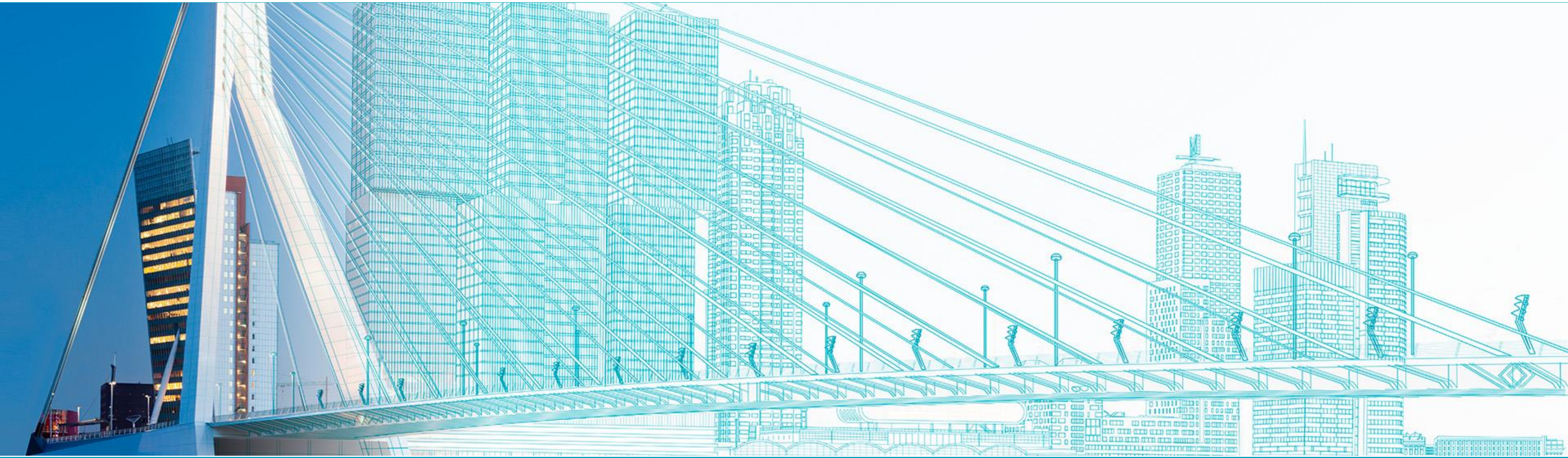
ROBECO

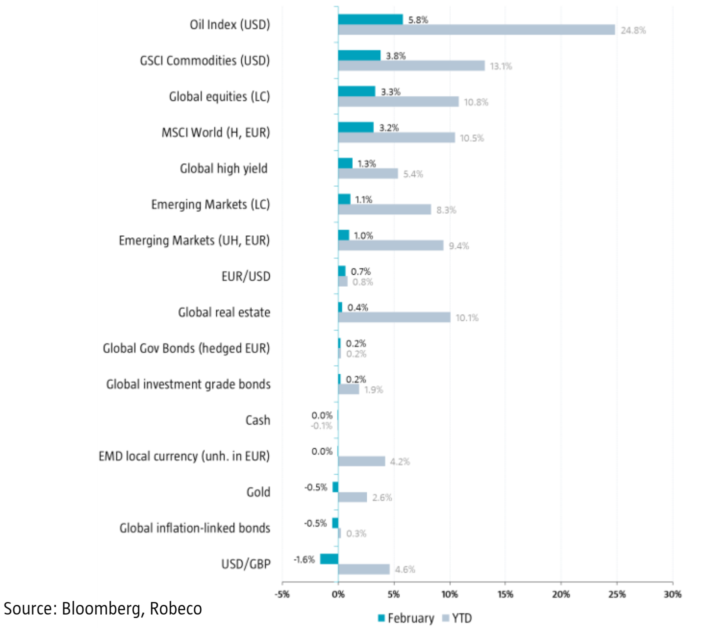


Multi-asset market outlook

For professional investors
March 2019

General overview

Equities were in a lower gear in February



Source: Bloomberg, Robeco

Our overweight equity position was reduced

	Portfolio	BM	active
Equities Developed Markets	28.0%	25.0%	3.0%
Equities Emerging Markets	6.00%	5.0%	1.0%
Real Estate Equities	5.0%	5.0%	
Commodities	5.0%	5.0%	
Core Gov Bonds 1-10	20.0%	20.0%	
Core Gov Bonds 10+	7.50%	7.5%	
Investment Grade Corp Bonds	19.0%	20.0%	-1.0%
High Yield Corp Bonds	2.0%	5.0%	-3.0%
Emerging Market Bonds LC	5.0%	5.0%	
Cash	2.5%	2.5%	

- Compared to the meltdown in the fourth quarter last year, and the sharp reversal the followed it, February was slightly uneventful. Global developed equities returned 3.3% in local currencies. The top performers, however, were commodities. Oil prices rose again, with Brent up 9.2% and WTI adding 6.4%.

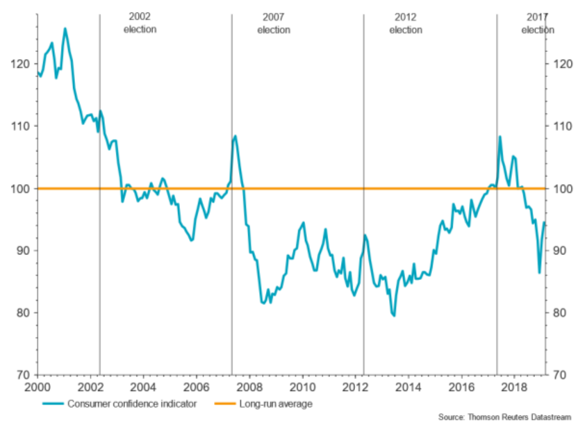
- Not only were the markets less eventful in February, this was also the case for news and data flow. There were no major announcements from central banks, and we experienced a relatively quiet earnings season without any fireworks. The main themes also remained the same: Brexit and the US-China trade war. The news flow on the latter has improved lately. This is good news for Europe and Germany in particular, which narrowly escaped entering a recession with GDP growth in the fourth quarter barely staying above 0%.

- Government bond yields in both Europe and the US remained within a narrow range. Investors once again turned to higher-yielding bond categories. Both credit and high yield spreads tightened further.

- In our portfolios, we reduced our exposure to equities. Overweight positions in both developed and emerging markets were lowered. We expect equity markets to drift higher, but at slower speed than in the first weeks of 2019, with more volatility. A lower overweight position in equities better fits this type of market. We allocated the proceeds to government bonds and cash, both of which now have neutral weights.

Theme of the month: Risks to European equities are overstated (I)

French consumer confidence is rebounding sharply



Projections for seats in the European Parliamentary elections

Source: Berenberg

- European equities have steadily cheapened vis-à-vis the US on a relative basis since 2009. A reason often mentioned for this is that the political risks in Europe are relatively high. We think these risks are overstated and limited, despite all the rhetoric, and European equities could become more attractive.

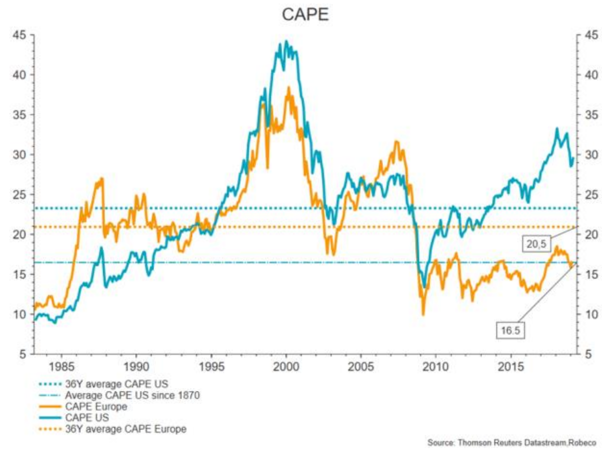
- The European economy is an indirect casualty of the Chinese-US trade war. Tariffs and threats have been a factor in slowing down the Chinese economy. European exports, including German car exports, have suffered as a consequence. One-off factors have also hampered German industrial production. The car industry has experienced difficulties in adjusting to the new more stringent EU emission norms, while the exceptionally low water levels in the Rhine have created severe transport problems for delivering primary and intermediate industrial components, and led to restrictions on water intake for industrial companies. These factors are expected to be only temporary; German auto shipments, for example, rebounded strongly in December.

- A trade truce between the US and China is now almost certain. Moreover, the Chinese authorities, though bowing to reality by accepting a slightly lower growth target of 6-6.5%, will continue to step up monetary and fiscal stimulus. The most important factor leading to the truce in our opinion is the unfavorable equity market reaction to the ongoing tensions. That is why we think that it is unlikely that the US president will incite an escalation of tensions with Europe.

Theme of the month: Risks to European equities are overstated (II)

Low perceived risk of Italian default or 'Italexit'

European equities are cheap on a relative basis vis-à-vis the US



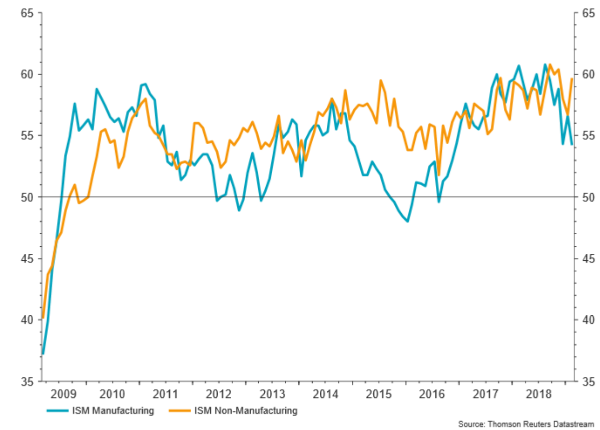
- The truce between the European Commission and the populist Italian government on Italy's deficit has led to a stabilization of the risk premium in Italian bonds vis-à-vis Germany. It is unlikely to hold now that the Italian economy has drifted into a technical recession. But the Lega, currently the junior partner in the Italian cabinet, has strengthened enormously in the polls at the cost of the Five-Star-Movement. Given its deep roots in northern Italian businesses, the Lega is unlikely to adopt policies that would provoke an Italian debt crisis. As it is expected to do well in the European elections, it could force new national elections after May to strengthen its hold on the cabinet. Markets have understandably shown signs of unease after the formation of the populist government, but appear to have relaxed a bit.

- The populist movement in France shows signs of weakening. French consumer confidence has been rising sharply since the turn of the year, coinciding with a rise in the popularity of President Macron, who has humbly descended from the Élysée Palace and entered into a national dialogue in the provinces. The 'yellow vest' protest wave appears to be ebbing. Eurosceptic populist parties are likely to strengthen their representation in the European Parliament elections on 23-26 May. Nevertheless, two-thirds of the seats are set to go to the mainstream parties. The center should therefore hold.

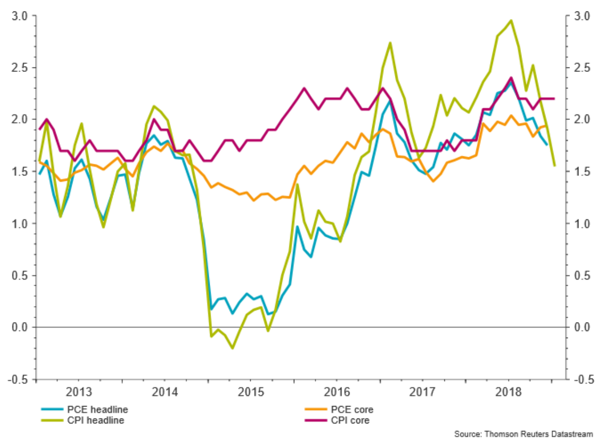
- All in all, we think investors are too pessimistic about Europe. Although some issues have yet to be resolved, we reckon with a rebound of European economies in the second half of 2019.

United States

ISM non-Manufacturing Index was strong in February



US underlying inflation is holding steady



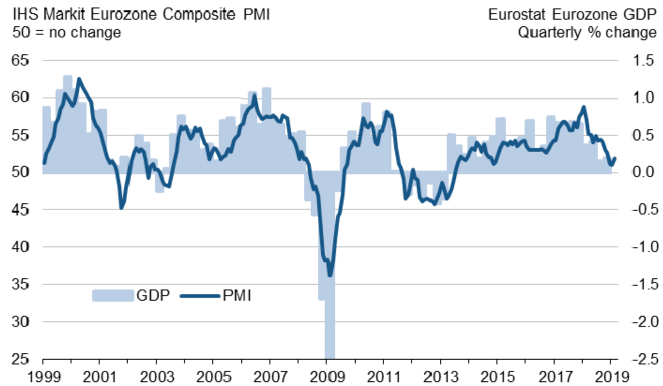
- The US economy continues to power ahead. Though the ISM manufacturing index for February slowed again from 56.6 to 54.2 after a strong rebound in January, this weakness is probably temporary, and can be explained by the remarkably brutal winter weather. By contrast, the non-manufacturing index rose from 56.7 to a level of 59.7, its highest level in three months. Any recession fears now look overdone.

- With President Trump apparently eager to close a trade deal with China, a major downside risk for the world economy appears to be fading. Prospects for the US economy look good. As a consequence, the recent sharp U-turn by the Fed looks a bit overdone. Still, there is little reason to fear renewed hawkishness.

- The Fed has started to reevaluate its inflation-targeting framework. The fear of some Fed officials is that the inflation expectations of business and consumers could become entrenched at too low a level. The recipe could consist of allowing inflation to modestly overshoot the 2.0% target following a period of undershooting. In this way, the Fed could create more room for maneuver in case of a downturn, since the starting point for lowering short-term interest rates would be higher. One implication of this is that monetary policy will have to remain looser for longer, which is a positive for risky assets. With headline inflation coming down and core inflation stable, the Fed can afford to remain patient for the coming months.

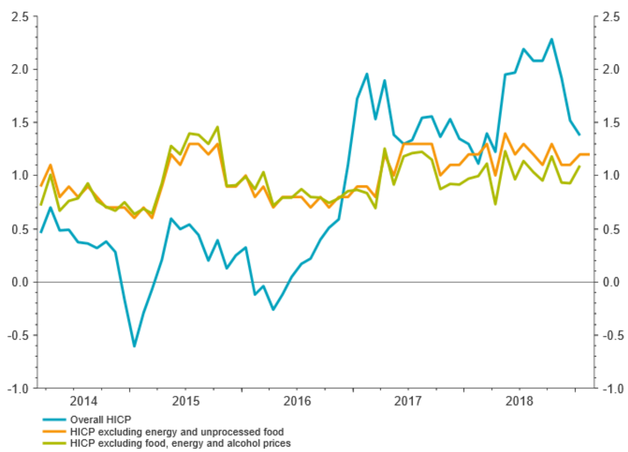
Europe

Eurozone composite PMI signals modest growth improvement



Sources: IHS Markit, Eurostat. GDP = gross domestic product

Eurozone headline inflation is declining further



Source: Thomson Reuters Datastream

- The Markit Eurozone Composite PMI in February strengthened from 51.0 to 51.9. Continuing trade tensions, the probably temporary weakness in the car sector, and ongoing political uncertainties have put downward pressure on the demand for manufactured goods. The service sector, however, showed a modest improvement.

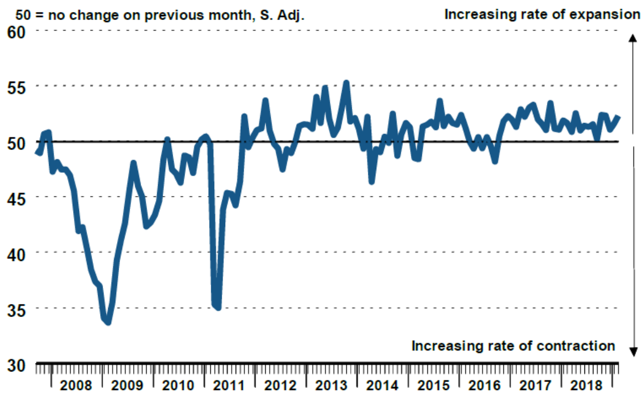
- The European economy has been an indirect victim of the tensions between the US and China. Now, tensions are expected to come down, which is positive for European exports. As a prime motive for the US president seeking a deal with China has been the unfavorable reaction of equity markets to rising Chinese-US tensions, it is unlikely that he will now try to escalate tensions with Europe, such as by imposing tariffs on European cars and car parts.

- A hard Brexit has become unlikely now that the European Court of Justice has ruled that the UK could unilaterally withdraw its notification of Article 50 and remain in the EU on the basis of existing conditions. Moreover, the UK parliament is highly unlikely to allow a no-deal Brexit. Though it is hard to forecast the outcome of the complex political process in the UK, in economic terms, not much will change for the foreseeable future.

- In the light of economic weakness, the European Central Bank will once again provide cheap funding to European banks by way of a new three-year TLTRO. Moreover, its forward guidance given on 7 March made clear that a first rate hike is delayed until next year at the earliest.

Japan

Nikkei Japan Services PMI improves further in February



Sources: Nikkei, IHS Markit

BoJ's January 'core core' rose to 0.4% (YoY)

- The Japanese services sector continued to show modest expansion in February. The Nikkei Japan Services PMI rose further from 51.6 to 52.3. By contrast, the manufacturing sector continued to struggle, partly hit by the slowdown of the Chinese economy. The export-oriented Japanese economy remains vulnerable to Chinese weakness, but it will benefit from the expected additional stimulus measures by Chinese policymakers.

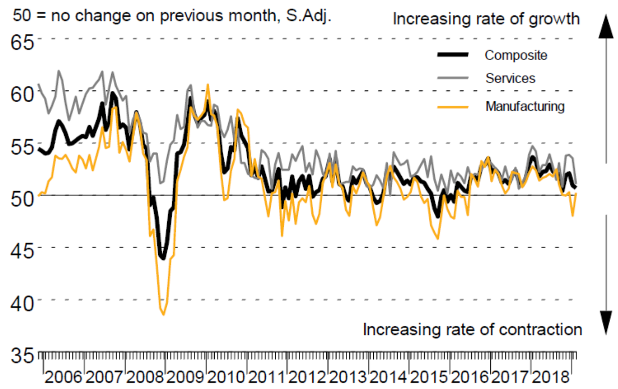
- As in the Eurozone, questions are being asked about what the Bank of Japan (BoJ) could do if recession risks increase. In recent comments to parliament, Governor Haruhiko Kuroda mentioned several options, including lowering short-term interest rates deeper into negative territory or lowering the long-term rate target. This would most likely provoke a weakening of the yen. Additional buying of ETFs could also be an option.

- The core-core inflation index excluding both energy and fresh food – the gauge preferred by the BoJ – rose 0.4% in January against the 0.3% rise in the previous month. A rise in services inflation was the cause of this uptick, reflecting a passing on of rising wages to consumers in the light of the extremely tight labor market – a welcome sign as such.

- By the end of March, the Budget for fiscal year 2019 will be passed by parliament, with measures intended to offset the negative impact of the VAT hike scheduled for October this year.

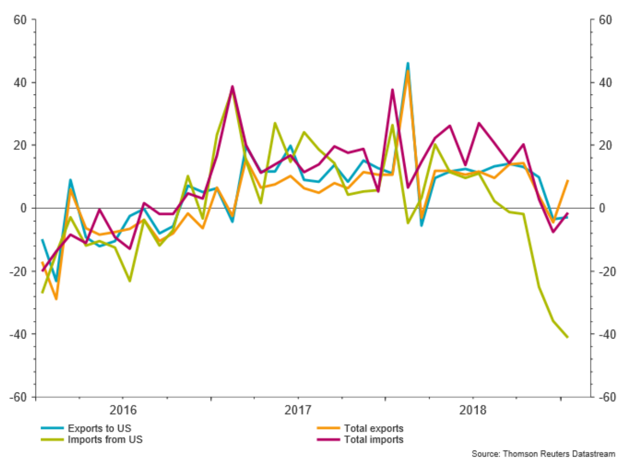
China

Caixin China Composite PMI softens further in February



Sources: IHS Markit, Caixin.

Chinese imports from the US are collapsing



- The Caixin China Composite PMI (which covers both manufacturing and services) further declined in February from 50.9 to 50.7, still signaling expansion on average. The manufacturing component bounced back and crossed the neutral level of 50.0, which also signifies expansion.

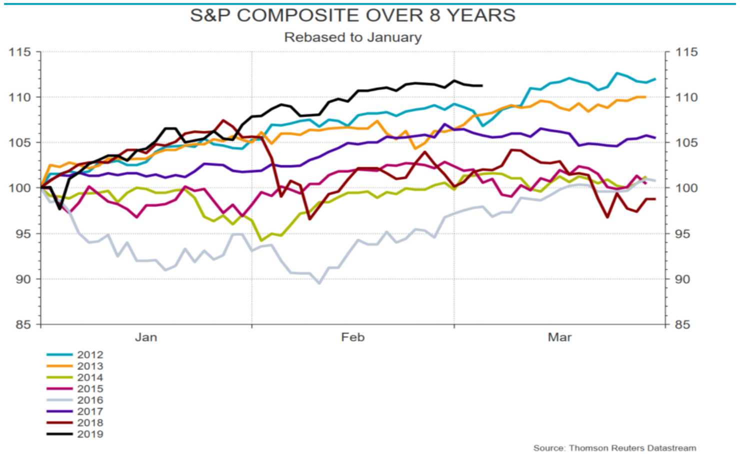
- Prime Minister Li Keqiang announced at the opening of the National People's Congress in Beijing that China was aiming for economic growth in 2019 in a range of 6.0-6.5%, down from a hard target of 6.5% over the past two years, admitting the negative impact of the trade war with the US. And of course an eventual decline of the potential Chinese growth rate is inevitable in any case.

- The US and China appear to be close to an agreement on trade which could be signed off in late March. China will increase its imports from the US (especially agriculture). The US will abolish most, if not all, tariffs. China will refrain from competitive devaluations of the yuan. Underlying tensions between the two superpowers will continue to simmer of course regarding the drive for technological supremacy and hegemony in the South China Sea. China won't materially change its economic growth model.

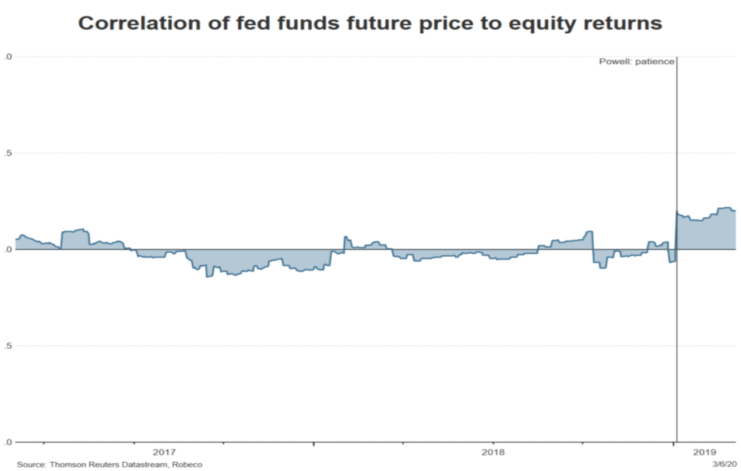
- The Chinese authorities will continue to stimulate the economy, by increasing the amount local governments can lend for investment in infrastructure, and by lowering the VAT rate. A further lowering of the reserve requirement ratios for banks is also to be expected.

Equities (I)

A very strong start to the year continues



Is the change in Fed policy priced in?



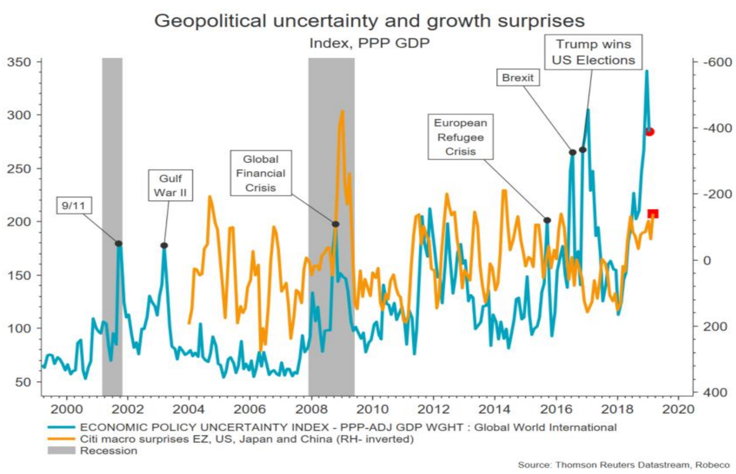
- Equity investors should not complain about recent developments, with stock market indices showing one of the best starts to the year in recent decades. The S&P 500 has rallied 11.5% so far this year, with the global MSCI World index also up 10.8% in local currency terms. Still, this post-December market rebound remains pretty unloved, as investors have continued to pull money from both passive and active developed market equity funds. Hedge fund beta has crept up, but is still below average. Many institutional investors seem to ne staying on the sidelines as well. Remarkably, this time US retail investors have contributed largely to the rebound. Investor surveys show that both sentiment and cash positions have turned since the December lows.

- The hesitance of smart money to join the second leg of this rally is to some extent defendable. A "patient" Fed has been largely priced in, as the correlation between Fed funds futures and equity returns has not edged up further. January showed a very strong rebound in positive US macroeconomic surprises. Hence, February US surprises and other key regional macro data surprises failed to continue their uptrend.

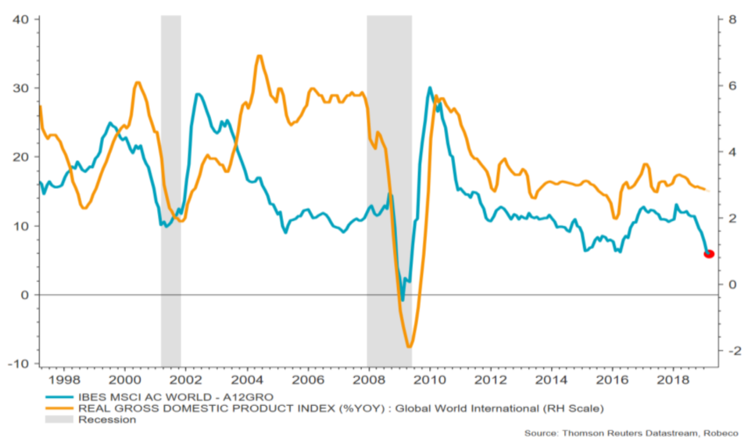
- Macro/data realizations broadly remained below expectations. Except for the US, the Q4 2018 corporate earnings numbers failed to inspire confidence. Nikkei 225 companies reported negative earnings growth. The US yield curve has steepened somewhat recently, but is still a mere 18 basis points away from inversion, the much-feared recession signal. Geopolitical risks remains historically high, with ongoing Brexit uncertainty, skirmishes between India and Pakistan and the slow-moving US-China negotiations.

Equities (II)

The rollover in geopolitical uncertainty



Forward earnings reflect the growth scare



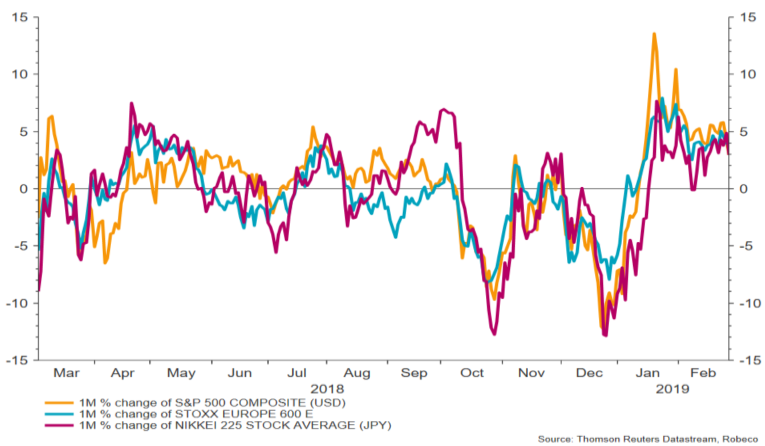
- We kept our overweight in global equities during February, taking some chips off the table in the last week of the month, as we perceived the risk/reward balance was unlikely to improve further. The three major themes keeping market pundits busy last months – the China-US trade war, the Fed's dovish U-turn and the likelihood of a US recession – will likely fade near term, with the focus shifting to a rebound in country-specific economic fundamentals, notably how soon China will leave the soft patch in growth behind.

- The largest recent global news shock for the equity market, the Fed U-turn in January, seems now largely priced in, while the recent steepening of the US yield curve alleviates immediate recession worries. On trade, the equity market also seems to have priced in some kind of a China-US trade deal, as market movements remained limited even when rumors appeared about a complete removal of existing US tariffs on Chinese exports. The Brexit end-game could deliver a new global shock for the markets in either way.

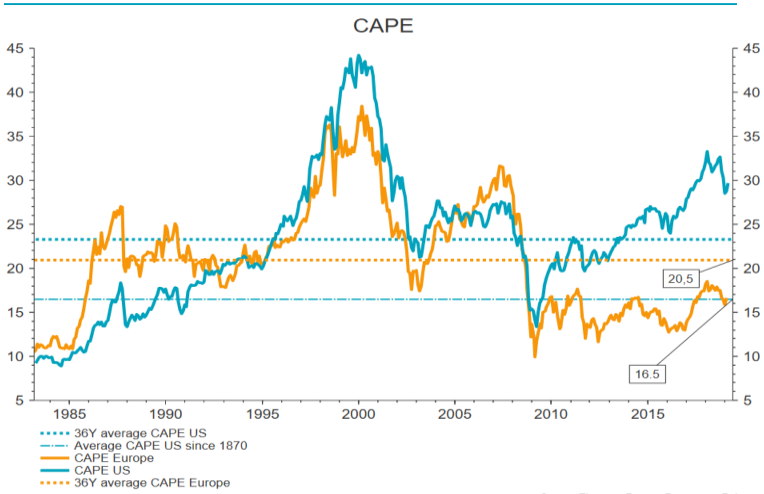
- With analyst downgrades still surpassing upgrades both on the macro and corporate earnings front for a broad range of countries, the hurdle rate for positive surprises has been lowered considerably. The 12 month forward earnings growth expectation for the MSCI World is now 5.8%, which is consistent with recession levels. We expect equity markets to grind higher, but keep an eye on downside risk stemming from a potential 'sell the fact' move in markets after one or more of the major themes materializes .

Developed market equities

Positive momentum continues



US equities have become somewhat less expensive



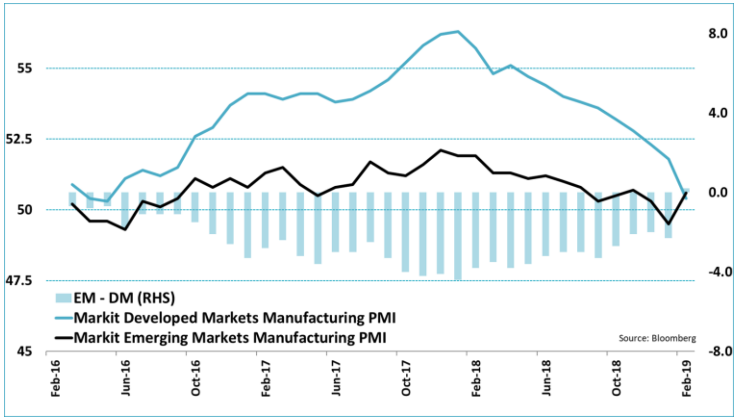
- In February, developed market equities continued their uptrend after a very strong start to the year in January. The magnitude of the broad-based positive momentum became smaller, however. The global positive market news shocks of January – with the Fed policy U-turn the largest of them – were largely priced in.

- Based on monthly momentum of equity returns in local currency, the first place ranking of the S&P 500 performance remained unchallenged within the developed equity index space. US equities enjoyed another 5.5% monthly return in dollars addition to the 7.9% seen in January. European equity investors followed with a monthly gain of 4.4% in euros. Japanese equity investors again closed the ranks, with a modest gain of 3.5% for the Nikkei 225 stock index in yen. Long momentum signals have surged for the US, jumping from 0.9% in January to 7.9% in February on a (12M-1M) horizon for the S&P 500 in USD. In contrast, long momentum for Europe and Japan weakened again. Europe showed a return of 0.5% in euros on the 12M-1M signal, while Japanese equities marginally experienced negative long momentum, with Nikkei 225 stocks a dropping 0.01% in yen on a 12M-1M horizon.

- Equity valuations in the US increased, after stabilizing last month with the Shiller CAPE now at 29.7. Underlying earnings growth in the last quarter (16.9% Y-o-Y for the S&P 500) shows the resilience of US corporates to decelerating expansion. The European CAPE remained at 16.5, though green shoots are appearing, especially as a possible rollover of political risks could reduce risk premiums in Europe.

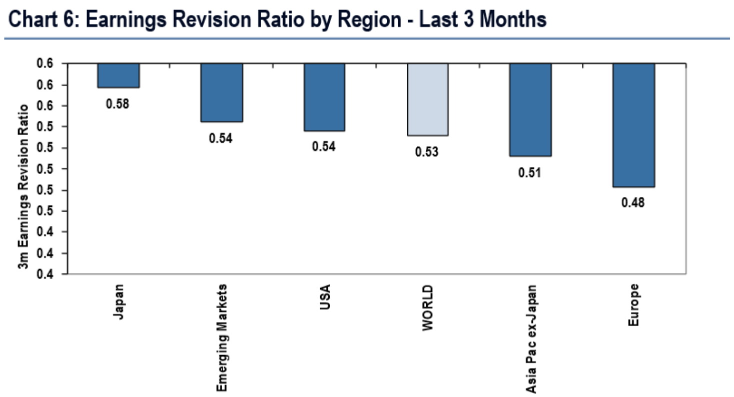
Equities: Emerging versus developed (I)

Emerging versus developed markets: Manufacturing PMI



Source: Bloomberg & Robeco

Earnings revisions – EM moving higher, but levels remain depressed



Source: BofA Merrill Lynch Global Quantitative Strategy, MSCI, IBES

- After a couple of very strong months for emerging market equities, the asset class trailed developed market equities by 2.8% in February.

- In February, the EM Manufacturing PMI beat its DM counterpart for the first time in over three years, rising to 50.6 as the DM Manufacturing PMI continued its descent, falling to 50.5. The deteriorating developed market manufacturing outlook is exaggerated by the impact of global trade, which we think will recover slowly from now. The opposing directions of the Manufacturing PMIs does fit our assumption that the growth momentum between emerging and developed markets will shift as the year progresses.

- China's PMI data remain mixed, with the non-Manufacturing PMI still at very healthy levels, whereas the Manufacturing PMI stabilized below 50. The Chinese government has lowered its GDP growth forecast for this year to 6.0-6.5%, which was to be expected, given recent economic developments. GDP growth is likely to come down from the 6.4% pace in this and the next quarter, before stabilizing. Such a scenario prevents emerging market equities from outperforming.

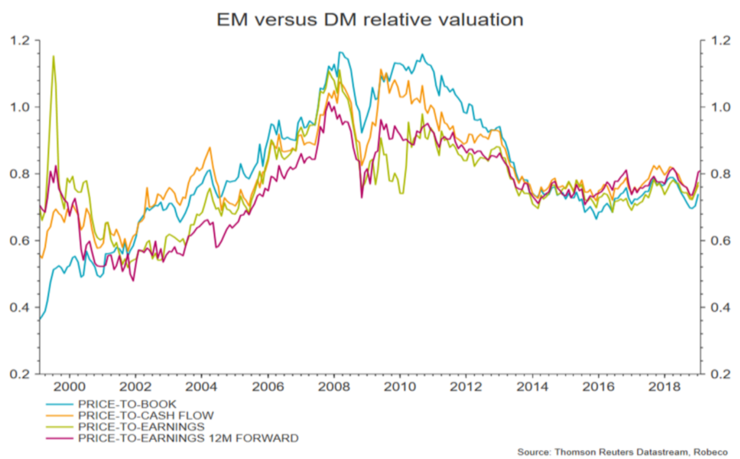
- Earnings expectations have stabilized somewhat but at pretty depressed levels. Interestingly, earnings revisions in other markets like the US and especially Europe have kept falling, whereas they are basically flat in emerging markets. This has pushed emerging market earnings revisions to number three in the ranking. However, the differences are small, and we expect a recovery in earnings revisions in basically all regions.

Equities: Emerging versus developed (II)

China: Earnings versus stock prices

Source: Bloomberg & Robeco

Valuation – the discount is close to neutral



Source: Thomson Reuters Datastream, Robeco

- Last month, we mentioned that investors had become too negative about future Chinese earnings, based on the discrepancy between the stock market and earnings . A less-upbeat outlook for Chinese equities is warranted by the significant slowdown in global growth, the uncertainties related to the ongoing trade war, and the health of the Chinese economy. As the chart on the top left shows, Chinese stocks have staged an impressive rally, as some of the pessimism was priced out. We believe this trend could continue a bit longer, especially as China has reiterated its vow to support the economy.

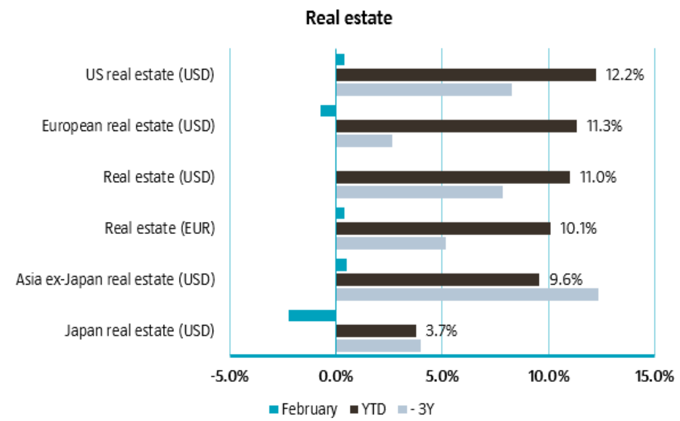
- The official pause in the Federal Reserve's tightening cycle is a positive for emerging markets. As we have mentioned before, the prospect of a more dovish Fed was an important reason for going overweight the asset class. This should reduce the upward pressure on the US dollar, especially as global growth picks up slowly from here.

- Valuation remains marginally supportive. Relative to developed markets, most valuation measures are at the lower end compared to recent history.

- We remain overweight emerging market equities in the multi-asset portfolio. The positives are faster growth in the second half of the year, with the Fed pausing, a potential peak in the US dollar, and improving earnings on a relative basis. China remains the biggest risk, but as the country has increased its economic stimulus, we should expect some improvement later in the year. Valuation is attractive from an absolute stance, but close to neutral on a relative basis.

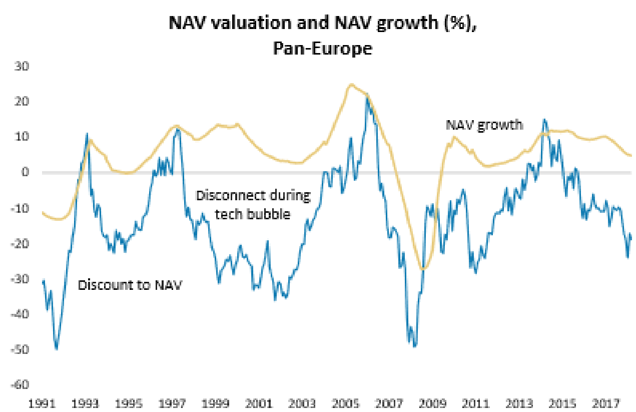
Real estate

Calm after the storm



Source: Bloomberg, Robeco

Europe: The discount to NAV grows, NAV itself is also lower



Source: Company data, Datastream, Morgan Stanley Research

- After the very strong performance in January, property markets stalled and produced mediocre returns last month. Global real estate, measured by the S&P Global Developed Property Index (USD) even declined 0.2%. European and Japanese real estate showed negative returns, which the US market couldn't compensate for. Compared to the broad MSCI World index (+3.0%, in USD), real estate underperformed by 3.2%. On a global level, year-to-date total returns are still above 10%.

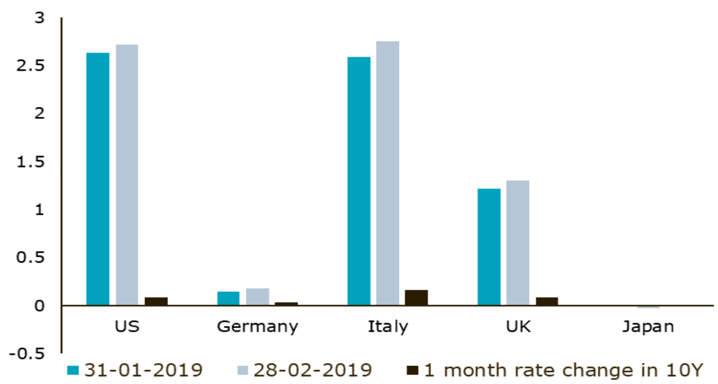
- After the double-digit start of the start, it is not surprising that the market took a breather after the relief rally and had more of an eye for the fundamentals. European real estate still trades at a discount to Net Asset Value (NAV): it is cheap on average and trades at a discount, even after the strong start to 2019. NAVs have come down lately, but the gap is still significant. Given the decline in European bond yields, the gap between bond yields and dividend yields on real estate have widened, which is a positive for property.

- On the other hand, a weakening European economy could put pressure on the rental income of real estate companies in the longer term. As is always the case with property, the European market is a mixed bag, with German real estate doing relatively fine and the UK market having problems. But what counts for most markets is to try to avoid retail property, which is the weakest link in the market.

- We remain neutral on real estate in our portfolios.

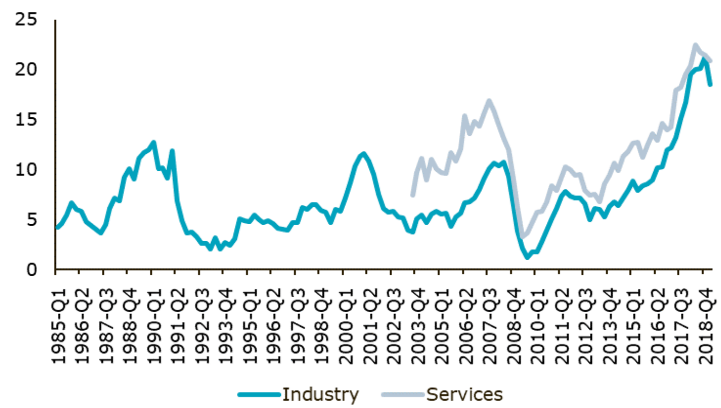
AAA bonds (I)

February: No majors changes in 10-year rates



Source: Bloomberg & Robeco

EU: Labor is increasingly seen as a factor impeding production



Source : EC Business & Consumer Survey

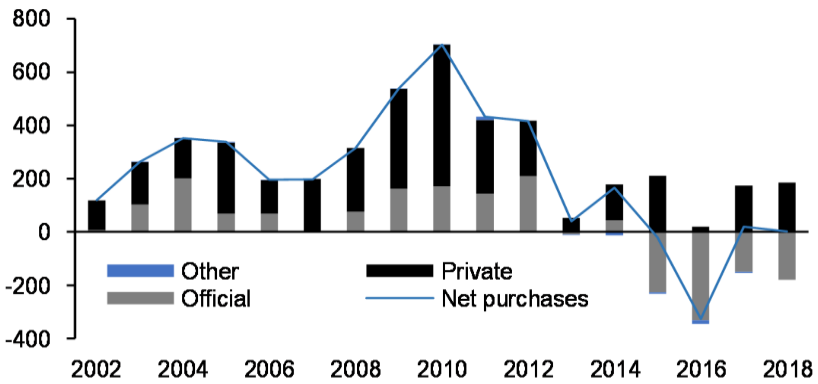
- February was a relatively quite month for the bond markets. When one looks at 10-year yields, the month-over-month change is almost flat across the different developed market regions. It feels like the rates markets are still digesting last month's dovish turn by the major central banks.

- The largest data disappointments keep coming from outside of the Eurozone. The domestic sector remains fairly firm. The most visible evidence of the firmness of domestic conditions is the labor market, which remains in healthy shape. Companies in both the services and industrial sectors have indicated that labor shortages have reached a point where they have started to hamper activities. While the services Purchasing Manager's Index ticked upwards, the manufacturing PMI slipped below 50 for the Eurozone. It is obvious that the Eurozone is not out of the woods yet. Given the data flow, we expect the ECB to stick to its dovish stance, and continue to think that some sort of action will be taken to ensure that financial conditions remain easy.

- Market-based inflation expectations continue to be pressured lower, which is a worry. The 5y5y inflation swaps now stand at 1.43%. This is roughly in line with what the consensus expects for inflation in 2019. For the longer term, the consensus still expects inflation to move close to 2%, but here also we see expectations being lowered.

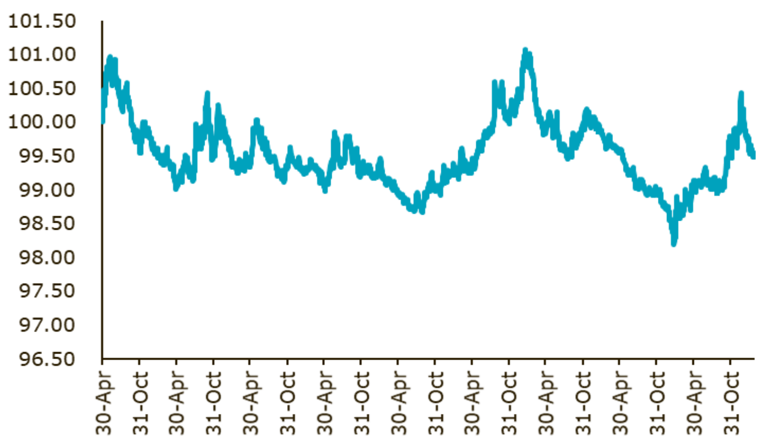
AAA bonds (II)

Annual net purchases of longer-dated Treasuries by sector



Source: JP Morgan & TIC

US financial conditions are easing again, which should support growth



Source: Goldman, Bloomberg & Robeco

- However, there is room for upside surprises. Soft inflation is a positive for real wages. Another positive is that the Eurozone's real effective exchange rate looks to have peaked. Add to this the fact that Chinese stimulus is picking up, and there is an increased willingness by China and the US to do a trade deal, and it feels like we are at or near the bottom of the Eurozone downturn. If this is indeed the case, we expect the benchmark 10-year German bond yield to react accordingly.

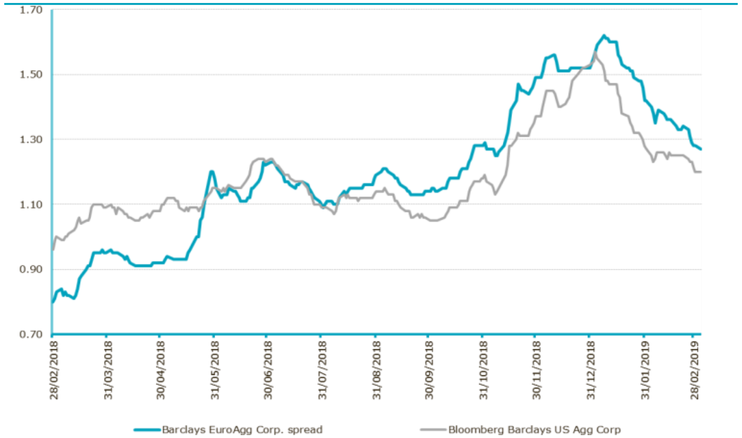
- While the overall attitude towards the US is much more constructive, there is also disappointing data to contend with. A big negative surprise was the plunge in retail sales, though the good thing about this is that it gives the Fed more than sufficient cover to remain cautious/neutral. This supports the continuation of easy financial conditions, which will support growth.

- In 2018, foreigners purchased the lowest net amount of longer-dated Treasuries since 2016. While foreign governments retreated from the market, the foreign private sector stepped in to fill the void. The private sector is normally considered to be less stable in terms of flows than the 'official' sector.

- We continue to believe that the rates markets have given too much probability to the scenario that we are heading for a recession. We therefore think that we haven't seen the peak in yields yet for this cycle.

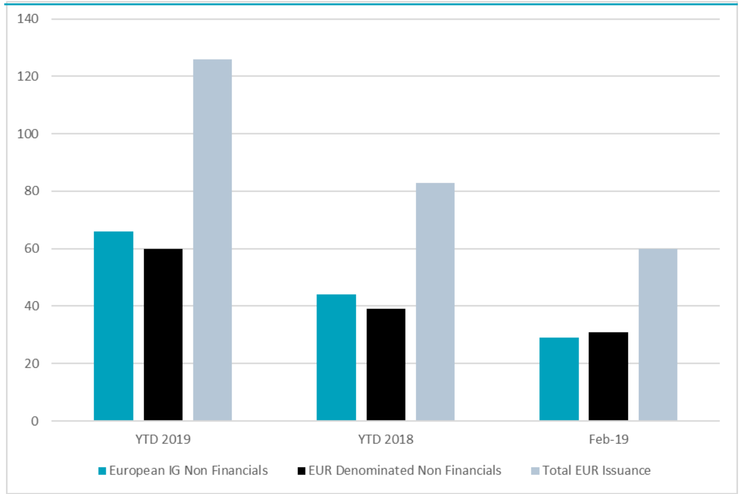
Investment grade credits (I)

European credits have fallen sharply



Source: Bloomberg, Robeco

European issuance has risen



Source: Morgan Stanley, Robeco

- European credit spreads continued their decline in February, falling another 15 basis points to 1.27. Historically, credits haven't had many better starts to the year, as the total return in the first two months of 2019 was 1.8%.

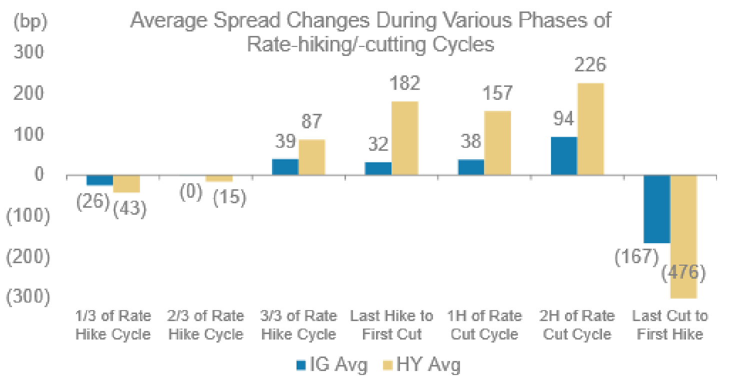
- The roots of this remarkable performance can be found in the decline of government bond yields in Europe. The German Bund yield dropped to levels around 0.10% in February, having already fallen from 0.57% a couple of months ago. Although the yields of credits are far from appealing, they are still 1% higher than those for government bonds, while the risks are limited. That explains much of the strong demand for European credits this so far this year. The demand that dried up when the ECB's CSPP program ended in 2019 seems to have been completely absorbed by investors who want to put their cash to work. Headwinds such as the uncertainty around Brexit, the slowing German economy and the US-China trade war seem to be on the back burner for now.

- But what about supply? Issuance in the year to date is higher than it was in 2018 – almost EUR 120 billion has been issued in non-financial credits so far this year, a rise of around 50%. But this has not been enough to meet the demand.

- Given the slowing global economy, we think a spread widening in 2019 is still the most likely scenario. Most spread compression should be priced in by now; therefore we have a slightly underweight position in credits at this moment.

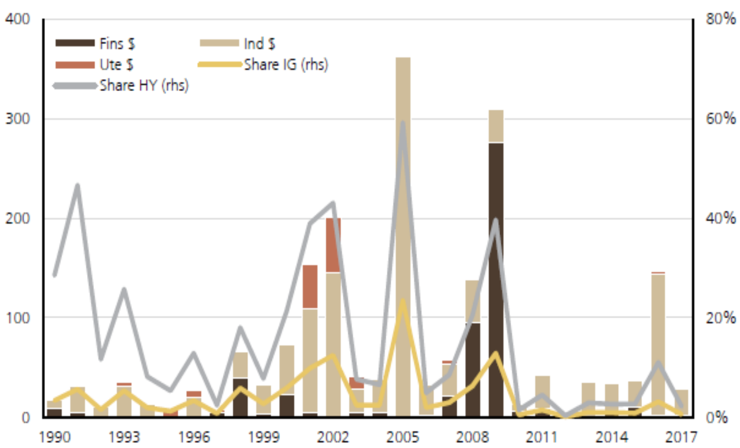
Investment grade credits (II)

Credit spreads widen the most after the final rate hike



Source: Morgan Stanley Research, FTSE Fixed Income LLC, Federal Reserve,

US investment grade default rates for sub-sectors



Source: UBS

- The decline in the US credit spread of 7 basis points was relatively modest compared to their European counterparts, ending February at 120 bps. Yields were more or less stable, falling to 3.11%

- Last month, there were no Fed statements to influence the markets, as was the case in January. The discussion over whether the Fed has just paused its rate hikes, or has finished hiking (meaning that we're at the end of the cycle) is still under debate. The fact is that on average, spreads widen more after the final rate hike than they do during the rate hike cycle itself, so the discussion is relevant. For the moment, the odds are in favor of a pause, as macroeconomic data in the US is still strong. The possible end of the trade war between the US and China provides another tailwind for the economy, which is drifting higher. Nevertheless, we expect slower growth as 2019 progresses.

- As we have mentioned before, one of the biggest risk is leverage, which is still at (too) high levels. Leverage in cyclical sectors is still rising, and these cyclicals are the most vulnerable to slower economic growth. On the other hand, risks should not be exaggerated. Defaults are at low levels compared to earlier periods of downturns.

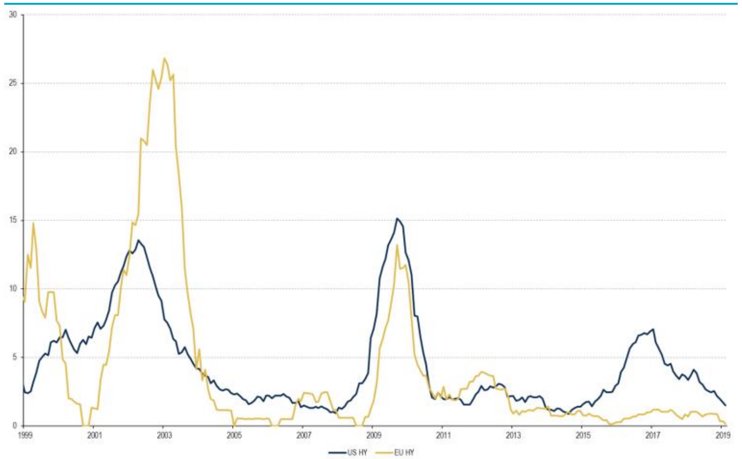
- We have an underweight position in credits. We expect the current spread rally to be a temporary phenomenon, with a widening of spreads the most likely scenario for the coming period.

High yield (I)

High yield – spread

Source: Robeco & Bloomberg

High yield – defaults



Source: BofA Merrill Lynch & Bloomberg

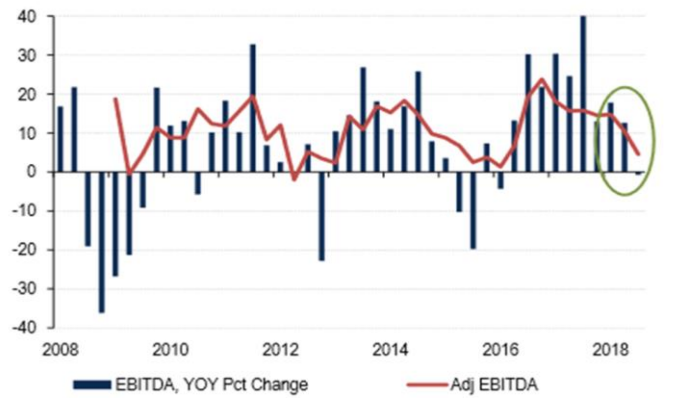
- Global high yield bonds experienced another solid month in the slipstream of global equities. The asset class return 1.3% (hedged in euros), outpacing other fixed income classes. The average spread level tightened from 454 basis points to 416, close to the levels we saw before the sell-off intensified in November and December.

- After two very strong months for global high yield bonds, this might be as good as it gets. As macroeconomic developments have confirmed in recent months, the global economy has entered the later stages of this economic cycle, historically a phase in which high yield bonds (and credits) tend to struggle. Leverage has risen significantly in recent years, and this means higher borrowing costs when yields go up. While bond yields have drifted lower in recent months, as central banks changed course, it remains our base case that bond yields will gradually go up eventually.

- As the chart on the bottom left shows, the default rate in Europe remains close to zero, while defaults in the US continue to come down and have reached their lowest level since 2015. Recovery ratios are relatively high and distress ratios low. From this angle, there is little room for more improvement. To be clear: we expected default rates to stay low for the foreseeable future, with interest coverage ratios manageable. The earnings outlook, however, is looking far less impressive.

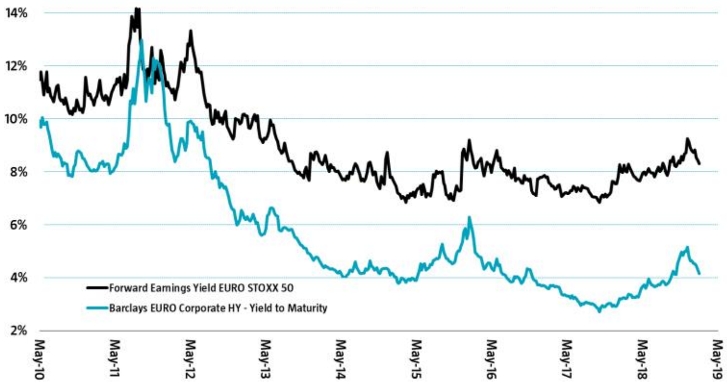
High yield (II)

High yield – EBITDA



Source: BofA Merrill Lynch

High yield – relative valuation versus equities



Source: Bloomberg & Robeco

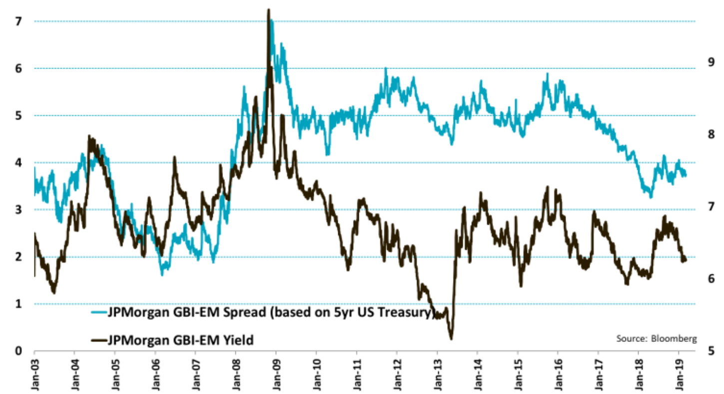
- In fact, the unadjusted EBITDA growth of high yield companies has turned negative for the first time since 2016. While we expect a general improvement in earnings growth later this year, as the global economy marginally recovers from the slowdown in the last quarters of last year, investors are likely to scrutinize high yield earnings growth going forward. The slowdown in earnings growth is accompanied by an increase in downgrades. The past month saw a number of rating actions from high yield issuers in which downgrades outnumbered upgrades by a ratio of 2:1.

- Within global high yield, the risks for the US and Europe look roughly balanced. US companies have increased their leverage ratios more aggressively, making them more vulnerable to higher borrowing costs. However, with the Fed on a pause concerning future rate hikes, the leverage-related risks have actually abated somewhat. In addition, the outlook for GDP growth is more robust than it is in Europe. Also, the running yield on European high yield bonds remains very low, as in shown in the graph on the bottom left.

- We remain underweight high yield bonds. Spreads and yield levels are not far away from the levels seen before the downturn in 2018, especially in the Eurozone. Hence, valuation remains stretched, particularly when compared to other asset classes such as equities. Even when compared to credits, average spread levels remain below average. We remain underweight in high yield for now as other risky assets, especially equities, look more attractive.

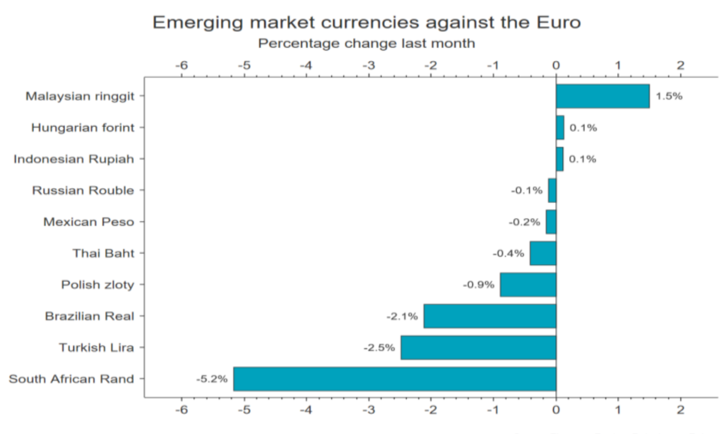
Emerging market debt (I)

Emerging market debt in local currency – spread and yield



Source: Bloomberg, Robeco

Emerging currencies



Source: Robeco

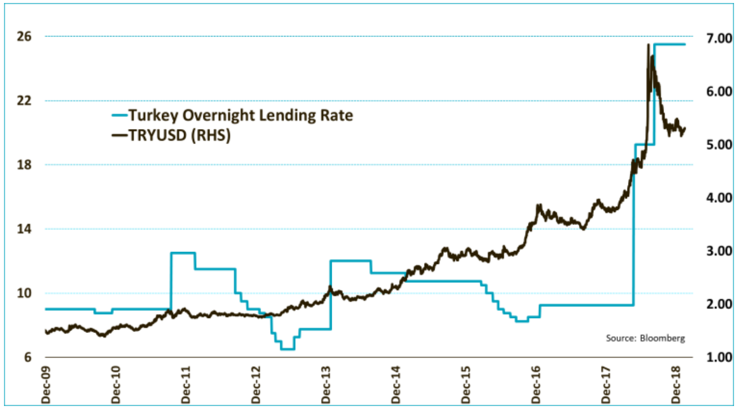
- After a very strong start to the year, local currency emerging market debt took a breather. The asset class realized a return in February of exactly 0%. It trailed high yield bonds, which rose more than 1% last month, but outpaced developed market government bonds. The average yield to maturity fell to 6.26% at the end of February, but remains firmly within the bandwidth in which it has moved over the last six years. This contrasts with the yield on Eurozone government bonds and credits, which remain extremely low.

- Macroeconomic data has disappointed in recent months, and while we do not expect a US recession any time soon, global growth has slowed. On a more positive note, the relative growth momentum seems to be shifting towards emerging markets, which is also reflected in the fact the EM Manufacturing PMI now tops its developed markets PMI counterpart. Yet, it is during phases of slower growth that investors start to differentiate between those emerging countries with healthy government balances and those without.

- As stressed in recent months, this could mean that countries like Turkey, and, to a lesser extent, South Africa, are increasingly scrutinized by investors. As the chart on the bottom left shows, it was exactly the currencies of these countries that depreciated last month, whereas the currency moves of other emerging currencies were relatively muted. On average, we expect emerging currencies to provide a limited, but positive contribution to the overall return, based on the current valuation and economic outlook.

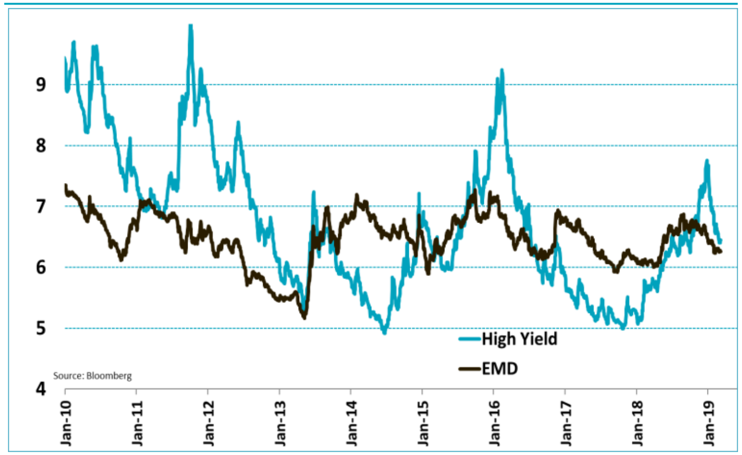
Emerging market debt (II)

Turkey – the lira and Overnight Lending Rate



Source: Thomson Reuters Datastream, Robeco

Valuation: Emerging market debt versus high yield



Source: Bloomberg, Robeco

- In Turkey, things seem to have stabilized for now. The currency has strengthened and bond yields have come down, as the peak in inflation is probably behind us. Yet, political and economic uncertainty and the relative large amount of foreign debt of Turkish companies could spark another wave of volatility at any time. Hence, the anticipation by some investors of a central bank rate cut from the very elevated level of 25.50% seems to be a bit premature.

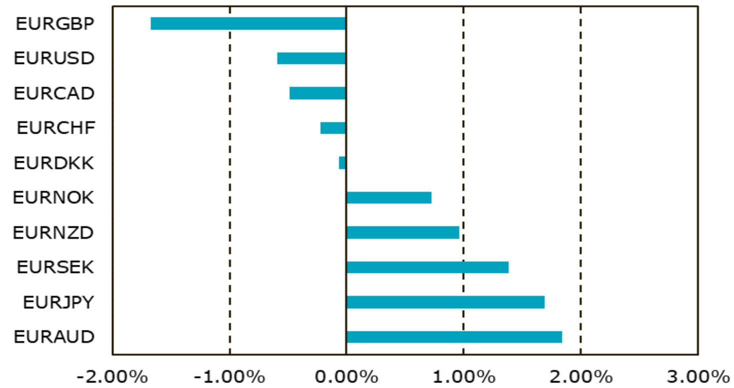
- In general, inflation in emerging countries remains muted, reducing the odds of rate hikes. Now that the Fed has paused its tightening cycle, these odds have further decreased. A more dovish Fed is a positive for asset classes that depend more heavily on liquidity, like emerging debt.

- China remains an important factor. In recent months, the Chinese renminbi has strengthened on the back on more stimulus from the government, and the increasing odds of a trade deal between the US and China. Some pressure on the yuan is likely to remain, however, as GDP growth has yet to pick up. Obviously, a failure of the US and China to reach a deal would likely lead to yuan weakening.

- We remain neutral on local currency emerging market debt. Momentum remains reasonably strong as the asset class escaped a strong downturn in November an d December. We expect some currency strengthening later this year, and valuation looks reasonable. We favor the asset class over high yield and investment grade corporate bonds, but not over equities.

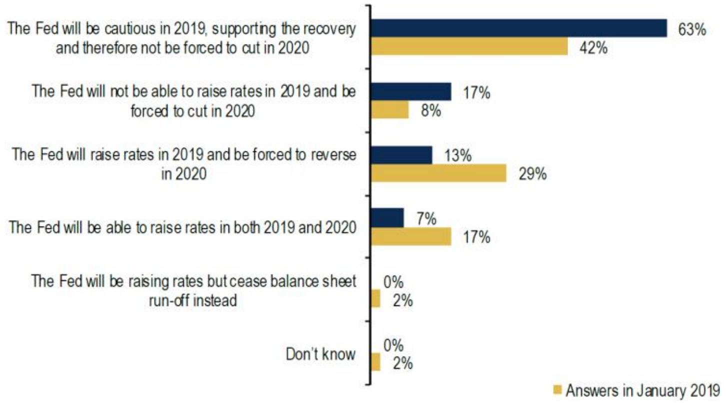
FX (I)

G-10 currencies: Sterling makes a comeback



Source: Bloomberg, Robeco

Markets expect the Fed to remain supportive



Source : BofA Merill Lynch FX and Rates Sentiment Survey

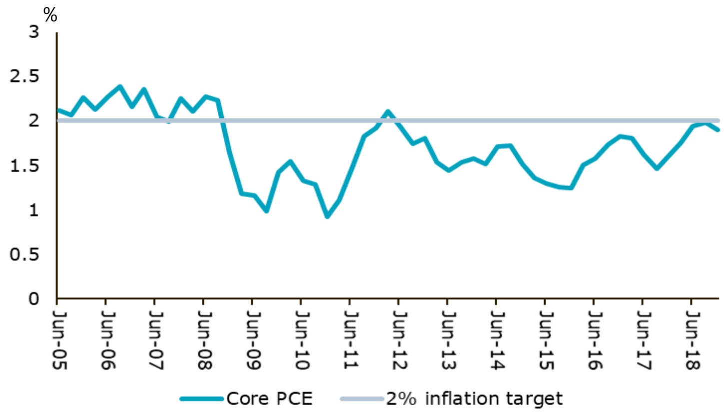
- February wasn't a particular special month for the euro. Against its G-10 peers, the euro ended the month in the middle of the pack. Against the US dollar, the euro continued to meander in the tight range (1.1250-1.15) it has been in for the past three months.

- Looking at the February monthly returns, it is quite hard to distinguish a coherent theme within foreign exchange markets. Still, a few things stand out – the stellar performance of sterling and the disappointing performance of cyclical (= China/emerging market-related) currencies. This was a surprise, as one would have expected the Australian dollar to have done better this month, in line with the positive news flow regarding the trade talks between China and the US. This is contrary to what happened in other China growth-sensitive markets. Chinese equity markets, for instance, performed exceptionally well.

- The balance in the Brexit debates seems to be shifting away from a no-deal exit from the EU. While this is a good development, uncertainty remains high regarding the ultimate outcome. The currency market, however, seems to have at least made up its mind for now. Sterling has been pressured consistently higher over recent weeks. In the year to date, sterling is up approximately 4% against both the US dollar and the euro. It looks like as we move closer and closer to the 29 March deadline, investors feel less comfortable being underweight sterling. Given that now even an extension of the negotiating period is possible, who could blame them?

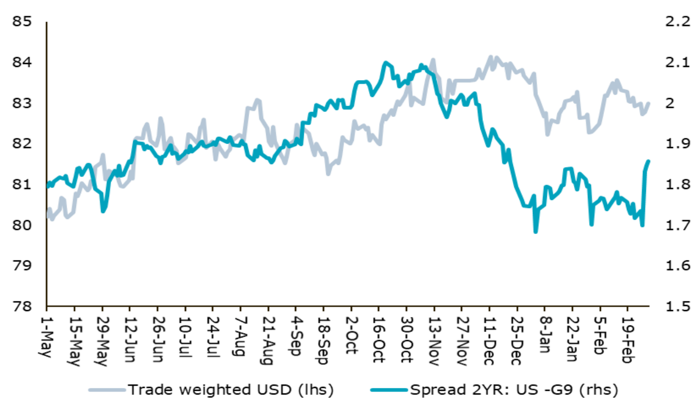
FX (II)

The Fed has consistently missed it's 2% inflation target post-GFC



Source: Bloomberg, Robeco

Since Q4 2018, the US dollar has lost rates support



Source: Macrobond, Morgan Stanley research

- Global growth continues to decelerate, but we continue to think that we are not heading towards a recession. Within this broader deceleration, the expectation is that growth in different regions will converge. This means the end of the US exceptionalism, the theme that drove financial markets last year. The narrowing of growth differentials between the US and the rest of the world is unfortunately being closed by the US decelerating from the other regions.

- This deceleration is also visible in rates. Starting in the fourth quarter of last year, we witnessed a narrowing of between the rates differential between the US dollar and so-called low yielders like the euro and the Japanese yen. This narrowing was driven by US rates dropping towards the low yielders. For both Japan and the eurozone, we expect the respective central bank to remain dovish, given recent economic developments. We also expect the Fed to remain dovish in the near term. We do think, however, that it is too early to start anticipating rate cuts. The fact that the Fed has missed it 2% inflation target almost consistently since the Great Financial Crisis, and is in the process of reviewing its policy framework, has triggered rumors that it is contemplating moving away from price level targeting towards adopting an average inflation level over the business cycle. This will have consequences for Fed policy and thus the dollar.

- We currently don't hold any active currency positions in our portfolio. We do, however, expect that the dollar will start coming under pressure as it loses the tailwinds that provided substantial support last year.

Important information

Robeco Institutional Asset Management B.V. has a license as manager of Undertakings for Collective Investment in Transferable Securities (UCITS) and Alternative Investment Funds (AIFs) ("Fund(s)") from The Netherlands Authority for the Financial Markets in Amsterdam. This document is solely intended for professional investors, defined as investors qualifying as professional clients, have requested to be treated as professional clients or are authorized to receive such information under any applicable laws. Robeco Institutional Asset Management B.V and/or its related, affiliated and subsidiary companies, ("Robeco"), will not be liable for any damages arising out of the use of this document. Users of this information who provide investment services in the European Union have their own responsibility to assess whether they are allowed to receive the information in accordance with MiFID II regulations. To the extent this information qualifies as a reasonable and appropriate minor non-monetary benefit under MiFID II, users that provide investment services in the European Union are responsible to comply with applicable recordkeeping and disclosure requirements. The content of this document is based upon sources of information believed to be reliable and comes without warranties of any kind. Without further explanation this document cannot be considered complete. Any opinions, estimates or forecasts may be changed at any time without prior warning. If in doubt, please seek independent advice. It is intended to provide the professional investor with general information on Robeco's specific capabilities, but has not been prepared by Robeco as investment research and does not constitute an investment recommendation or advice to buy or sell certain securities or investment products and/or to adopt any investment strategy and/or legal, accounting or tax advice. All rights relating to the information in this document are and will remain the property of Robeco. This material may not be copied or used with the public. No part of this document may be reproduced, or published in any form or by any means without Robeco's prior written permission. Investment involves risks. Before investing, please note the initial capital is not guaranteed. Investors should ensure that they fully understand the risk associated with any Robeco product or service offered in their country of domicile ("Funds"). Investors should also consider their own investment objective and risk tolerance level. Historical returns are provided for illustrative purposes only. The price of units may go down as well as up and the past performance is not indicative of future performance. If the currency in which the past performance is displayed differs from the currency of the country in which you reside, then you should be aware that due to exchange rate fluctuations the performance shown may increase or decrease if converted into your local currency. The performance data do not take account of the commissions and costs incurred on trading securities in client portfolios or on the issue and redemption of units. Unless otherwise stated, the prices used for the performance figures of the Luxembourg-based Funds are the end-of-month transaction prices net of fees up to 4 August 2010. From 4 August 2010, the transaction prices net of fees will be those of the first business day of the month. Return figures versus the benchmark show the investment management result before management and/or performance fees; the Fund returns are with dividends reinvested and based on net asset values with prices and exchange rates of the valuation moment of the benchmark. Please refer to the prospectus of the Funds for further details. Performance is quoted net of investment management fees. The ongoing charges mentioned in this document are the ones stated in the Fund's latest annual report at closing date of the last calendar year. This document is not directed to, or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, document, availability or use would be contrary to law or regulation or which would subject any Fund or Robeco Institutional Asset Management B.V. to any registration or licensing requirement within such jurisdiction. Any decision to subscribe for interests in a Fund offered in a particular jurisdiction must be made solely on the basis of information contained in the prospectus, which information may be different from the information contained in this document. Prospective applicants for shares should inform themselves as to legal requirements also applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile. The Fund information, if any, contained in this document is qualified in its entirety by reference to the prospectus, and this document should, at all times, be read in conjunction with the prospectus. Detailed information on the Fund and associated risks is contained in the prospectus. The prospectus and the Key Investor Information Document for the Robeco Funds can all be obtained free of charge at www.robeco.com.

Additional Information for US investors

Neither Robeco Institutional Asset Management B.V. nor the Robeco Capital Growth Funds have been registered under the United States Federal Securities Laws, including the Investment Company Act of 1940, as amended, the United States Securities Act of 1933, as amended, or the Investment Advisers Act of 1940. No Fund 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. Robeco Institutional Asset Management US Inc. ("RIAM US"), an Investment Adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940, is a wholly owned subsidiary of ORIX Corporation Europe N.V. and offers investment advisory services to institutional clients in the US. In connection with these advisory services, RIAM US will utilize shared personnel of its affiliates, Robeco Nederland B.V. and Robeco Institutional Asset Management B.V., for the provision of investment, research, operational and administrative services.

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

This document is distributed in Australia by Robeco Hong Kong Limited (ARBN 156 512 659) ("Robeco"), which is exempt from the requirement to hold an Australian financial services license under the Corporations Act 2001 (Cth) pursuant to ASIC Class Order 03/1103. Robeco is regulated by the Securities and Futures Commission under the laws of Hong Kong and those laws may differ from Australian laws. This document is distributed only to "wholesale clients" as that term is defined under the Corporations Act 2001 (Cth). This document is not for distribution or dissemination, directly or indirectly, to any other class of persons. In New Zealand, this document is only available to wholesale investors within the meaning of clause 3(2) of Schedule 1 of the Financial Markets Conduct Act 2013 ('FMCA'). This document is not for public distribution in Australia and New Zealand.

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 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. is relying 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 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.

Additional Information for investors with residence or seat in the Dubai International Financial Centre (DIFC), United Arab Emirates
This material is being distributed by Robeco Institutional Asset Management B.V. (Dubai Office) 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. (Dubai office) 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 is at liberty to provide services in France. Robeco France (only authorized to offer investment advice service to professional investors) has been approved under registry number 10683 by the French prudential control and resolution authority (formerly ACP, now the ACPR) as an investment firm since 28 September 2012.

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 you are in any doubt about any of the contents of this document, you should obtain independent professional advice. 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 Italy
This document is considered for use solely by qualified investors and private professional clients (as defined in Article 26 (1) (b) and (d) of Consob Regulation No. 16190 dated 29 October 2007). If made available to Distributors and individuals authorized by Distributors to conduct promotion and marketing activity, it may only be used for the purpose for which it was conceived. The data and information contained in this document may not be used for communications with Supervisory Authorities. This document does not include any information to determine, in concrete terms, the investment inclination and, therefore, this document cannot and should not be the basis for making any investment decisions.

Additional Information for investors with residence or seat in Shanghai
This material is prepared by Robeco Investment Management Advisory (Shanghai) Limited Company ("Robeco Shanghai") and is only provided to the specific objects under the premise of confidentiality. Robeco Shanghai has not yet been registered as a private fund manager with the Asset Management Association of China. Robeco Shanghai is a wholly foreign-owned enterprise established in accordance with the PRC laws, which enjoys independent civil rights and civil obligations. The statements of the shareholders or affiliates in the material shall not be deemed to a promise or guarantee of the shareholders or affiliates of Robeco Shanghai, or be deemed to any obligations or liabilities imposed to the shareholders or affiliates of Robeco Shanghai.

Additional Information for investors with residence or seat in Peru
The Fund has not been registered with the Superintendencia del Mercado de Valores (SMV) and is being placed by means of a private offer. SMV has not reviewed the information provided to the investor. This document is only for the exclusive use of institutional investors in Peru and is not for public distribution.

ROBECO

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. You should consult your 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 are invoking 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 would 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
The Spanish branch Robeco Institutional Asset Management B.V., Sucursal en España, having its registered office at Paseo de la Castellana 42, 28046 Madrid, is registered with the Spanish Authority for the Financial Markets (CNMV) in Spain under registry number 24.

Additional Information for investors with residence or seat in Switzerland
This document is exclusively distributed in Switzerland to qualified investors as defined in the Swiss Collective Investment Schemes Act (CISA) by Robeco Switzerland AG which is authorized by the Swiss Financial Market Supervisory Authority FINMA as Swiss representative of foreign collective investment schemes, and UBS Switzerland AG, Bahnhofstrasse 45, 8001 Zurich, postal address: Europastrasse 2, P.O. Box, CH-8152 Opfikon, as Swiss paying agent. The prospectus, the Key Investor Information Documents (KIIDs), 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 Robeco Switzerland AG, Josefstrasse 218, CH-8005 Zurich. The prospectuses are also available via the website www.robeco.ch.

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 subject to limited regulation in the UK by the Financial Conduct Authority. Details about the extent of our regulation by the Financial Conduct Authority are available from us on request.

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 in 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 September 27, 1996, as amended.

Additional Information concerning RobecoSAM Collective Investment Schemes
The RobecoSAM collective investment schemes ("RobecoSAM Funds") in scope are sub funds under the Undertakings for Collective Investment in Transferable Securities (UCITS) of MULTIPARTNER SICAV, managed by GAM (Luxembourg) S.A., ("Multipartner"). Multipartner SICAV is incorporated as a Société d'Investissement à Capital Variable which is governed by Luxembourg law. The custodian is State Street Bank Luxembourg S.C.A., 49, Avenue J. F. Kennedy, L-1855 Luxembourg. The prospectus, the Key Investor Information Documents (KIIDs), the articles of association, the annual and semi-annual reports of the RobecoSAM Funds, as well as the list of the purchases and sales which the RobecoSAM Fund(s) has undertaken during the financial year, may be obtained, on simple request and free of charge, via the website www.robecosam.com or www.funds.gam.com.