary quits rate (in the US), tentative signs of slowdown in new wage settlements (in the Eurozone), and a broad-based drop in job openings all indicate a further slowdown of wage growth in the upcoming quarters. We also note that the European Central Bank (ECB) already projects a sustained return to at-target inflation by 2025, even assuming at least 100 bps of rate easing over the next 12 months.

Regarding regional variations, it is worth reiterating that we believe that the abnormally low inflation backdrop in Japan has ended, and that it could still prove stickier in the UK.

Monetary policy: first DM rate cuts appear on the horizon

As mentioned, fiscal support has played a crucial role in preventing recessions in many economies thus far. However, fiscal stances generally are becoming less supportive. Across the Eurozone, energy-related assistance is being scaled back, which, together with the further phasing out of earlier pandemic-related support, should more than offset the ongoing stimulus provided by the NGEU (Next Generation EU) recovery funds. In the US, following the support provided through the CHIPS Act, and through increased state and local spending in 2023, fiscal policy is projected to be slightly contractionary this year. On the other hand, in China, fiscal policy is expected to remain supportive, though this is watered down by the debt predicaments of local governments' funding vehicles.

Looking beyond the fiscal outlook for this year, we anticipate that restoring sound public finances will be a formidable task in many economies. Factors such as climate change, an aging population, and the rise of nationalist populism will present significant challenges in the years ahead.

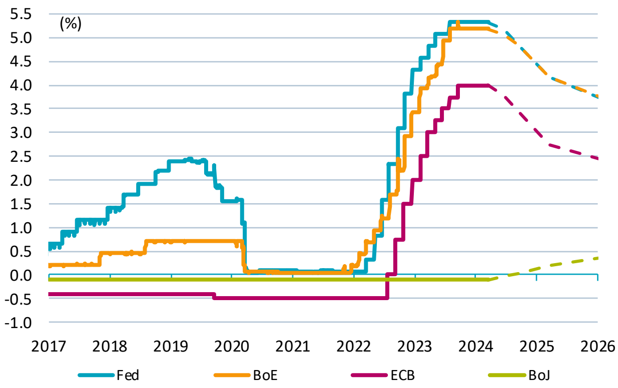
> *“Fiscal stances generally are becoming less supportive*

Regarding monetary policy, we anticipate that many central banks in developed markets (DM) will begin to reverse their course around mid-2024. While central banks in Latin America (Latam) and Central and Eastern European (CEE) countries have already embarked on easing cycles, which look set to continue. Most DM counterparts have maintained their interest rates, continued to reduce their bond holdings (via Quantitative Tightening), and retained a focus on the restrictiveness of their rate policy stance.

By June, further progress on disinflation, possibly reinforced by signs of weaker-than-expected growth, should allow the likes of the ECB, Riksbank and SNB to start reducing their policy rates from current peaks – closely followed by the Fed and BoE.

Notwithstanding the precise timing of the first rate cuts by DM central banks, we believe there is room for markets (see Figure 3) to discount a somewhat faster return to neutral territory over the next few years – which we pitch at 3.0-3.5% for the Fed funds rate and 1.75-2.25% for the ECB depo rate.

Figure 3 - Market-implied path for policy rates



Source: Bloomberg, Robeco, March 2024

Separately, China's PBoC is following its own trajectory. Although it has been standing pat on conventional rate policy since implementing cuts in June and August of 2023, it has engineered further reductions in bank deposits and lending rates. However, the primary impetus for monetary stimulus comes from the PBoC's balance sheet expansion, achieved through reductions in banks' required reserves (as seen in February) or increased lending to commercial banks. This trend is expected to persist

As for the BoJ, which recently ended its negative rates and yield curve control policy, we expect little additional change to monetary policy this year.

Rates strategy

- The bond outlook remains supportive due to the expected turn in official rates
- Fundamentals and valuations favor euro rates
- 5-year point on the curve looks attractive versus long end

Convergence on direction, not on timing of official rates

The sharp rise in yields since early February masks an important change that has occurred during the past three to four months. There has been a growing convergence among DM central banks that official rates reached their appropriate levels, and the next step should be a reduction, the BoJ being a notable exception. This matters for the general direction of interest rates as it should reduce the risk of a new peak in rates in this cycle.

Within this context tremendous moves in rates can still occur, as we have seen recently. This relates to the second observation: while moving in unison towards the direction of official rates, ideas on the pace with which rates could be brought to neutral differ, as does the post pandemic definition of what constitutes 'neutral'. As mentioned in the previous section, some economies have shown a stronger resilience to the tightening of monetary conditions than others, the United States versus the Eurozone being prime examples.

> *" We have maintained the overweight position in German Bunds and New Zealand rates*

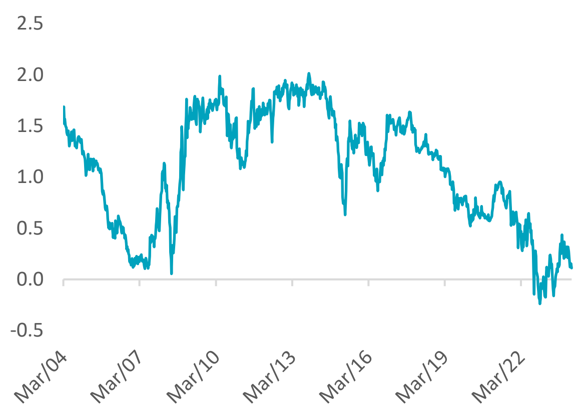
Preference for Bunds

These trends have some implications for our positioning in rates markets. For US Treasuries we switched an outright long position into a long in call options on TY futures in early February. Market pricing for Fed rate cuts was running ahead of our expected path, while the data started to raise some doubt on the speed of Fed easing. Positioning in options limits the downside, while maintaining a constructive view on US Treasuries. We have maintained the overweight position in German Bunds and New Zealand rates. The fundamental outlook and central bank guidance looks most constructive for these markets. Valuation also looks quite attractive, after global trends have pushed up rates.

Adding more weight to the 5-year point in steepeners

On the curve we have added risk to steepener positions, while shifting long exposure in curve trades from the 2-year to the 5-year point. Valuation remains appealing for steepeners and we see potential drivers for steeper curves from both the front end and the back end. The latter relates to continued high levels of bond issuance globally.

Figure 4 – German 5-30 curve spread



Source: Bloomberg, Robeco, March 2024

Positioning in 5-10, 5-30, or in some cases 10-30, rather than in 2-10 or 2-5 has the benefit of being neutral carry and thus being less dependent on a quick start of the easing cycle. While steepeners with a long in the 5-year point are implemented in many developed markets (including Norway and Sweden) there are some DM countries in which we pursue a different strategy. In Australia and Japan we are in flattener positions because of valuation (Australia) or an alternative course of monetary policy (Japan). In Japan we also continue to run an underweight duration position. As a spread trade we are underweight duration in Sweden vs Norway. This reflects relative value in the context of historical rate spreads.

Next to curve and duration positions in developed markets, the funds are running specific risk in emerging market rates. This is discussed in the FX and emerging markets section.

Fixed income asset allocation

- Spreads are entering cycle tights
- Caution to underweights – technicals supportive
- Up-in-quality is a cheap alternative

Credit markets: a cycle of haves and have-nots

In the past quarter we saw a significant further tightening of credit spreads. As markets started to further embrace the soft landing view, we are approaching levels where one can start to conclude that a soft landing is fully priced by markets. This is especially true in the US where the USD high yield index spread excluding distressed credit is at the 2nd percentile (i.e. spreads have been wider for 98% of the time since 1997). These levels correspond to periods in the pre-GFC era.

There is a strong distinction between this credit cycle and previous cycles, as there is a visible difference between the corporates who have locked in lower rates (typically the larger businesses) and those who have not (typically mid- & small-cap businesses). This large/small corporate effect can be seen across the following three areas.

Firstly, proxies for economy-wide corporate profit growth in the US have turned negative for the past two quarters, while on aggregate S&P 500 companies remained positive. This becomes evident upon examining responses from business surveys. NFIB small business indicators remain very subdued and in sharp contrast to the broader ISM Manufacturing/Services which accounts more for large caps. Secondly, US bankruptcy filings are high relative to default rates in credit. Thirdly, within high yield, equally-weighted default rates are above market-weighted rates, indicating more smaller bond issuers are going into default relative to larger issuers.

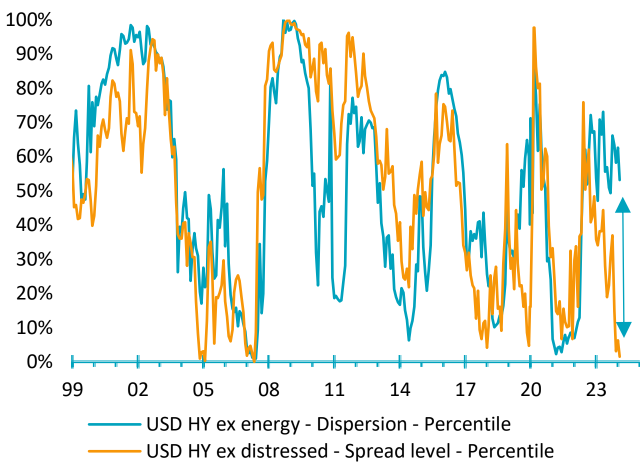
These fundamental divides between large and small issuers lead markets to price-in overall spreads at very tight levels, even though the degree of dispersion (a measure to indicate how large the differences are between similarly rated issuers) remains historically high (see Figure 5). The difference between the two has rarely been larger.

Technicals remain supportive for credit. All-in yields are still high and remain attractive for yield driven investors. However, we would caution that this is mostly driven by the attractiveness of the base rate (risk-free rate) and not so much by the spread component. Additionally, we recently examined to what extent there is evidence of yield buying back in the 1960s. Back then, yields also reached levels not seen in previous decades, potentially compelling investors to justify tighter spreads. From our analysis, we concluded that there was no clear evidence of yield buying in credit leading to tighter spread levels than one would otherwise expect. In the past quarters government bonds have cheapened relative to swap rates, helping to squeeze the spreads of corporate bonds over Treasuries. Yet corporate spreads versus swap rates still screen attractive for investors who hedge vs swaps.

Gross corporate issuance in 2024 has started at a strong pace. In USD high yield, the first two months of the year saw gross issuance that was around 60% of the entire 2021 number. Yet most new bond issuance has been used to refinance existing debt, causing net issuance to be at regular levels. Also note that very high net issuance is typically a contrarian signal and would make us more cautious, but as refinancing is the main driver, we view it as a positive factor.

In terms of valuations, we find that investment grade and high yield spreads are tight. Still pockets of value remain in the less risky sectors of the fixed income universe. Trading up in-quality by taking exposure in SSA's and covered bonds is cheap relative to investment grade and high yield. For us this is currently the most attractive market to deploy active risk points while we wait for better entry levels to build long positions in corporate credit. This means we don't miss out on carry and roll in the meantime. Looking ahead, if valuations were to improve, we would favor deploying risk in crossover regions between investment grade (BBBs) and high yield (BBs). This section of the corporate bond market has historically created the highest risk-reward tradeoff.

Figure 5 – Index spreads versus dispersion



Source: Bloomberg, Robeco, Febuary 2024

Peripheral bonds: more challenges ahead?

Peripheral bond spreads over German Bunds have continued to rally, as markets adopt the view that declining inflation will enable the ECB to start cutting rates around summer. This is to prevent the economy from falling into a recession. We agree that, barring a severe accident, the chances of a deep recession are slim. However, we do think peripheral markets are priced for a near perfect landing. Spreads can tighten even further in the coming months, but looking at historical valuations we are getting close to the tights seen in 2021. Overall, we aim to have a broadly balanced risk positioning in the portfolio, with specific focus on relative valuations and differences in country fundamentals and curvatures.

In Italy, the big upward revision in Q4 2023 GDP data can be almost completely attributed to construction work under the Superbonus tax credit being brought forward. This subsidy amounted to almost a full percentage point of annual GDP. As the subsidy will be significantly reduced, or even stopped in the new year, a large downward revision to growth seems likely.

> *“Emerging market debt has enjoyed consistently easier global financial conditions*

We are running a sizeable underweight position in 3-year BTPs. Spreads over Germany are now trading at around 50 bps, which in our view does not compensate for the risk. Further out on the curve we still like BTPs, as 30-year bonds still trade at around 170-180 bps over Germany. We remain overweight countries with improving fundamentals, like Greece, which has one of the highest growth rates in the Eurozone, and we expect more rating upgrades will follow. The upgrade to investment grade status in December last year opened up a whole new investor base, and with the extremely long maturity of Greek debt (so limited refinancing needs) spreads can continue to gradually grind tighter as demand is expected to remain high. Already 3-year Greek government bonds trade at a similar level to Dutch government bonds with the same maturity, despite a 9-notch credit rating difference, which shows how large the squeeze has been due to index inclusion. Here, we prefer Greek bonds somewhat further out on the curve with between 5-year to 15-year maturities.

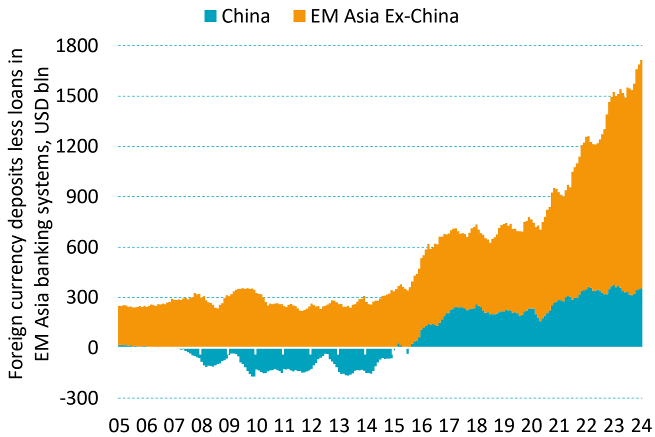
Emerging market debt: staying selective

Despite the tumult in the US Treasury curve, emerging market debt (EMD) has enjoyed consistently easier global financial conditions, leading to tighter spreads for both investment grade and high yield sovereigns. Undoubtedly, positive progress made by several troubled frontier issuers has helped, but it is hard to look past an otherwise forgiving global environment and, at the margin, a weaker USD.

Aggregate valuations in the EM sovereign credit space remain extremely tight against Treasuries, especially in Asia. Yet, with issuers favoring local issuance, starving offshore markets of supply and with roughly USD 1.7 trillion of excess foreign currency deposits sitting in the Asian banking system alone, technicals continue to point to aggregate spreads grinding ever tighter.

Tight 5-year CDS spreads add to the sense of a very forgiving liquidity backdrop. In this environment, risk of policy complacency that dents reform momentum is likely to rise. Consequently, a selective approach grounded in fundamental analysis is critical to avoiding future problem cases.

Figure 6 – Excess foreign currency deposits Asia



Source: Bloomberg, Robeco, March 2024

Market enthusiasm for policy easing in several EMs has reached a crescendo in our view. Although we expect further easing to be delivered in Mexico and Hungary, markets are priced for an overly aggressive easing cycle, leading us to turn more cautious on these markets. India is another market where expectations for easing look excessive, especially as continuing export restrictions on key foodstuffs indicate a more deleterious inflation environment than headline figures suggest. This points to a heightened likelihood that the Reserve Bank of India is considerably less dovish than the market believes. Brazil has the potential to join this group, but with markets still priced for a swift unwinding of recent easing, we do not see valuations as excessive at this stage.

More broadly, in Asia we remain selective, favoring duration risk in Thailand and Indonesia. These are markets where fiscal policy execution looks likely to underwhelm market expectations of excess. We believe this will bolster their respective creditworthiness and, given both central banks are reticent to ease in the near term this contributes to the existing downdraft pressure on inflation. This should ensure real yields remain attractive. Moreover, positioning analysis suggests that offshore investors are beginning to appreciate these dynamics. They are covering underweights, which therefore offers scope for outperformance as confidence in the real yield trend gains traction. Waning inflation momentum and struggling domestic demand growth leads us to see value in Korean front-end rates and there is scope for that curve to steepen given the low level of the 10-year yield.

In CEEMEA, rapid curve steepening in Czechia suggests the bulk of the move is behind us, biasing us to take profits. The decline of inflation in Poland promises some opportunities, but monetary policy uncertainty remains, driving a more patient approach. Though some improvements have emerged, persisting policy uncertainty in Turkey ensures that part of the market remains challenging. Lastly, South Africa's tumultuous political backdrop only serves to heighten fiscal and macro challenges in our view, suggesting the ZAR and local rates markets will continue to lag the broader EM landscape.

FX: Fed keeps FX in a holding pattern

After spending much of Q4 2023 pricing in the prospect of the Fed kicking off a global easing cycle, markets have spent Q1 2024 reacting to emerging signs of divergence in growth, inflation and, by extension, policy outlooks. Admittedly, the extreme amount of easing priced for the Fed suggested risks of a USD rebound in Q1 2024 were asymmetric. Nonetheless, the surprisingly strong January US inflation prints certainly amplified the scale and pace of marketing re-pricing.

While the broader USD backdrop for the rest of 2024 will likely be dictated by the evolution of the Fed's guidance via the Summary of Economy Projections (SEP), the impact of Treasury issuance plans should not be underestimated. The USD 6 tln of Treasury bills outstanding pose re-financing risks and are triggering a surge in interest servicing costs, arguing there is a need for the US Treasury to term out its debt via greater coupon issuance.

It could be argued that the emphasis on short-term issuance has contained the rise in longer-end US yields, supporting curve inversion, dulling USD gains and benefiting G10 and emerging market FX via more artificially favorable yield differentials. The record US ex-oil and gas current account deficit has also provided a complementing tailwind. Against this macro backdrop and ahead of the presidential election at year-end, it looks difficult to take a distinct view on the broader USD (even if the balance of risks favors a stronger USD bias at the margin).

Among the major central banks, the case for policy easing looks strongest in Europe. Feeble growth and a softening core and headline inflation environment are expected to prompt the ECB to begin easing in June. With markets priced for only half a cut more by the ECB vis-a-vis the Fed, further Euro underperformance against the USD and even the JPY is likely. As for the BoJ, the end of negative interest rates and more relaxation of the yield curve control policy may be welcomed by the market initially. That said, overall guidance is unlikely to be for a (relatively) aggressive and sustained tightening cycle, dampening reactions in FX and rates markets, particularly against the US.

Within EM FX, we expect rate differentials to remain the key arbiter in the near term. Latin American and CEEMA markets, where central banks have already embarked on policy easing and appear likely to continue down that path, may struggle against the USD without a revival of Fed policy easing expectations. Seasonally weak current account positions suggest Asian currencies may underperform, even though many regional central banks are wary of cutting rates ahead of the Fed. More domestically-focused central banks, such as South Korea and Thailand, may see cause to ease ahead of the Fed.

Table 1 - Asset class preferences

	Constructive	Neutral	Cautious
Bunds	✓		
US Treasuries	✓		
JGBs			✓
Euro periphery			✓
EM local	✓		
IG credit		✓	
HY credit			✓
SSA	✓		
Swap spreads	✓		

Source: Bloomberg, Robeco, March 2024

We wish to thank Francis Yared (Deutsche Bank), Max Kettner (HSBC), and Dario Perkins (TS Lombard) for contributing to our quarterly outlook meetings.

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Additional information for investors with residence or seat in Austria
This information is solely intended for professional investors or eligible counterparties in the meaning of the Austrian Securities Oversight Act.

Additional information for investors with residence or seat in Brazil
The Fund may not be offered or sold to the public in Brazil. Accordingly, the Fund has not been nor will be registered with the Brazilian Securities Commission (CVM), nor has it been submitted to the foregoing agency for approval. Documents relating to the Fund, as well as the information contained therein, may not be supplied to the public in Brazil, as the offering of the Fund is not a public offering of securities in Brazil, nor may they be used in connection with any offer for subscription or sale of securities to the public in Brazil.

Additional information for investors with residence or seat in Brunei
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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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.

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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.

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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 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.

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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 Institutional Asset Management B.V (FRN: 977582) is authorised 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.