

# Go your own way

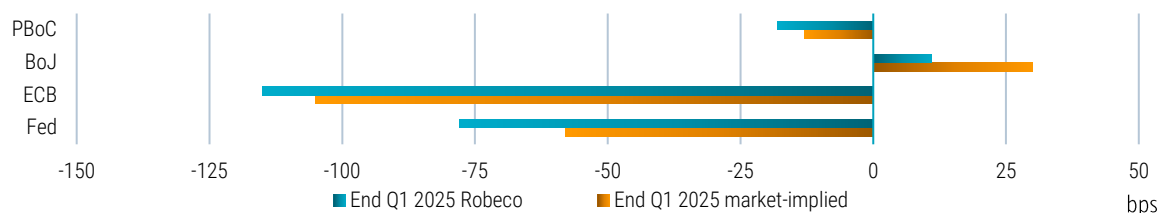
- Fed: cut it out
- ECB: one step at a time
- PBoC: creative expansion
- BoJ: one small step or giant leap

With the hump in US services inflation looking more protracted, markets seem to have concluded that the Fed won't be among the first of the developed market's central banks to reduce interest rates. We concur that the ECB will 'go its own way' and begin easing monetary policy sooner, likely starting with a 25 bps reduction at the June meeting, which seems to be the current working assumption of the council. A more constructive stance on duration in the Eurozone hence makes sense. What is more, if history is any guide, yield curves in markets where central bank rate cuts are imminent, such as in Sweden, should show a steepening bias – with a spike in commodity prices arguably posing a risk to this.

The notion that the Fed's next move will be a rate hike rather than a cut appears to be hasty from our perspective. We maintain that the Fed is capable of implementing cuts in the third and fourth quarters, but this is contingent upon receiving favorable inflation data soon or observing signs of weakening in the US's economic fortitude. A more immediate change is to be expected in the Fed's balance sheet policy, where the pace of QT seems set to be reduced soon.

Elsewhere, both the PBoC and the BoJ will likely continue to 'go their own way' in setting monetary policy. While foreign exchange pressures may postpone an additional reduction in the policy rate corridor until the third quarter, we anticipate that the PBoC will introduce further balance sheet expansion measures soon. As for the BoJ, we anticipate two additional rate hikes later in the year, with the timing of these increases dependent on the performance of the Japanese yen.

Figure 1 – Outlook for central banks' policy rates



Source: Bloomberg, Robeco, change by end 2024, based on money market futures and forwards; 15 April 2024

## CENTRAL BANK WATCHER APRIL 2024

Marketing material for professional investors, not for onward distribution



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### The Federal Reserve: cut it out

- Services inflation acceleration derails the prospect of a June rate cut
- Central scenario now envisages only one to two cuts this year
- Cautious with OW UST positions so long as nominal GDP growth stays solid

### Services inflation too hot to handle?

Although no longer growing at the >3% pace seen in 2H of last year, the US economy retains significant forward momentum. Meanwhile, despite meaningful signs of a slowdown in the hiring plans of small companies, overall jobs growth according to the Establishment Survey has remained solid – seemingly supported by an immigration-led increase in labor supply. The latter helps explain why measures of wage growth have remained on a downtrend.

Slower wage growth is not translating into much slower services inflation yet. On the contrary, for the third month in a row US core CPI came in hotter than expected in March thanks to lingering pricing power in services, helping to push the 6-month annualized rate to nearly 4% (see Figure 1). Admittedly the preferred PCE metric does not look as worrisome. But we agree with markets that a first Fed rate cut in June is now off the table (barring a sudden sentiment shock). Fed governors probably need a string of favorable core inflation prints before they become sufficiently confident that inflation will return to its target and start to dial back on monetary tightening.

This should still ensue by the September meeting – perhaps helped by a slowdown in jobs growth if the signal from small companies' hiring plans proves correct. Another cut in December, after the US elections in early November, is also incorporated in our revised baseline scenario. However, we now ascribe a bigger weight (of around 40%) to a scenario where the Fed does not cut rates at all this year<sup>1</sup>.

At the same time, we have lowered the odds assigned to an economic-downturn scenario under which faster rate cuts would emerge. Weighing the three scenarios (see Figure 2), our probability-weighted average Fed funds rate path is broadly in line with market pricing for the remainder of this year (see Table 1 below).

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

Fed funds rate (% upper bound)	5.50	Jun-24	Sep-24	Dec-24	Mar-25
Change implied by FF Futures (bps)		-5	-23	-40	-58
Our probably-weighted expectation (bps)		-3	-19	-41	-78
Our central scenario (bps)		0	-25	-50	-75
Fed funds rate central scenario (% upper bound)		5.50	5.25	5.00	4.75

Source: Bloomberg, Robeco; 15 April 2024

For 2025, our path is somewhat below markets (Figure 3), which largely stems from the fact that our estimate range for the long-run 'neutral' rate (of 3.0-3.5%) – albeit well above the Fed's median projection of 2.6% – lies below what market pricing currently implies. We also suspect that over time leveraged high yield companies, SMEs, and lower-income households with sizable consumer loans will increasingly feel the pinch from a 'higher-for-longer' Fed.

### QT taper by June

The March FOMC meeting minutes reiterated that QT would be slowed "fairly soon". We suspect that the FOMC will announce either in early May or ultimately by June that the pace of the runoff of USD 60 bln/month for Treasury securities will be halved.

<sup>1</sup> Obviously, the probability of the next move being a rate hike rather than a cut is not zero as SOFR option pricing demonstrates. But here we focus on the three that in our view are the most plausible scenarios.

Table 2 - US Treasuries curve

USTs	Spot yield	12m fwd	Carry*
2yr	4.93	4.59	-48
5yr	4.60	4.48	-29
10yr	4.56	4.54	-13
30yr	4.65	4.62	-7

Source: Bloomberg, Robeco; 15 April 2024; \*For a 1pd position over 12 months

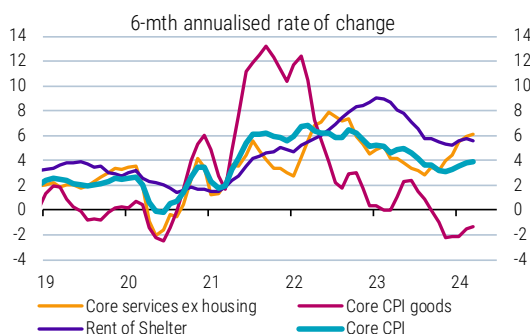
### Valuations are becoming more appealing, but...

Valuations of Treasuries arguably have become more appealing, as more and more Fed rate cuts have been priced out since the start of the year. This is reinforced by the notion that in our view the OIS market is discounting a too-high long-term neutral rate (of c. 3.75-4%). Even so, with the underlying pace of GDP growth showing little sign of slowing for now, a 10-year Treasury yield of 4.5% does not look excessive, certainly if one factors in the fiscal outlook and the still-subdued term premium embedded in long-term yields. Notably, adding the average historical 10-year UST spread over the Fed funds rate of (c. 120 bps) to the midpoint of our estimated long-run neutral range (of 3.25%), exactly yields a rate of 4.5%.

If lead economic indicators would start turning down (rather than up – see Figure 4), this assessment would change, but for now we would wait until 5- to 10-year yields are closer to 4.75% before contemplating cross-market overweight UST positions.

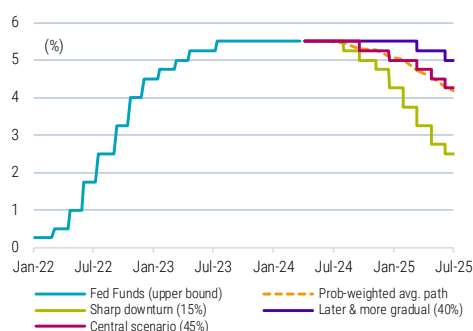
Curve wise, we retain a steepening bias, but acknowledge that a sharp steepening probably requires either a fiscal scare (which could push up long-term yields) or renewed expectations of a more pronounced rate-cutting cycle (which in turn requires downward inflation surprises or a financial accident). A risk-off prompted by a spike in oil prices poses a near-term risk to curve steepening.

Figure 1 – Faster services inflation pushed up core rate



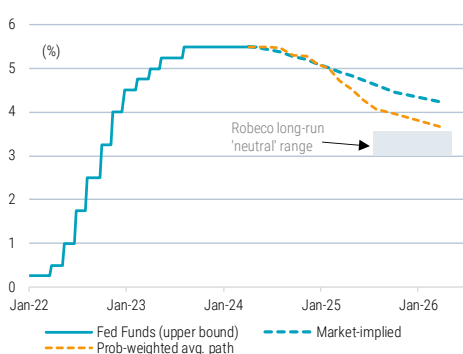
Source: Goldman Sachs, Bloomberg, Robeco; 15 April 2024

Figure 2 – Fed Funds Rate scenario analysis



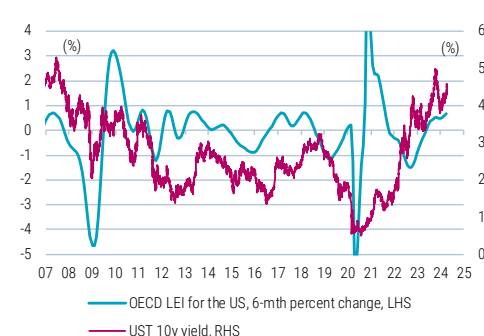
Source: Bloomberg, Robeco; 15 April 2024

Figure 3 – Prob.-weighted average path vs market pricing



Source: Bloomberg, Robeco; 15 April 2024

Figure 4 – OECD's lead indicator for US vs 10y UST yield



Source: Bloomberg, Robeco; 15 April 2024

### European Central Bank: one step at a time

- ECB signals intention to cut rates in June
- Modest easing steps expected for the coming quarters
- Curve seen to steepen

### Signaling the intention to cut while steering clear of any pre-set path

At the 11 April meeting the ECB Governing Council kept rates unchanged, while confirming the intention to cut rates in June. ECB president Lagarde mentioned that by June there will be "a lot more information" available that could reinforce confidence on inflation moving to target. It was also notable that the policy statement sounded more positive on wage moderation, which is an important element of the inflation outlook.

While clearly opening the door to a June rate cut, Lagarde stayed away from pre-committing to such a decision, or to any "particular rate path". Policy remains data dependent.

There was no signaling of any changes in their intended balance sheet policies. The ECB still intends to reduce the PEPP portfolio by €7.5 bln per month on average in H2 and end reinvestments at the end of 2024. Reinvestments of the APP ceased in July last year.

Wage growth is a key element in the ECB's inflation outlook and has remained somewhat of a concern for the Governing Council. Over the past weeks some positive news on wages came out. The April edition of the ECBs quarterly survey of European companies showed a remarkable deceleration in expected wage growth. Over the next twelve months a moderation towards 3.8% is expected, which compares to a 4.5% level reported in the January edition. Expected price increases by corporates also moderated in the survey, from 4.5 to 3.3%. Other positive news came from wage increases in Eurozone job postings (Indeed data), which slowed from 3.7 in February to 3.3% in March.

The ECB Bank Lending Survey released in April gave a slightly more optimistic picture on credit developments. Lending conditions are being tightened less aggressively, which is seen as a positive. The demand for credit was more mixed. Mortgage demand is expected to increase in especially Germany, while corporate loan demand is expected to remain weak.

With rates above neutral and inflation pressures gradually moderating, there appears to be room for the ECB to cut rates. Still, their rate path remains data dependent and the speed of rate adjustments will, to some degree, be influenced by the decisions of its peers. As a central scenario we now expect the ECB to cut rates by 25 bps in June, followed by similar steps in September and December. Our probability weighted scenario is currently quite close to that base case. While likely, a cut in June is not yet a done deal and in coming quarters we see little room for larger or more frequent cuts. After September there might be some room for more stimulus. This pattern is reflected in our probability weighted expectation.

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

ECB deposit facility rate	4.00	Jun-24	Sep-24	Dec-24	Mar-25
Change implied by OIS (bps)		-19	-54	-81	-104
Our probability-weighted expectation (bps)		-20	-50	-85	-115
Our central scenario (bps)		-25	-50	-75	-100
ECB depo rate in central scenario (%)		3.75	3.50	3.25	3.00

**Source:** Bloomberg, Robeco; 15 April 2024

Looking beyond this year we see room for continued monetary easing, with policy rates still exceeding the neutral level by some margin.

Table 2 - DBR curve

	Spot yield	12m fwd	Carry* (bps)
2y	2.88	2.14	-88
5y	2.40	2.12	-42
10y	2.39	2.31	-15
30y	2.55	2.47	-8

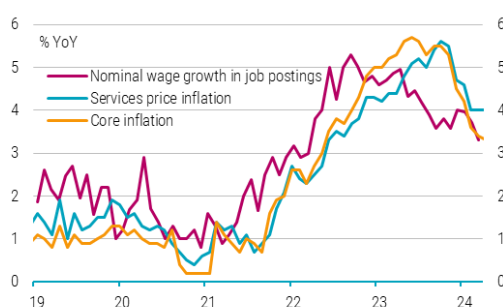
\* for a 1pd position in cash bonds over 12 months

Source: Bloomberg, Robeco; 15 April 2024

### Curve seen to steepen

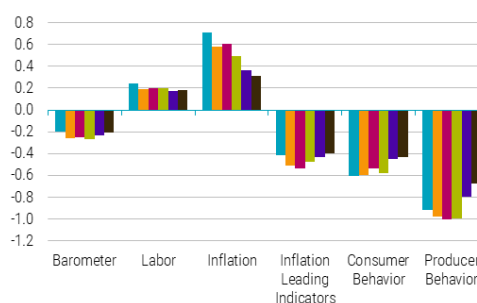
- European bond yields were on a rising path between the end of December and March, with the 10-year Bund yield bouncing circa 60 bps to a level of 2.5%. In recent weeks yields have stabilized somewhat at around this level, in line with more stable expectations for the ECB's rate path.
- Market pricing of the ECB depo rate in September 2025 has risen by more than 80 bps to circa 2.7%, the 5-year OBL yield is at similar levels (2.5%). This exceeds our estimated long-term 'neutral' ECB depo rate range of 1.75%-2.25%. We remain of the opinion that yields above this level should be seen as attractively valued. In case of continued global selling pressures for bonds, we would expect this part of the German curve to remain relatively stable, as it is linked to the ECB policy outlook.
- On the German curve we see potential for further steepening. The curve is still much flatter than historical averages for this phase of the monetary policy cycle. Expected upcoming monetary easing should provide some support for the front end and belly of the curve. We see less rally potential for bonds at the back end of the curve. Elevated global supply of bonds and rising inflation risk premia weigh on the prospects for long-dated bonds.

Figure 1 – Wage growth has been moderating



Source: Bloomberg, Indeed, Robeco; 15 April 2024

Figure 2 – Producer data have been bottoming out



Source: Robeco; 15 April 2024

Figure 3 – Corporate lending growth remains weak



Source: ECB, 15 April 2024

Figure 4 – German 2s10s and 10s30s yield curve



Source: Bloomberg, 15 April 2024

### People's Bank of China: creative expansion

- PBoC retains easing bias even if growth shows tentative signs of life
- Further rate easing seems likely but balance sheet expansion will keep doing the heavy lifting
- Bounce in longer-term yields possible if growth recovery ensues, though secular downtrend remains intact

### Preference for balance sheet expansion over rate cuts

While industrial production has been in recovery mode for a while, as foreshadowed by the OECD Leading Economic indicator for China, weakness in other parts of the economy, notably property, has prevented overall economic momentum from improving – until recently. Indeed, for the first time in many months, our Economic Barometer has started to move higher (see next page).

This does not mean, however, that the PBoC is likely to drop its easing bias anytime soon. After all, the recovery remains fragile and inflation pressure is also still too low for their comfort – even though less-negative food inflation has helped push the headline CPI rate out of negative territory. Indeed, the PBoC maintained a pro-growth stance at its Q1 MPC meeting on March 29. It was notable though that the central bank stressed that it would monitor the changes of long-term yields. This new phrase in the statement suggests the PBoC is keen to mitigate any significant upward pressure on CGB yields from the increase in long-term CGB supply.

As we anticipated in our previous updates, the PBoC has refrained from cutting the key policy rates (i.e. the 7-day reverse repo rate and 1-year MLF rate) further since the cuts that were implemented in Q3 of last year. But in addition to implementing another cut in banks' required reserves in January, it engineered a large, 25 bps drop in the 5-year Loan Prime rate (LPR) rate in February – with the aim of making new mortgage loans less costly.

Looking ahead, another RRR cut is likely in the coming months, which, coupled with a greater use by banks of relending and rediscounting facilities, points to an ongoing expansion of the PBoC's balance sheet (Figure 2). We also agree with markets that a 10 bps cut in the key policy rate corridor is likely by Q3 (see Table 1 below).

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

PBoC 7-day reverse repo (%)	1.80	Jun-24	Sep-24	Dec-24	Mar-25
Change implied by forwards (bps)		-3	-5	-9	-13
Our probability-weighted expectation (bps)		-3	-7	-11	-18
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; 15 April 2024

### CGB yields – how low can they go?

The 10-year CGB yield embarked on a downward trend in early December, but has been moving sideways since early March – even as shorter-dated CGB yields have kept falling. At around 2.3%, the 10-year yield is just 50 bps above the 1.8% PBoC 7-day reverse repo rate – the last time this occurred was in 2016, and again during the outbreak of the pandemic in 2020. As such, while factoring in the tentative signs of growth recovery, we opt to be tactically underweight CGBs cross-market against DM government bonds.

If the 10-year CGB yield were to (again) exceed the 1-year MLF rate (currently 2.50%) by at least 10 bps, we would turn more constructive again on CGBs, as we remain of the view that the *secular* downtrend in Chinese rates will remain intact.

Table 2 - CGB curve

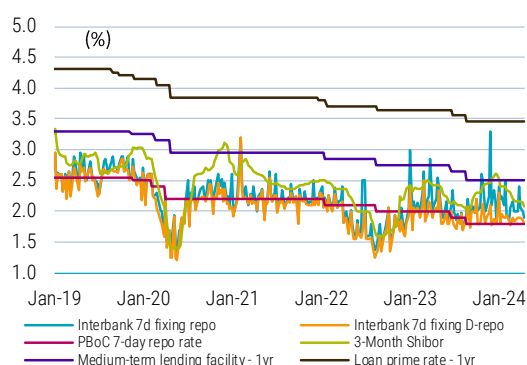
	Spot	12m fwd
2yr	1.87	2.11
5yr	2.11	2.32
10yr	2.28	2.37

Source: Bloomberg, Robeco; 15 April 2024

### Economic Barometer: supply side economics

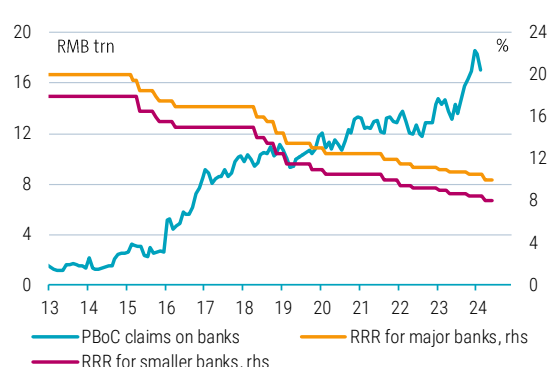
- Given the data distortions caused by the China Lunar New year holiday, reading the tea leaves of the Chinese economy typically is more of a challenge than usual. Nonetheless, the available data suggest that overall growth momentum, as captured by our Economic Barometer, has improved somewhat – albeit not yet translating into a cyclical pick-up of government bond yields (Figure 4).
- The Barometer improvement is primarily driven by the Z-score for Producer Behavior, which has jumped back into positive territory in the wake of a further rise in the Manufacturing PMI New Orders index, and faster actual industrial production and electricity consumption growth.
- Even so, pockets of weakness persist, as demonstrated by the weak score of the Consumer Behavior component, which continues to be held back by weak retail and property sales data, as well as a still-subdued marginal-propensity-to-consume metric. What is more, the Lending Conditions component shows new signs of weakening due to a rise in China's CDS spread, as well as a relapse in credit growth and M2 growth.
- Meanwhile, the low Z score of the Inflation Components is testament to the view that underlying inflation pressures in the Chinese economy remain very subdued – as evident from the latest PPI and core inflation prints (of, respectively, -2.8% and 0.6%).

Figure 1 – Selected policy and money market rates



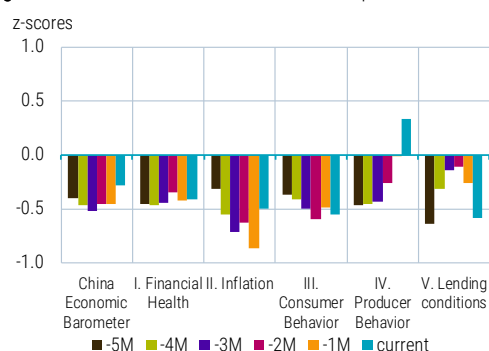
Source: Bloomberg, Robeco; 15 April 2024

Figure 2 – PBoC balance sheet expansion ongoing



Source: Bloomberg, Robeco; 15 April 2024

Figure 3 – Economic Barometer: tentative improvement



Source: Bloomberg, Robeco; 15 April 2024

Figure 4 – Economic barometer and 5-year CGB yields



Source: Bloomberg, Robeco; 15 April 2024

## Bank of Japan: one small step or giant leap

- Growth normalization
- Dovish stance
- Stay short JGB but the window is closing

### Weak consumption

Our current growth outlook for next two to three years can be summarized as a shift from nominal stagnation (the famous lost three deflationary decades) to a slow normal growth story (~1.5%-2.0%). We think there is compelling evidence that Japan has exited deflation and that in the long run core inflation will settle somewhere around 1%. In our view the post-pandemic shift in consumer spending, in tandem with a subtle change in wage setting behavior, is sufficient to lift core inflation meaningfully out of deflation. That said, the consensus for Japanese growth and inflation is materially higher, with core inflation structurally closer to 2% and growth in excess of 3%. We think those expectations are too high. Equally, those expectations fit the consensus and feed into hawkish BoJ outlooks that suggest the BoJ will engage in lengthy hiking cycles with high terminal rates. We are not so sure.

We think there are two things that need to be confirmed for maintaining such optimistic views. First, real consumption should pick up in Q2 and Q3. Indeed, consumptions is trailing on the softer side. When looking at the BoJ's real Consumption Activity Index after adjusting travel balance (tourism spending adjusted) spending remains sluggish. Equally consumer confidence is quite downbeat as well. The BoJ survey shows that Japanese households expect prices to rise (e.g. high inflation). While the overall pace of spending has increased since the pandemic, the shift in spending is not that large. For growth to move higher structurally spending really needs to increase materially higher. Secondly, we need to wait a couple of months to see whether wages will rise more meaningfully pushing up services CPI over time. So, wages are key. We think the Shunto results look promising but note that the pass through to overall wages was quite low (4.5% Shunto versus 1.8% overall wage growth). Secondly, we are skeptical about small firms raising wages meaningfully in the current economy.

### Dovish stance

The BoJ has made a small step by raising the policy rate by 10 bps but we consider this to be a giant leap. First, the BoJ has ended negative interest rates which should be welcomed by the financial sector. NIRP has had an outsized negative effect on regional banks and functioning of financial markets. Secondly, this step in itself is small but marks the start of a perhaps more meaningful further normalization of monetary policy. And finally, the fact that the policy rate has become the primary monetary policy tool again indicates the BoJ has a bit more room to influence the yen. Still, we highlight that the current policy stance of the BoJ in our view is dovish. The current policy rate, which is just a bit below neutral, in combination with ongoing QE programs means that the BoJ is still trying to stimulate the economy.

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

Policy balance rate (%)	0.00	Jun-24	Sep-24	Dec-24	Mar-24
Change implied by OIS (bps)		3	14	23	30
Our probability-weighted expectation (bps)		3	5	11	11
Our central scenario (bps)		10	10	25	25
Policy balance rate in central scenario (%)		0.10	0.10	0.25	0.25

**Source:** Bloomberg, Robeco; 15 April 2024

Verbally Governor Ueda has maintained the guidance that the policy setting is tied to structurally get inflation above or in line with the target, this has been interpreted by markets as (extremely) dovish as evidenced by the price action in JGB's and the yen. The current policy stance is therefore also quite risky with yen weakness as a result.

### Stay short JGB but the window is closing

We consider all meetings for rest of the year as live for further tweaks to the guidance and we also pencil in two additional rate hikes later this year (one 10 bps hike and another 15 bps hike). The timing of those hikes depends

on the developments of the yen and how the economy develops further in Q2 and Q3. That said, the state of the domestic economy and the fact that inflation is now falling removes the need for the BoJ to make big and bold steps near term. Indeed, inflation is cooling/coming off the peak and broader growth is slow. We continue to think that the BoJ is slow to take further bold steps and will only do that in the case of further yen weakness. Further YCC steps are dependent on how the JGB market is behaving and how disorderly the yen might trade.

With these potential policy changes, 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 at the end of the year. Near term we expect more weakness in the yen.

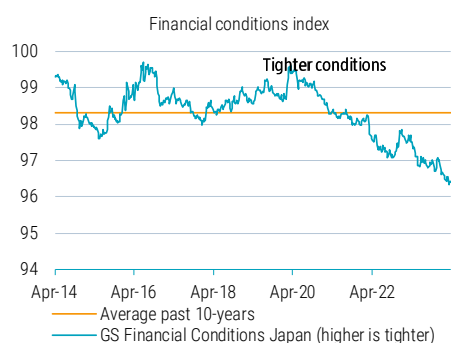
**Table 2** - JGB curve

JGB Curve	Spot yield	12m fw	Carry*	Hedged to EUR
2yr	0.27	0.41	23.0	24.7
5yr	0.48	0.61	13.6	14.3
10yr	0.86	1.06	17.5	17.9
30yr	1.91	1.98	10.8	10.9

\* for 1pd position over 12 months

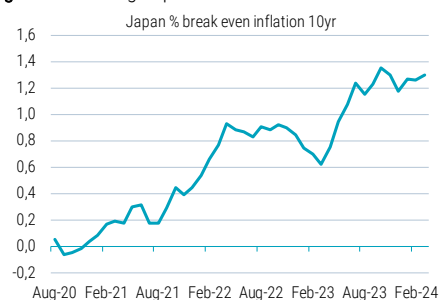
Source: Bloomberg, 15 April 2024

**Figure 1** – Still loose financial conditions



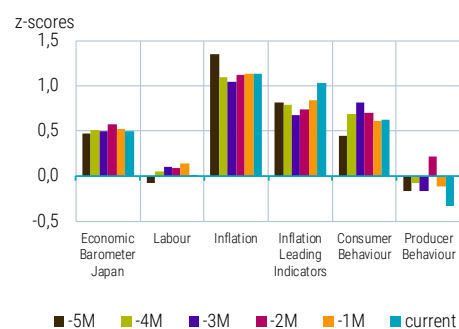
Source: Goldman Sachs, Bloomberg; 15 April 2024

**Figure 3** – Strong improvement in breakevens



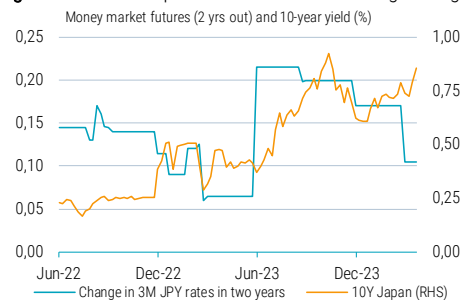
Source: Bloomberg; 15 April 2024

**Figure 2** – Economic Barometer: Less strong labor momentum



Source: Robeco, Bloomberg; 15 April 2024

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



Source: Bloomberg; 15 April 2024

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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).

### Additional information for investors with residence or seat in Australia and New Zealand

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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**

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**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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**Additional information for investors with residence or seat in Japan**

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**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 47-14<sup>º</sup>, 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 Zürich, 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 relating to RobecoSAM-branded funds/services**

Robeco Switzerland Ltd, postal address Josefstrasse 218, 8005 Zurich, Switzerland has a license as asset manager of collective assets from the Swiss Financial Market Supervisory Authority FINMA. The RobecoSAM brand is a registered trademark of Robeco Holding B.V. The brand RobecoSAM is used to market services and products which entail Robeco's expertise on Sustainable Investing (SI). The brand RobecoSAM is not to be considered as a separate legal entity.

#### **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 authorised and regulated by the Financial Conduct Authority.

#### **Additional information for investors with residence or seat in Uruguay**

The sale of the Fund qualifies as a private placement pursuant to section 2 of Uruguayan law 18,627. The Fund must not be offered or sold to the public in Uruguay, except under circumstances which do not constitute a public offering or distribution under Uruguayan laws and regulations. The Fund is not and will not be registered with the Financial Services Superintendency of the Central Bank of Uruguay. The Fund corresponds to investment funds that are not investment funds regulated by Uruguayan law 16,774 dated 27 September 1996, as amended.

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