

FUNDAMENTAL EQUITY QUARTERLY

- 07 | 2024

P7

Jaap van der Hart interview

P9

Brazil trip notes

P10

New strategy launch

Introduction	2
Developed markets outlook	3
Emerging markets outlook	5
Interview with Jaap van der Hart	7
Brazil trip notes	9
Introducing the Green Building Evolution strategy	10
Where we differ from the market	11
Enhancing our carbon measure with scope 3	12
Stunning statistic	13

Investing for the long haul

This quarterly was finalized in the last week of June, when we held a Institutional Masterclass conference for our largest Asian clients. Most of the questions we got were about the 'Magnificent 7', which was no surprise as some remarkable moves happened that week. Amazon surged and passed the USD 2 trillion market capitalization mark. Nvidia shot up by 7% in a day, recovering what it lost 24 hours before. Since the market cap of the company is now over USD 3 trillion, that one-day move was equivalent in value to the total size of companies like Shell, Pepsico or L'Oréal. Do we think this trend is for real?

We do not see this as just hype, and we invest a significant part of our portfolios in technology companies. These companies are highly cash-generative and succeed in turning enormous investment programs into product innovation and profitable growth. As an example, Amazon, Google and Meta spent respectively USD 138, USD 78 and USD 66 billion on capex and R&D* in 2023. To put this in perspective, USD 138 billion is about the market value of Unilever.

However, technology is not the only trend or idea we invest in. Diversification is a key attribute of the long-term success of our portfolios. As Audrey Kaplan, portfolio manager for the Sustainable Global Stars strategy writes in her article, our Global team finds attractive stocks across multiple sectors. Have a look.

This quarter we are celebrating 30 years of investing in emerging markets at Robeco. Playing the right trends at the right time, with an eye on long-term value creation, has delivered an annualized 2% outperformance*. That is 340%* better than the benchmark over the period! Wim-Hein Pals is one of the founders of the EM Core strategy and still going strong as lead portfolio manager. His outlook on emerging markets is bullish, and he lays out strong arguments. Also in this edition, Jaap van der Hart, lead manager for the EM Stars strategy, discusses his favourite investment ideas.

In a special commemorative book, which is separately available, we look back at the main lessons from those 30 years and we look ahead at the most attractive trends and countries for the next decade. Please reach out for a copy, as it shows how we view the long-term opportunity in EM. It's an interesting read for the summer. Happy holidays!

* Data by Bloomberg and Robeco performance measurement.

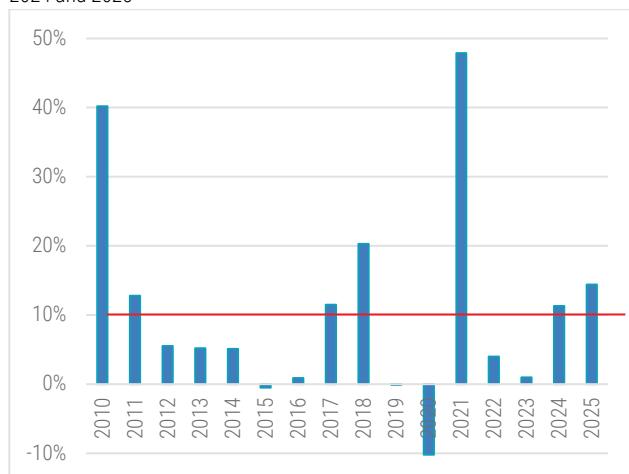


Earnings save the day

Low market volatility and AI-driven momentum give investors a sense of security, but consumers are coming under pressure, with data softening both sides of the Atlantic.

The US stock market breezed through Q2 with artificial intelligence-related industries and companies continuing to rally, with the information technology sector expected to report year-on-year earnings growth of around 16% in Q2 – the third-highest rate of all eleven sectors. Overall, solid earnings and strengthening earnings expectations have been the main market driver this year. The Bank of America Global Earnings Revision Ratio (ERR) has reached the highest level in 2.5 years. It appears that corporate America (and Europe) has learned to navigate the high interest rate environment – based on the earnings results of S&P 500 companies which have largely exceeded expectations.

Figure 1: Analysts have increased earnings estimates in aggregate for both 2024 and 2025



Source: FactSet, Robeco

US companies are on track for year-over-year earnings growth of 11.3% in 2024 and 14.4% in 2025 according to FactSet data. If achieved, it would be the third time in 15 years that S&P has back-to-back double-digit earnings growth. Earnings estimates for the Q2 2024 are forecast to be broadly positive, with 8 out of 11 sectors expecting growth. The May monthly upward revisions as a percentage of total revisions to earnings show strength in communication services (e.g. Alphabet), healthcare (e.g. Thermo Fisher), consumer staples (e.g. Costco) and industrials (e.g. Trane Technologies) while sector laggards are real estate and energy. While we don't have the full figures for June (yet), we see monthly upward revisions strength, with only 3 sectors expected to lag earnings, including materials and energy.

Five projected rate cuts taken off the table in five months

The unemployment rate is still historically low, and inflation has remained well above the Fed's target of 2%, reducing the likelihood of rate cuts. We believe the chance of rate cuts in DM – especially in the US – has faded and there will probably be no cut in 2024 as we draw closer to US elections in November. Many economists have pushed back predictions on when the Fed plans to cut rates. A cut would require both a slowdown in inflation and meaningful softness in the labor market. However, the Fed Governor Christopher Waller effectively ruled out the possibility of a summer cut in his speech in late May, and so did Cleveland Fed President Loretta Mester.

“ The pace of increase in US credit card balances should slow

Economic surprise data increasingly negative in the US, and recently turned negative in Europe too

The US economy is slowing overall (Figure 2). Retail sales and industrial production manufacturing are declining. There is a downward trend in services employment. The JOLTS hiring rate and a range of other indicators suggest the labor market is softening. In the Citi Economic Surprise Index, it is the first time in 1.5 years that the US is negative. So, the overall economic data in the US is negative relative to prior expectations, while Europe also just fell below zero. If negative surprises translate to continued high inflation and sticky interest rates, and the Fed is higher for longer, perhaps the outcome will be a ‘no landing’ for a while longer. As a result, we still recommend to position portfolios toward an eventual Fed pivot and a broader market narrative.

Consumer under pressure

We have concerns about the state of the US consumer. According to UBS, personal interest payments have risen as a share of income, surpassing levels seen in 2019. Credit card delinquencies are above pre-Covid levels and more households are making only minimum payments. New delinquent loan balances are rising toward levels seen during the GFC-crisis period for auto loans as well as credit cards.

Figure 2: Citi Economic Surprise U.S. Index has turned negative



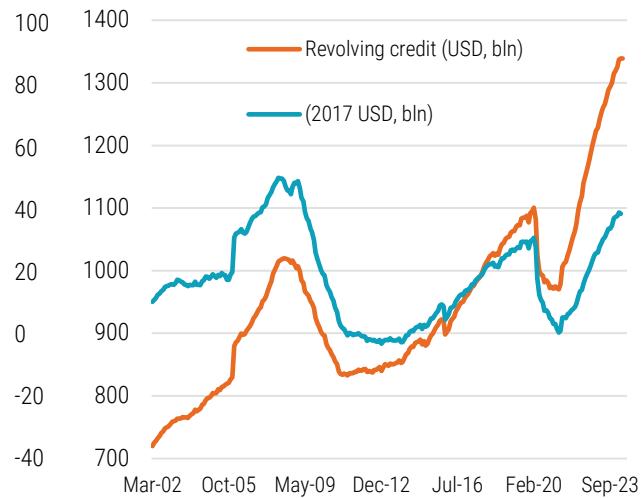
Source: Bloomberg, Robeco as of 24 June 2024

We believe the pace of increase in US credit card balances should slow, which will inhibit consumption spending. As a result we are cautiously underweight on consumer staples and some consumer discretionary industries like autos, and are selectively investing in only the highest-quality, high-ROIC companies where we see value.

Finding high quality in communication services and healthcare

Within communication services and healthcare – two of the sectors with the most earnings upgrades – we find opportunities in the growing and attractively priced interactive media and services companies, and also within life sciences tools companies. We have also been adding weight to select high-quality industrial companies, another area with recent positive earnings upgrades.

Figure 3: US revolving credit is also increasing



Source: Federal Reserve, Haver, UBS, data to April 2024

Volatile election season doesn't derail EM outlook

It's been a quarter of election surprises, with India, Mexico and South Africa all undergoing some degree of political change, but the ensuing market volatility doesn't change the big picture.

It was known that 2024 was going to be a big election year. And what an election wave it has been! Earlier in the year we went through relatively quiet election seasons in Indonesia, Korea and Taiwan. No major surprises came out of those three sets of results. 'Status quo' is the best description for the situation post elections in this trio of countries, as discussed in the prior Fundamental Equity Quarterly. But the most recent election outcomes in another trio of EM countries – India, Mexico and South Africa – were quite different.

South Africa: Coalition is a positive for equities

In historic elections in South Africa in May, the ruling African National Congress (ANC) has, for the first time since the end of Apartheid (1994), not won a majority in parliament. The ANC result was weaker than expected and its support fell from 57% in 2019 to 40% now.

A few weeks after the election results the ANC reached an agreement to form a Government of National Unity (GNU). This coalition includes the business-friendly Democratic Alliance (DA) and three other centrist parties, so without the more radical left parties, such as the Economic Freedom Fighters (EFF) and former president Zuma's party. The coalition parties have already voted in favor of the re-election of president Ramaphosa (ANC). It is likely that there will be much focus on accelerating economic growth and job creation, boosting efficiency of state-owned enterprises, improving the quality of public services and reducing corruption. Overall, the GNU agreement is good news for South African equities.

Mexico landslide yields constitutional uncertainty

In Mexico we also saw an historic outcome. Claudia Sheinbaum will be the country's next president. With 59% of the votes, she has a strong mandate to continue with the policies of the incumbent president AMLO. This was not unexpected; however,

the historic element is the fact that the ruling coalition has the ability to modify the constitution, since it got close to a qualified (66%) majority in Congress. Continuation of the current policies is likely, with higher wages, extension of social programs and more infrastructure investment. Sheinbaum is expected to keep focus on a sustainable debt-to-GDP ratio (around 45%). But the ruling coalition's large majority in Congress means there is a chance that AMLO's proposal to modify the constitution could be approved in the coming months, as Sheinbaum has said that she supports those proposals. This is a risk for diluting checks and balances, which could impact the (equity) investment climate.

India consensus confounded

India's six-week-long general election had a turnout of 66% of eligible voters. It was the biggest democratic exercise the world has ever seen, with nearly a billion registered voters. Mr Modi toured the country, pointing to his achievements in areas such as delivering welfare schemes and raising India's global profile. Opposition parties highlighted cost of living issues, high unemployment and fears that constitutional changes could disempower the disadvantaged. Narendra Modi duly won his third election but in a major upset (the exit polls had forecast a landslide for Modi) the results showed his Bharatiya Janata party (BJP) losing its majority for the first time since 2014, falling from the 303 seats won in 2019 to 240 (272 are needed for a majority). While the BJP's alliance has won 293 seats, enough to form a majority government under Modi, it is with a far weaker mandate than ever before.



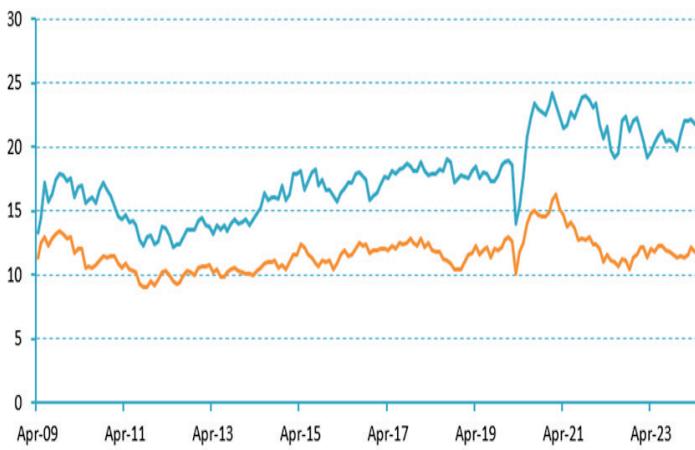
“The (India) reform process is expected to continue, albeit at a slower pace

India reform progress could stall

Modi has positioned himself to both the Indian public and overseas investors as a strong, decisive leader capable of enacting tough reforms and maintaining a stable government. However, his reliance on NDA partners might compel the BJP to make concessions. Critical parts of the BJP's reform agenda, including privatization and reforms in the labor and land market as demanded by foreign manufacturers, could be sidelined. Modi is likely to face a different political reality, with a galvanized and more powerful opposition. The reform process is expected to continue, albeit at a slower pace, and the difficulty for Modi's incoming government is going to be how to generate more inclusive growth and how to generate greater employment to take advantage of the country's demographic dividend.

Our fundamental EM strategies have an underweight position in India. Valuation-wise it remains expensive, trading at close to an 80% premium to the MSCI EM Index. Figure 1 illustrates the relative expensiveness of Indian equities.

Figure 1: Price-to-equity ratio India vs EM



Source: Bloomberg, MSCI

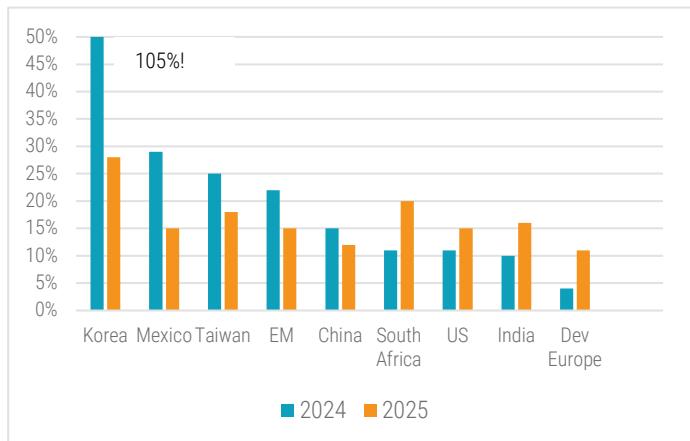
EM earnings outlook is strong

In prior quarterlies we have talked about earnings growth as a potential driver for EM in the coming years. Looking at the latest earnings results among markets, we saw that China, Korea, India, Hungary and Greece have beaten consensus. Kuwait, Poland, Turkey and Mexico have simultaneously produced earnings misses. For EM as a whole, consensus EPS growth is 18% in 2024 and 15% in 2025.

Figure 2 shows the latest consensus earnings growth estimates. Earnings in Korea are expected to increase by more than 100% (consensus IBES estimates 2024), related mostly to the IT hardware companies. This expected earnings bounce in combination with the Korean discount is the main argument for our Korea overweight in our EM strategies. Other prominent countries from an earnings recovery perspective are Mexico (+29%) and Taiwan (+25%). Brazil (+1%) is the laggard in 2024, though it will show a more pronounced earnings recovery in 2025.

Based on the strong earnings story, we remain constructive on EM. The persistent valuation discount of approximately 30% versus DM supports our long-term thinking in this regard.

Figure 2: EM earnings expectations remain strong



Source: IBES, CLSA June 2024

“ Every good stock has a hidden value component

Jaap van der Hart, a veteran portfolio manager for Robeco's Emerging Stars and Sustainable Stars strategies, talks about his background, investment philosophy and the most exciting countries in the emerging markets space.



What originally got you into investing?

"I started at Robeco in 1994 at the Quant Research team. I enjoyed the challenge of finding new factors and variables that have the potential to systematically beat the market. Then in 2000 I moved to the emerging markets equity team to broaden my horizon beyond quantifiable factors and to really understand companies and economies from the full perspective. I specifically wanted to go to emerging markets, as I liked the importance of macroeconomic and political factors, and to witness firsthand the economic developments these countries are undergoing."

What makes a good stock?

"As a value investor, for me it obviously has to start with an attractive valuation. So these are typically companies where expectations are relatively low for one reason or another. Yet, in order to significantly outperform, the company also has to be able to surprise positively. There has to be a hidden value component, for example because of new growth drivers, a potential change in company strategy or a significant increase in shareholder returns. Ideally, we can already see the start of this change happening and the investor community is starting to reassess their view on the companies. When these elements coincide, stocks can perform very well."

What's your biggest lesson learned over the years?

"There are many lessons of course, but I would highlight the difficulty and importance of selling stocks where the outlook has fundamentally deteriorated. It's difficult because you have to accept a loss. You have invested in a stock where you had a positive outlook and high hopes, and then reality paints a different picture."

Yet it is important to accept that new reality and sell the stock if there is less hidden value than expected or potentially more bad news is coming. It saves you from more losses and refocuses the portfolio on better opportunities. So it's good to keep an open mind and stay humble: when the facts change, you likely should change your mind as well."

Why do you think emerging markets are so attractive at the moment?

Let me start with the usual long-term positive of higher economic growth rates in emerging markets and the potential to catch up on technology. Furthermore, valuations in emerging markets remain attractive at a discount of around 30% on earnings multiples. These two factors do not guarantee outperformance, but are positive tailwinds. In addition, many central banks have been prudent in raising interest rates early in the past years, and as inflation has come down significantly we now see potential for rate cuts. I would also focus on developments within emerging countries themselves. China's growth expectations have been set lower with significantly more attractive valuations. In particular, the large internet companies have become proper value stocks, yet with still positive growth, improving profitability and shareholder returns. In Korea, we think the Value-Up program may contribute positively to higher dividend payouts and better capital management. Also in Korea and Taiwan, many technology companies benefit from the global investment in AI models, showing strong growth."

(continued overleaf)

“Vietnam is likely to develop a broader equity market and be promoted to emerging market status

Which countries offer the best opportunities in the next decade?

“Three countries I would like to highlight. First of all Korea, where we have the largest overweight in our strategies. They have world-leading export companies and a stable, well-developed domestic economy, while the equity market trades at very attractive valuations. This Korea valuation discount was already likely to come down due to a gradual improvement in dividend payout and shareholder returns. This is likely to be accelerated with the Value-Up program that the government initiated this year.

Second is Vietnam. It is still classified as a frontier market and the investible universe is fairly small. Yet with a population of close to 100 million and a rapidly growing export base, it has great potential. In the next decade, Vietnam is likely to develop a broader equity market and be promoted to emerging market status.

The third country to mention is India. The country is experiencing high economic growth and this is likely to continue in the coming decade. Still, our strategies are currently underweight due to high valuations. Local investor sentiment is very bullish and that has driven up share prices to levels that are too high in our view. We believe it is good to have a dynamic approach to investing in emerging countries given the differences in economic and political cycles and differences in valuations. As India will continue to develop and valuations are likely to come down at some point, I am sure new opportunities for us to invest will arise.”

Emerging markets do not have a Magnificent 7. What's your view on technology stocks in EM?

“The technology sector is an important part of the EM universe, and actually is of roughly similar size as in developed markets. We have world-leading semiconductor companies like TSMC and Samsung Electronics, and many other technology companies that play a crucial role in the value chain. AI development would not be possible without these emerging markets companies. Many of these companies have strong growth prospects with

good profitability. The only caveat now is that many companies have rallied very significantly in line with the strong performance of AI stocks globally, so we have become a bit more selective now. Speaking about technology, emerging markets companies also play a crucial role in the transition towards a renewable world. Emerging companies are leading in the development and manufacturing of battery technology, electric vehicles and solar panels, among others. These industries have actually experienced a different market cycle than AI companies, and valuations are now becoming more attractive.”

What's been your best investment ever?

“Luckily there have been several stocks that contributed very strongly to the Robeco Emerging Stars strategy since its launch in 2006. Indian IT outsourcing company HCL Technologies, a company that we have owned since 2013, has contributed the most. Valuations have re-rated significantly over this period, but the most important driver has been strong and consistent earnings growth. I would also like to mention the Korean preferred shares that we have owned for several companies. Some of these preferred shares were trading at around one-third of the value of the ordinary shares. When these extreme discounts narrow to more normal levels, and the companies themselves are also doing well, the gains can be very significant and the portfolios have nicely benefited from this. These are rare occasions, but it's good to be alert to these kinds of opportunities.”

If you could meet any historical figure (dead or alive) who had a significant impact on the financial world, who would it be, and what investment question would you ask him/her?

“That's an interesting question, and I could think of a number of potential people. For now, I would choose Xi Jinping; I would be very curious to learn what is going on in his mind. He has become such a powerful person, and we know relatively little about his actual thinking. So, as an investor I would like hear his thoughts on economic policy, but also about how he sees his own position, the struggle within the Communist Party and cooperation or conflict with the rest of the world.”

Fiscal fears obscure Brazil's underlying strength

2024 has been difficult for Brazilian equities, with the currency weakening and the market underperforming most emerging peers. But fundamentals are reasonable and we think this is a moment of opportunity.

In June, we had a chance to talk to representatives of the Brazilian government and visit the Congress. Brazil is simplifying its complex taxation system and the tax reform will pass in 2024. This is a landmark event, but the reform is one of the few subjects which Lula's administration and Brazil's Congress agree on. The current administration is weak in political coordination and hasn't been able to pass any legislation in Congress that could help increase government revenues to compensate for rising government spending.

Loose fiscal policy and fear of inflation is at the centre of the local economic debate. It is also part of the reason for the current pressure on the currency and the hesitation by the central bank to cut interest rates further. Inflation expectations have become de-anchored, moving towards 4% in 2025. The market wants to see a prudent fiscal approach, and the absence of that is forcing the central bank's hand. With real GDP growth at healthy levels and expected to reach 2% in 2024 and 2025, local companies appear less concerned than investors. They see improvement in demand, a strong consumer, and credit availability.

Digital credit expansion

The World Bank and IMF have both praised Brazil's progress in digital finance. Banking penetration is high and Brazilians have access to a diverse selection of digital financial services, ranging from instant payments to credit. In our various meetings with ecommerce players, payments providers, and investment and retail banks, we heard a common theme: they all want to expand digital credit, both to consumers and SMEs. There is a pool of

liquidity available that will drive growth and contribute to a healthy domestic market.



Image: Brazil's congress

Commodity force intact

Brazil is well known for its abundant resources. The commodity sector represented 49% of GDP in 2023 and improved infrastructure and technology developments have increased the country's competitiveness. On this trip, all companies we met in pulp and paper, agribusiness, energy and the extractive industries were enjoying high margins and productivity gains, and were talking about growth and investments.



Image: An FPSO off the Brazilian coast

Concerns over the high fiscal deficit contrast with healthy external accounts. Brazil records high trade surpluses and has a current account deficit that is easily financed by foreign direct investments. The domestic economy is healthy, with high real interest rates not hindering investment and credit expansion. Salaries are growing ahead of inflation and unemployment is relatively low at 7%.

Despite the year-to-date turbulence in the Brazilian capital markets, our investor trip to Brazil reinforced our constructive view on the country, making it a good time to bargain hunt for our EM team. Prices of assets are at a 40% discount to EM and at a discount of about 25% to their 10-year average.

A green property evolution

The Green Building Evolution strategy is a new addition to our Sustainable Property Equities product lineup. Launched in March 2024, it builds upon our established investment process and philosophy. Portfolio managers Folmer Pietersma and Frank Onstwedder explain how a cooperation with one of Robeco's key clients led to a unique, tailor-made mandate.

A new custom-made solution

In early 2023 an Italian client approached us for our real estate, thematic and sustainability expertise in creating a tailor-made article 9 product focused on the decarbonization of the built environment. After a thorough due diligence process by the client with different teams within Robeco, including Thematic and Global Equities, Product Development and the SI Center of Expertise, Robeco's solution was successful and the mandate went live in March 2024.

The 11,000 Empire State Buildings carbon challenge

The property sector accounts for nearly 40% of all carbon emissions,¹ making it one of the most emissions-intensive economic sectors. That includes the carbon generated in operating the buildings, as well as the carbon related to building construction. To reach Paris-aligned climate goals, emissions must be reduced from current levels.

Research by the International Energy Agency tells us that our global carbon emissions need to halve by 2030, from 9 Gt to 4 Gt, a weight equivalent to 11,000 Empire State Buildings! This will be a challenge given the energy inefficiencies and fossil-fuel dependencies of the existing built environment. What's more, the total floor area is expected to increase by 20% globally in the next decade – more than the existing floor area of North America.



Reaching net zero in real estate will require us to upgrade the world's cities and build the new ones as close to net-zero carbon as possible.

The Green Building Evolution strategy

The strategy invests in the companies that enable this transition to a low-carbon world – companies across the whole value chain of real estate – from the landlords who are at the forefront of greening their buildings, to the enablers who can support them in their quest, such as providers of materials, technology and the know-how.

Furthermore, it's not only about carbon reduction. In our investment process, we focus on companies that contribute positively to the UN Sustainable Development Goals. For this, Robeco's in-house-developed SDG framework is used to analyze each investment opportunity. Investments are carefully screened for their ambitions and targets to reach net zero, and their alignment with the SDG framework. And we pick the stocks that in our view are best at creating long-term value for shareholders.

¹ UNEP - Global Status Report for Buildings and Construction - Beyond foundations: Mainstreaming sustainable solutions to cut emissions from the buildings sector (March 2024)

Indonesia: Glass half full

Indonesia's equity market has stumbled in 2024 but we consider this is a good opportunity to find long term value in a dynamic and growing economy.

Indonesian equities experienced a significant downturn, with banks declining 20-25% from their recent highs and the overall index down 10% since March. The primary catalyst was market nervousness over the new government's fiscal plans. However, this negative response appears overdone. Valuations have reached below the lower trading range, presenting an alpha opportunity. Long-term, Indonesia stands to benefit from sustained investment in manufacturing, technology, and infrastructure, as well as its demographic dividend.

The Indonesian elections concluded in mid-February with President-elect (and current Defense Minister) Prabowo winning a clean majority. President Jokowi's term ends on October 20, while the new government can present its draft state budget on August 16. This interim period has led to uncertainty, with negative market reactions to proposed fiscal plans. One contentious proposal is the 'Free Nutritional Meal Program,' which is being interpreted as a populist move by financial media. However, similar programs in countries like India² and Brazil³ have had positive social and economic impacts. President-elect Prabowo plans to fund this from the existing budget, including reducing fuel subsidies—a move seen as positive in the long term.

Investors have been spooked by the likelihood of increasing the debt-to-GDP ratio from 40% to 50% but with the fiscal deficit currently at 1.7%, there is room for fiscal expansion without breaching the 3% ceiling. Compared to India and the Philippines,



increasing the debt-to-GDP ratio towards 50% over five years still leaves it below emerging market norms and should benefit Indonesia's banking sector.

The market's negative response also coincided with delayed expectations of US rate cuts. Indonesia relies on short-term foreign bond holders to fund its current account deficit. Although the overall balance is positive, funded by long-term foreign direct investments, there can be short-term mismatches. The equity market has suffered due to expectations of prolonged higher US interest rates. While higher US rates are possible, rate cuts are anticipated later this year and into 2025, which would reduce pressure on Indonesian rates and the rupiah. Any rate cut, along with clarity on the budget and a responsive new government, would benefit the economy.

Indonesia is well-positioned to benefit from manufacturing relocation from China and remains a key supplier of minerals critical to new energy industries. Fixed investment growth during Jokowi's term has laid a strong foundation for manufacturing. The country's burgeoning internet sector, supported by global venture capital, is transforming its consumption and manufacturing landscape. Coupled with a sizable demographic dividend, improving government investment, and structural reforms to enhance labor productivity and mobility, Indonesia's long-term prospects remain bright and investable, despite near-term volatility.

² Estimating the impact of school feeding programs: Evidence from mid day meal scheme of India - ScienceDirect

³ The National School Meal Program in Brazil: A Literature Review (researchgate.net)

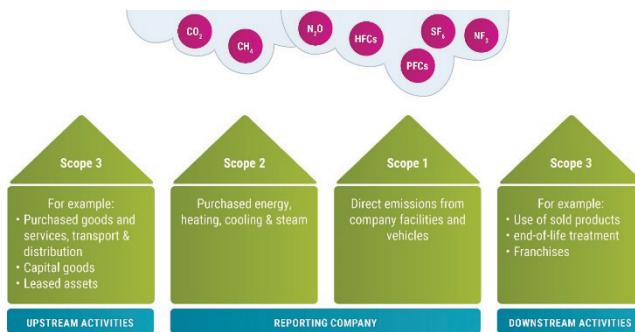
Enhancing our carbon measure: Integration of scope 3 upstream

On the journey to achieve net zero by 2050, it is vital to gradually include scope 3 emissions.

Robeco is advancing by integrating scope 3 upstream in our default carbon metric, enabling us to leverage a broader investment universe for the selection of decarbonization opportunities.

What are scopes 1, 2 and 3?

Scope 1 emissions are directly generated by the company and scope 2 emissions are created by the use of electricity or heat during production. Scope 3 emissions occur along the value chain: upstream emissions including 'purchased goods and services', and downstream emissions including 'the use of products sold'.⁴



Why scope 3 upstream?

Scope 3 accounts for up to 80% of total emissions,⁵ and therefore only looking at scopes 1 and 2 means we miss a large part of the picture. However, including scope 3 is challenging, given concerns about data quality and reliability. Separating upstream and downstream can help investors to advance.



Upstream emissions occur during production and are amply reported, whereas downstream emissions are estimations about the usage and end-of-life of products. Upstream emissions reflect important decisions that a company makes regarding production: what materials to use, whether to outsource, etc. Upstream emissions are therefore much like scope 1 and 2 emissions – all related to how products are produced – and furthermore data quality for upstream is on par with scope 1 and 2.

What does it mean for investors?

Including upstream emissions improves Robeco's carbon measure and allows a more comprehensive view of a company's carbon footprint, without compromising on data quality. This enables our clients to stay ahead of the curve, as regulators, standards setters and net zero frameworks increasingly focus upon the integration of scope 3.

In particular, sustainable equity investment strategies will have a wider choice of sectors and constituents to leverage for decarbonization opportunities, allowing more portfolio management flexibility.

"With scope 3 upstream included, emissions are less concentrated, so progressive decarbonization affects a broader set of companies. Consumer staples, industrials and consumer discretionary come into play, beyond the usual suspects in energy, materials and utilities," says Lucian Peppelenbos, Robeco's Climate and Biodiversity Strategist.

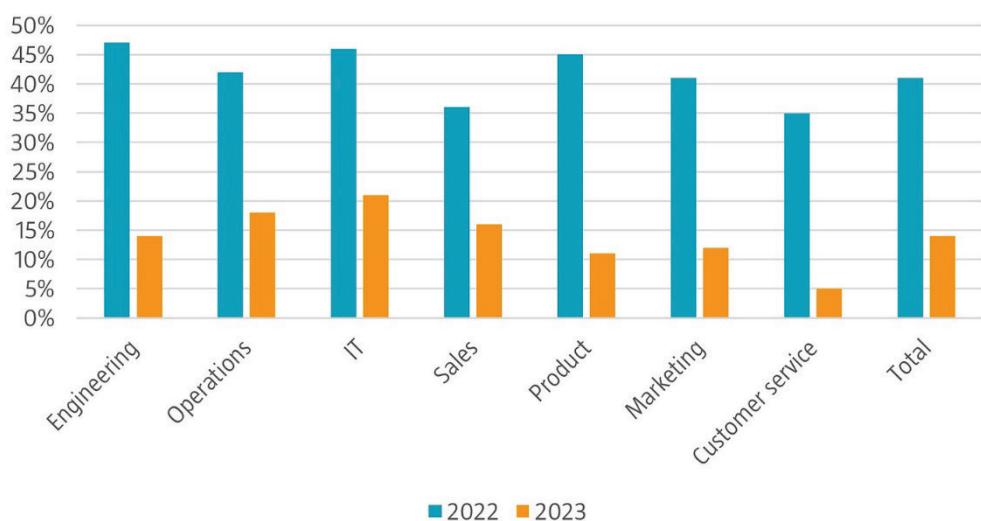
⁴ [Corporate Value Chain \(Scope 3\) Standard | GHG Protocol](#)

⁵ The challenges of mapping carbon emissions: Scope 3 - Robeco

Your company uses 70 different software applications!

Software as a Service (SaaS) stocks are having a difficult year, with the Bessemer Cloud Computing Index down 14.75% year-to-date, versus the S&P 500 which is up 15.75%. Driving weakness in the shares has been a deceleration in growth rates. The median annual growth rate for companies in the Bessemer index is currently 19%, compared to 22% a year ago and 31% two years ago. Similarly, according to cloud software management provider Productiv's recently published State of SaaS report, the expansion of the number of software tools employed by enterprise slowed from 41% growth in 2022 to 14% in 2023. Nevertheless, the average enterprise employs more than 70 separate software applications, according to the report. Further, software revenue growth continues to outpace the market, considering revenue growth for the technology sector as a whole is forecasted at 10% this year, compared to just 5% for the S&P 500 index.

Growth in the number of software tools used by corporate department



Source: Productiv. June 2024

For more Stunning Statistics, sign up for the Robeco Trends & Thematic team's Daily Sketch here:



Important information

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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.

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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.

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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.

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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

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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.

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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.

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Robeco Institutional Asset Management B.V. (FRN: 977582) is authorised and regulated by the Financial Conduct Authority.

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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 Superintendence 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.

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