

Running down that hill

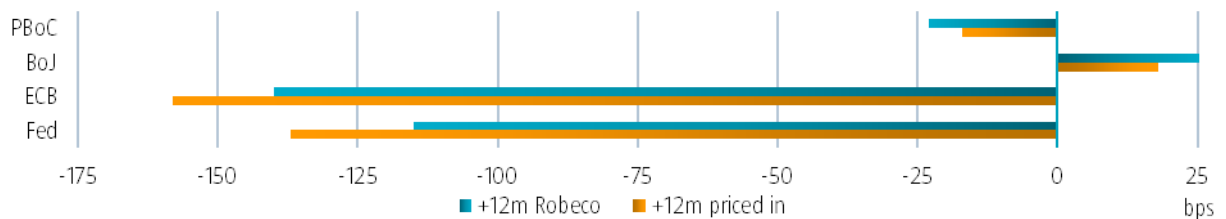
- Fed: turning the corner
- ECB: a short plateau
- PBoC: not in a hurry
- BoJ: it's best to be normal

The rise in long-term bond yields since the middle of the year has been fully reversed in the space of six weeks, as markets second-guess the 'higher for longer' message of DM central banks. This has been mainly driven by favourable developments on the inflation front – and less so by worries about a hard economic landing. The next leg of the bond rally, however, might well be spurred by negative growth surprises.

We agree with markets that policy rates won't stay at a plateau for long, even though cuts in the US and the Eurozone might not come before Q2 next year, as the Fed and ECB fret about still too-high wage growth. We also think the longer these central banks keep rates into restrictive territory, the faster the journey back to neutral. For now, before central banks start running down the hill, we enjoy the view from the peak.

Central banks in Japan and in China remain on their own course. The BoJ is still slowly running up that hill and set to end its negative rates policy by end Q1 2024. Meanwhile, the PBoC appears in no hurry to embrace the prospect of lower policy rates over the medium term, instead turning to balance sheet tools to stimulate the economy.

Figure 1 – Outlook for central banks policy rates



Source: Bloomberg, Robeco, change 12m ahead, based on money market futures and forwards; 19 December 2023

CENTRAL BANK WATCHER DECEMBER 2023

Marketing material for professional investors, not for onward distribution



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The Federal Reserve: turning the corner

- Focus shifts to cutting rates
- Market moves have exceeded historical precedents
- Curve could steepen in this environment

Dovish Fed communication sparks rally

It is increasingly likely that last hike in this cycle took place in July and that rate cuts could come as soon as mid next year. That is the main takeaway from the 13 December FOMC meeting. In this meeting, FOMC members surprised the market by penciling in three 25 bps rate cuts for 2024 as a median 'dot' in their Summary of Economic Projections. For 2025 their median view is for another 100 bps in cuts. Although the SEP is a collection of views, and the actual outcome can be quite different, it has an important signaling function. The dovish sign from their projections was confirmed in the press conference in conjunction with the meeting, where Fed chair Jerome Powell passed on the opportunity to push back against early rate cut expectations. This leaves little room for misunderstanding in their communication, although New York Fed chair Williams tried to calm down expectations a few days later.

We agree with the notion that a continued decline in inflation should open the door for the Fed to cut rates. In our projections core inflation should dive below 3% again in March, or April. While Powell played down the importance of having a '2-handle' on inflation before cutting rates, we do think it is a relevant marker. The market is priced for almost a full 25 bps Fed cut as soon as the 20 March meeting. In our view, such a quick decision would require an abrupt and meaningful decline in jobs growth. In that case the Fed would be 'forced to' cut rates, rather than being 'allowed to'. We see the May meeting as a more realistic early possibility and have 12 June as our base case for the first rate cut (brought forward from July). While we do expect a slowdown in growth towards zero, based on lagged effects of credit tightening, we foresee unemployment rising only gradually. Payrolls growth will probably remain supported by structural shortages of workers in health care and education. This makes negative numbers less likely. Still, managing to keep them above the 110k per month, required for keeping unemployment stable, would be quite an achievement. This would at least be at odds with the momentum in leading indicators such as job openings, or consumer surveys on jobs.

Table 1 - What is priced in for the Fed versus our expectations

| Fed funds rate (% upper bound) | 5.50 | Mar-24 | Jun-24 | Sep-24 | Dec-24 |
|---|------|--------|--------|--------|--------|
| Change implied by FF Futures (bps) | | -21 | -67 | -110 | -137 |
| Our probably-weighted expectation (bps) | | 0 | -20 | -70 | -115 |
| Our central scenario (bps) | | 0 | -25 | -75 | -125 |
| Fed funds rate central scenario (% upper bound) | | 5.50 | 5.25 | 4.75 | 4.25 |

Source: Bloomberg, Robeco; 18 December 2023

While the expected timing of the start of the easing cycle matters, the speed at which rates could be reduced, and the targeted end point should at least be equally important topics. In our opinion a gradual and predictable rate path makes sense in the scenario where the Fed is allowed, but not forced, to cut rates. As a base case we therefore assume a rate cutting path of 25 bps per meeting. We assume the Fed would want to reduce rates to the upper end of the neutral range. This would be a level of 3¼-3½% in our opinion. At a pace of 25 bps per meeting, this would give the Fed a full year, or 8 meetings, to move rates back to that level.

Obviously, the pace would be quicker in the scenario where payrolls would dive persistently into negative territory. Alternatively, the Fed could start later, or end earlier if inflation would re-accelerate. Neither of these is our base case, but it is good to keep an open mind.

No change in QT expected for coming quarters

For now, the balance sheet reduction policy (QT) remains on autopilot. Any serious discussion about this policy will probably start around mid-2024. Bank reserves have remained remarkably stable, but around mid-2024 the Fed's reverse repo facility (which is used to park cash at the Fed), should be nearly depleted. As it looks now, the Fed could announce the start of reducing QT in Q4 and end it at the beginning of next year.

Table 2 - US Treasuries curve

| USTs | Spot yield | 12m fwd | Carry* | Hedged to EUR |
|------|------------|---------|--------|---------------|
| 2yr | 4.41 | 3.67 | 209 | 120 |
| 5yr | 3.89 | 3.69 | 78 | 41 |
| 10yr | 3.89 | 3.84 | 46 | 25 |
| 30yr | 4.00 | 3.93 | 21 | 11 |

*For a 1pd position over 12 months

Source: Bloomberg, Robeco; 18 December 2023

Curve has the potential to steepen

The expected turn in monetary policy has led to a massive rally in US Treasuries. This fits with the historical market response in the run up to a first rate cut, only the pace has been much quicker. Long term forward yields (5y5y) for US rates are now close to the upper end of where we see neutral, at around 3½%. This suggests maintaining a long bias, but at a smaller position size. Curves have flattened since early November. We expected a re-steepening of the US Treasury curve. At this stage of the policy cycle we prefer 5-30 steepeners, which we would aim to replace by 2-10s positions when a first rate cut is near.

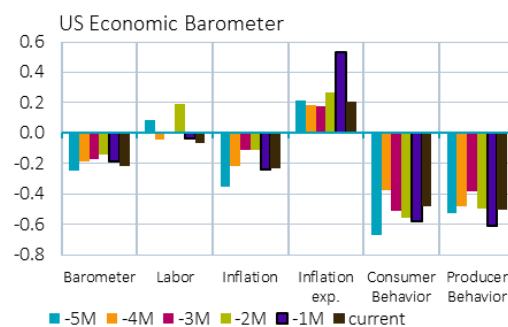
Inflation data and swaps pricing suggest a further slowing of price changes, while financial conditions have eased.

Figure 1 – Financial conditions have eased



Source: Goldman Sachs, Bloomberg, Robeco; 18 December 2023

Figure 2 – Barometer stable in showing lower confidence



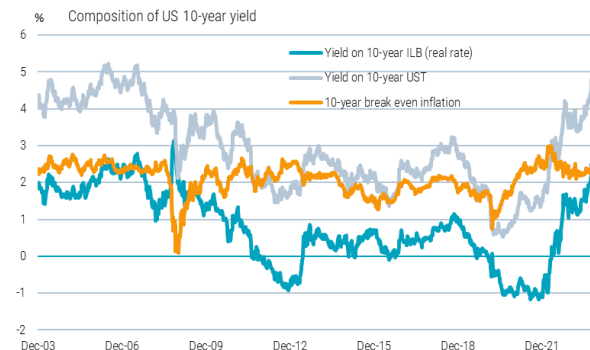
Source: Bloomberg, Robeco; 18 December 2023

Figure 3 – Inflation swaps in narrow range



Source: Bloomberg, Robeco; 18 December 2023

Figure 4 – Real yields have fallen



Source: Bloomberg, Robeco; 18 December 2023

European Central Bank: a short plateau

- ECB to start reversing course in Q2 2024
- Delay would imply faster cuts later; depo rate expected to fall back near 2% in 1H 2025
- Further retracement in yields and curve normalization in 2024

ECB tries to delay the inevitable

The ECB Governing Council kept policy rates unchanged at the December meeting, as widely expected. But they decided “to advance the normalization of their balance sheet” by reducing the PEPP bond portfolio by EUR 7.5bln per month in 2H 2024 and discontinuing PEPP reinvestments thereafter (APP reinvestments have already been discontinued). This marks a slower pace of passive Quantitative Tightening (QT) than the market had anticipated.

Although markets were braced for a dovish pivot on rates policy, already pricing in 20 bps of easing by March heading into the meeting, the ECB was reluctant to endorse this. Indeed, the policy statement acknowledged that “underlying inflation [in the Eurozone] has eased further”, but reiterated that “domestic price pressures remain elevated.” This is also reflected in the ECB staff projections for core inflation in the Eurozone to remain above 2% over the next two years. Moreover, during the press conference President Lagarde stressed that rate cuts were not discussed “at all” and that it was too early to lower their guard on inflation.

However, in the end, it is the incoming data not past forward guidance that determines what will happen. Our central scenario is for the ECB to indeed remain on hold at the next two meetings, in January and March. But, as shown in Table 1, there is a 50bps of easing envisaged for Q2 2024 (when two meetings will take place, i.e. in April and June). We assume that the annual rate of core inflation, which is currently running at 3.6%, will be back below 2.5%¹ in April, and that the Eurozone economy will remain in stagnation or mild recession in the next few quarters.

Table 1 - What is priced in for the ECB versus our expectations

| ECB deposit facility rate | 4.00 | Mar-24 | Jun-24 | Sep-24 | Dec-24 |
|--|------|--------|--------|--------|--------|
| Change implied by OIS (bps) | | -14 | -69 | -121 | -158 |
| Our probability-weighted expectation (bps) | | -8 | -37 | -90 | -140 |
| Our central scenario (bps) | | 0 | -50 | -75 | -125 |
| ECB depo rate in central scenario (%) | | 4.00 | 3.50 | 3.25 | 2.75 |

Source: Bloomberg, Robeco; 18 December 2023

The risk is that the ECB delivers less easing in Q2, as it awaits the wage settlements in Spring of next year before starting to reverse course (or refrains from kicking off its easing cycle with a 50bps cut in June). However, we take some comfort from the notion that leading wage data are moving in the right direction (see Figure 1).

In any case, for an assessment of 2-5 year bond valuations, the exact timing of the first cut in the end may not be that important. What matters is the trajectory of policy rates over the next few years. We have argued for a while that the ECB's depo rate would be back in 'neutral' territory (which we pitch in the 1.75%-2.25% area) sooner than markets (and the ECB) anticipated. Following the sharp drop in bond yields over the past weeks, a return to a 2% ECB depo rate is now priced by mid-2025 (see Figure 3). This makes more sense to us. If anything, we believe there's room for markets to bring this somewhat forward.

¹ This is still somewhat above the ECB's medium-term inflation target, but bear in mind that even the Bundesbank cut its key policy rate from above 8% to below 6% in 1993 when core CPI inflation was still running above 5%.

Table 2 - DBR curve

| | Spot yield | 12m fwd | Carry* (bps) |
|-----|------------|---------|--------------|
| 2y | 2.51 | 1.67 | -110 |
| 5y | 2.00 | 1.70 | -45 |
| 10y | 2.02 | 1.96 | -17 |
| 30y | 2.21 | 2.16 | -9 |

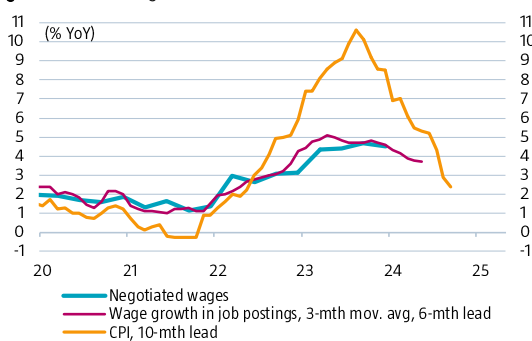
* for a 1pd position in cash bonds over 12 months

Source: Bloomberg, Robeco; 18 December 2023

Lower yields and further curve normalization into 2024

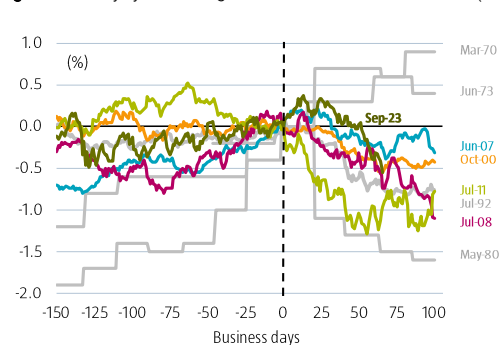
- The uptrend in German bond yields came to a sudden stop in Q4, and we find 10-year yields almost 100 bps below the 3% peak reached in early October. While short-term bonds have also rallied, they have slightly lagged the decline in 10-year yields, as the ECB is not (yet) endorsing market pricing for imminent rate cuts.
- Markets now price in a return of the depo rate to 2% within 18 months (Figure 3) and the EUR 5-year OIS rate 5-year forward – at around 2.5% unadjusted for term premia. This is less out of whack with our long-term ‘neutral’ ECB depo rate estimate of 1.75%-2.25%. Even so, there remains scope for markets to price in lower terminal policy rates, both on a 2-year and 10-year horizon. In other words: it is too early to fully take-off overweight duration positions in our view. That said, we do not rule out some consolidation in the coming weeks, as the slide in Eurozone inflation temporarily sputters due to energy base effects and the unwind of administered energy price measures.
- Curve-wise, we remain braced for further re-steepening, although we do see a risk, especially in 2s5s and 2s10s, of some further re-flattening near term. As for swap spreads over Germany, given the cheapening of repo rates, there is some potential remaining for further tightening, especially in 10-year tenors. However, risk-reward in setting front-end swap spread tighteners has turned less favorable, as such positions are (more) vulnerable to bouts of ‘risk-off’ in financial markets.

Figure 1 – lead wage indicator has started to follow inflation lower



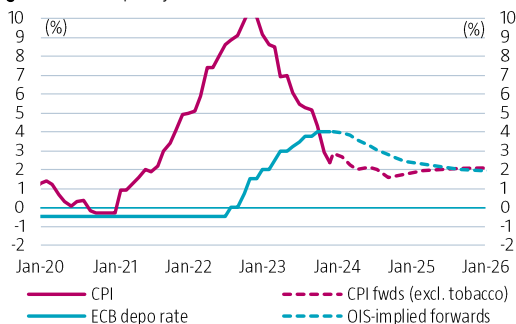
Source: ECB, Robeco; 18 December 2023

Figure 2 –10-yr yield changes around last ECB/Buba hike (t=0)



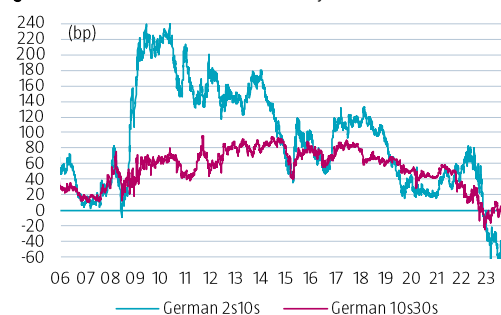
Source: ECB, Robeco; 18 December 2023

Figure 3 – ECB policy rate and inflation forwards



Source: ECB, Robeco; 18 December 2023

Figure 4 – German 2s10s and 10s30s yield curve



Source: ECB, Robeco; 18 December 2023

People's Bank of China: not in a hurry

- PBoC not in a hurry to cut policy rates further despite low inflation
- Fiscal, property and balance sheet easing currently doing the heavy lifting
- Secular downtrend in China bond yields intact

A preference for balance sheet tools

While the OECD's leading indicator for China keeps pointing to a pick-up in (industrial) growth momentum, economic conditions have remained subdued according to our Economic Barometer. That said, this is partly due to the low inflation backdrop; forward looking components such as Lending Conditions agree that somewhat better cyclical times might be ahead.

This is corroborated by the pick-up in mortgage lending (see Figure 3) – which points to property becoming less of a drag on activity in 2024, provided more funding support for developers will be forthcoming. Moreover, government bond issuance has been stepped up, aimed at supporting infrastructure activity, which has slowed noticeably over the past 12 months. To be sure, we remain cautious on the structural economic outlook, given, amongst other things, the problems surrounding local government indebtedness.

Meanwhile, inflation pressures in China remain very subdued, with pork price deflation pulling the headline rate further into negative territory in November with – the year-on-year core CPI rate held steady at 0.6%. Even so, the PBoC does not seem in a hurry to cut interest rates further, as also suggested by the statement after the annual Central Economic Work Conference.

Instead, the focus of the PBoC remains on liquidity injections to ensure a smooth issuance of government bonds, and on steering money market rates lower, which have been under some upward pressure (see Figure 1). Moreover, the PBoC will likely keep expanding its balance sheet via loans to bank in order to address the debt woes of local governments and support property developers. However, we do agree with markets that the next move in policy rates is likely to be a cut rather than a hike (see Table 1 below).

Table 1 - What is priced in for the PBoC versus our expectations

| PBoC 7-day reverse repo (%) | 1.80 | Mar-24 | Jun-24 | Sep-24 | Dec-24 |
|---|------|--------|--------|--------|--------|
| Change implied by forwards (bps) | | -19 | -30 | -24 | -17 |
| Our probability-weighted expectation (bps) | | -5 | -11 | -17 | -23 |
| Our central scenario (bps) | | 0 | -10 | -10 | -20 |
| PBoC 7-day reverse repo in central scenario (%) | | 1.80 | 1.70 | 1.70 | 1.60 |

Source: Bloomberg, Robeco; 18 December 2023

Since September, the 10-year CGB yield has hovered in the narrow 10 bps range, even as front-end yields continued their rebound and market expectations for additional, near-term rate cuts were (rightly so in our view) scaled back. We find the 2s10s curve near the low end of its historic range.

As the 10-year yield hasn't yet reached levels of around 2.75% or some 25 bps above the 1-year MLF rate, where we would turn more constructive again, we opt to stay tactically underweight CGBs cross-market against DM government bonds. Perhaps the increased CGB issuance and/or a temporary growth bounce can help bring yields to above-mentioned levels, as we remain of the opinion that the secular downtrend in Chinese rates remains intact.

Table 2 - CGB curve

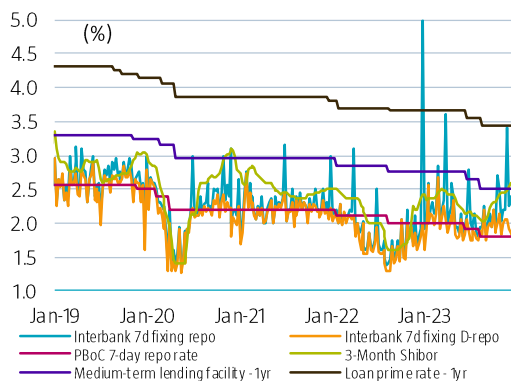
| | Spot | 12m fwd |
|------|------|---------|
| 2yr | 2.35 | 2.43 |
| 5yr | 2.48 | 2.63 |
| 10yr | 2.63 | 2.70 |

Source: Bloomberg, Robeco; 18 December 2023

Economic Barometer: no improvement yet, but...

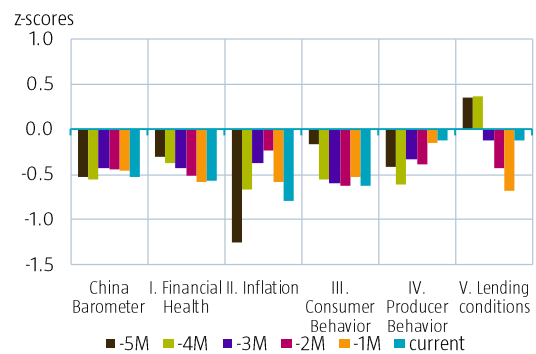
- Our Economic Barometer for China remains indicative of weak growth circumstances, with all components still in subpar territory (Figure 2). However, the stability in the overall reading masks diverging developments across the components. The Financial Health and Inflation components slipped further in recent months, with the latter weakening due to slower services and PPI inflation, as well as weaker readings for PMI price indices.
- This contrasts with the increase in the Z-scores for Producer Behavior and Lending Conditions. The former improved thanks to a further pick-up in industrial production as well as perkier electricity usage and railway freight traffic. The better Z-score for Lending Conditions reflects a sharp fall in China’s sovereign CDS spread and improving momentum in overall credit growth (from an impulse perspective).
- The signs of recovery in the components discussed above point to some improvement in overall economic conditions in the coming months. However, the lingering weakness of the Z-score for Consumer Behavior demonstrates that consumer caution is unlikely to dissipate soon. Consumer Behavior continues to be held back by weak PMI employment data and the still subdued marginal-propensity-to-consume metric (based on household demand deposits relative to savings deposits), and would have been even weaker if not for the pick-up in car sales in the wake of policy support and sales promotion.

Figure 1 – Selected policy and money market rates



Source: Bloomberg, Robeco; 18 December 2023

Figure 2 – Economic Barometer: stability masks divergence



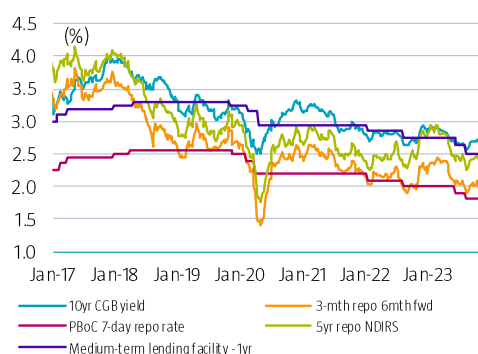
Source: Bloomberg, Robeco; 18 December 2023

Figure 3 – Better momentum in mortgage lending



Source: Bloomberg, Robeco; 18 December 2023

Figure 4 – Selected short-term and long-term rates



Source: Bloomberg, Robeco; 18 December 2023

Bank of Japan: it's best to be normal

- Status quo
- Groundwork for rate hikes
- Stay short JGB

Status Quo

On December 19, the BoJ held its final monetary policy meeting (MPM) of the year and maintained its status quo across all monetary policy settings like Yield Curve Control (YCC), asset purchases and forward guidance. Given the market response – JGB yields down a bit and a weaker JPY – market participants were expecting perhaps more. Interestingly, the forward guidance was left unchanged. The BoJ said it will patiently continue with monetary easing while nimbly responding to developments in economic activity and prices, as well as financial conditions. By doing so, it will aim to achieve the price stability target of 2% in a sustainable manner, accompanied by wage increases and additional easing measures if necessary. We find this stance quite at odds with recent comments and interviews in the press, by not only Governor Ueda, but also Deputy Governor Himino. With both commenting at the start of December it seemed that the BoJ was preparing markets for another shift at this meeting. Nonetheless, we had a cautious stance on this meeting as we feel the Shunto negotiations and wage developments hold more weight when it comes to next steps for the BoJ. We feel more comfortable that in Q1 next year we will see meaningful policy changes.

Groundwork for rate hikes

The BoJ has retained its current policy stance, and we expect the focus to turn to guidance it needs to give in the next meetings around policy rate hikes. The earliest venue for that is an interview with Governor Ueda at the start of 2024, although the January meeting is more likely and appropriate. In the policy statement, one potential area of revision would be language around the BoJ's future intentions. In particular changing language on the easing bias or scrapping the inflation overshoot commitment. If this were scrapped, it could strengthen expectations for a reduction in JGB buying as a pillar of its monetary base expansion. This would be in addition to signalling rate hikes. If this happened alongside a sharp reduction in JGB issuance – signalled by the government – we might see additional expectations for outright reductions in the size of gross buying auctions, or equally reductions to net JGB holdings. We are not calling for outright QT by the BoJ, but we can't rule out such a scenario. Nonetheless, the big message here is that as part of the normalization process, the strategy around the BoJ's balance sheet should not be overlooked. The advantage of this approach is that it could alleviate the impact of negative carry for the BoJ as it reduces the payment of interest rates on a smaller subset of current account deposits, while the return improves on JGB holdings via higher yields.

Table 1 - What is priced in for the BoJ versus our expectations

| Policy balance rate (%) | -0.10 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 |
|---|-------|--------|--------|--------|--------|--------|
| Change implied by futures (bps) | | 2 | 4 | 11 | 18 | 22 |
| Our probability-weighted expectation (bps) | | 8 | 10 | 20 | 26 | 37 |
| Our central scenario (bps) | | 10 | 10 | 25 | 25 | 35 |
| Policy balance rate in central scenario (%) | | 0.00 | 0.00 | 0.15 | 0.15 | 0.25 |

Source: Bloomberg, Robeco; 19 December 2023

The inflation and wage outlook will remain key, in particular the outlook for the core inflation rate is gaining attention by the day. Moving forward we expect revisions to gradually increase with regard to core inflation, as soon as the January 2024 Outlook report, given the current inflation trend and strong momentum in next year's Shunto spring wage negotiations. If this happens, the inflation outlook will be consistent with the 2% price stability target or will come very close and the BoJ can continue its normalization process along the lines described above.

Stay short JGB

Shunto results this year and next year are similar to those seen before deflation took hold in Japan. We consider this evidence that Japan is shifting towards a new inflation equilibrium with core inflation to settle somewhere around 1% structurally. We also think it is important to learn from the post-pandemic lessons in Europe and the US

regarding services spending and wage developments. Japan was very late opening up at the start of this year from the pandemic and we observe similar post-pandemic spending on services, tourism and core goods. This is quite worrying from our view. And the lessons from Europe and US were quite clear – high prices result in high wage settlements, which in turn lead to higher prices. The causality runs from prices into wages against conventional wisdom. Something we feel the BoJ is underestimating.

We consider all meetings for the next quarter as live for changes in both the YCC and policy rate. With so much YCC and policy change, the outcome will be that the 7-year JGB yield trades close to a 1% yield by the end of Q2 2024, and the 10-year JGB yield close to 1.25%. In all scenarios we expect 10s30s to flatten further given the large upward pressure on 10-year JGBs. As JGB yields adjusted higher over the course of 2024, relative to other markets, and considering FX hedging costs the 30yr, JGB is the superior investment for domestic Japanese investors compared to other global fixed income asset classes. We continue to look for a stronger yen versus other major currencies. As the BoJ begins to make changes to YCC, and other global central banks approach their respective terminal rates, we see value in taking long positions in the yen.

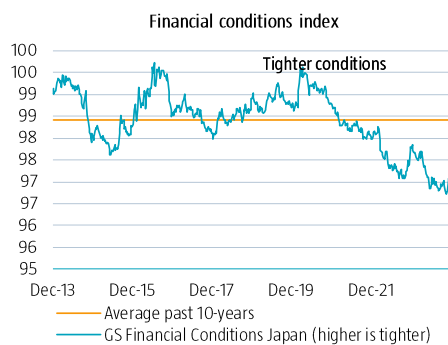
Table 2 - JGB curve

| JGB Curve | Spot yield | 12m Fw | Carry* | Hedged to EUR |
|-----------|------------|--------|--------|---------------|
| 2yr | 0.06 | 0.16 | 8.8 | 10.6 |
| 5yr | 0.24 | 0.39 | 13.5 | 14.3 |
| 10yr | 0.62 | 0.85 | 15.1 | 15.5 |
| 30yr | 1.55 | 1.67 | 9.2 | 9.3 |

* for 1pd position over 12 months

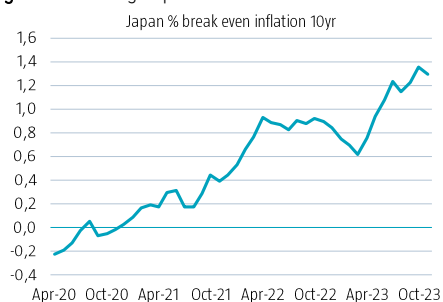
Source: Bloomberg, Robeco; 19 December

Figure 1 – Still loose financial conditions



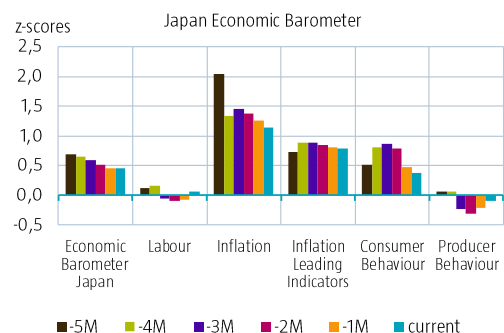
Source: Goldman Sachs, Bloomberg; 19 December

Figure 3 – Strong improvement in breakevens



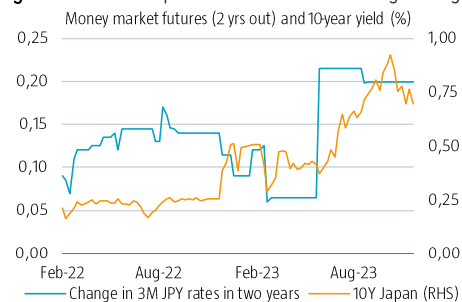
Source: Bloomberg; 19 December

Figure 2 – Strong inflation momentum



Source: Robeco, Bloomberg; 19 December

Figure 4 – Markets price in small amounts of tightening 2 years out



Source: Bloomberg; 19 December

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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

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).

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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

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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 47-14^o, is registered with the Spanish Commercial Registry in Madrid, in volume 19.957, page 190, section 8, sheet M-351927 and with the National Securities Market Commission (CNMV) in the Official Register of branches of European investment services companies, under number 24. The investment funds or SICAV mentioned in this document are regulated by the corresponding authorities of their country of origin and are registered in the Special Registry of the CNMV of Foreign Collective Investment Institutions marketed in Spain.

Additional information for investors with residence or seat in South Africa

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

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Additional information relating to RobecoSAM-branded funds/services

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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 is deemed 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.