

Press Release

Robeco publishes Expected Returns 2025-2029: 'Atlas Lifted'

- 5-year outlook sees a shift away from limited government
- Emerging market equities and bonds are the preferred asset classes
- Base, bear and bull cases focus on outlooks for inflation and growth

Rotterdam, 10 September 2024 – Robeco has released the 14th edition of its 5-year outlook, 'Expected Returns 2025-2029', titled 'Atlas Lifted'. This report offers a detailed analysis of current global economic trends, presenting a future where government intervention, stakeholder capitalism, and innovation shape the global economic landscape.

A new era: Atlas Lifted

This year's report features the mythological titan Atlas who lifts the world on his shoulders with the help of entrepreneurial innovations in artificial intelligence and an abundance of other profitable investment opportunities. Atlas is not only lifting the world, but also investment returns on most major asset classes. In our base scenario, the world's continents are not drifting further apart economically and politically, as in our bearish scenario, but we also do not foresee that they become much more connected, as in our bullish scenario.

Peter van der Welle, Strategist Multi-Asset Solutions at Robeco: "Our 5-year outlook reflects on this new time where capital owners increasingly consider stakeholder well-being alongside shareholder profit. The free market economy is less efficient, and the era of hyper-individualism is behind us. Instead, today's investors are focused on a balance between profitability and broader societal impacts."

Laurens Swinkels, Head of Quant Strategy, Sustainable Multi-Asset Solutions at Robeco: "In the current environment, with distorted markets and greater government intervention, generating alpha requires a more research-driven approach than ever. Our report emphasizes the need for strategic investment in this evolving landscape."

Base case: 'Atlas Lifted' (50% probability)

In this scenario, Robeco anticipates moderate but steady economic growth, driven by advancements in AI, with US GDP per capita expected to grow by 1.75% annually. Other advanced economies, particularly in Europe, are anticipated to catch up with the US, contributing to balanced global growth. Investment opportunities are expected to improve as capital allocation becomes more efficient. Inflation is predicted to average around 2.5%, with central banks potentially underestimating higher neutral interest rates.

Bear case: 'Atlas Adrift' (30% probability)

This scenario envisions persistent inflation and stagflation in the US, driven by ongoing high government deficits and shifting global power dynamics. Inflation could remain elevated, threatening overall economic stability. This scenario suggests that while the battle against inflation may seem won initially, the overall economic stability will be under significant threat, similar to historical periods of high inflation.

Bull case: 'Atlas Connected' (20% probability)

In the most optimistic scenario, rapid AI adoption leads to significant productivity gains, with annual growth reaching 2.25%, driving robust economic performance, with real GDP growth approaching 3% and inflation remaining around 2%. Improved geopolitical stability and increased capital deepening would contribute to a favorable investment environment, where central banks maintain neutral policy rates.

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Expected Returns

	<i>Expected Returns 2025-2029 (EUR)</i>	<i>Expected Returns 2025-2029 (USD)</i>
	Base	Base
Fixed income		
Domestic cash	3.50	4.00
Domestic bonds	2.25	6.00
Developed	4.00	4.50
Emerging debt	6.00	7.00
Corporate inv grade	5.25	5.75
Corporate high yield	5.50	6.00
Equity		
Developed	6.50	7.50
Emerging	7.25	8.25
Real estate	5.50	6.50
Commodities	4.75	5.75
CPI		
Inflation	2.50	2.50

Investment implications

- Base case: Asset returns in euros are projected to be below long-term averages, with exceptions in emerging market debt, investment-grade assets, and commodities. Risk-free rates are expected to rise, reducing risk premiums across most asset classes. Emerging market equities are expected to deliver the highest returns, with EM stocks projected to return 7.25% annually in euros, followed by emerging market debt at 6.0%. Developed market equities are expected to return 6.5%. In the credits space, investment grade corporate bonds are seen yielding 5.25% over the next five years, rising to 5.5% for high yield. Real estate is seen returning an average of 5.5% a year in the base case, while commodities are expected to bring 4.75% in returns.
- Bear case: Inflation and instability could hurt returns, especially in high-risk investments, though commodities may benefit, with returns potentially rising to 8.0%.
- Bull case: AI-driven productivity could lead to above-average returns for EM debt and commodities, with other sectors also performing well.

Special topics:

The report also explores critical topics that are likely to shape future investment policies, such as climate transition finance, the potential bursting of asset bubbles, the benefits of 'quantamental' thematic investing, and the risk of 'Japanification' in China's economy.

You can find the full Expected Returns 2025-2029 report [here](#).

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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. On 31 March 2024, Robeco had EUR 194 billion in assets under management, of which EUR 190 billion is committed to ESG integration. Robeco is a subsidiary of ORIX Corporation Europe N.V. More information is available at www.robeco.com.