

**ROBECO**



## Robeco Conservative Equities

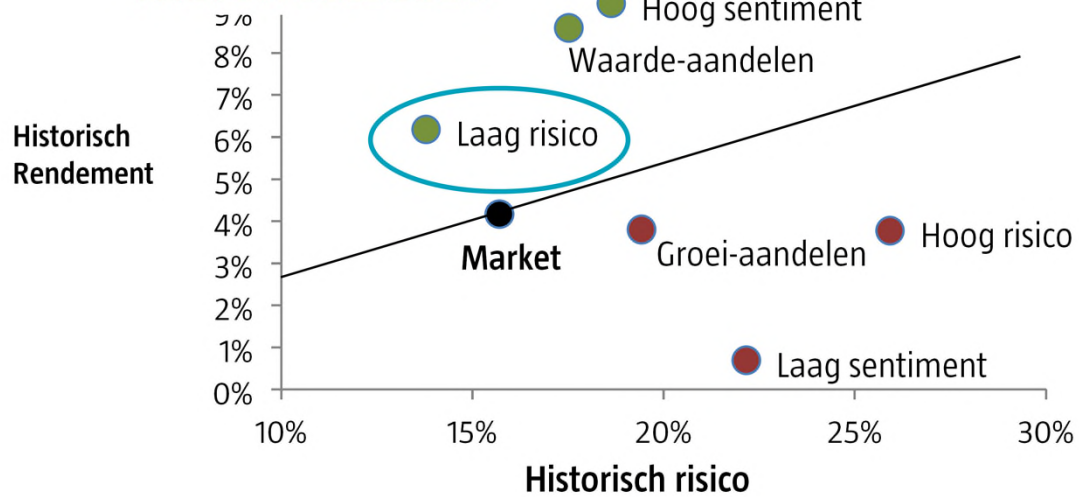
Laagrisico-aandelen: beleggen in aandelen met een verwacht laag risico en een hoog dividend

Jan Sytze Mosselaar, Portfolio Manager Quantitative Equities

**ROBECO**

**Introductie: Passief beleggen is inefficiënt**

**FACTOR BELEGGEN**



Performance figures for generic U.S. large-cap factor strategies, as in Blitz (2012), "Strategic Allocation to Premiums in the Equity Market", *Journal of Index Investing*. Extended sample period, covering data from 1963:07 to 2010:12

## ROBECO

### Wat hebben deze aandelen met elkaar gemeen?

Johnson & Johnson  
Royal Dutch Shell Plc  
Intel Corp  
Pepsico Inc  
Commonwealth Bank Of Australia  
Royal Bank Of Canada  
Altria Group Inc  
Toronto-Dominion Bank/The  
Novartis Ag  
Australia & New Zealand Banking Group Lt

Farmacie en gezondheidszorg  
Energie  
Informatie technologie  
Consument defensief  
Financiële dienstverlening  
Financiële dienstverlening  
Consument defensief  
Financiële dienstverlening  
Farmacie en gezondheidszorg  
Financiële dienstverlening

- **Saaie, gevestigde aandelen**
- **Stabiel historisch koersverloop**
- **Hoog en stabiel dividend**
- **Positieve winstrevisies**

## ROBECO

### Introductie: Waarom werkt een laagrisico-strategie?

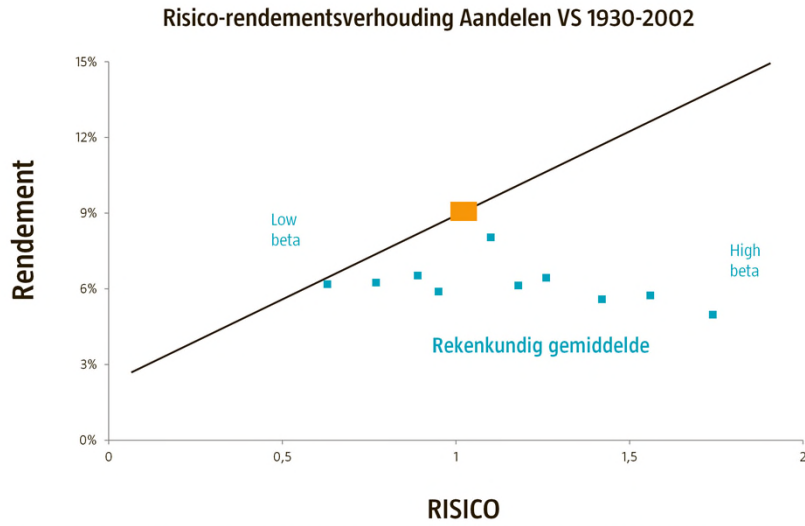
Verklaringen waarom meeste beleggers **hoogrisico**-aandelen prefereren:

- > **Portfolio manager wil de markt verslaan, zonder focus op risicorendementsverhouding.**
- > **Aandelen worden gezien als loterijtickets**  
Een (lage) kans op zeer grote pay-out. Hierdoor ontstaat focus op 'glamour stocks', met de hoogst mogelijke pay-out.
- > **Beheerder willen juist in opgaande markten bovenaan de lijst staan**  
Cash flow kansen voor vermogensbeheerders het grootst in bull markten
- > **Fondsmanagers op zoek naar de nieuwe Google**  
Een hoog risico strategie. Talloze potentiële Googles redden het namelijk niet.

# ROBECO

## Het laagrisico-effect

**Low-volatility beleggingsstrategie:** Beleg in alleen aandelen met een benedengemiddeld risico



# ROBECO

## Robeco Conservative Equity: Een academisch onderbouwde strategie

- > Strategie is gebaseerd op eigen, award-winning research uit 2007
- > Robeco doet voortdurend research op dit gebied (robeco.com/quant)

### The Volatility Effect

Lower risk without lower return.

David C. Blitz and Pim van Vliet

Recent studies have been challenged by the finding that volatility simply increases returns. Our research suggests that volatility is not a proxy for risk, but rather a proxy for return. We have developed a new approach to volatility risk management, which shows that volatility risk is not a risk, but rather a return. This research challenges the traditional view of volatility risk and suggests that volatility risk is a return. This research is based on the CAPM and the Fama-French model. It shows that volatility risk is a return, not a risk. This research is based on the CAPM and the Fama-French model. It shows that volatility risk is a return, not a risk. This research is based on the CAPM and the Fama-French model. It shows that volatility risk is a return, not a risk.



The screenshot shows the Robeco website interface. At the top, there's a navigation bar with 'Private investors', 'Countries', 'English | Nederlands', and a search bar. Below that, there are dropdown menus for 'Insights', 'Strategies & products', 'About us', 'Contact', 'Media', and 'Careers'. The main content area features a blue header with the text 'Our ideas on selecting low-volatility stocks' and a sub-header 'Traditional theory states that higher-risk stocks lead to higher returns. However, Robeco research indicates that a portfolio of low-volatility stocks can lead to equivalent returns as the market portfolio. But how do you select the right stocks?'. Below this, there's a 'Low-volatility investing' section with tabs for 'Research', 'Insights & news', and 'Videos'. The 'Research' tab is active, showing a list of articles including 'Why is there a volatility effect?' and 'Surprising results of lower volatility equities in emerging markets'. On the right side, there's an 'Expert in this field' section featuring Pim van Vliet, PhD, Senior Portfolio Manager, with a small profile picture and social media icons. Below this, there's a 'Strategies' section with links to 'Overview', 'Global Conservative Equities I EUR', 'European Conservative Equities I EUR', and 'US Conservative High Dividend Eq. EUR'.

**Groot en ervaren beleggings-en research team**



**Michael Strating**  
Head Quantitative Equities  
Developed Markets  
Emerging Markets  
24 years experience



**Tim Dröge**  
Portfolio Manager  
Emerging Markets  
15 years experience



**Wilma de Groot, CFA**  
Portfolio Manager  
Emerging Markets  
Developed Markets  
13 years experience



**Willem Jellema, CFA**  
Portfolio Manager  
Momentum  
Solutions  
13 years experience



**Pim van Vliet, PhD**  
Portfolio Manager  
Low Volatility  
Value & Momentum  
14 years experience



**Arlette van Ditshuizen**  
Portfolio Manager  
Low Volatility  
17 years experience



**Jan Sytze Mosselaar, CFA**  
Portfolio Manager  
Low Volatility  
10 years experience



**Maarten Polfiet, CEFA**  
Portfolio Manager  
Value  
Low Volatility  
15 years experience



**David Blitz, PhD**  
Head Quantitative  
Equity Research  
Innovation  
19 years experience



**Joop Huij, PhD**  
Researcher  
Stock selection models  
Innovation  
12 years experience



**Weili Zhou, CFA**  
Researcher  
Portfolio construction  
Stock selection models  
12 years experience



**Research talent pool**  
Researchers  
0-5 years experience



**Bart van der Grient**  
Researcher  
Portfolio construction  
Data management  
7 years experience



**Simon Lansdorp, PhD**  
Researcher  
Stock selection models  
Portfolio construction  
6 years experience



**Jornt Beetstra**  
Researcher  
Data management  
16 years experience



**Mike McCune, CFA**  
Client Portfolio Manager  
Region focus: Americas  
19 years experience



**Frank Wirds**  
Client Portfolio Manager  
Region focus: Asia-Pacific  
8 years experience

**Portfolio Implementation**  
6 Investment Professionals

**Global Trade Execution**  
7 Investment Professionals

**ROBECO**

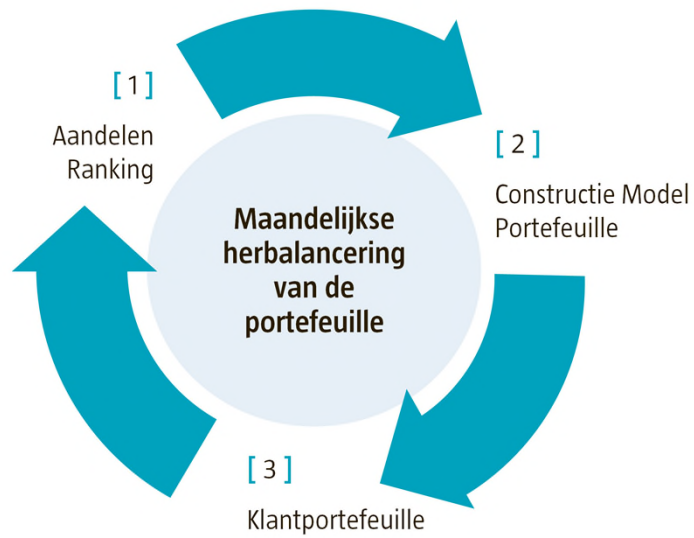
**Portefeuilleconstructie: Constructie van een liquide gespreide portefeuille**

Conservative strategy:	Wereldwijd	Europe	US	Emerging
<b>1. Aandelenuniversum</b>	<b>Wereld-wijd</b>	<b>Europa</b>	<b>Noord Amerika</b>	<b>Emerging Markets</b>
> Zeer breed universum				
<b>2. Index constituents</b>	<b>8,000</b>	<b>1,800</b>	<b>3,500</b>	<b>2,000</b>
> Controle op minimale verhandelbaarheid				
<b>3. Investeerbaar universum</b>	<b>3,200</b>	<b>900</b>	<b>2,000</b>	<b>1,200</b>
> Rangschikking op laag-risico, dividend, winstrevisies				
<b>5. Fondsnamen</b>	<b>200</b>	<b>150</b>	<b>150</b>	<b>200</b>



**ROBECO**

Portefeuilleconstructie: Een gedisciplineerde maandelijks terugkerende cyclus



# ROBECO

## Eigen portfolio-optimalisatie software zorgt voor flexibiliteit

The screenshot shows the Robeco Optimizer Tool interface. The main window is titled 'Account-manager' and displays various settings and a data table. The settings include Account (EMCE), Financial, Cash %, Cash, NAV (2,747,985,115.95), Currency (USD), and various risk and industry metrics. The data table below shows a list of stocks with columns for Reuters, Ticker, Name, Co..., BM, Rank, Port, Curr... Bet, LowRisk..., Value..., and Sentim....

Reuters	Ticker	Name	Co...	BM	Rank	Port	Curr... Bet	LowRisk...	Value...	Sentim...
2325.TW	2325 TT	Siliconware Precision Ind...	TW	0.098	0.025	0.972	0.874	0.46	1.08	1.83
2377.TW	2377 TT	Micro-Star International ...	TW	0.000	0.013	0.943	0.943	0.43	1.07	2.26
2308.TW	2308 TT	Delta Electronics Inc	TW	0.296	0.077	0.940	0.644	0.40	0.36	1.60
2357.TW	2357 TT	Asustek Computer Inc	TW	0.182	0.043	0.909	0.727	0.44	1.92	0.92
2454.TW	2454 TT	MediaTek Inc	TW	0.565	0.158	0.849	0.284	0.73	-0.02	0.97
1102.TW	1102 TT	Asia Cement Corp	TW	0.072	0.065	0.814	0.742	1.27	0.92	0.50
2881.TW	2881 TT	Fubon Financial Holding ...	TW	0.248	0.265	0.749	0.501	0.71	0.24	0.25
1504.TW	1504 TT	Teco Electric and Machin...	TW	0.060	0.150	0.715	0.655	0.72	0.35	0.80
2002.TW	2002 TT	China Steel Corp	TW	0.242	0.080	0.703	0.461	2.18	0.08	-0.01
6257.TW	6257 TT	Sigurd Microelectronics ...	TW	0.000	0.002	0.630	0.630	1.07	1.99	1.59
2912.TW	2912 TT	President Chain Store C...	TW	0.111	0.146	0.615	0.504	1.04	-0.02	0.75
					11.833		20.392	8.559		

Rank van aandeel

Portefeuillegewichten

Actieve positie

Factorscores

# ROBECO

## Analyse-tool: Elke portefeuillepositionering is verklaarbaar

Analyse					
Close Export...					
Account: ECE		Model: 8/11/2014 2:10:35 PM			
Rows:	Columns:	Datafield:	Function		
Country	Sector	CurrentBet	Sum		
Country	Consumer Discretionary	Consumer Staples	Energy	Financials	
SE	0.69	0.59	-0.05	2.47	
CH	-0.82	0.39	-0.16	2.07	
BE	0.29	-1.12		1.53	
NO		2.39	0.77	0.46	
PL				0.31	
DE	-1.36	0.41		0.30	
FI	-0.04		-0.03	0.29	
DK	-0.09	-0.12		-0.04	
PT		-0.04	-0.08	-0.05	
IE		-0.13		-0.10	
AT			-0.07	-0.17	
NL	0.29	0.01	-0.07	-0.84	
IT	0.04		0.13	-1.41	
ES	-0.36	0.16	-0.25	-1.94	
FR	-0.17	-0.38	0.33	-2.38	
GB	2.05	-1.66	-1.33	-3.73	

Name	Coun...	Rank	Port
Zurich Insurance Group AG	CH	0.043	1.558
Muenchener Rueckversicherungs AG	DE	0.087	1.412
Swiss Re AG	CH	0.195	1.307
Investor AB	SE	0.066	1.170
Groupe Bruxelles Lambert SA	BE	0.028	1.086
Investment AB Kinnevik	SE	0.052	1.055
Swiss Prime Site AG	CH	0.009	1.009

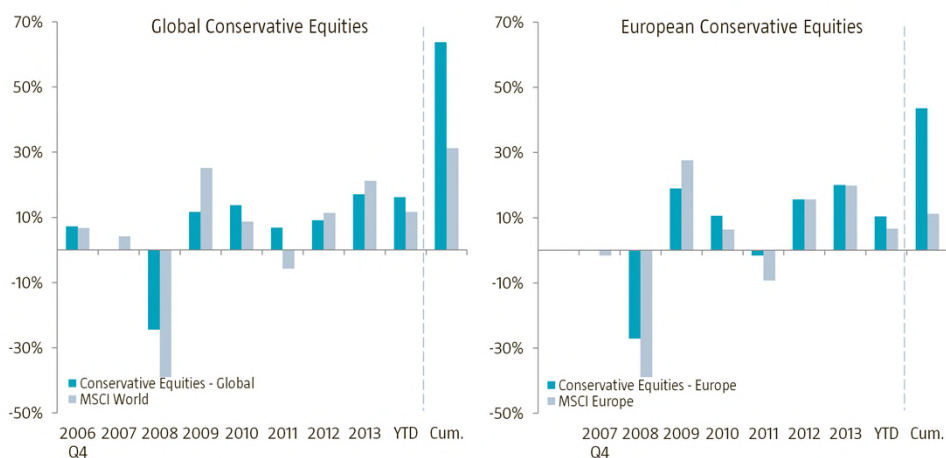
Voorkeur voor Zweedse, Belgische, en Zwitserse Financials

Name	Coun...	Rank	Port
Credito Valtellinese Scarl	IT	0.927	0.000
Inmobiliaria Colonial SA	ES	0.928	0.000
Banco Popular Espanol SA	ES	0.929	0.000
Mediolanum SpA	IT	0.934	0.000
UniCredit SpA	IT	0.936	0.000
International Personal Finance PLC	GB	0.945	0.000
Banca Carige SpA	IT	0.952	0.000

Lage ranking voor Spaanse, Italiaanse en Engelse Financials

**ROBECO**

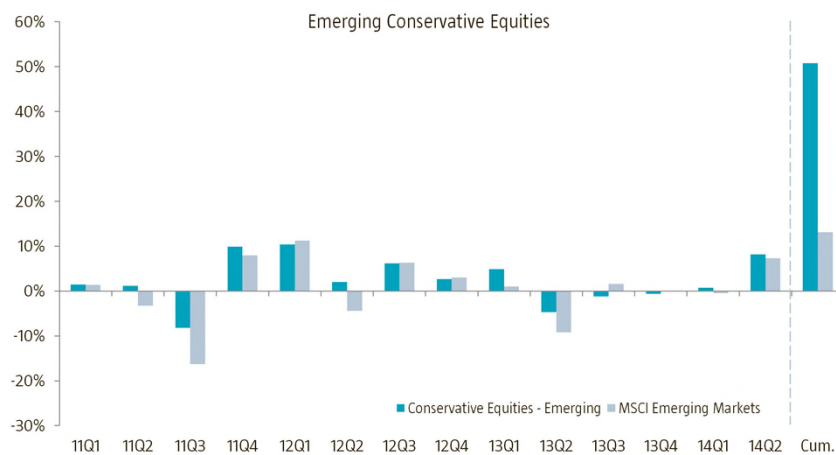
**Conservative equity model: Minder verliezen in neergaande markten**



We use monthly return series based on the net asset value of Robeco Institutional Conservative Equity Fund from October 2006 – August 2014 and Robeco European Conservative Equity from September 2007 – August 2014, gross of fees. The fund and reference index 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.

**ROBECO**

**Conservative equity model: Minder verliezen in neergaande markten**



We use monthly return series based on the net asset value of Robeco Emerging Conservative Equities from February 2011 – August 2014, gross of fees. The value of your investments may fluctuate. Results obtained in the past are no guarantee for the future.

## ROBECO

### Conservative Equity: Laag risico, hoog dividend, positief momentum

- Conservative Equities combineert de laagrisicofactor met een hoog dividend en gunstig koersmomentum en positieve winstrevisies.
- Alleen top-ranked aandelen worden gekocht: beleggen met overtuiging en niet vanuit een index.

#### Portfolio characteristics

30-Jun-2014	Portfolio	MSCI Europe	MSCI Europe MinVol	
Volatility (holdings-based 3y)	21.0%	25.8%	19.3%	<b>Laag risico</b>
Beta (holdings-based 3y)	0.80	1.00	0.70	
Dividend yield	4.1%	3.2%	3.5%	<b>Hoog dividend</b>
Price/Earnings	14.9	16.5	17.3	<b>Gunstige waardering</b>
Price/Book	2.1	1.9	2.5	
Return on Equity	20.1%	17.1%	21.1%	
Return on Assets	7.4%	5.9%	7.8%	
Price momentum (12-1M)	31.3%	25.9%	20.9%	<b>Positief momentum</b>
Earnings revisions (3M, % net positive)	47.2%	23.7%	27.7%	

## ROBECO

### Samenvatting Robeco Conservative Equity

#### Robeco

Een betrouwbare partner in modelmatig beleggen

#### Low-Volatility beleggen

Sterke beperking van het risico met behoud van opwaarts potentieel

#### Robeco Conservative Equities

Geen optimalisatie, maar transparant, doelgericht én volledig academisch onderbouwd

**ROBECO**

**Appendix**



## ROBECO

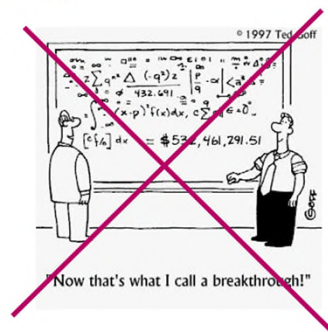
### Kwantitatieve Aandelenstrategieën

- Kwantitatieve strategieën hebben vaak een 'black box' karakter
- Wij benutten echter fundamentele, *bewezen* factoren:
  - Laagrisico-factoren o.a. faillissementsrisico
  - Waarderingsfactoren: dividend, koerswinstverhoudingen
  - Momentumfactoren: Winstrevisies, koerspatronen
- .. op systematische wijze:
  - Voorkomen van gedragsvalkuilen
  - Groter universum mogelijk
  - Elke transactie en holding in onze portefeuille is verklaarbaar; geen black box!
- "The biggest black box is the human brain".



## Kwantitatieve Aandelenstrategieën

- > Robeco Quantitative Equities is actief op het gebied van systematisch beleggen
- > Kenmerken:
  - Geen hefboom met geleend geld ("long-only")
  - Gedisciplineerde op vooraf vastgestelde regels gebaseerde beleggingsaanpak
  - Gebaseerd op academisch onderzoek (behavioral finance)
  - Laag transactie volume
  - Lange "holding period": gemiddeld 4 jaar
  - Maandelijks herbalanceren

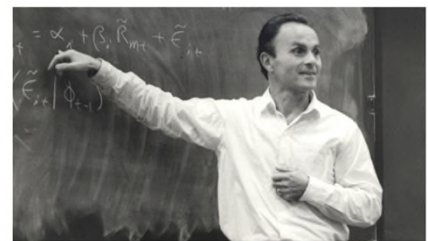


- At the same time, he did mention that many quant managers suffered in 2009 because of the huge underperformance of momentum, but he did not conclude from this that they are all doing the same thing (his own firm, LSV, probably did well, because they mainly load on value which did pretty well).
- According to Lakonishok, the argument that all quants basically look at the same two things, value and momentum, does not fly. In fact, all investors try to do the same thing: buy undervalued stocks. Quants may use the same starting point or may appear to have the same story, but their returns show that how they do it makes all the difference. And you can just as well argue that all fundamental managers do the same thing, as they all talk to the same management executives, all talk to the same analysts, and all stare at the same Bloomberg spreadsheets.
- He also argued that quant managers that did underperform in 2009 should not be ashamed of themselves. Why should you blame them for avoiding extremely risky stocks that were on the brink of bankruptcy? And how relevant is the fact that they were hurt by the biggest drawdown of momentum in history, as this scenario will not happen again in the next 10 years (he was pretty sure of that).

## ROBECO

### Een korte geschiedenis (I)

- Tot 1960: weinig aandacht voor onderzoek naar aandelenmarkten, behoudens 1 onderzoek
  - Alfred Cowles
  - Cowles Commission heeft veel Nobelprijswinnaars opgeleverd
- Tijdens de jaren 60: opkomst van de 'Chicago school'; Efficient Market Hypothesis
- Eerste indexfund in 1975: Vanguard S&P 500 Index

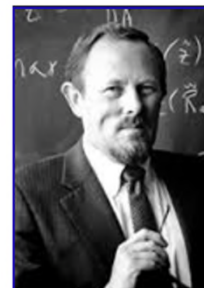
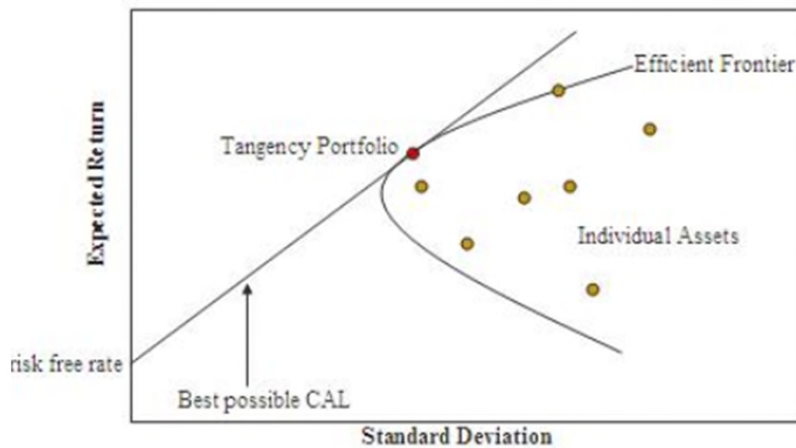


Eugene Fama 1960

## ROBECO

### Het Capital Asset Pricing Model

“Elke belegger is rationeel en kiest een combinatie van de efficiënte marktportefeuille en een risicovrije belegging, afhankelijk van risicotolerantie”



William Sharpe

## ROBECO

### DE markt?

- **Dow Jones Industrial Average: prijsgewogen index**
  - DJIA: oorspronkelijk 12 bedrijven, nu 30
  - Slechts 1 oorspronkelijk aandeel nog steeds in de index



Charles Dow, Edward Jones, Charles Bergstrasser

- **MSCI World, S&P 500, AEX, EURO STOXX 50, Nasdaq: marktgewogen indices**

NAME	Dow Jones Average	WEIGHT
Visa Inc. Class A		7.99%
International Business Machines Corporation		7.22%
Goldman Sachs Group Inc.		6.93%
3M Company		5.45%
Boeing Company		4.81%
Chevron Corporation		4.62%
Johnson & Johnson		4.03%
United Technologies Corporation		3.98%

NAME	S&P 500 <sup>d</sup>	WEIGHT
Apple Inc.		3.41%
Exxon Mobil Corporation		2.32%
Microsoft Corporation		2.19%
Johnson & Johnson		1.72%
General Electric Company		1.48%
Berkshire Hathaway Inc. Class B		1.43%
Wells Fargo & Company		1.42%
Chevron Corporation		1.32%

## ROBECO

### Een korte geschiedenisles (II)

- Crash van 1987: -23% op een dag zonder nieuws. Efficiënte markt?
- Behavioral finance: financiële markten worden beïnvloed door emoties en gedragsfouten
- 1992: De beroemde Fama&French paper:
- "Niet 1 factor (de markt) maar meerdere factoren bepalen het beleggingsrendement".
- Robeco doet veel vergelijkbaar onderzoek mbt factorbeleggen



Eugene Fama 2013



Met factorbeleggen belegt u systematisch in academisch bewezen factoren

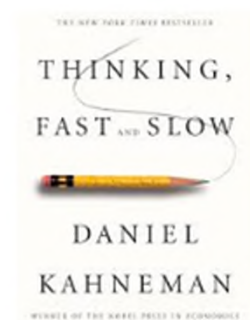
## ROBECO

### Behavioral Finance: Tegenhanger van Efficient Market Theory

- De mens is niet rationeel
- Systematische gedragsvalkuilen
- Beïnvloedt ook beleggingsbeslissingen
- Profiteren door kwantitatieve beleggingsstrategieën



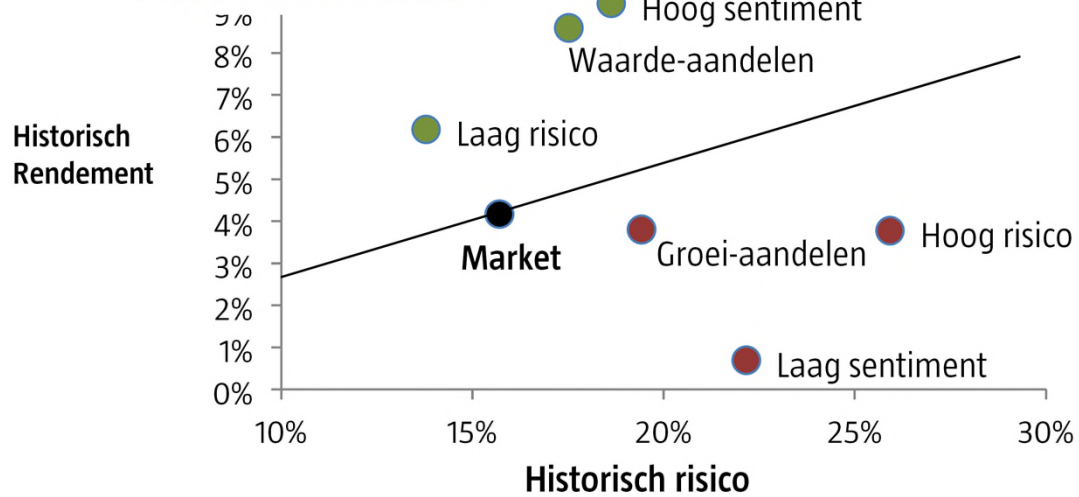
Kahneman Tversky



**ROBECO**

**Introductie: Passief beleggen is inefficiënt**

**FACTOR BELEGGEN**



Performance figures for generic U.S. large-cap factor strategies, as in Blitz (2012), "Strategic Allocation to Premiums in the Equity Market", *Journal of Index Investing*. Extended sample period, covering data from 1963:07 to 2010:12



## Important Information

This document has been carefully prepared by Robeco Institutional Asset Management B.V. (Robeco). It is intended to provide the reader with information on Robeco's specific capabilities, but does not constitute a recommendation to buy or sell certain securities or investment products. Any investment is always subject to risk. Investment decisions should therefore only be based on the relevant prospectus and on thorough financial, fiscal and legal advice.

The content of this document is based upon sources of information believed to be reliable, but no warranty or declaration, either explicit or implicit, is given as to their accuracy or completeness. This document is not intended for distribution to or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. The information contained in this document is solely intended for professional investors under the Dutch Act on the Financial Supervision (Wet financieel toezicht) or persons who are authorized to receive such information under any other applicable laws.

Historical returns are provided for illustrative purposes only and do not necessarily reflect Robeco's expectations for the future. Past performances may not be representative for future results and actual returns may differ significantly from expectations expressed in this document. The value of your investments may fluctuate. Results obtained in the past are no guarantee for the future.

All copyrights, patents and other property in the information contained in this document are held by Robeco Institutional Asset Management B.V. No rights whatsoever are licensed or assigned or shall otherwise pass to persons accessing this information.

The information contained in this publication is not intended for users from other countries, such as US citizens and residents, where the offering of foreign financial services is not permitted, or where Robeco's services are not available.

Robeco Institutional Asset Management B.V., Rotterdam (Trade Register no. 24123167) is registered with the Netherlands Authority for the Financial Markets in Amsterdam.