

ROBECO INSTITUTIONAL ASSET MANAGEMENT

The smarter alternative: Enhanced Indexing



Celebrating 20 years of
Enhanced Indexing
2004-2024

ROBECO
The Investment Engineers

What you'll find here

Is passive investing truly the right choice for a core allocation in equities or credits?

- Over the years, passive investing has gained popularity for its predictable returns and broad market exposure.
- These qualities have made passive strategies a staple in core allocations, offering investors low costs, broad market exposure, liquidity, diversification, and transparency.
- However, there's a smarter way to enjoy these benefits while aiming for better returns, smarter risk management and an improved sustainability profile: Enhanced Indexing.

This publication explores the key reasons why investors should consider Enhanced Indexing: the smarter alternative to passive investing. We delve into how the concept can address the challenges of passive investing effectively, and share insights into how Robeco has successfully implemented this approach over the past 20 years.

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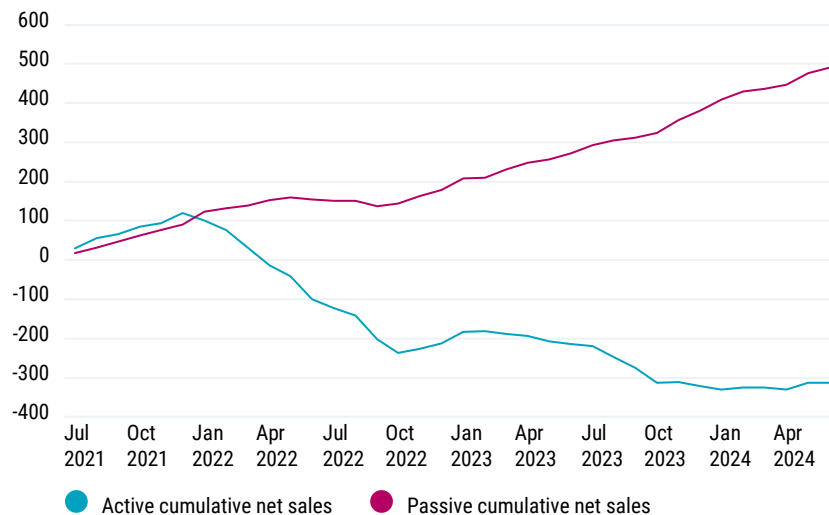
Introduction

Investors have increasingly turned to passive solutions for their core allocations to equities and credits. While these solutions have some clear benefits, such as transparency, predictable returns and low costs, by definition they lag their benchmarks after costs. Furthermore, they typically apply less advanced sustainability integration. Other concerns with passive investing also deserve attention, particularly in today's market environment. Is there a smarter alternative to passive investing?

The passive trend

Over the past decade, passive investing has become increasingly popular, changing the asset management industry and bringing costs down for investors. The surge in popularity is easy to explain: passive strategies are transparent, predictable and low cost.

Figure 1 | Trends in active versus passive investing in equities and bonds (in EUR bln)



Source: Broadridge. Sales region Europe & International. Bonds & equity. In EUR.

Potential pitfalls of passive

Despite the appeal, there are compelling reasons to question this approach, especially concerning a core allocation, i.e. the foundation of a portfolio that is designed to produce stable and consistent performance.

No alpha potential: Passive strategies by nature lag their benchmark returns because they incur trading and implementation costs that their benchmark indices do not. Especially for less liquid asset classes such as credits, this can result in a significant lag in returns. Passive investing also ignores decades of academic insights on asset pricing, thus passing up on opportunities to enhance returns through actively exploiting market inefficiencies.

Sustainability issues: The market cap-focused indices on which passive strategies are based might not cater to – or might even go against – investor’s sustainability preferences. By contrast, ESG or sustainable indices require active management by definition. As such, they can deviate significantly from their parent benchmarks, leading to different risk-return outcomes in terms of heightened country, sector or relative risk levels.

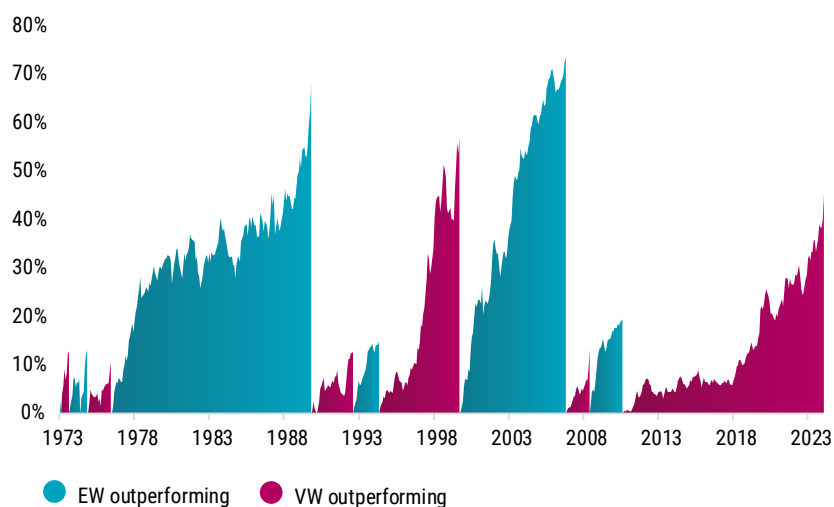
Not customizable: Passive strategies cannot be tailored to the specific preferences of clients. As passive strategies follow a predetermined index, they lack the flexibility to adjust the portfolio to individual client needs. For instance, clients may have unique risk/return objectives, regional or sector preferences, or sustainability preferences such as specific exclusions. Passive investing does not allow for these client-specific adjustments, potentially leading to a mismatch between the client’s investment goals and the actual performance of their portfolio.

Current market conditions and their implications

Concentration risks in global equity markets are rightfully garnering more attention from market commentators and investors. Indeed, catchphrases like FAANG, Magnificent Seven, and GRANOLA highlight the narrow market leadership that has driven market-cap-weighted passive indices in recent years. While they have recently outperformed equal-weighted ones, history suggests this isn't always the case, as seen in Figure 2. And when the tides reverse, passive investors will not have the flexibility to marginally tilt the portfolio in favor of mid- or small-cap companies to exploit the prevailing market environment for their benefit.

As such, a smarter alternative that can provide efficient exposure to the market premium, while offering more flexibility to respond to changing market conditions than a passive solution, can serve as a more appropriate core equity allocation for investors going forward. For example, enhanced indexing can tilt to mid-cap (which indices typically have a limited allocation to) and small-cap (which indices typically have no exposure to) companies through many small active positions at the expense of their large-cap peers. On aggregate, these small active positions can potentially result in enhanced returns versus the index, while keeping the risk profile similar to the market.

Figure 2 | Relative performance of MSCI World Equal Weighted vs. MSCI World



Source: Robeco, LSEG, MSCI. The figure shows the relative performance of the MSCI World Equal Weighted Index vs. the MSCI World Index. Performance is measured via the total return index and the sample period is May 1973 to June 2024.

Another conundrum facing investors today is determining where we are in the global equity market cycle and if US exceptionalism will continue. It's worth noting that the macro environment characterized by high interest rates, increasing geopolitical instability and sustainability concerns poses challenges for all types of investing. These conditions, coupled with high equity market valuations and elevated earnings expectations, might lead to lower future returns over the next decade. This is also the view held by the Robeco Sustainable Multi-Asset Solutions team, as outlined in its medium-term asset class returns outlook in Table 1.

Table 1 | 5-year expected equity returns 2025-2029

Equity	EUR			USD		
	Bull	Base	Bear	Bull	Base	Bear
Developed	9.75	6.50	4.00	11.75	7.50	1.00
Emerging	16.75	7.25	5.00	18.75	8.25	2.00

Source: Robeco. September 2024. The medium-term influences correspond with our assessment of the valuation, climate and macro influences described in Chapters 2, 3 and 4 of our upcoming Expected Returns publication. The expected returns are geometric and annualized. The value of your investments may fluctuate, and estimated performance is no guarantee of future results.

Again, a smarter alternative that can offer improved returns with market-like risk and an enhanced sustainability profile versus a passive approach can play a pivotal role as a core equity allocation, especially if investors might need to preserve their risk budgets for alternative strategies as satellite investments to meet their overall objectives.

A smarter alternative is Enhanced Indexing. In the next section, we delve into the reasons why.



The smarter alternative: Enhanced Indexing

With its best-of-both-worlds approach, enhanced indexing comprises the advantages of passive indexing – broad market exposure, liquidity, diversification, and transparency – while aiming to outperform the market. Designed to be very efficient in the way risk is used, the goal of enhanced indexing is to generate returns above that of the index while keeping the relative risk at the portfolio, country and sector levels as low as possible. This flexible strategy also better addresses sustainability requirements compared to traditional passive strategies.

Better returns (alpha potential)

Enhanced indexing strategies aim to deliver better returns while managing relative risks by using sophisticated portfolio construction techniques. Unlike passive strategies that blindly follow an index and do not favor one company over another, enhanced indexing strategically invests more in firms with healthier fundamentals while having less exposure to less healthy ones. The smarter company selection is based on forward-looking return factors that have been empirically proven to possess robust predictive power, allowing it to take advantage of market inefficiencies to deliver better returns than the index after costs.

More efficient risk control

In their quest to deliver enhanced returns while keeping the risk profile in line with the index, enhanced indexing strategies maintain their risk-aware stance. While the portfolio prefers companies with healthier fundamentals, this is implemented within measured limits from a portfolio, sector and (for equities) company perspective to contain relative risks. Moreover, the advanced portfolio construction ensures that the relative risk budget is used efficiently to generate returns sufficient to offset trading and implementation costs and to provide returns in excess of the index.

Improved sustainability integration

Not only do enhanced indexing strategies prefer healthier companies, they also prefer more sustainable ones. By definition, passive strategies are agnostic in this regard. And when passive strategies follow ESG-tilted indices, the risk profile of such indices can significantly deviate from their mainstream parent indices, for instance due to differences in sector or country exposures. This exposes investors to the kinds of active risk they aimed to avoid by choosing a passive strategy in the first place. Enhanced indexing strategies tilt toward more sustainable companies while keeping country, sector and company deviations from the index limited.

“Designed to be very efficient in the way risk is used, the goal of enhanced indexing is to generate excess returns while keeping the relative risk at the country, sector, and company levels as low as possible

Table 2 | Passive investing versus Enhanced Indexing at a glance

	Passive	Enhanced Indexing
Broad market exposure	✓	✓
Predictable risk profile	✓	✓
Low costs	✓	✓
Better return potential	X	✓
Smart company selection	X	✓
Improved sustainability	X	✓

Along with these key advantages, enhanced indexing offers a transparent, rules-based investment process that ensures the risk profile of the portfolio is in line with the index, fostering predictability and trust and enabling clients to use it as a core allocation to asset classes like equities and credits. This approach is designed to deliver consistency by following systematic, predefined rules and parameters, which helps deliver repeatable and predictable outcomes for investors. Additionally, enhanced indexing provides diversification by maintaining similar exposures to the market which reduces the impact of any single investment’s performance on the overall portfolio.

Robeco's Enhanced Indexing approach

Robeco's Enhanced Indexing offering aims for better than passive returns after costs by investing more in healthier companies and less in weaker ones – while limiting structural deviations from the index. We also integrate multiple sustainability dimensions in this disciplined approach that has generated consistent, cost-efficient outperformance since 2004.



Celebrating 20 years of
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Track record

Our Enhanced Indexing strategies have shown superior risk-adjusted performance, distinguishing themselves in credit and equity markets, both developed and emerging. In Figure 3 below we show information about our enhanced indexing approach in equity markets. The figure uses data gleaned from the eVestment database – a reliable manager search database for many professional investors. Our approach has proven effective in both global developed and emerging market investment universes, and has also shown stable outperformance in narrower regional markets, such as the US and European regions.

Robeco’s 20-year track record in enhanced indexing demonstrates stable alpha and a high information ratio. The Developed Markets (DM) strategy boasts an information ratio (IR) of 0.75, placing it in the top 2% of its peers in terms of IR. Our Emerging Markets (EM) strategy ranks first in its peer group with an IR of 1.26. These high IRs indicate an efficient use of the relative risk budget (approx. 1%) in generating outperformance for clients.

Figure 3 | Robeco Enhanced Indexing Equities strategies’ risk-adjusted performance



Source: Robeco, Kenneth French data library. Blitz, D., 2024, “The unique alpha of Robeco Quant Equity strategies”. This is based on the annualized information ratios of the Robeco Composite Global Developed Enhanced Indexing Equities (since inception in November 2004), gross of fees in EUR, the Robeco Composite Emerging Enhanced Indexing Equities (since inception in July 2007), gross of fees in EUR, and the Robeco Composite Active Quant Emerging Markets Equities (since inception in March 2008), gross of fees in EUR as at end October 2023.

How does our enhanced indexing strategy work?

Smarter company selection

By preferring healthier companies, Enhanced Indexing Equities and Enhanced Indexing Credits use time-tested, systematic approaches to differentiate between companies with healthier fundamentals and their weaker counterparts. This is based on a company selection model for stocks and bonds, built on over 25 years of extensive proprietary and academic research.

Our enhanced indexing models rank companies based on the attractiveness of their valuations (value), the nature of their market performance trends (momentum), and the degree of their quality characteristics, e.g., balance sheet strength and profitability (quality). For stock selection the model also considers changes in sentiment on company prospects from financial analysts (analyst revisions), and the dynamics of short-term trends, e.g., share price reversals and short-term sentiment (short-term signals).

Indeed, the essence of smarter company selection in enhanced indexing is to not take a few large active positions but to invest in a diversified manner with a preference for healthier companies. On average, in the longer run, this diversified approach has delivered sufficient additional returns to offset costs.

Smarter sustainability approach

Thanks to our long heritage and deep expertise in sustainable investing, Robeco is also able to credibly differentiate between more and less sustainable companies. For both Enhanced Indexing Equities and Enhanced Indexing Credits, we integrate sustainability throughout the entire investment process and across multiple dimensions such as exclusions, ESG, SDG, environmental footprints and active ownership activities (engagement and voting).

Enhanced indexing strategies, on average, invest more in companies with favorable sustainability profiles across those dimensions and less in companies with unfavorable ones. In client-specific mandates, enhanced indexing can be tailored to the exact sustainability preferences of the client.

Smarter optimization

In our enhanced indexing strategies we use a proprietary portfolio construction algorithm that efficiently balances risk, return, and sustainability considerations to aim for returns beyond those of the index.

Client cash flows are also actively used to optimize portfolios by applying the latest company rankings while avoiding unnecessary portfolio turnover, reducing costs, and enhancing net returns. Moreover, these strategies also avoid arbitrage risk, which can impact passive solutions due to front-running ahead of index rebalances, and can, in fact, take advantage of these opportunities.

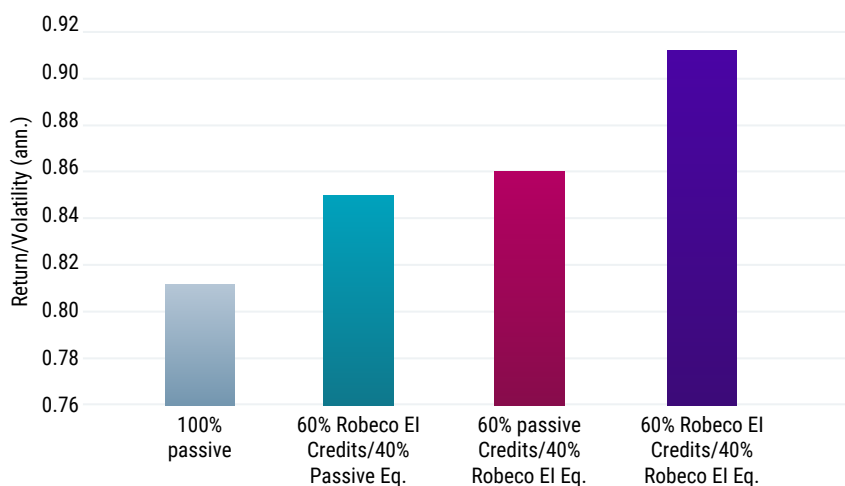
Smarter client-specific customization

In mandates, our enhanced indexing strategies can even be customized to the investors' exact risk, return and sustainability preferences. For example, we understand that the aims investors have with respect to sustainable investing are personal and can differ from client to client. To this end, we have built a proprietary customization tool that can facilitate the joint creation of tailored portfolios along with clients to better suit their unique needs from both financial and sustainability perspectives.

How does enhanced indexing fit into the overall portfolio?

Figure 4 illustrates how incorporating enhanced indexing, whether through equities or credits, adds value to a passive portfolio. It demonstrates that while both strategies individually enhance returns, the most significant impact comes from allocating to both strategies simultaneously. By diversifying across both equities and credits within an enhanced indexing framework, the portfolio benefits from a more robust return profile, showcasing the additive effect of combining these strategies.

Figure 4 | Robeco EI Equities and Credits outperform passive (since inception)



Source: Robeco.

The Enhanced Indexing team

Robeco’s enhanced indexing strategies are run by an experienced group of portfolio managers who collaborate with and benefit from the expertise of Robeco’s researchers and client portfolio managers (CPMs) in managing the strategy.

With over 25 years of experience, our broader quant team – a group of more than 50 dedicated researchers, CPMs and portfolio managers and portfolio managers – leverages its deep expertise to develop innovative, cost-effective strategies. Our researchers have strong academic links and are responsible for the development and enhancement of quantitative models and applications, which form the heart of our quantitative product line. CPMs co-create customized enhanced indexing portfolios with clients that reflect client sustainability, relative risk and investment universe preferences. Together with the portfolio managers, this robust team enables us to deliver the precision and insights necessary to achieve enhanced performance, even in a cost-conscious environment.

“By diversifying across both equities and credits within an enhanced indexing framework, the portfolio benefits from a more robust return profile, showcasing the additive effect of combining these strategies



The now and next of Enhanced Indexing

Innovation is the best way to future-proof an investment process and Robeco's enhanced indexing strategies have evolved with technological advancements. Our cautious pioneering mindset serves us well: we have a robust infrastructure, a well-established quant team, and a history of innovation. The big data revolution and exponential growth in computational power are opening up more possibilities in the world of enhanced indexing. Given its research-driven culture, Robeco is well-positioned to navigate and exploit these opportunities.

For example, our Enhanced Indexing Equities company selection model evolved from focusing primarily on well-known, traditional factors such as value, quality and momentum to also incorporating alternative signals as far back as 2009. More specifically, this key innovation was our basket of short-term signals, which uses faster-moving, innovative signals. Our short-term signals offer diversification to our selection model as they tend to be uncorrelated to the well-known, traditional factors which have longer return forecasting horizons. Moreover, this basket has consistently contributed to performance since its incorporation.¹

Other recent advances include incorporating sustainable alpha signals, such as employee engagement and resource efficiency. Higher employee engagement, measured through platforms like Glassdoor, has shown a positive correlation with future stock returns, linking it to the social aspect of sustainability. Resource efficiency, particularly in resource-heavy sectors, also correlates with better stock performance and lower environmental footprints, providing both financial and environmental benefits. In this way we seek to discover sustainable alpha; where sustainability isn't just a nice-to-have but actually contributes to better return potential.

In a similar vein, our Enhanced Indexing Credits strategy has also evolved by integrating machine learning techniques, for example in value investing. By applying a form of machine learning called regression trees, we've refined our approach to bond valuation, especially for riskier bonds. This has helped us better identify true value opportunities while reducing exposure to riskier bonds and avoiding potential 'value traps'. Enhancing the value factor's effectiveness this way has led to more refined investment decisions and better overall performance, particularly in today's volatile and complex market environment.

Going forward, our research agenda continues to focus on refining and diversifying our investment approach, for example through the use of uncorrelated alternative signals from novel data sources and advanced modeling techniques.

1. Mosselaar, J, March 2024, "Robeco EM Quant Equities' recipe for success: 10 key ingredients", Robeco article.

A closer look at 3D optimization

When it comes to considering the three dimensions of risk, return and non-financial elements such as environmental footprints, there are two popular approaches. The more common one uses constraints. Here, when you build a portfolio, you typically seek a maximum return for a given amount of risk, and then you add in environmental footprint constraints, for example, subject to the portfolio environmental footprint being better than the benchmark, as per our flagship enhanced indexing strategies. This constraint approach ensures that environmental footprint targets will always be met at every rebalancing moment.

The other approach is when non-financial elements such as environmental footprints are integrated directly into the portfolio's optimization goals, along with risk and return – this is what we term as 3D optimization. Instead of setting environmental footprints as a constraint, they become part of the objective. This means the optimization process seeks to balance all three dimensions – return, risk, and non-financial elements – simultaneously. This approach aims to create a portfolio that is 'ex-ante Pareto optimal'. In other words, it strives to find the best possible trade-offs among the three goals. For instance, if the portfolio aims for a specific level of return and risk, the environmental footprint will be the best it can be given those levels. This flexibility allows the portfolio to dynamically adjust based on market conditions, potentially achieving higher returns while still considering the environmental footprint.

However, this method does not guarantee that non-financial targets will always be met at every moment. The portfolio might make trade-offs, such as prioritizing opportunities that can lead to enhanced returns but dampen the environmental footprint profile momentarily in certain scenarios, if the potential gain in returns is determined to be high enough to offset a marginal weakening in the environmental footprint profile of the portfolio, or vice versa. This approach is particularly useful when relative risk limits are constrained – such as an enhanced indexing approach – as it allows for more dynamic use of the risk budget to meet long-term risk, return and non-financial goals. Robeco can offer both of these two approaches to investors.



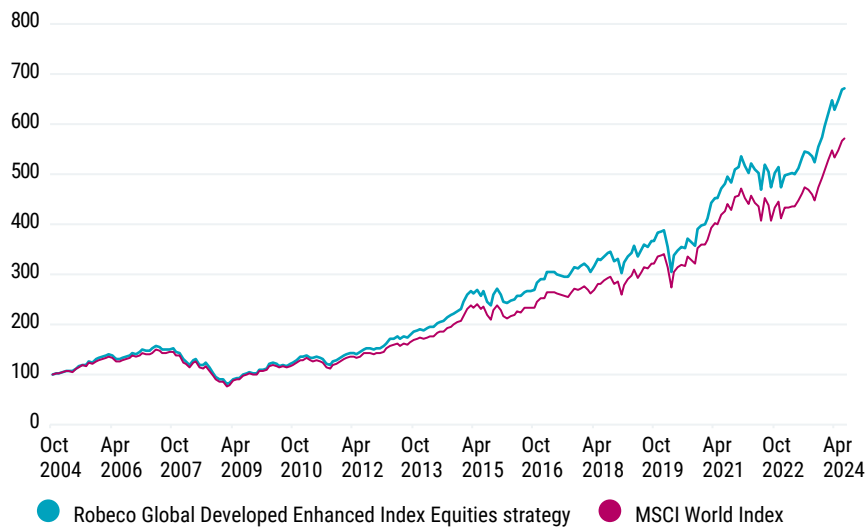
Strategy range

Robeco's Enhanced Indexing strategies are offered across asset classes and in different geographic universes, including developed markets and emerging markets.

- **The Robeco Global Developed Enhanced Index Equities strategy** is a compelling alternative to passive investing, designed to systematically capture the equity risk premium through its balanced multi-factor exposure. It aims to deliver superior risk-adjusted returns with limited relative risk.

Benchmark	MSCI World Index
Realized outperformance (since inception)	0,9%
Tracking error limit (ex ante)	1%
Realized information ratio (since inception)	0,8
SFDR classification	8
AuM	> EUR 11 billion
Inception date	Nov/04

Figure 5 | Cumulative returns - Robeco Global Developed Enhanced Index Equities strategy - since inception



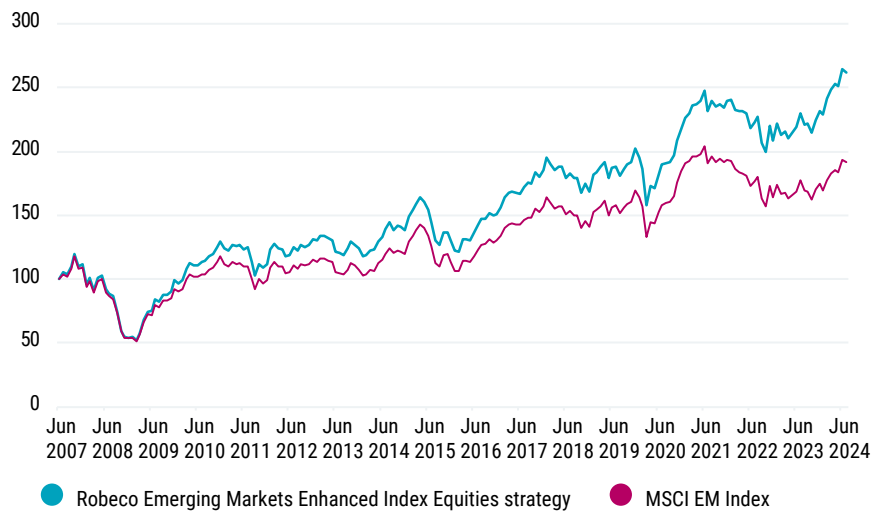
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Global Developed Enhanced Index Equities	2.7%	28.6%	9.9%	-1.8%	-37.1%	22.4%	22.0%	-1.1%	14.5%	25.2%	21.3%	12.1%	12.2%	8.9%	-4.5%	28.2%	2.9%	34.5%	-11.3%	20.9%
MSCI World Index	2.3%	26.2%	7.4%	-1.7%	-37.6%	25.9%	19.5%	-2.4%	14.0%	21.2%	19.5%	10.4%	10.7%	7.5%	-4.1%	30.0%	6.3%	31.1%	-12.8%	19.6%
Positive excess return	✓	✓	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓				✓	✓	✓

Source: Robeco, MSCI. Portfolio: Robeco Composite Quant Developed Markets Equities. Index: MSCI World Index (net dividends reinvested). The figure shows cumulative portfolio returns versus the market index and the table reflects the excess returns on a calendar year basis. All figures are gross of fees, in EUR. The period is November 2004 to 31 July 2024. The value of your investments may fluctuate. All figures are in EUR. Benchmark figures include net dividends reinvested. Results obtained in the past are no guarantee for the future.

- **The Robeco Emerging Markets Enhanced Index Equities strategy** is an equally compelling alternative to passive investing, designed to systematically capture the equity risk premium in emerging markets through its balanced multi-factor exposure. It aims to deliver superior risk-adjusted returns with limited relative risk.

Benchmark	MSCI World Index
Realized outperformance (since inception)	1.9%
Tracking error limit (ex ante)	1.2%
Realized information ratio (since inception)	1.3
SFDR classification	8
AuM	> EUR 15 billion
Inception date	Nov/04

Figure 6 | Cumulative returns - Robeco Emerging Markets Enhanced Index Equities strategy - since inception



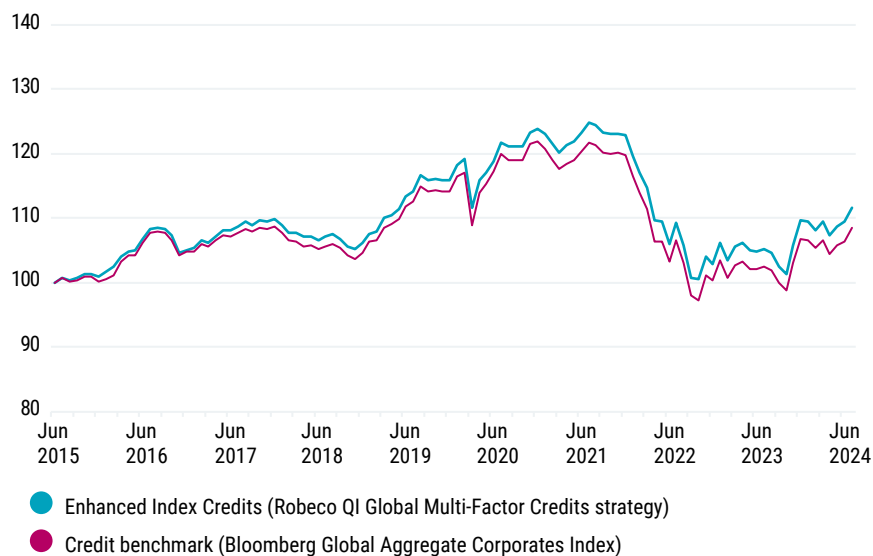
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Emerging Markets Enhanced Index Equities	11.1%	-51.7%	84.4%	31.0%	-14.1%	17.8%	-5.7%	11.8%	-6.1%	16.3%	22.9%	-9.5%	20.5%	7.2%	10.0%	-13.0%	11.2%
MSCI Emerging Markets Index	8.8%	-50.9%	72.9%	27.1%	-15.7%	16.4%	-6.8%	11.4%	-5.2%	14.5%	20.6%	-10.3%	20.6%	8.5%	4.9%	-14.9%	6.1%
Positive excess return	✓		✓	✓	✓	✓	✓	✓		✓	✓	✓			✓	✓	✓

Source: Robeco, MSCI. Portfolio: Robeco Composite Emerging Enhanced. Index: MSCI Emerging Markets Index* (net dividends reinvested). The figure shows cumulative portfolio returns versus the market index and the table reflects the excess returns on a calendar year basis. All figures are gross of fees, in EUR. The period is July 2007 to 31 July 2024. The value of your investments may fluctuate. All figures are in EUR. Benchmark figures include net dividends reinvested. Results obtained in the past are no guarantee for the future.

- **The Enhanced Indexing Credits strategy** offers a systematic portfolio of predominantly investment grade corporate bonds, designed for long-term capital growth. By using a factor investing approach within the investment grade bond space, this strategy aims to generate higher returns while maintaining a market-like risk profile. It is particularly well-suited for experienced investors seeking style diversification within a balanced portfolio, providing a disciplined and strategic approach to credit investing.

Benchmark	Bloomberg GI
Realized outperformance (since inception)	0.33%
Realized tracking error (since inception)	0.63%
SFDR classification	8
AuM	> EUR 3 billion
Inception date	Jul/15

Figure 6 | Cumulative returns - Enhanced Index Credits (Robeco QI Global Multi-Factor Credits strategy) - since inception



	2015 (H2)	2016	2017	2018	2019	2020	2021	2022	2023	2024 (H1)
Enhanced Index Credits (Global Multi-Factor Credits)	0.86	4.17	4.56	-3.41	9.25	6.85	-0.80	-16.20	6.55	-0.22
Bloomberg Global Aggregate Corporates index	0.22	4.59	3.66	-3.76	9.24	6.73	-1.69	-16.31	6.51	-0.48
Positive excess return	✓		✓	✓	✓	✓	✓	✓	✓	✓

Source: Robeco QI Global Multi-Factor Credits IH EUR share, gross of fees. Benchmark: Bloomberg Global Aggregate Corporates (hedged into EUR). The figure shows cumulative portfolio returns versus the benchmark and the table reflects the excess returns on a calendar year basis. All figures are gross of fees, in EUR. The period is July 2015 to 31 July 2024. The value of your investments may fluctuate. Results obtained in the past are no guarantee for the future.

Sustainability

Robeco offers sustainable versions of these two strategies that also aim to deliver superior risk-adjusted returns along with improved sustainability profiles. For example, the strategies are managed to ensure that they have a carbon footprint that is at least 30% lower than the benchmark, waste and water footprints that are at least 20% lower than the benchmark, and ESG risk rating that is at least 10% lower than the benchmark, and also exclude the worst scoring² stocks according to our SDG Framework.

Robeco also offers the Robeco QI Global SDG & Climate Multi-Factor Credits. This strategy invests globally in bonds, predominantly investment grade credits, of companies at the forefront of the transition to a low-carbon economy in line with the Paris Agreement while also contributing to the United Nations Sustainable Development Goals. It provides a sophisticated quantitative multi-factor approach offering a diversified exposure to low risk, value and momentum, as well as attractive risk-adjusted returns and style diversification with traditional fundamental credit strategies.

2. The worst scoring stocks are excluded based on the Robeco proprietary SDG framework, scoring companies from -3 to +3 on UN SDGs, worst scoring refers to -3 and -2.

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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 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.

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Robeco Institutional Asset Management B.V., Sucursal en España with identification number W0032687F and having its registered office in Madrid at Calle Serrano 47-14^o, 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

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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.

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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 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.

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