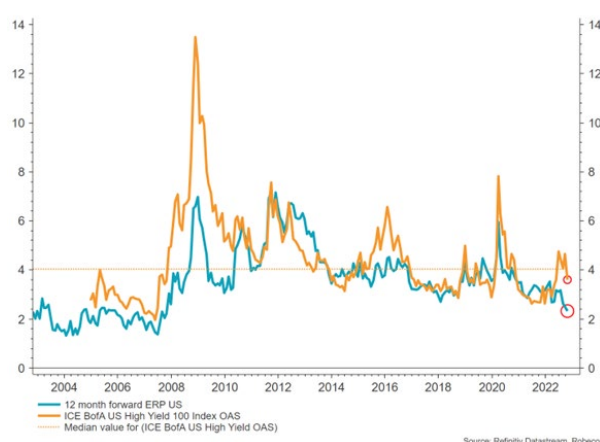


Robeco publishes its outlook for 2023: 'Short-term pain, long-term gain'

Rotterdam, 17 November 2022 – In its annual outlook, Robeco expects a considerable brightening of the return outlook for major asset classes during 2023, but not before inflation, interest rates and the US dollar hit major peaks first. While these peaks are in sight, they have yet to be reached. Central banks are still battling to bring inflation back and their second-to-last hike of the tightening cycle is pending. Short-term sovereign bond yields remain above official rates and the dollar continues to reign supreme. The last leg of a steep climb implies short-term pain as exhaustion and capitulation take hold across the multi-asset spectrum.

As we enter 2023, Robeco expects an earnings per share drop of 20-30%, making high yield valuations look more attractive than those of equities. Yet, as real rates are expected to come down, and the earnings recession gets fully priced into 2023, a major inflection point in risky asset valuations is to be expected towards 2024. Robeco believes that mid-2023, when unemployment surges towards 5% and disinflation accelerates, will likely create good entry points for long duration in fixed income, followed by decent troughs in risky fixed income and equity markets. It could be an especially good year for emerging market equities, excluding China. Not only do they typically outperform their developed counterparts in a dollar bear market, the downturn in the earnings cycle in emerging markets is also more mature because its central banks have pre-empted developed markets central banks in combating inflation.



In addressing the energy crisis in 2023, Europe will face a trade-off between efficiency and economic security. Increasing energy efficiency will not be enough for the region to wean itself off Russian gas. Price caps to ensure energy security for lower-income households may also increase demand, intensifying the energy crisis. On the other hand, necessity is the mother of invention, and we expect to see energy transition goals lining up with accelerated energy security and reduced carbon footprints.

Robeco expects to see sustainable investing strategies again grow as a proportion of assets under management in 2023 as investors continue to seek solutions to the multiple challenges facing humanity, including climate change, the cost of living crisis and income inequality.

Colin Graham, Head of Multi-Asset Solutions: *"We think that the belief in central bankers' ability to prevent cyclical downturn and engineer a soft landing in 2023 is flawed. Instead, we expect a hard landing. Moreover, as recessions tend to be highly disinflationary, we believe this will take the sting out of inflation. Once the three peaks in inflation, rates and the US dollar have been reached, 2023 will ultimately contribute to significantly better returns across all major asset classes."*

Rachel Whittaker, Head of SI Research: *"We believe there are several reasons why sustainable investing will grow AuM faster than the industry – one is that there is evidence that integrating ESG considerations alongside financial analysis can support financial returns over the long term, for example through reducing unanticipated environmental or social risks, or identifying new growth opportunities. Additionally, greater societal awareness of sustainability challenges is leading more investors to align their portfolios with their values, while the growing range of sustainable strategies available is making it possible for more investors to target both sustainable and financial goals."*

The full report can be downloaded here: <https://www.robeco.com/en/insights/2022/11/2023-outlook-short-term-pain-long-term-gain.html>

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About Robeco

Robeco is a pure-play international asset manager founded in 1929 with headquarters in Rotterdam, the Netherlands, and 16 offices worldwide. A global leader in sustainable investing since 1995, its integration of sustainable as well as fundamental and quantitative research enables the company to offer institutional and private investors an extensive selection of active investment strategies, for a broad range of asset classes. As at 30 June 2022, Robeco had EUR 178 billion in assets under management, of which EUR 171 billion is committed to ESG integration. Robeco is a subsidiary of ORIX Corporation Europe N.V. More information is available at www.robeco.com.