

Enhanced indexing vs passive: Same, same, but different

- Enhanced Indexing offers similar absolute risk and diversification as passive
- The difference? Outsmarting the market with potential excess returns
- Along with sustainability integration and the possibility of customization

There's a popular saying you might hear if you meander through the vibrant markets of Southeast Asia: "Same, same, but different." It's a charming expression as colorful as the surroundings and reassures people that while two items might seem the same at first glance, there's a twist – a subtle nuance that sets them apart. This phrase has a way of capturing a more profound truth.

Enter our Enhanced Indexing approach. It's "same, same" in that, similar to a passive approach; it offers investors broad market exposure, liquidity, diversification, and transparency at a low cost. But here's where it gets "different" – it aims to outperform the market after costs with a risk profile that is broadly in line with the market while offering the flexibility to integrate sustainability preferences or client-specific customization needs. In this article, we will touch on the appeal of passive investing, outline how our Enhanced Indexing approach mirrors this approach, and, more importantly, how it stands apart in ways that make all the difference.

Home truths: Through the lens of an investor

As active managers, we must first appreciate the simple yet powerful benefits that passive investing offers to investors. The debate between active and passive investing goes back to the 1960s when the case for the latter approach – an 'unmanaged investment company' – was floated in a journal article.¹ Interestingly, John Bogle argued at the time that professional management was a significant advantage mutual funds offered over unmanaged investment approaches.² Perhaps ironically, Bogle would go on to found Vanguard, the world's largest index fund company, about 15 years later and become the key proponent of the passive investing movement.

Bogle's pivot came from accepting a fundamental truth: many actively managed mutual funds failed to outperform the market consistently over time. This led him to embrace an investment approach that satisfied critical investor needs in ways not all active managers could: predictability. His mantra, "Don't look for the needle in the haystack. Just buy the haystack,"³ perfectly encapsulates why passive investing appeals to so many. Active management, in essence, is a zero-sum game – there will always be winners and losers, meaning that while some managers will outperform the market, others will underperform. Indeed, according to the S&P Dow Jones SPIVA Global scorecard, many global equity funds have lagged the S&P World Index, as outlined in Table 1 below.

¹ Renshaw, E. F., and Feldstein, P. J., 1960, "The case of the unmanaged investment company", Financial Analysts Journal.

² Reinganum, M. R., and Blay, K. A., 2024, "Beyond active and passive investing: The customization of finance", CFA Institute Research Foundation.

³ Bogle, J. C., 2007, "The little book of common sense investing: The only way to guarantee your fair share of stock market returns," John Wiley & Sons Inc.

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Table 1 – Fund underperformance rates – annualized performance

SPIVA region	Fund category	Comparison index	YTD	1 year	3 years	5 years	10 years
US	Global Funds (USD)	S&P World Index	70.75%	76.61%	92.17%	86.42%%	87.80%
Europe	Global Funds (EUR)	S&P World Index	80.21%	83.70%	95.15%	N/A	N/A
Europe	Global Funds (GBP)	S&P World Index	78.44%	82.35%	93.59%	N/A	N/A
Japan	Global Funds (JPY)	S&P World Index	80.98%	75.00%	95.53%	N/A	N/A
Canada	Global Funds (CAD)	S&P World Index	82.07%	88.72%	97.30%	N/A	N/A
Australia	Global Funds (AUD)	S&P World Index	72.38%	78.41%	88.49%	N/A	N/A

Source: Chapman, F., Di Gioia, D., Edwards, T., Ganti, A. R., Lee, S., Malinowski, A., Nelesen, J., Selivanova, D., and Voros, B., 2024, "SPIVA global scorecard", S&P Dow Jones Indices. Morningstar, Fundata, CRSP. Data as of June 30, 2024. Past performance is no guarantee of future results. The table is provided for illustrative purposes.

By simply tracking the index, passive investors avoid the decision of picking a winning manager and instead opt for market-like returns. This predictability is particularly crucial for large investors such as pension funds and sovereign wealth funds, which typically have long-term horizons and objectives tied to expected returns from asset classes. Passive investing offers them the certainty of achieving market-like returns (minus low fees) within a predictable risk range, which is invaluable for meeting their long-term goals. Active management, by contrast, introduces the risk of deviating significantly from the market, with the potential for both outperforming and underperforming – along with the possibility of higher associated risks.

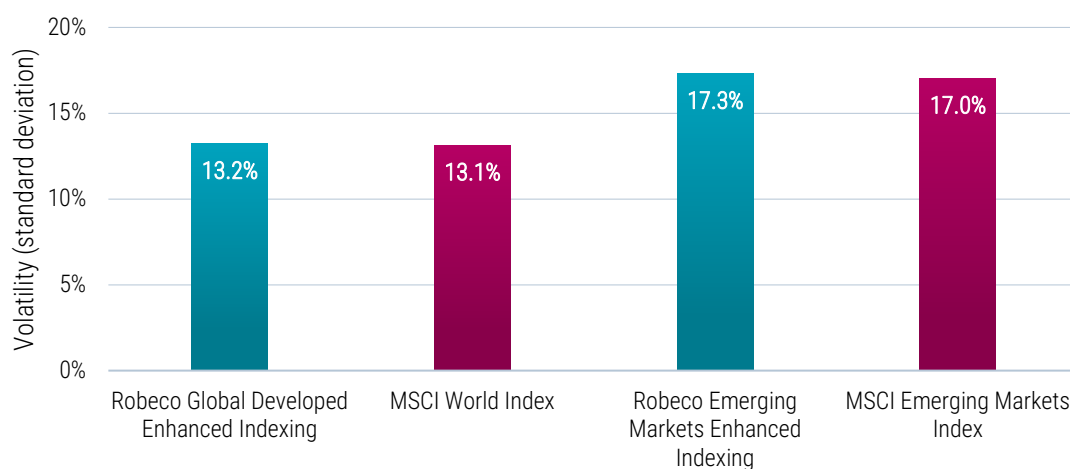
Additionally, passive offers the only 'free lunch' in investing: diversification. With broad market exposure, investors can spread their risks effectively. In contrast, highly active strategies can lead to concentrated portfolios, potentially increasing risk and reducing diversification. And let's not forget the fees: active managers charge more, even though they may not consistently deliver better returns. This clarifies why passive investing has found its place in many investor toolkits, fulfilling the need for consistent, predictable returns with broad market exposure and lower costs.

However, at Robeco, we believe that while passive investing provides a strong foundation, there's room for an even smarter approach. Our Enhanced Indexing strategies offer the same core benefits investors seek from passive investing – predictability, diversification, and low fees – while harnessing a proprietary approach that aims to deliver more. And that's where we'll begin: with the similarities that form the backbone of our smarter solution.

Same, same

Investors appreciate the predictability of risk and return attributes in passive solutions, as this allows them to pursue their long-term investment goals with assurance. To compare our Enhanced Indexing strategies, we can look at common industry risk metrics, beginning with volatility – a widely referenced measure that indicates return fluctuations. As illustrated in Figure 1 below, our Robeco Enhanced Indexing strategies have exhibited levels of volatility similar to their respective benchmarks since inception.

Figure 1 – Similarities in risk profile



Source: The figure shows the volatility of the Robeco Composite Global Developed Enhanced Index versus the MSC World Index since the inception of the composite in November 2004, and of the Robeco Composite Emerging Markets Enhanced Index versus the MSCI Emerging Markets Index since the inception of the composite in July 2007. It is measured as the annualized standard deviation (SD) of the monthly returns. It measures the volatility of the returns over time as at 30 September 2024.

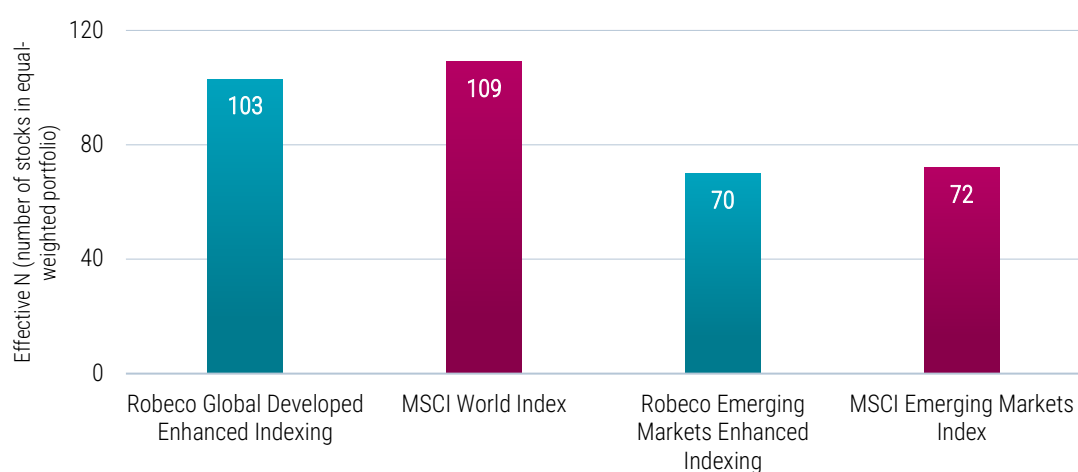
Moreover, our solutions target a long-term average beta of 1 compared to their benchmarks when rebalancing, ensuring they move in line with the market. As a result, our Enhanced Indexing strategies maintain an absolute risk profile that mirrors the market, providing investors with the predictability they desire from an expected risk level standpoint.

Another reason passive investing appeals to many investors is because it offers them broad market exposure. By adopting a passive approach, investors can spread their risk across different sectors and countries, reducing the impact of any single market or industry slump. This diversification is a vital tool for managing risk, and it is one of the standout features of passive solutions.

Our Enhanced Indexing strategies capture this same benefit. For our flagship developed markets strategy, we ensure that sector and country exposures do not deviate by more than 50 basis points (bps) from the index. Regarding our flagship emerging markets strategy, we maintain deviation limits of 100 bps at the sector level and only 30 bps at the country level. These tight constraints ensure that our solutions offer sector and country exposures that closely mirror their respective benchmarks. By adhering to these limits, we maintain a high level of diversification, allowing investors to achieve the same broad market exposure they value in passive investing.

Another way we can illustrate the diversification benefit in our Enhanced Indexing strategies is by examining the 'effective N' metric. This measure indicates how concentrated or diversified a portfolio is and represents the number of stocks in an equal-weighted portfolio that would result in the same concentration. Figure 2 below shows that our Enhanced Indexing strategies provide broadly the same level of concentration as their respective benchmarks.

Figure 2 – Similarities in diversification



Source: Robeco, LSEG. The figure shows the effective N for the Robeco Global Developed Enhanced Indexing strategy, Robeco Emerging Markets Enhanced Indexing strategy, MSCI World Index and MSCI Emerging Markets Index as at 30 September 2024. Effective N is calculated as the inverse of the Herfindahl-Hirschman Index (HHI) for portfolio weights, where HHI is the sum of the squared stock weights.

Specifically, our Global Developed Enhanced Indexing strategy has the diversification equivalent to an equal-weighted portfolio of 103 stocks, which is comparable to the 109 stocks for its benchmark. This holds true even though the index contains approximately 1,400 names, and our strategy about 500. Likewise, our Emerging Markets Enhanced Indexing strategy is diversified to the extent of an equal-weighted portfolio of 70 stocks, similar to the 72 stocks for its benchmark, despite the index having around 1,300 names and our strategy about 700.

Our Enhanced Indexing strategies are built with a benchmark- and risk-aware approach, enabling us to deliver critical benefits that passive investors value highly. By maintaining predictable absolute risk characteristics, ensuring broad diversification, and providing exposure to the equity risk premium, our strategies closely mirror the advantages of passive solutions. However, we don't stop there. While these similarities are important, our proprietary approach goes beyond mere replication. In the next section, we'll explore how we enhance these benefits and introduce unique elements that set us apart from traditional passive strategies.

...but different

Designed with a vital goal: delivering better returns than passive solutions, even after accounting for all costs – our Enhanced Indexing strategies offer investors the optionality of excess returns. We achieve this through a time-tested, systematic approach that differentiates between companies with healthier fundamentals and those with weaker ones. This process is driven by a robust stock selection model diversified across several investment styles, such as value, quality, momentum, and analyst revisions related investment themes, and augmented with novel short-term signals – built on over 25 years of extensive proprietary research.

Our stock selection model allows us to tilt towards firms with more robust fundamentals while tilting away from weaker counterparts. At the same time, it remains cognizant of the performance trends these stocks display, preferring companies that exhibit strong momentum over those with weak momentum. For our flagship Enhanced Indexing strategies, these individual stock deviations are capped at 20 bps for overweight positions and 30 bps for underweight positions to ensure that they do not diverge too far from the benchmark, maintaining the predictability that investors value. The essence of our sophisticated stock selection approach is not to take large, concentrated, active positions but rather to invest in a diversified manner with a consistent preference for healthier companies. This process is repeated consistently as portfolios are rebalanced at least monthly.

Alongside our smart stock selection, we incorporate sustainability throughout our investment process, covering exclusions, ESG integration, SDG alignment, reducing environmental footprints, and active ownership through engagement and voting. This ensures our Enhanced Indexing strategies exhibit better sustainability profiles than

their benchmarks on a holistic basis. Then, for portfolio construction, we employ a proprietary algorithm designed to effectively balance risk, return, and sustainability considerations to aim for returns that surpass those of the index.

Our diversified, systematic investment approach has proven effective in the long run, delivering sufficient additional returns to offset costs. As seen in Tables 2 and 3 below, the long-term track records of our Enhanced Indexing strategies demonstrate their potential to outperform traditional passive strategies over time.

Table 2 – Track record – Robeco Composite Global Developed Enhanced Indexing (in EUR) – annualized performance

	1 year	3 years	5 years	10 years	Nov 2004
Robeco Composite Global Developed Enhanced Indexing	27.16%	12.20%	13.23%	12.07%	10.12%
MSCI World Index	25.63%	10.46%	12.52%	11.45%	9.21%
Relative performance	1.53%	1.74%	0.71%	0.63%	0.91%
Tracking error	1.18%	1.27%	1.48%	1.24%	1.17%
Information ratio	1.30	1.37	0.48	0.51	0.78

Source: Robeco, MSCI. Portfolio: Robeco Composite Global Developed Enhanced Indexing. Index: MSCI World Index (net dividends reinvested). All figures in EUR. Data end of 30 September 2024. Portfolios in the composite are based globally and can have different tax implications which may impact performance figures such as annual returns and information ratios. The value of your investments may fluctuate. Past performance is no guarantee of future results. Returns gross of fees, based on gross asset value. In reality costs (such as management fees and other costs) are charged. These have a negative effect on the returns shown.

Table 3 – Track record – Robeco Composite Emerging Markets Enhanced Indexing (in EUR) – annualized performance

	1 year	3 years	5 years	10 years	Jul 2007
Robeco Composite Emerging Markets Enhanced Indexing	23.58%	5.36%	8.05%	7.07%	6.03%
MSCI Emerging Markets Index	19.58%	1.67%	5.26%	5.32%	4.15%
Relative performance	4.00%	3.69%	2.80%	1.75%	1.88%
Tracking error	1.94%	1.67%	1.64%	1.36%	1.43%
Information ratio	2.07	2.21	1.71	1.29	1.32

Source: Robeco, MSCI. Portfolio: Robeco Composite Emerging Enhanced Indexing. Index: MSCI Emerging Markets Index* (net dividends reinvested). All figures in EUR. Data end of 30 September 2024. * As of 1 January 2008, the benchmark changed from S&P/IFC EM Regional Investable Composite (Net dividends reinvested) to the MSCI Emerging Markets index (Net dividends reinvested). The value of your investments may fluctuate. Past performance is no guarantee of future results. Returns gross of fees, based on gross asset value. In reality costs (such as management fees and other costs) are charged. These have a negative effect on the returns shown.

We also acknowledge that investors have highly individual investment objectives, which can differ greatly from one client to another. This situation underscores the need for obtaining tailored equity risk premium exposures, offering a more precise alignment within clients' broader portfolios – something off-the-shelf passive solutions cannot achieve efficiently. To meet this need, we have developed a proprietary customization tool that allows us to collaborate closely with clients to develop bespoke portfolios.⁴ Consequently, our Enhanced Indexing strategies can adapt to align with an investor's specific risk, return, and sustainability objectives within a mandate. This

⁴ Sulman, V., 2023, "The scope for customization is really wide", Robeco interview.

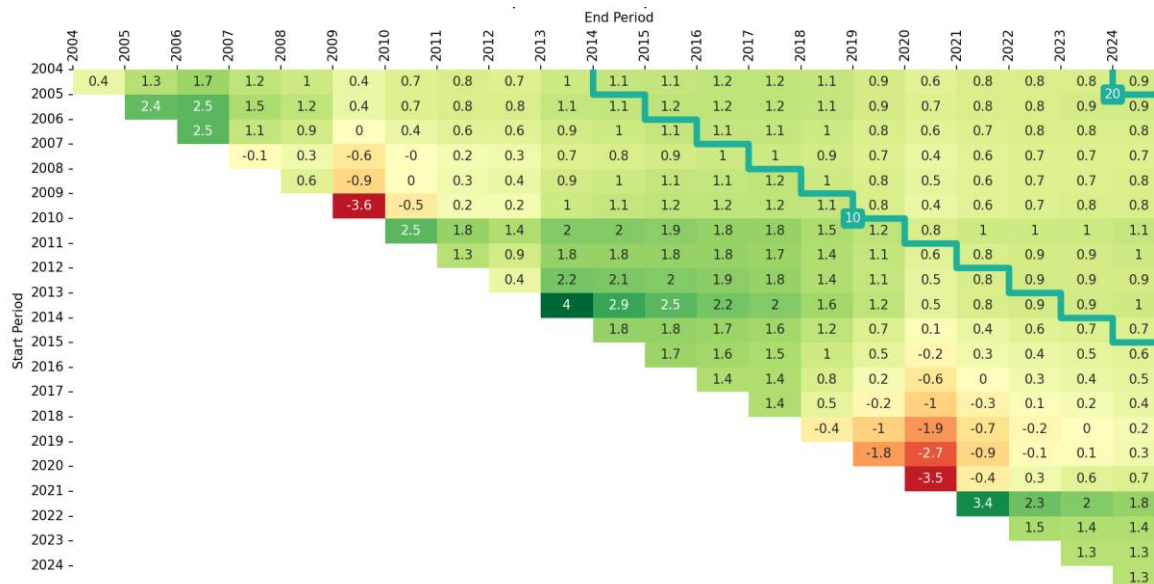
method ensures that both financial and sustainability goals are targeted in a way that honors each client's unique priorities.

The needle in the haystack

John Bogle famously advised investors not to "look for the needle, but to buy the haystack," suggesting that finding a winning active manager is difficult. However, with our Enhanced Indexing strategies, investors can, in fact, find those elusive needles – active managers who deliver on their objectives. Beyond a solid long-term track record, passive investors value predictability in returns. From an active management perspective, this can be translated into the consistency of excess returns. Our Enhanced Indexing strategies are designed to provide such stable, long-term excess returns, but this doesn't mean they outperform every single year.

Therefore, to fully benefit from our strategies, investors need to maintain an investment horizon of at least five years. Moreover, the longer you remain invested, the lower the likelihood that your long-term returns could fall behind the benchmark. This point is clearly illustrated in Figure 3 below, which shows the annualized returns an investor would have generated over time, assuming they invested at the start of a calendar year.

Figure 3 – Relative performance - Robeco Global Developed Enhanced Indexing vs. MSCI World Index



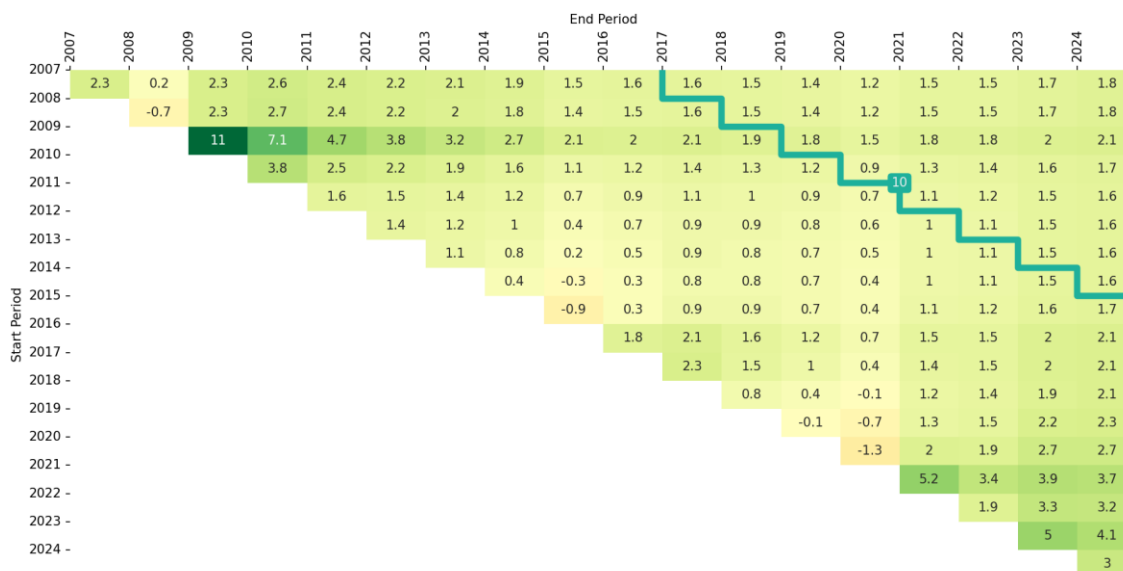
Source: Robeco, MSCI. Portfolio: Robeco Composite Global Developed Enhanced Indexing. Index: MSCI World Index (net dividends reinvested). All figures in EUR. Data end of 30 September 2024. Portfolios in the composite are based globally and can have different tax implications which may impact performance figures such as annual returns and information ratios. The value of your investments may fluctuate. Past performance is no guarantee of future results. Returns gross of fees, based on gross asset value. In reality costs (such as management fees and other costs) are charged. These have a negative effect on the returns shown.

For instance, if you had invested in the Global Developed Enhanced Indexing strategy following the global financial crisis in 2010 – a time when low-quality stocks rallied, causing quant strategies to struggle – it would have taken you three years to return to positive excess returns. Similarly, if you had invested in 2018 during the onset of the 'quant winter' of 2018 to 2020 – when large-cap growth stocks dominated market returns, leading to challenging relative returns for quant strategies – it would have taken six years to recover to positive excess returns. This demonstrates the importance of a long-term investment horizon.

However, apart from these two particularly challenging periods, investors who had invested in this strategy for at least three years would have enjoyed positive excess returns, illustrating the consistency and stability of the excess returns generated by our Enhanced Indexing strategies. The picture is even more favorable for the Emerging Markets Enhanced Indexing strategy, as illustrated in Figure 4 below, as it has not experienced any

extended periods of underperformance. Nevertheless, we still recommend maintaining a long-term view to maximize the potential benefits.

Figure 4 – Relative performance - Robeco Emerging Markets Enhanced Indexing vs. MSCI Emerging Markets Index



Source: Robeco, MSCI. Portfolio: Robeco Composite Emerging Enhanced Indexing. Index: MSCI Emerging Markets Index* (net dividends reinvested). All figures in EUR. Data end of 30 September 2024. *As of 1 January 2008, the benchmark changed from S&P/IFC EM Regional Investable Composite (Net dividends reinvested) to the MSCI Emerging Markets index (Net dividends reinvested). The value of your investments may fluctuate. Past performance is no guarantee of future results. Returns gross of fees, based on gross asset value. In reality costs (such as management fees and other costs) are charged. These have a negative effect on the returns shown.

All in all, these results highlight that, with patience and a long-term mindset, our Enhanced Indexing strategies provide investors with a reliable way to achieve both consistency and enhanced returns over time. As such, our strategies can play a fitting role as long-term core equity allocations for investors with a horizon beyond three years.

A not-so-random walk: ingredients behind the consistency

As we pointed out in a previous article,⁵ we do not believe that stock prices follow a random walk. Instead, we are proponents of a disciplined approach designed to exploit market inefficiencies to deliver stable long-term outperformance after costs. Our Enhanced Indexing track records are a testament to this and reflect four broad characteristics that have been instrumental in generating consistent outperformance in the long run: low relative risk, low costs, controlled high factor exposures, and disciplined implementation.

Low relative risk

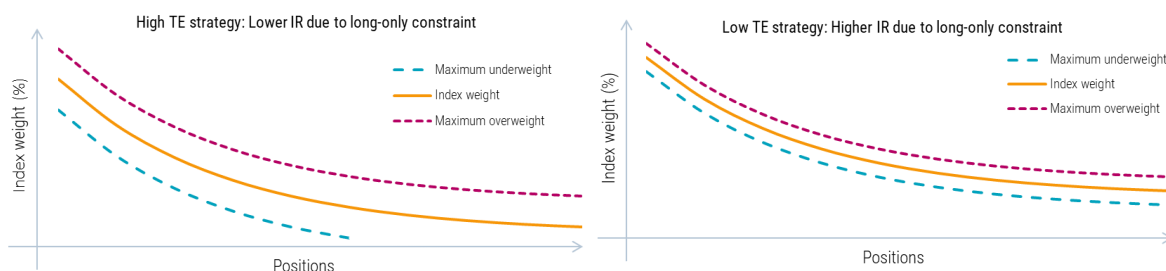
In general, managers can show their skill by overweighting stocks they are bullish on and underweighting those they view unfavorably. However, the long-only constraint means that their ability to take underweight positions is limited. In other words, while highly active managers can significantly overweight stocks they favor, they can only underweight those they don't up to their respective index weights.

This asymmetry means that managers can implement their views fully on the upside, but only to a certain extent on the downside, as illustrated below in Figure 5. This limitation leads to outperformance per unit of risk – the 'information ratio' – decreasing as the active risk increases, a phenomenon that has also been established in

⁵ de Koning, J., and van der Grient, B., 2018, "How you can beat the S&P 500 Index", Robeco article.

academic literature.⁶ Solutions that aim to limit deviations from the index – i.e. in terms of overweighting *and* underweighting – thus offer an efficient path to active management.⁷ Enhanced Indexing is one such low tracking-error strategy.

Figure 5 – Limitations of the long-only constraint



Source: Kahn, R. N., 2000, "Most pension plans need more enhanced indexing", ETFs and Indexing. See also: Waring, M. B., and Siegel, L. B., 2003, "The dimensions of active management", Journal of Portfolio Management. Graphs are for illustrative purposes only.

Low costs

Low active risk strategies tend to be more cost-effective, as their level of activity falls between purely passive and highly active approaches. This lower fee structure is important, as most funds generate positive excess returns before fees but fall short after costs are deducted.⁸ By keeping fees manageable, Enhanced Indexing strategies reduce the hurdle required to achieve outperformance net of costs. This makes it easier for these strategies to deliver the added value investors seek, without the drag of high fees eroding returns.

Controlled high factor exposures

With over 50 years of asset pricing research behind it, there's strong consensus among academics and practitioners that, beyond the market premium, factors such as value, quality, momentum, and analyst revisions are key drivers of expected equity returns. In fact, studies have shown that mutual funds employing factor-based strategies have consistently delivered positive excess returns.⁹ In our Enhanced Indexing strategies, we systematically target high and balanced exposure to these factors relative to the level of active risk, allowing us to generate stable excess returns while maintaining a low overall risk profile.

Disciplined implementation

A disciplined, rules-based approach is essential for the success of Enhanced Indexing strategies. Managing a low relative risk portfolio requires investing across hundreds of stocks and sectors, with the aim of keeping deviations from the index minimal. Analyzing so many companies continuously would be an overwhelming task for a team of fundamental analysts; thus, a quantitative, rules-based process is the optimal approach. Our proprietary portfolio construction algorithm enables us to design and manage a risk-aware strategy within strict limits, balancing risk, return, and sustainability considerations in seconds. This approach allows our Enhanced Indexing strategies to achieve stable excess returns by taking many small, targeted positions, without significant country or sector tilts.

Outsmart the market

If you have such long-term investment horizon, why settle for merely matching the market when you have the opportunity to outsmart it? Our Enhanced Indexing strategies are designed to offer the same benefits of passive investing – predictability, diversification, and broad market exposure – while also delivering the potential for consistent, enhanced returns. With a disciplined, systematic approach and a focus on sustainability, we provide a smarter way to invest for those seeking to go beyond simply tracking the index.

⁶ Waring, M. B., and Siegel, L. B., 2003, "The dimensions of active management", Journal of Portfolio Management.

⁷ Kahn, R. N., 2000, "Most pension plans need more enhanced indexing", ETFs and Indexing.

⁸ Berk, J., and van Binsbergen, J. H., 2015, "Measuring skill in the mutual fund industry", Journal of Financial Economics

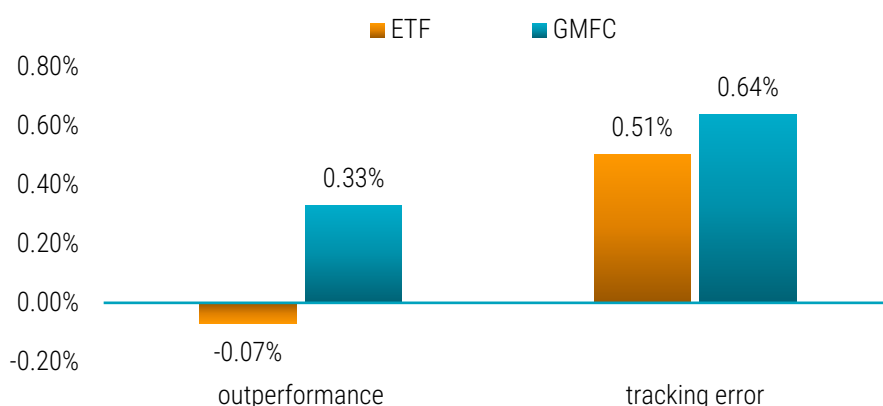
⁹ van Gelderen, E., and Huij, J., 2014, "Academics knowledge dissemination in the mutual fund industry: can mutual funds successfully adopt factor investing strategies", Journal of Portfolio Management.

Robeco Enhanced Indexing Credits

Like in equities, passive investing in credits has gained popularity thanks to its predictable returns, broad market exposure, transparency, and low costs. However, more so than in equities, passive credit strategies face challenges such as high turnover, transaction costs, and substantial tracking errors versus their benchmark. Additionally, passive strategies do not integrate sustainability criteria, making them less suitable for investors focused on ESG factors.

Enhanced Indexing Credits addresses these limitations by offering improved returns and better sustainability integration. Like passive strategies, it is managed in a rules-based manner, ensuring transparent and consistent returns. However, unlike passive, the strategy prefers bonds from financially healthier and more sustainable companies and those with more attractive relative valuations, based on a multi-factor credit selection model. As highlighted in Figure 5, this approach has led to a relatively low tracking error of 0.64% versus 0.51% for passive credit strategies, while delivering above-index returns (0.33% versus -0.07% for passive credit strategies) with improved sustainability.

Figure 5 – Annualized outperformance and tracking error of credit ETFs and Enhanced Indexing Credits, July 2015 – June 2024



Source: Robeco, Bloomberg, July 2015 - June 2024. Annualized returns. Performance figures for Robeco QI Global Multi-Factor Credits IH EUR (GMFC), iShares iBoxx \$ Investment Grade Corporate Bond ETF (LQD) and iShares Broad USD Investment Grade Corporate Bond ETF (USIG). The performance figures for LQD and USIG are averaged to show the aggregate ETF performance. To determine gross of fees returns, we add the total expense ratios of the ETFs to their net returns. This ensures a like-for-like comparison with the gross-of-fees returns of our Multi-Factor Credits strategy. To calculate the tracking error, we use NAV-returns, again to ensure a like-for-like comparison with Robeco QI Global Multi-Factor Credits. The currency in which the past performance is displayed may differ from the currency of your country of residence. Due to exchange rate fluctuations the performance shown may increase or decrease if converted into your local currency. The value of your investments may fluctuate. Past performance is no guarantee of future results. Performance gross of fees, based on gross asset value. In reality costs (such as management fees and other costs) are charged. These have a negative effect on the returns shown.

Like in equities, Enhanced Indexing provides a smarter alternative to passive strategies in credits, combining the benefits of passive investing with improved returns and sustainability. Read more on this in our article [The case for Enhanced Indexing in Credits](#).

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Additional information for investors with residence or seat in Austria

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

Additional information for investors with residence or seat in Brazil

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

Additional information for investors with residence or seat in Brunei

The Prospectus relates to a private collective investment scheme which is not subject to any form of domestic regulations by the Autoriti Monetari Brunei Darussalam ("Authority"). The Prospectus is intended for distribution only to specific classes of investors as specified in section 20 of the Securities Market Order, 2013, and must not, therefore, be delivered to, or relied on by, a retail client. The Authority is not responsible for reviewing or verifying any prospectus or other documents in connection with this collective investment scheme. The Authority has not approved the Prospectus or any other associated documents nor taken any steps to verify the information set out in the Prospectus and has no responsibility for it. The units to which the Prospectus relates may be illiquid or subject to restrictions on their resale. Prospective purchasers of the units offered should conduct their own due diligence on the units.

Additional information for investors with residence or seat in Canada

No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein, and any representation to the contrary is an offence. Robeco Institutional Asset Management B.V. relies on the international dealer and international adviser exemption in Quebec and has appointed McCarthy Tétrault LLP as its agent for service in Quebec.

Additional information for investors with residence or seat in the Republic of Chile

Neither Robeco nor the Funds have been registered with the *Comisión para el Mercado Financiero* pursuant to Law no. 18.045, the *Ley de Mercado de Valores* and regulations thereunder. This document does not constitute an offer of or an invitation to subscribe for or purchase shares of the Funds in the Republic of Chile, other than to the specific person who individually requested this information on their own initiative. This may therefore be treated as a "private offering" within the meaning of Article 4 of the *Ley de Mercado de Valores* (an offer that is not addressed to the public at large or to a certain sector or specific group of the public).

Additional information for investors with residence or seat in Colombia

This document does not constitute a public offer in the Republic of Colombia. The offer of the fund is addressed to less than one hundred specifically identified investors. The fund may not be promoted or marketed in Colombia or to Colombian residents, unless such promotion and marketing is made in compliance with Decree 2555 of 2010 and other applicable rules and regulations related to the promotion of foreign funds in Colombia. The distribution of this Prospectus and the offering of Shares may be restricted in certain jurisdictions. The information contained in this Prospectus is for general guidance only, and it is the responsibility of any person or persons in possession of this Prospectus and wishing to make application for Shares to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for Shares should inform themselves of any applicable legal requirements, exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

Additional information for investors with residence or seat in the Dubai International Financial Centre (DIFC), United Arab Emirates

This material is distributed by Robeco Institutional Asset Management B.V. (DIFC Branch) located at Office 209, Level 2, Gate Village Building 7, Dubai International Financial Centre, Dubai, PO Box 482060, UAE. Robeco Institutional Asset Management B.V. (DIFC Branch) is regulated by the Dubai Financial Services Authority ("DFSA") and only deals with Professional Clients or Market Counterparties and does not deal with Retail Clients as defined by the DFSA.

Additional information for investors with residence or seat in France

Robeco Institutional Asset Management B.V. is at liberty to provide services in France. Robeco France is a subsidiary of Robeco whose business is based on the promotion and distribution of the group's funds to professional investors in France.

Additional information for investors with residence or seat in Germany

This information is solely intended for professional investors or eligible counterparties in the meaning of the German Securities Trading Act.

Additional information for investors with residence or seat in Hong Kong

The contents of this document have not been reviewed by the Securities and Futures Commission ("SFC") in Hong Kong. If there is any doubt about any of the contents of this document, independent professional advice should be obtained. This document has been distributed by Robeco Hong Kong Limited ("Robeco"). Robeco is regulated by the SFC in Hong Kong.

Additional information for investors with residence or seat in Indonesia

The Prospectus does not constitute an offer to sell nor a solicitation to buy securities in Indonesia.

Additional information for investors with residence or seat in Italy

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This document is considered for use solely by qualified investors and is distributed by Robeco Japan Company Limited, registered in Japan as a Financial Instruments Business Operator, [registered No. the Director of Kanto Local Financial Bureau (Financial Instruments Business Operator), No.2780, Member of Japan Investment Advisors Association].

Additional information for investors with residence or seat in South Korea

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.

Additional information for investors with residence or seat in Liechtenstein

This document is exclusively distributed to Liechtenstein-based, duly licensed financial intermediaries (such as banks, discretionary portfolio managers, insurance companies, fund of funds) which do not intend to invest on their own account into Fund(s) displayed in the document. This material is distributed by Robeco Switzerland Ltd, postal address: Josefstrasse 218, 8005 Zurich, Switzerland. LGT Bank Ltd., Herrengasse 12, FL-9490 Vaduz, Liechtenstein acts as the representative and paying agent in Liechtenstein. The prospectus, the Key Information Documents (PRIIP) the articles of association, the annual and semi-annual reports of the Fund(s) may be obtained from the representative or via the website.

Additional information for investors with residence or seat in Malaysia

Generally, no offer or sale of the Shares is permitted in Malaysia unless where a Recognition Exemption or the Prospectus Exemption applies: NO ACTION HAS BEEN, OR WILL BE, TAKEN TO COMPLY WITH MALAYSIAN LAWS FOR MAKING AVAILABLE, OFFERING FOR SUBSCRIPTION OR PURCHASE, OR ISSUING ANY INVITATION TO SUBSCRIBE FOR OR PURCHASE OR SALE OF THE SHARES IN MALAYSIA OR TO PERSONS IN MALAYSIA AS THE SHARES ARE NOT INTENDED BY THE ISSUER TO BE MADE AVAILABLE, OR MADE THE SUBJECT OF ANY OFFER OR INVITATION TO SUBSCRIBE OR PURCHASE, IN MALAYSIA. NEITHER THIS DOCUMENT NOR ANY DOCUMENT OR OTHER MATERIAL IN CONNECTION WITH THE SHARES SHOULD BE DISTRIBUTED, CAUSED TO BE DISTRIBUTED OR CIRCULATED IN MALAYSIA. NO PERSON SHOULD MAKE AVAILABLE OR MAKE ANY INVITATION OR OFFER OR INVITATION TO SELL OR PURCHASE THE SHARES IN MALAYSIA UNLESS SUCH PERSON TAKES THE NECESSARY ACTION TO COMPLY WITH MALAYSIAN LAWS.

Additional information for investors with residence or seat in Mexico

The funds have not been and will not be registered with the National Registry of Securities or maintained by the Mexican National Banking and Securities Commission and, as a result, may not be offered or sold publicly in Mexico. Robeco and any underwriter or purchaser may offer and sell the funds in Mexico on a private placement basis to Institutional and Accredited Investors, pursuant to Article 8 of the Mexican Securities Market Law.

Additional information for investors with residence or seat in Peru

The Superintendencia del Mercado de Valores (SMV) does not exercise any supervision over this Fund and therefore the management of it. The information the Fund provides to its investors and the other services it provides to them are the sole responsibility of the Administrator. This Prospectus is not for public distribution.

Additional information for investors with residence or seat in Singapore

This document has not been registered with the Monetary Authority of Singapore ("MAS"). Accordingly, this document may not be circulated or distributed directly or indirectly to persons in Singapore other than (i) to an institutional investor under Section 304 of the SFA, (ii) to a relevant person pursuant to Section 305(1), or any person pursuant to Section 305(2), and in accordance with the conditions specified in Section 305, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. The contents of this document have not been reviewed by the MAS. Any decision to participate in the Fund should be made only after reviewing the sections regarding investment considerations, conflicts of interest, risk factors and the relevant Singapore selling restrictions (as described in the section entitled "Important information for Singapore Investors") contained in the prospectus. Investors should consult their professional adviser if you are in doubt about the stringent restrictions applicable to the use of this document, regulatory status of the Fund, applicable regulatory protection, associated risks and suitability of the Fund to your objectives. Investors should note that only the Sub-Funds listed in the appendix to the section entitled "Important information for Singapore Investors" of the prospectus ("Sub-Funds") are available to Singapore investors. The Sub-Funds are notified as restricted foreign schemes under the Securities and Futures Act, Chapter 289 of Singapore ("SFA") and invoke the exemptions from compliance with prospectus registration requirements pursuant to the exemptions under Section 304 and Section 305 of the SFA. The Sub-Funds are not authorized or recognized by the MAS and shares in the Sub-Funds are not allowed to be offered to the retail public in Singapore. The prospectus of the Fund is not a prospectus as defined in the SFA. Accordingly, statutory liability under the SFA in relation to the content of prospectuses does not apply. The Sub-Funds may only be promoted exclusively to persons who are sufficiently experienced and sophisticated to understand the risks involved in investing in such schemes, and who satisfy certain other criteria provided under Section 304, Section 305 or any other applicable provision of the SFA and the subsidiary legislation enacted thereunder. You should consider carefully whether the investment is suitable for you. Robeco Singapore Private Limited holds a capital markets services license for fund management issued by the MAS and is subject to certain clientele restrictions under such license.

Additional information for investors with residence or seat in Spain

Robeco Institutional Asset Management B.V., Sucursal en España with identification number W0032687F and having its registered office in Madrid at Calle Serrano 47-14º, is registered with the Spanish Commercial Registry in Madrid, in volume 19.957, page 190, section 8, sheet M-351927 and with the National Securities Market Commission (CNMV) in the Official Register of branches of European investment services companies, under number 24. The investment funds or SICAV mentioned in this document are regulated by the corresponding authorities of their country of origin and are registered in the Special Registry of the CNMV of Foreign Collective Investment Institutions marketed in Spain.

Additional information for investors with residence or seat in South Africa

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

Additional information for investors with residence or seat in Switzerland

The Fund(s) are domiciled in Luxembourg. This document is exclusively distributed in Switzerland to qualified investors as defined in the Swiss Collective Investment Schemes Act (CISA). This material is distributed by Robeco Switzerland Ltd, postal address: Josefstrasse 218, 8005 Zurich. ACOLIN Fund Services AG, postal address: Leutschenbachstrasse 50, 8050 Zurich, acts as the Swiss representative of the Fund(s). UBS Switzerland AG, Bahnhofstrasse 45, 8001 Zurich, postal address: Europastrasse 2, P.O. Box, CH-8152 Opfikon, acts as the Swiss paying agent. The prospectus, the Key Information Documents (PRIIP), the articles of association, the annual and semi-annual reports of the Fund(s), as well as the list of the purchases and sales which the Fund(s) has undertaken during the financial year, may be obtained, on simple request and free of charge, at the office of the Swiss representative ACOLIN Fund Services AG. The prospectuses are also available via the website.

Additional information for investors with residence or seat in Taiwan

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Additional information for investors with residence or seat in Thailand

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 authorized 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.