Raus aus der Zinswüste
“From zero income to growing income”

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Mannheim Fondskongress
Pim van Vliet, PhD Robeco
Head of the Robeco Conservative Equities strategies which he founded in 2006. He is also responsible for the Quantitative Allocation strategies since 2016. He is a guest lecturer at several universities and advocates quantitative investing at international seminars. He is the author of numerous academic research papers and a book on low-volatility investing which is available in 6 languages including German. Pim holds a PhD and an MSc (cum laude) in Financial and Business Economics from Erasmus University Rotterdam.

Pim van Vliet, PhD
paradoxinvestor@twitter.com
linkedin.com/in/pimvanvliet
Robeco Conservative Equity strategies...
Product design meets client demands and enjoys a growing investor base since 2017

Quantitative Investing*
Total assets: EUR 80.2 billion (as per end of 2019)

Conservative Equities AuM development since 2017
Total assets: EUR 21.4 billion (as per end 2019)

Source: Robeco
Looking back - Fonds Kongress 2017
Introduction to low risk equity investing
Mannheim 2017: introduced the concept of low risk equity investment.

Source: Pim van Vliet and Jan de Koning, High returns from Low Risk: Der Weg zum eigenen stabilen Aktienportfolio, 2017.
Never a lost decade with low-risk stocks

Low-risk and high-risk stocks across past decades

Low risk beats high risk

Lowering risk can lead to significantly improved results

Low-volatility is the strongest factor

New research: overview of 107 studies on the volatility effect:
by David Blitz, Guido Baltussen and Pim van Vliet, Journal of Portfolio Management 2020

Strength of factor premiums 1940 – 2018 US stock market
t-statistics measures the significance of the anomalies
Low-risk effect in corporate bonds as well

Low-volatility effect can be exploited across and within multiple asset classes

> In this presentation focus on Equities

What changes did we witness since 2017
Savers in the line of fire
Zinswüste | Yields went down even further

Since 2017 yields went down even further

European Credit yield trade at near infinite multiples
Continuing bull market (longest ever)

Correction coming?

Exhibit 2: We are in the longest equity bull market without a 20% drawdown
S&P 500

Source: GFD, Datastream, Goldman Sachs Global Investment Research
Valuation risk increased

Since 2017 CAPE Ratio went up from 28 to 31

Low expected returns

5-year expected returns around 0% for bonds and 4% for equities in EUR

<table>
<thead>
<tr>
<th>5-Year annualized return</th>
<th>EUR</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic AAA Government Bonds</td>
<td>-1.25%</td>
<td>0.90%</td>
</tr>
<tr>
<td>Developed global government bonds (hedged)</td>
<td>0.13%</td>
<td>0.40%</td>
</tr>
<tr>
<td>Global investment grade credits</td>
<td>0.75%</td>
<td>1.15%</td>
</tr>
<tr>
<td>Global Corporate high Yield (hedged)</td>
<td>1.25%</td>
<td>1.65%</td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developed market equities</td>
<td>3.75%</td>
<td>2.90%</td>
</tr>
<tr>
<td>Emerging Market Equities</td>
<td>4.25%</td>
<td>3.40%</td>
</tr>
<tr>
<td>Inflation rate Germany 2019</td>
<td></td>
<td>1.4%</td>
</tr>
</tbody>
</table>

Source: Robeco Outlook 2020-2024. Jeroen Blokland (pictured), Inflation rate taken from Bundesamt für Statistik
What makes our low risk strategy attractive today
Up to 5% Dividend Yield

- Up to 31% cheaper*
- Up to 24% risk reduction*
- Up to 92% higher dividend yield*

Offering your client pit stop in the desert with quarterly dividends of 1.25%*

*Emerging Conservative Equities relative values in comparison to MSCI EM for valuation we took the average P/E of the portfolio, for risk we took 3 years holdings based volatility, for dividend we took the average dividend yield of the portfolio.
Consistently higher dividend yield

Source: Robeco, MSCI, FactSet. December 2019
Strong growth of EUR dividend

EUR dividend of Conservative Equities more than doubled in 13 years time

Dividends make up large part of returns

**MSCI World**
- Dividend: **2.1%**
- Price return: **4.4%**
- Total: **6.5%**

**Conservative Equities**
- Dividend: **3.8%**
- Price return: **4.5%**
- Total: **8.3%**

**Source:** Source: Robeco Performance Measurement and MSCI as of 31 December 2019. Monthly data in EUR, gross of fees, based on the representative account with the longest available track record for each of the following Robeco Conservative Equities strategies. Global Developed: October 2006. In reality costs (such as management fees, transaction- and other costs) are charged. These have a negative effect on the returns shown. The value of your investments may fluctuate. Results obtained in the past are no guarantee for the future.
Why risk reduction matters
Compounding is the 8th world wonder
The dual impact of losses

Losses are more challenging, both psychologically and financially.

**Loss Aversion**
A 10% loss is experienced much more intensely than a 10% gain.

**Financially Challenging**
Large losses require even larger gains to make up for those losses.

*Source: ‘Thinking, Fast and Slow’, Daniel Kahneman, published by Farrar, Straus & Giroux, 2011*
The financial impact of losses

Large financial losses take disproportionally long to recover from
The financial impact of losses

Large financial losses take disproportionally long to recover from
“Compound interest is the eighth wonder of the world. He who understands it, earns it... He who doesn't... pays it.”

- Albert Einstein
Dozens of low-risk studies available

www.robeco.com/lowvolatility

www.youtube.com/watch?v=qNMYUbK57nk
Conservative Equities: Risk-return since 2006

Source: Robeco Performance Measurement and MSCI as of 31 December 2019. Returns in EUR, gross of fees, based on the representative account with the longest available track record for each of the following Robeco Conservative Equities strategies. Global Developed: October 2006, European: September 2007, Emerging: March 2011, North America: January 2014. In reality costs (such as management fees, transaction- and other costs) are charged. These have a negative effect on the returns shown. The value of your investments may fluctuate. Results obtained in the past are no guarantee for the future.
Conservative Equities: Risk-return since 2006

Source: Robeco Performance Measurement and MSCI as of 31 December 2019. Returns in EUR, gross of fees, based on the representative account with the longest available track record for each of the following Robeco Conservative Equities strategies. Global Developed: October 2006, European: September 2007, Emerging: March 2011, North America: January 2014. In reality costs (such as management fees, transaction- and other costs) are charged. These have a negative effect on the returns shown. The value of your investments may fluctuate. Results obtained in the past are no guarantee for the future.
The average return series are based on the net asset values of Robeco Institutional Conservative Equity Fund since inception (October 2006) until December 2019, gross of fees, based in EUR. The Robeco Institutional Conservative Equity Fund and its reference indices are unhedged for currency risk as of June 30 2012. The value of your investments may fluctuate. Results obtained in the past are no guarantee for the future. See also: Blitz, David, and Pim van Vliet (2014), “Low-Volatility Investing: Expect the Unexpected”, Robeco research paper.
Conservative Equities portfolios in profile

Attractive characteristics

- Cheaper, higher dividend, better momentum
- Less risky & in historical perspective not expensive

<table>
<thead>
<tr>
<th></th>
<th>Emerging</th>
<th>Europe</th>
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</thead>
<tbody>
<tr>
<td>31 December 2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Robeco</td>
<td>MSCI</td>
<td>Robeco</td>
</tr>
<tr>
<td>Volatility (3Y)</td>
<td>21.0%</td>
<td>17.4%</td>
</tr>
<tr>
<td>Beta (3Y)</td>
<td>0.58</td>
<td>0.61</td>
</tr>
<tr>
<td>Dividend Yield</td>
<td>5.0%</td>
<td>3.8%</td>
</tr>
<tr>
<td>P/E</td>
<td>9.8</td>
<td>15.8</td>
</tr>
<tr>
<td>Price Momentum 12-1</td>
<td>21.6%</td>
<td>29.7%</td>
</tr>
<tr>
<td>Earnings Revisions (3M)</td>
<td>53.6%</td>
<td>58.8%</td>
</tr>
<tr>
<td>Turnover</td>
<td>10%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: Robeco
Conservative Equities offers solutions to concerns

✓ Reduces risk especially when CAPE is high
✓ Offers 3.5% to 5% dividend with lower volatility
✓ More favorable multiples (P/E below market)

13 years strong and stable track record

✓ Reduces (not eliminates) interest rate risk
✓ Reduces Risk during recessions and contractions
Wrap up: From zero income to growing income

<table>
<thead>
<tr>
<th>Investment type</th>
<th>Yield</th>
<th>Beta</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>0%</td>
<td>0</td>
<td>Fixed</td>
</tr>
<tr>
<td>Equities</td>
<td>2%</td>
<td>1.0</td>
<td>Growing</td>
</tr>
<tr>
<td>European Conservative</td>
<td>4%</td>
<td>0.7</td>
<td>Growing</td>
</tr>
<tr>
<td>Emerging Conservative</td>
<td>5%</td>
<td>0.6</td>
<td>Growing</td>
</tr>
</tbody>
</table>

Source: Robeco
Want to know more?

Robeco Wholesale Team Germany & Austria

Kai Röhrl

Fabian Strube

Mark Flügel

Robeco Client Portfolio Management Quant Equities

Lejda Bargjo