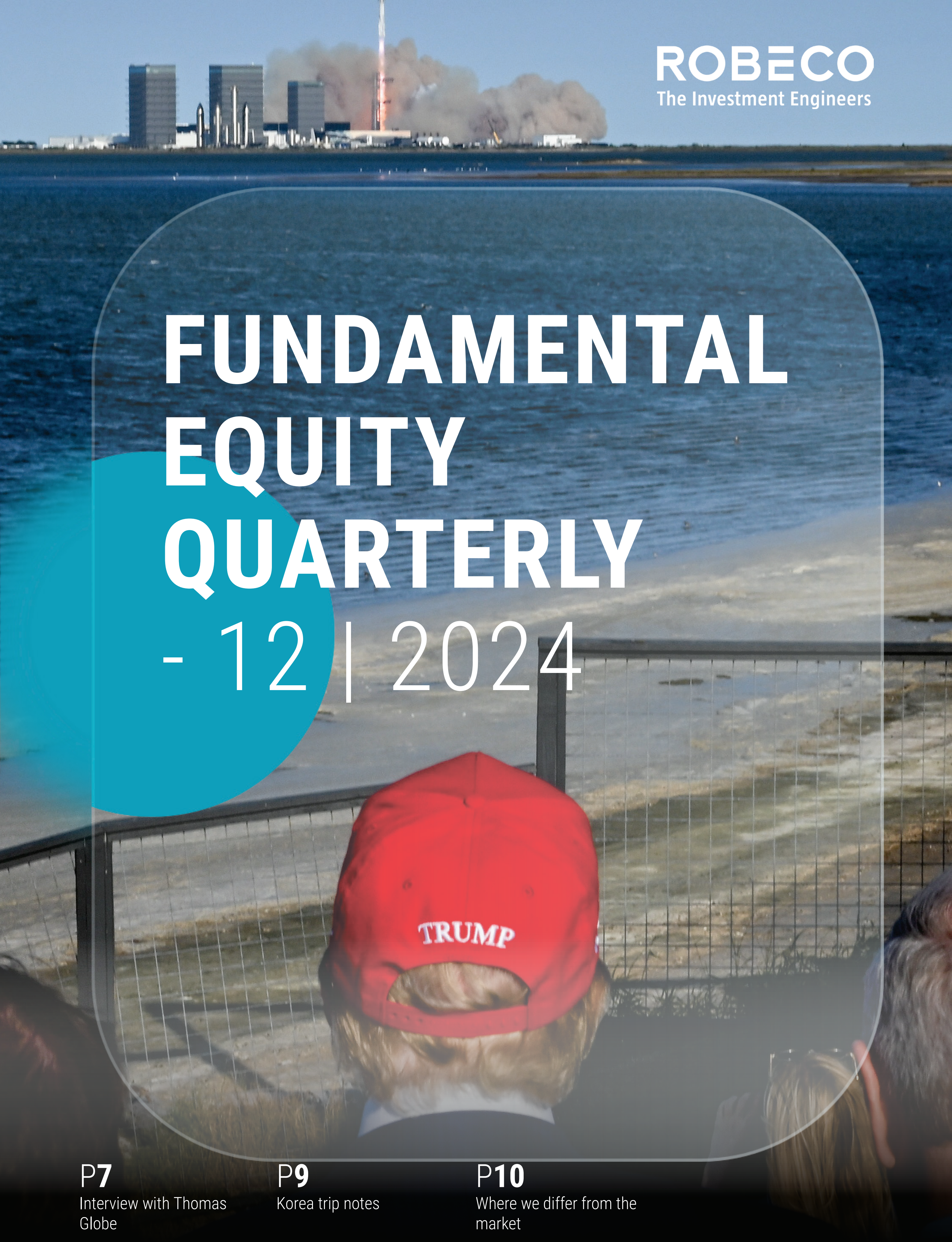
ROBECO
The Investment Engineers

FUNDAMENTAL EQUITY QUARTERLY

- 12 | 2024



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INTRODUCTION | **Kees Verbaas,** Head of Fundamental Equities

Lovely liquidity

For the last 25 years I have organized investment forecasting games in the office. Usually, around 60% of participating colleagues are on the right side of the market.

This year has been exceptional, as the vast majority of participants have underestimated the strength of the markets. The S&P 500, Chinese equities, Magnificent Seven stocks and credit spreads have all performed much better than was anticipated at the beginning of the year. The number of risks seemed endless: market concentration, highly valued technology stocks, prolonged inflation with a Fed behind the curve, China in the doldrums, just to name a few. Who would have expected one of the strongest equity markets of this century, with almost 30% return at the time of writing [MSCI World in EUR on 16 December]? Stanley Druckenmiller's investment adage was once again proven true: it's liquidity that moves markets. Particularly so when the real economy has a limited number of projects to absorb the (excess) capital.

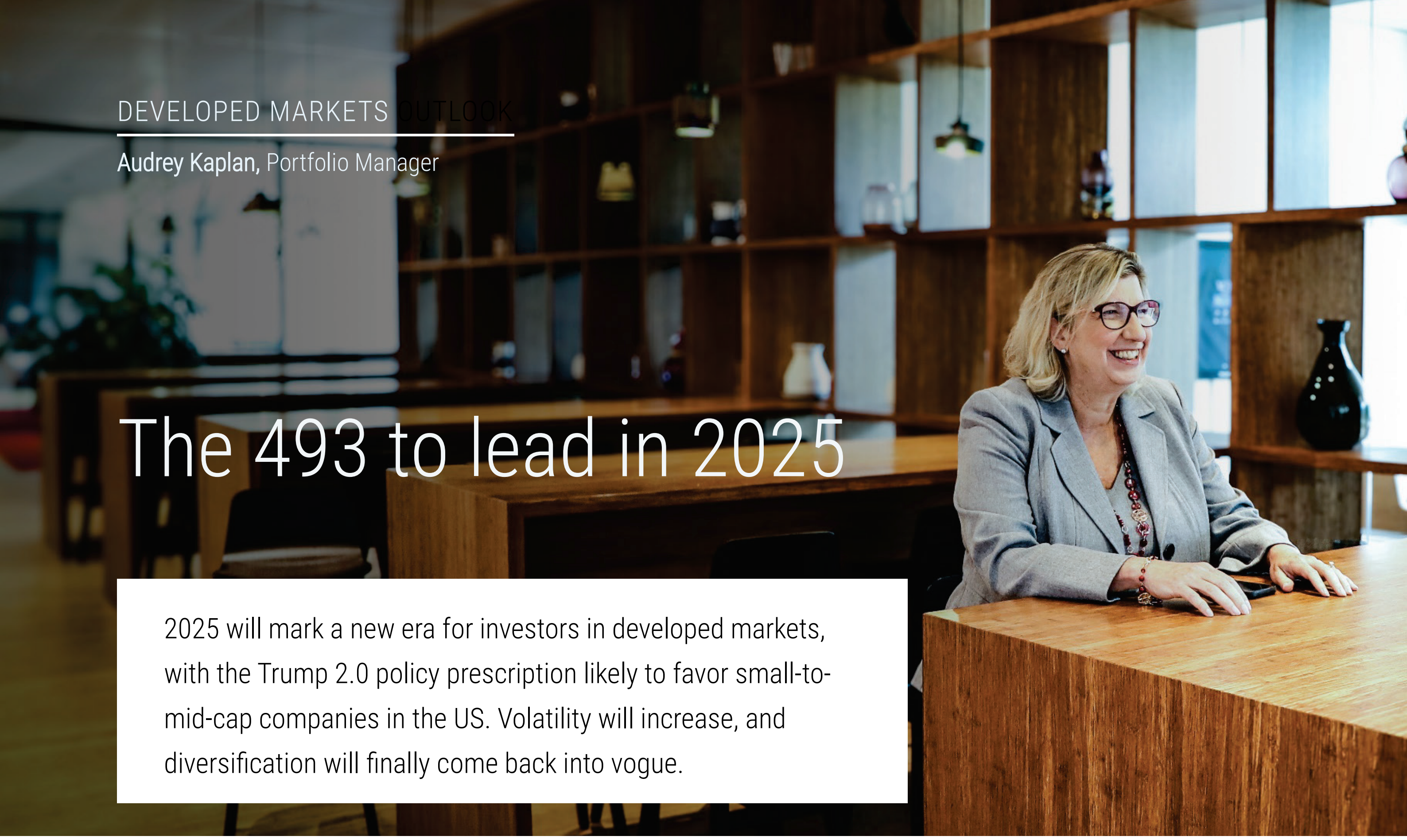
Luckily, our Fundamental Equity teams looked beyond the risks and captured opportunities across the spectrum. The Global Stars team kept the foot on the pedal of large-cap technology stocks and benefited from the AI-powered rally. That took courage; good value is not always to be found in cheap stocks. At the same time the team invested in multiple other successful companies, such as Trane Technologies, Deutsche Telecom and Paypal. The performance record of the Global Stars strategy relative to the benchmark is very strong over a 1-, 3-, 5- and 10-year horizon, and we welcomed numerous new clients over the course of 2024. The portfolio positioning looks promising for 2025.

Emerging markets are up a healthy 15% year-to-date. The strong relative performance of our Asia-Pacific strategies is particularly worth noting. We are expanding the team to research the next wave of great stock opportunities. While emerging market returns may seem a bit pale compared to those in developed markets, Wim-Hein Pals explains in his outlook that there are plenty of good prospects across the various regions for 2025, at exceptionally low valuations. We believe there is a good chance that sentiment toward emerging markets may change after the new US administration takes over, when the discussion around tariffs will likely shift from threats to deals. We are completing our 2024 campaign '30 years of investing in Emerging Markets at Robeco' with positive expectations.

With liquidity still abundant, best wishes for successful investments in 2025!

DEVELOPED MARKETS OUTLOOK

Audrey Kaplan, Portfolio Manager



The 493 to lead in 2025

2025 will mark a new era for investors in developed markets, with the Trump 2.0 policy prescription likely to favor small-to-mid-cap companies in the US. Volatility will increase, and diversification will finally come back into vogue.

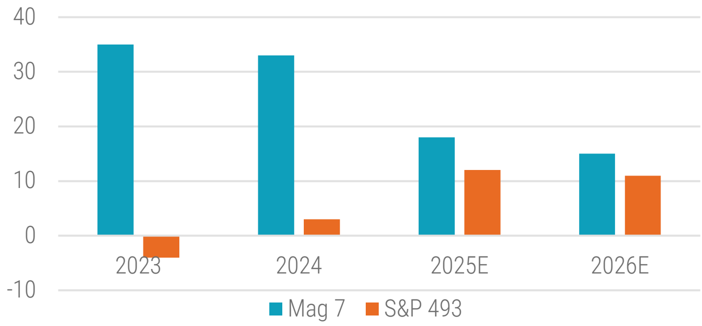
Global markets have delivered strong year-to-date performance measured by the MSCI World Index (+30% EUR, +21% USD on December 16 2024) with gains accelerating since August. The US election results helped sustain momentum, with financials leading the way on hopes of fewer regulations and a more permissive M&A environment. Globally, nine of 11 sectors posted positive returns in November. Only Materials and Energy have declined since the election, with Healthcare flat.

After the November US jobs report came out with the Goldilocks scenario of not too hot but not too cool, one could argue that Santa Claus has come early this year, with Consumer Discretionary leading the rally since the election. US economic news has continued to surprise to the upside, especially in October and November, which has supported risk assets.
For instance, at the start of November, the ISM services index for October came in at the highest since July 2022 and the Conference Board's consumer confidence measure for November moved up to 111.7, the highest since July 2023. The consensus (87% probability) is also expecting a 25 bps rate cut at the December Fed meeting. While the biggest companies, especially the Magnificent Seven stocks, achieved outsized gains when interest rates were going up, we expect the situation to reverse in the face of interest rate cuts through 2025.

Earnings expectations firm for 2025

Consensus earnings forecasts for 2025 continue to look strong and we expect a low double-digit growth rate following 2024's anticipated 9.5% growth rate. The Magnificent Seven delivered 25% YoY EPS growth in Q3, showing deceleration from the previous few quarters pace, but better than the expectations of 17%. The rest of the market, the so-called S&P 493, was at 2% YoY, continuing the streak of anemic profit delivery outside the AI complex. We expect US Trump 2.0 deregulation policies to supply the ballast for the implied EPS growth rate for next year, with stock price momentum tempered by the unstable geopolitical environment.

Figure 1: The gap narrows - Magnificent Seven vs. S&P 493 earnings growth



Source: FactSet, Goldman Sachs Research as of November 26, 2024

Volatility ahead

In the words of the Sergio Ermotti, UBS Group CEO, "the acceleration of geopolitical events coupled with escalation on the macroeconomic fronts – tariffs, protectionism – it's definitely something that has to be watched."[1] We anticipate increased market volatility and believe diversification is an underappreciated tool to manage risk as well as return at this juncture.

[1] UBS CEO Warns Markets Risk Being Rattled by Tariffs, Politics – Bloomberg – December 9, 2024

“ Deregulation will be key

In Figure 2 below the top ten active weights in the Robeco Sustainable Global Stars strategy represents 24.3% of the total portfolio (of typically between 30 and 50 companies) and features eight sectors, with 63% exposure to the US and 37% to the rest of the world; this compares favorably from a diversification perspective to the top ten companies in the MSCI World index (of 1,410 companies). By contrast, the MSCI World top ten represent 22% of the total market capitalization, and is currently highly concentrated in two sectors, technology and a symbiotically related sector, semiconductors, and with 100% exposure to the US market. This means investors allocating to passive strategies are aligned with aggressive growth investors. While this has worked very well in 2024, the question is whether it will continue to work in 2025?

The policy mix favors a small-to-mid-cap revival

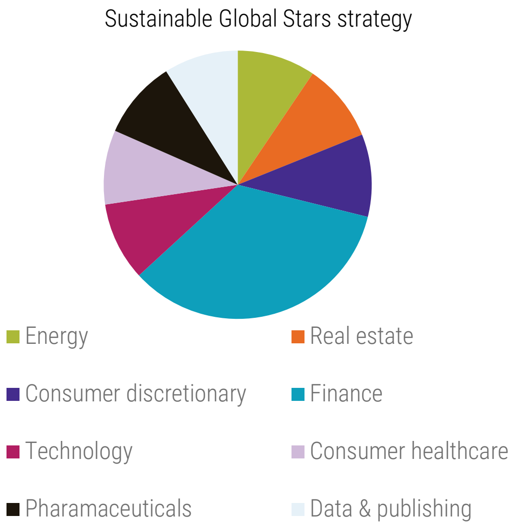
Trump 2.0 favors across-the-board tariffs with a mooted 25% tariff on imports from Mexico and Canada, along with an additional 10% tariff on goods from China. European companies will likely also have to cope with Trump’s tariffs on exports to the US – things like European luxury fashion items, cars made in Europe, and European liquors and spirits. About 20% of exports from the EU and the UK go to the US. Tariffs can disrupt supply chains, increase trade frictions and negatively impact global manufacturing, but who is likely to benefit? The outcome will be further US self-reliance with US manufacturers as key beneficiaries, helping the S&P 493. We also expect macro factors to favor the S&P 493 as these companies are more sensitive to changes in GDP growth compared with the Magnificent Seven. While trade friction represents an important risk for GDP baseline forecast, more restrictive US trade policy would likely affect non-US growth more acutely than US growth. The Magnificent Seven derive nearly half of their sales from outside the US compared with 26% for the S&P 493, and thus we favor the latter in 2025. In our search for diversification, we have identified four developed-market industry sectors to shine.

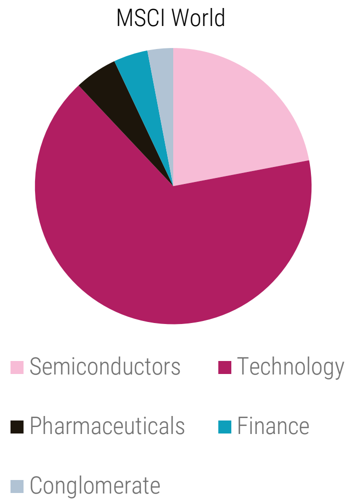
1. **Financials**, especially banks and financial services companies.
2. **Healthcare**, especially Life Science tools & services.
3. **Real Estate** and Building products companies.
4. **Consumer** companies including specialty retail and personal care products.

Deregulation as stimulus will be a key theme in 2025

Trump 2.0 ran on a platform of replacing key roles at regulatory agencies that oversee dealmaking, including the Federal Trade Commission and the Securities and Exchange Commission. The market is trying to get ahead of this with expected federal deregulation on autonomous vehicles already acting as a positive driver for Tesla shares. After the US elections we re-focused the Robeco Sustainable Global Stars strategy on a favorite target area for deregulation, Banks and Financial services companies. For example, since the election, we have raised weight to a US wealth management firm that is a key beneficiary of a better financial environment with strong growth in the company’s asset management business, structural margin expansion opportunities in its advisory division and an overall strong capital-return story. Along a similar theme, we added a fintech platform and digital/mobile payments company. As we adapt to the new opportunities 2025 will bring, we are also taking this agile approach to other sectors, including Real Estate and Consumer Discretionary.

Figure 2: Diversify your portfolio in 2025 – Top 10 active weight in the Robeco Sustainable Global Stars strategy and top 10 companies in MSCI





Source: Robeco, MSCI, November 2024.

EMERGING MARKETS OUTLOOK

Wim-Hein Pals, Head of Emerging Markets Equities

A decent absolute return

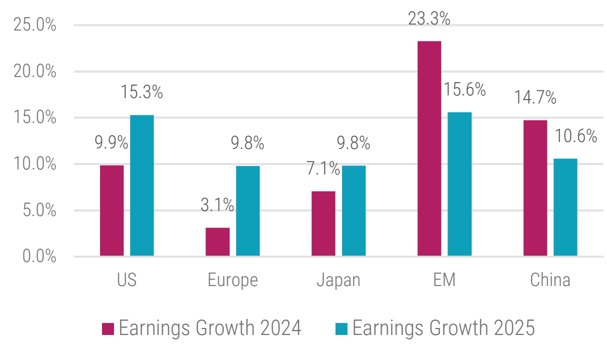
2024 delivered solid gains but emerging markets are still playing second fiddle to developed markets and the roaring US. For 2025 we like the prospects for Indonesia, a beaten-down Korea, South Africa and Greece.

At the end of the year, emerging stock market indices are on a good return of around 16% on average, in euro terms. So, you could say that for those who are invested there's no reason to complain. But yet again the grass is a lot greener in the more mature stock markets. The stock markets of developed countries have returned more than 28% over the year to 10 December 2024.

EM earnings set to outshine DM, again

Rather than lamenting, the more important task is to analyze the difference in returns between emerging and developed markets: the yield differential can be fully explained by the revaluation of the mature markets.

Figure 3: EM vs. DM earnings



Source: MSCI, IBES, 30 September 2024

This means that the already expensive markets in the rich West, especially those in the US, have become even more expensive. In previous years, the lower returns in emerging markets could largely have been explained by disappointing earnings growth of listed companies, but that is not the case this time. The new calendar year is still a few weeks away, but in 2024, corporate profits in emerging markets would have risen faster on average than in mature markets. The consensus earnings growth rate in emerging markets was 23%, while in mature countries it was only 7%. Next year will be another year in which earnings growth in emerging markets exceeds that of mature markets: 15% versus 12%, according to consensus expectations.

EM valuations haven't closed the gap

Looking back at the year, it has once again become clear that the valuation factor in equity markets is a poor indicator when it comes to timing investment. After all, the gigantic undervaluation of emerging markets has only increased. As a stock investor, it would have been better to put all your investment eggs in the US basket. The expensive stocks in the US – in terms of price/earnings ratio – were once again among the best performers.

But our view is that such a scenario of pricy stocks becoming even pricier cannot persist forever: over the long run, the value style is likely to outperform the growth style.

When we talk about finding attractive value in the context of equity investments, we quickly arrive at the emerging markets category. These trade on average at a price/earnings ratio of 14 times 2024 earnings and 12 times 2025 earnings. This contrasts sharply with valuations in developed markets of 21 times 2024 earnings and 19 times 2025 earnings. There are wide country variations, though, with some hot markets like India trading at levels similar to those in the US (see Figure 4).

"Our country preference is for this year's laggards: Greece, Indonesia and Korea

2025 will be different, but how?

But the key question is: after an unprecedented 2024, what does the optimal investment portfolio for 2025 look like? It is obvious to raise a prophetically warning finger now, and to proclaim that after such an exuberant year, the next year can't possibly be a repeat. However, let me be humble and honest; it could be another year in which EM returns pale in comparison.

We do however think it's inadvisable to put all of one's investment into one market – the US. Under the leadership of the new Republican president, US financial markets will be more volatile than we have become accustomed to in recent years. The wise approach is to broaden one's exposure. A little extra diversification is easy to obtain by adding some exposure to emerging markets. This would make the total risk of the portfolio lower than if all the eggs are in that US basket.

Our top-down tips for 2025

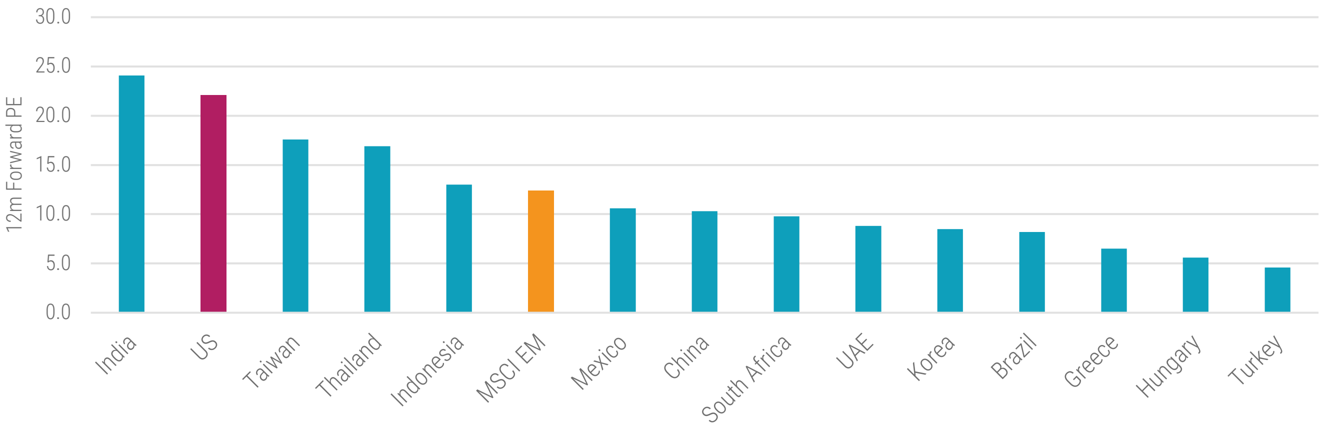
From a portfolio point of view, our country preference is for this year's laggards: Greece, Indonesia and Korea. Attractive valuation levels in Greece and Korea, in combination with strong earnings growth in Greece and Indonesia, are factors supporting our overweight stances in these markets.

We have been buyers in domestic South Africa, through banks and retail. The new Government of National Unity has executed improvements in some key areas, such as power generation, and we have expanded our overweight in the country. Elsewhere – although these are small markets – we continue to like Türkiye and Vietnam.

From the universe of larger markets, we have been reducing exposure to Brazil, where we closed our overweight. In an environment of monetary easing in most parts of the world, Brazil is going to hike interest rates even further, to fight inflation. This is not an equity-positive scenario going into 2025.

In China we do not buy the stimulus-inspired equity rally, since the structural issues remain. The overcapacity in many sectors and the country's structural deflation will only improve marginally. We maintain our underweight portfolio position in China. The same goes for the overvalued Indian equity market, which is now trading at double the valuation levels of the MSCI Emerging Market index – India is at 24 times EPS versus 12 times forward EPS for the broader index. These are unprecedent relative valuations.

Figure 4: Some Asian markets trade above average EM valuations



Source: MSCI, IBES, 31 October 2024

INTERVIEW

Tom Globe, Portfolio Manager

“The most important lesson is to be aware of ownership bias

Tom Globe is a portfolio manager of Robeco’s SDG Engagement Equities strategy, which focuses on engagement with every investee company to improve their contributions to the UN SDGs while aiming to achieve attractive returns.

What originally got you into investing?

It was the realization that you could combine a lot of different things like economics, geopolitics, and endless other factors into a job that you can actually do day-to-day, that is also enjoyable and immersive. There are new areas to research all the time, and obviously nothing is static. You never really get to a point where you know everything about a specific sector and you end up knowing quite niche things about a lot of different topics, which I really like. I also think everyone who does this job gets a kick out of getting calls right. It’s neither an art, nor a science, but a weird combination of both, and ultimately success in this job isn’t ambiguous, it’s quantifiable, and I like that.

What makes a good stock?

In the simplest terms, it’s quality and consistency and operating in a growing market. If you’re a company in an industry that is in structural decline, it makes the first two points less relevant. Likewise, without those first two points, you can be in the best market in the world and in the long term, your peers will inevitably outperform. There’s always going to be arguably bad stocks that perform well in the short term, but over the longer term, quality and consistency are the right places to be.

What’s your biggest lesson learned over the years?

The biggest, most important, lesson is to be aware of ownership bias. When the fundamentals change, it can be awful to sit there and take the hit, but nine times out of ten, it’s better to exit the position. If you wouldn’t consider buying shares in that company at this entry point then that’s probably a good enough reason to exit, rather than hoping for some kind of miracle revival. I think it was Peter Lynch who said if a stock is down 95% it’s a stock that was down 90% and then halved [NB: Peter Lynch managed the Magellan Fund at Fidelity Investments from 1977 to 1990].

The portfolio you manage is quite unique in that engagement with investee companies forms a key aspect of the strategy execution. How does this work, and how do investors benefit?

Yes it is quite unique, and comes with its own opportunities and challenges. The characteristics we look for align with those that the broader global team emphasizes, with ROIC and free cash flow being a focus. Unsurprisingly we have a more limited universe to find companies where progress can be made through engagement. The specific engagement angle of the strategy is very much led by the engagement team within Robeco who we work very closely with. The overarching objective is that through engaging with those companies we can measurably improve their contribution to the UN SDGs. In turn we believe that an improvement in these contributions reflects an improvement in the quality of the company, whether it is as simple as improving disclosures or reducing climate risk. The outcomes should be beneficial at a company level and as such for investors.

What is one of the successes that you’ve had as a PM team, as a result of combining engagement and stock selection?

We held a position in Salmar, the Norwegian salmon farming company. The company was seeing attractive volume growth of 7-8% and had invested heavily in automated processes to improve operations and lower costs. ROIC was an attractive 20%+ and FCF yield mid-single digit and increasing following a ramp-up in capex. There were a number of topics identified for engagement, both in terms of internal company controls but also more broadly how they interact with their supply chain and requirements for suppliers. Positive progress was achieved across most objectives, with the percentage of certified fish reaching 80% and the company appointing a head of sustainability. Following an upgrade to their SDG score as well as a period of strong share price performance, we exited the position early in 2024.

Tom Globe, Portfolio Manager

“An improvement in SDG contributions reflects an improvement in the quality of the company

Do you detect a shift in investment sentiment toward sustainable investing?

Sentiment is normalizing I would say. There was a sudden surge of interest in everything sustainable in the past decade and you saw that reflected in the number of funds that suddenly appeared that were ESG funds. Fund managers that were previously never interested in doing any form of sustainability became very active and reoriented their marketing. The performance was also very good, especially through Covid, but that has tapered off. Taken from the perspective that the growth was incredibly rapid, it's probably the case that growth and interest has slowed, rather than seeing any actual reversal or change of view among the real proponents of sustainable investing as to where we are heading in the future.

Which trends and opportunities are most prominently reflected in your portfolio?

We have a number of themes running through the portfolio. Due to its unique nature, our investment universe can be more restricted, particularly in certain sectors. We also aim to diversify our holdings within sectors. Since we are a high-conviction portfolio we naturally have high active share, so this helps avoid being over exposed to one specific area. Probably unsurprisingly we have exposure to names that benefit from decarbonization regulation and electrification, particularly in the Industrials space, in freight and energy solutions. Within tech there are links to energy efficiency demands and AI. We have increased our exposure to US financials following the US election, with the regime change resulting in a more positive view of deregulation.

What’s been your best investment ever?

To avoid the obvious example of past stock selections, the more interesting answer would be a GBP380 motorbike purchased on eBay in 2002. That initial investment (arguably a poor one, based on its mechanical state, which was entirely due to my own ignorance... which is an investment lesson in itself) has connected me with an incredibly broad cross-section of society. It has also led me to countless countries, put me in situations I could not have imagined (both good and bad) and opened up endless opportunities along the way. While in financial terms I would rather not think about the overall cost [of my motorbiking passion] over the years, given all of benefits I wouldn’t swap it for Nvidia shares, even at the 2002 share price!

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?

I would say John Castaing who started listing the prices of stocks and commodities at Jonathan’s Coffee-House in London in 1698. That was one of the earliest forms of organized stock trading in London and eventually led to the LSE forming. I’d ask him whether his quoting prices was just a tool to make his own work easier or did he have a vision of what stock trading could become? Also, I’d ask how he was determining the prices to make them reflect some kind of reality. I think it would be an interesting conversation.

KOREA TRIP NOTES

Damir Vagapov, Senior Analyst

Korea's competitiveness will transcend political shock

Korea is going through a period of political turmoil, but we discovered some quiet confidence in our recent visit to the country's top companies.

We travelled to Korea in mid-November to visit some of the companies we invest in – and some we are researching. Politics came up in the context of the US, China and global trade but now it's the domestic scene in focus.

Kospi sentiment gloomy

President Yoon's surprise attempt to consolidate his power and the subsequent period of uncertainty over who is actually in charge, and how the impasse will be resolved, has hurt already weak sentiment for the Kospi, which is down 9% over the year to date at the time of writing [10 December 2024]. Slow progress on the 'Value up' initiative, the strong USD, geopolitical tension and global investor preference for US markets, have all combined to subdue the Kospi this year, now reinforced by domestic political division. So, is there any good news?

Corporate sector sees a world of opportunity

The companies we visited are well aware of the changing dynamics of global trade and the fragile position of a trading, export-oriented economy like Korea. Nevertheless, they are looking at the opportunities as well as mitigating the risks. For example, one industrial company we visited with a strong defense franchise was confident about its market positioning and naturally very positive about its sales outlook as global defense spending accelerates. Nor did the companies we spoke to believe the new Trump administration represents a significant change in terms of trade policy, with the 'America first' direction of travel already set in the past eight years.

Moreover, in Korea's key industries – like electric vehicles (EVs) – the Korean ecosystem is already set up to succeed with, for example, the production capacity of Hyundai Motor and Kia already flexible and geographically distributed. The sales challenges facing the EV market, uncertainties over EV subsidies in the US, and regulation in the EU are material to many suppliers, including the battery makers, but the message we got was that the long-term opportunity, including in emerging markets like India, is growing all the time and Korea remains well placed to benefit. Korean automakers have already reached large scale and profitability in their EV businesses, with Hyundai Motor and Kia both profitable in the segment, alongside only Tesla and BYD. The consensus is also that price parity between EV autos and combustion autos will be the next major catalyst, and that could come as soon as 2026/2027.

Value-up impact still to be felt

The big driver for the Kospi in 2024 was supposed to be the 'Value up' initiative, Korea's program to refocus corporate governance on shareholder value. As in Japan, we think there's a lag effect in play here and that the 'Value up' impact is yet to be felt. Almost every company we spoke to was clear that more concrete actions will be announced and implemented in 2025, with increased dividends, buybacks and defined targets for measures like ROIC all in play.

Risk-reward looks good

This is a time of great uncertainty for all stock markets, but Korea looks especially vulnerable until the domestic political situation stabilizes, and a new consensus forms. That said, we believe that Korea has great companies to invest in, at very attractive valuations in global terms. In our view it's time to stay brave while the prevailing sentiment toward this market is fear.

WHERE WE DIFFER FROM THE MARKET

Cornelis Vlooswijk, Portfolio Manager

South Africa: This time it really is different

While South Africa's equity market has risen 17% in 2024, valuations of most stocks remain subdued. We expect above-consensus 2025 economic growth and see multiple companies that will benefit.

South African equities have outperformed most other emerging markets in 2024, rising 17% in USD terms up to mid-December. Importantly, the rally in South Africa was driven by a big positive development: the formation of a Government of National Unity (GNU), a coalition of the African National Congress (ANC) and the business-friendly Democratic Alliance (DA) with eight small parties. This is a huge improvement after decades of rule by the ANC, which was characterized by corruption, bureaucracy, low service levels and a lack of investment in infrastructure.

GNU pro-growth impact is being underestimated

The GNU aims to boost efficiency and productivity: removing rail and port bottlenecks, enabling easier access to work and tourist visas, improved electricity and water distribution, and improving procurement at state-owned enterprises. President Ramaphosa stated in July that he wants to turn South Africa into a construction site through investments in roads, bridges, houses, schools, hospitals, broadband fiber and power lines.

It is hard to estimate the impact that improved government policies will have on economic growth. The International Monetary Fund (IMF) upgraded its 2025 GDP growth projection for South Africa from 1.2% in April to 1.5% in October, but to us that appears extremely cautious. With population growth of almost 1%, that implies very little GDP-per-capita growth, while we foresee a rapid impact from improved electricity availability, fewer logistical disruptions, increased investments by government and companies, and subsequent multiplier effects on employment and consumer spending. GDP growth of more than 2.5% appears likely to us.

Coalition tension is real

Due to false dawns in the past, it's understandable that economists and investors are cautious. Political parties that form part of the GNU will continue to have heated disagreements. Extreme tensions during early December prompted some economists and investors to fear an early collapse of the GNU. We believe that is very unlikely as the two big parties have no good alternative. The ANC needs a well-functioning government and an economic recovery in order to avoid desertion of Black voters to left-wing populist parties. The DA and its voters fear the left-wing populist parties as well, and hence need to make the ANC-DA partnership work. We believe the GNU will continue to govern, and it's likely to achieve some of its efficiency and productivity goals.

Investor inertia is creating opportunities

Most investors are concentrated in the few demonstrably successful companies that trade at high valuations and are ignoring a broader group that trade at undemanding valuations which are likely to benefit at least as much as the high-valuation companies from stronger economic growth. Small caps trading at single-digit earnings multiples are not even on the radar of most international investors. To us that provides a great opportunity as we are willing to leave the safety of the herd and embrace the future, rather than the past.

SUSTAINABILITY

Chris Berkouwer, Portfolio Manager

A green energy investment strategy in a changing climate

Despite policy uncertainty, the outlook for green investments remains positive. We stick to our highly selective, quality approach to the sector.

Even though clean tech protectionism is escalating on both sides of the Atlantic and across to the Pacific, the overall outlook for green transition strategies remains positive. The only change we expect is a shift in the mix from a particular set of climate solutions – for example wind and green hydrogen – to other areas that seem to have bipartisan support, such as grid power infrastructure, and renewable natural gas.

Red states may act as a brake on IRA rollback

The incoming US Administration prioritizes the extension of the 2017 TCJA through budget reconciliation, resulting in extended policy uncertainty. However, we do believe the Inflation Reduction Act (IRA) will stay largely intact, especially given the job creation and economic growth it brought to Republican States and given the strong popularity it enjoys among constituents. We should not forget that many carrots (and sticks) around climate policies date back decades and actually have had bipartisan support throughout, making an outright 'cancelation' of the IRA very unlikely, even under the new Trump Administration. Clearly some parts might be more at risk than others, such as EV subsidies, but the business case for most programs remains firmly in place.

Energy economics will prevail

It is worth noting that renewable energy actually posted healthy growth under Trump's first term as president, despite his regulatory agenda being more supportive of fossil fuels. In the end, the competitiveness of any energy source comes down to economics, with interest rates and capital intensity being a larger determinant of return levels than government policy. We will continue arguing for a comprehensive suite of climate solutions to invest in. This is especially important against the background of a wide range of macro uncertainties and political risks, making portfolio diversification vital.

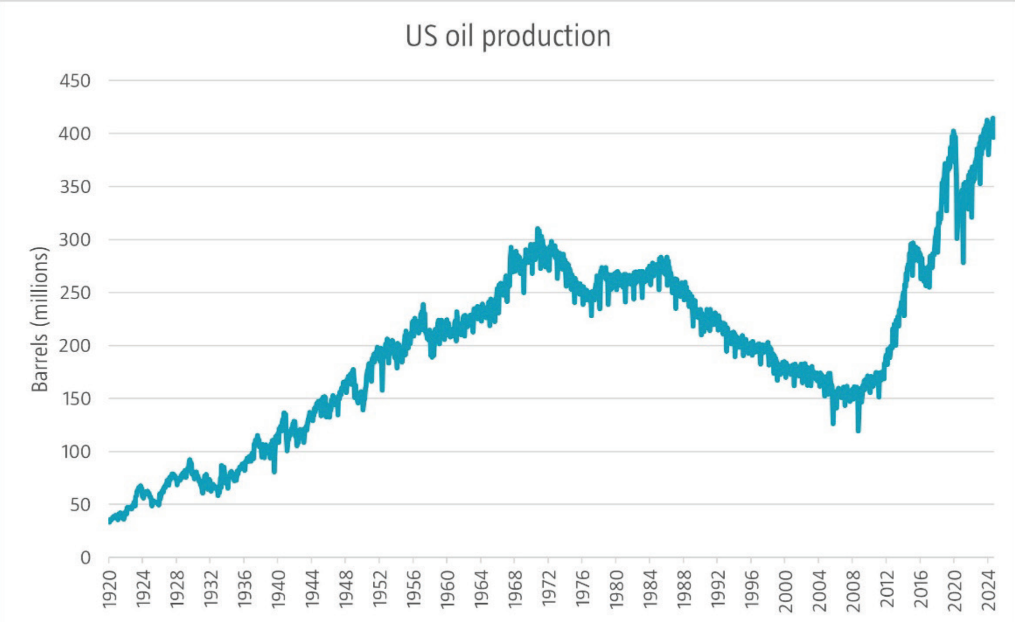
Sector allocation is key

Cleansed valuations do provide a much better set-up for climate-related stocks from here. However, we should not chase everything that colors green but should instead go back to basics by looking for companies that have strong operational track records and healthy balance sheets. We remain most upbeat on electrification and grid networks, storage solutions, nuclear energy, and building modernization and green retrofits.

We have less conviction on areas such as offshore wind, residential solar, green hydrogen and biofuels. The rise of protectionist risk through tariffs and other measures could drive inflation higher, resulting in a renewed rise in interest rates. In that scenario, highly indebted and negative cashflow-generating companies will struggle once again. For us, this is another reason to stay higher up the quality curve when picking stocks.

Drill, baby, drill

At various election campaign rallies, incoming President Trump used the slogan ‘Drill, baby, drill’ to highlight his plan to boost oil and gas production in the US through deregulation. One way to deregulate would be to make more federal land available for oil and gas exploration. Trump’s plan to increase production would come on top of already record high oil production in the US. In August, the US produced an all-time high 414 million barrels of oil. The record increase in oil output is largely driven by advancement in hydraulic fracturing also called ‘fracking’ and horizontal drilling technologies. Up to 95% of new wells drilled in the US use fracking. US oil production has risen so much that in 2020 the US turned into a net oil exporter and the country now produces slightly more oil than it consumes.



Source: US Energy Information Administration, December 2024.

For more stunning statistics, scan for the Robeco Trends & Thematic team’s Daily Sketch here

IMPORTANT INFORMATION

Important information

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Additional information for US investors

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Additional information for US Offshore investors – Reg S

The Robeco Capital Growth Funds have not been registered under the United States Investment Company Act of 1940, as amended, nor the United States Securities Act of 1933, as amended. None of the shares may be offered or sold, directly or indirectly in the United States or to any US Person. A US Person is defined as (a) any individual who is a citizen or resident of the United States for federal income tax purposes; (b) a corporation, partnership or other entity created or organized under the laws of or existing in the United States; (c) an estate or trust the income of which is subject to United States federal income tax regardless of whether such income is effectively connected with a United States trade or business. In the United States, this material may be distributed only to a person who is a "distributor", or who is not a "US person", as defined by Regulation S under the U.S. Securities Act of 1933 (as amended).

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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

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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

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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

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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.

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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

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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.

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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.

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

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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.

Please visit the Robeco website
for more information