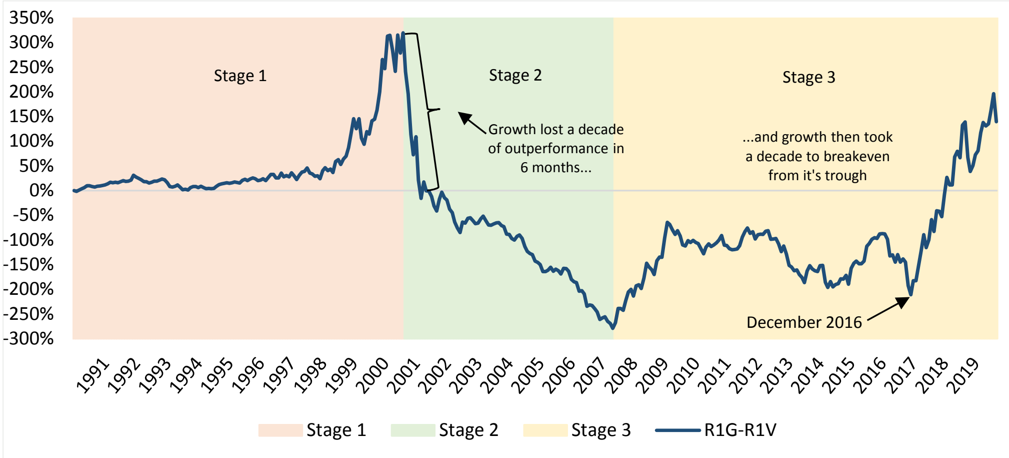
White Paper | November 2019

Watch Out When Value Returns to Favor!

Growth has outperformed value for the better part of the last decade. In early September of this year, we witnessed one of the most abrupt momentum to value reversals in equity market leadership in the past 30 years. Will this mark the beginning of a shift in leadership? While we don't know the exact timing, we can observe from history that when the reversal comes, we can expect it to be dramatic. As seen in Exhibit 1, while growth outperformed value for the entire decade of the 1990s, it took a mere 6 months in the year 2000 to wipe out an entire decade of growth outperformance.

In early September of this year, we witnessed one of the most abrupt momentum to value reversals in equity market leadership in the past 30 years.

Exhibit 1: The Cumulative History of Growth vs. Value Since 1990

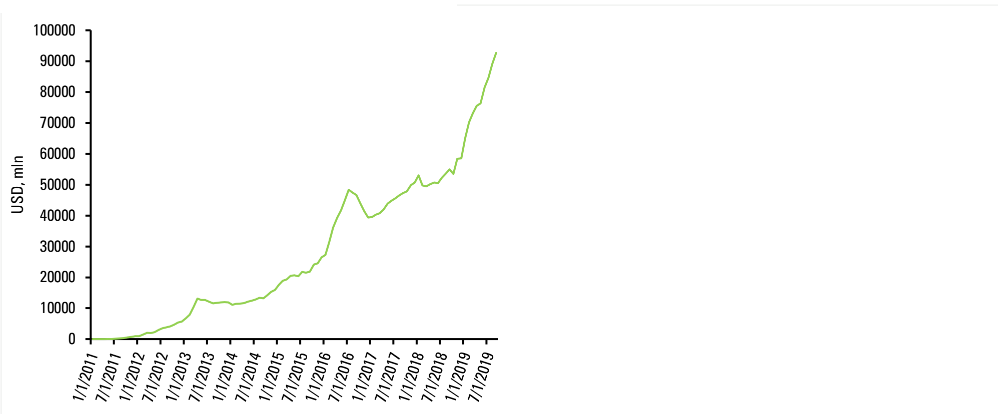


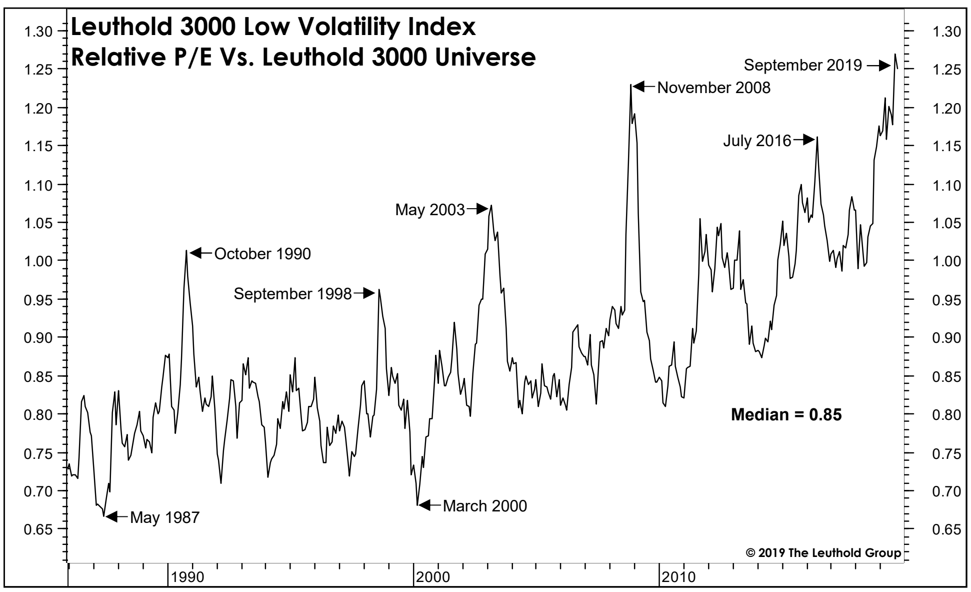
Source: Kailash Capital; Compustat; Russell. Data from December 31, 1989 through September 30, 2019 for Russell 1000® Growth Index minus the Russell 1000® Value Index.
Past performance is not an indication of future results. Please refer to the last page for other important disclosures.

The momentum-led market of the past couple years has not only favored the growth darlings popularly referred to by the "FANG*" acronym but also companies deemed to be stable, as macroeconomic fears surrounding the U.S./China trade war and an inverted yield curve have caused investors to seemingly disregard two of the three key tenets in the Boston Partners "Three Circles" investment framework: attractive valuation and strong business fundamentals (high financial productivity). Instead, investors have craved what has been perceived as "safe": companies that can generate their own growth and/or companies deemed as "stable" with low earnings volatility. As a result, the most expensive cohorts of the value opportunity set have been bid up to unprecedented absolute and relative valuations. This reminds us of late-2015 through mid-2016 when investors bid up the valuations of "bond proxies" – Utilities, Real Estate Investment Trusts (REITS), and Consumer Staples – due to Brexit, fears of a China "hard landing" and a potential proliferation of energy credit defaults that never materialized. As can be seen in Exhibit 2, investors continue to pile into low volatility equities which recently traded near all-time high relative valuations. Exacerbating this trend are the flows into passive low volatility strategies which “force” the continued indiscriminate purchase of these often illiquid equities regardless of valuation.

Investors continue to pile into low volatility equities which recently traded near all-time high relative valuations.

Exhibit 2: Low Volatility Continues to Attract Investors Despite Record High Valuation

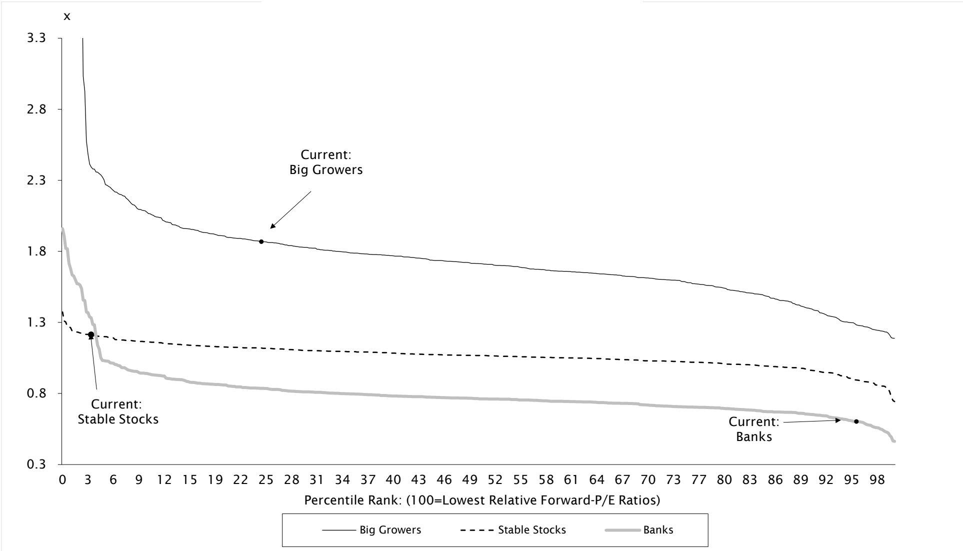




Source: Bernstein and Leuthold. Data as of September 30, 2019. The Leuthold universe is composed of the largest 3,000 securities traded on U.S. exchanges (including roughly 400 ADRs). Distribution of The Leuthold Group Research is highly restricted. Please do not copy or reproduce. Past performance is not an indication of future results. Please refer to the last page for other important disclosures.

Due to Boston Partners' strict valuation discipline, we have maintained an underweight allocation to the most expensive cohorts of the Russell 1000® Value Index (many of which trade at a premium to the S&P 500) and expect to be rewarded for this positioning as the excesses are unwound. We continue to be positioned towards Financials – banks currently trade at historically low relative valuations with strong credit quality and accelerating levels of capital return – and away from many expensive low beta/stable stocks, many of which trade in excess of 20x 2020 expected earnings. As can be seen in Exhibit 3, banks trade at historically low relative valuations while high revenue growers are in the most expensive quartile of their relative valuation history and “stable stocks” trade near all-time relative highs.

Exhibit 3: Large-Capitalization Stocks Big Growers, Fundamentally-Stable Stocks and Banks Relative Forward-P/E Ratios*



Source: Empirical Research Partners Analysis. Data from 1976 through September 30, 2019.
* Capitalization-weighted data for big growers and banks, equally-weighted data for stable stocks. Big growers: top quintile of the 1,500 U.S. stock universe that has the highest revenue growth over the past 12 months. Stable stocks: the top 1,500 U.S. companies by market liquidity are evaluated by Empirical Research; a composite score for fundamental stability is generated. Factors used to evaluate fundamental stability include: beta, ROE level, variability in ROE, earnings stability, dispersion in earnings estimates, and debt to total capitalization ratio. The top 20% (quintile) of companies that have the best stability score are included in the cohort of stable stocks.
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As previously mentioned, we experienced another "low volatility/stable stock bubble" during the Q4 2015 – Q2 2016 period which negatively impacted relative performance. However, we never strayed from our investment discipline and were rewarded when the bubble ultimately burst (see Exhibit 4). We expect the same this time around, and the beginning of the reversal may have begun. While our approach was not rewarded during the period ended June 30, 2019, we have outperformed the benchmark during the entire period.

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Exhibit 4

Date	Period	Large Cap Value	Russell 1000® Value Index
7/1/16 – 9/30/18 (annualized)	Recovery from "Low Vol Bubble 1"	17.53%	12.51%
10/1/18 – 6/30/19	Low Vol Bubble 2 is Formed	-2.65%	2.61%
7/1/19 – 10/31/19	Beginning of Recovery?	3.40%	2.77%
7/1/16 – 10/31/19 (annualized)	Entire Period	11.74%	10.02%

Returns on this page reflect composite results and individual portfolio results will vary. Returns reflect composite results gross of fees and individual portfolio results may vary. Past performance is not an indication of future results.

Although avoiding the "bond proxies" including Utilities, Consumer Staples and REITs has contributed to short-term underperformance during the extreme, sentiment-driven periods of Q4 2015 – Q2 2016 and Q4 2018 – Q2 2019, it is worth noting that our underweight allocation to these sectors has benefitted relative performance during the late-2016 to late-2018 time periods and we are confident will once again benefit returns going forward (as has been the case over the last decade and since inception in 1995.)

Recent outperformance from the most expensive cohort of the opportunity set has created wide valuation spreads – the price-to-earnings (P/E) discount at which the cheapest cohort trades and the P/E premium at which the most expensive cohort trades are the widest since the "Technology Bubble" of the late '90s. In other words, we believe value is "on sale" and have been tilting our portfolio towards what we believe are attractive value opportunities.

In comparing our valuation characteristics on measures such as P/E and Price/Free Cash Flow relative to the Russell 1000 Value Index and other top U.S. large-cap value strategies, we observe a valuation advantage in our portfolio coupled with favorable quality and business momentum characteristics.

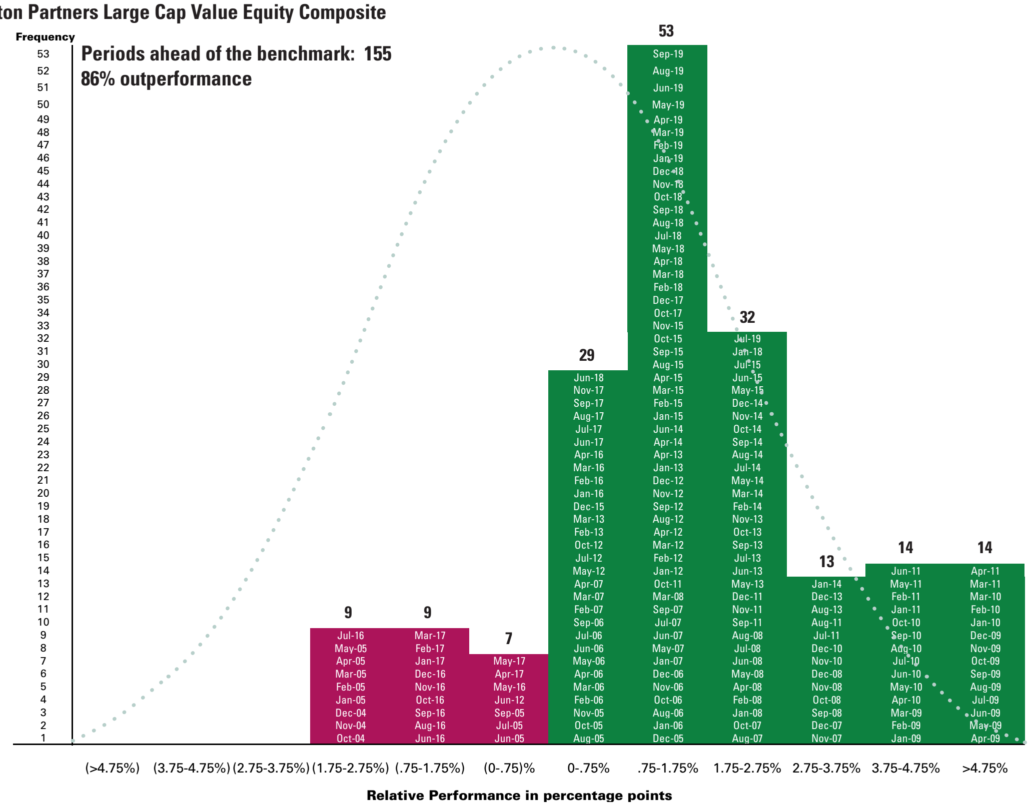
Ultimately, we believe top-down "noise" related to trade wars, political debates and Fed policy has created attractive bottom-up opportunities for our "Three Circles" approach. In addition to Financials, we have increasingly added to Health Care, where we see many compelling opportunities. We believe *Cigna* is an excellent "three circles" stock, as the world's 4th largest health insurer traded as low as 8x '19 earnings per share (EPS) earlier this year despite sell-side 2019 EPS estimates rising 10% from last year and year-over-year earnings growth of 18% reported in Q3 2019. Conversely, *NextEra Energy* – the largest Utility in the Russell 1000® Value Index recently traded at 26x '19 EPS with no year-over-year improvement in 2019 EPS estimates and negative 5-year free cash flow (FCF) growth due to rising capital expenditures. Meanwhile, during the trailing twelve months ended 9/30/19, Cigna has returned -27% compared to NextEra appreciating 43%, as investors fear a shift toward nationalized health care, and they seek out perceived safety in a large electric utility. Given the attractive valuation and growth characteristics of Cigna and the high valuation, zero growth, and weak cash flow metrics of NextEra, we believe Cigna presents a more attractive future return profile. Additionally, examples such as this are indicative of the broader market environment.

It is market environments like this that tempt many managers to stray from their stated investment discipline because short-term underperformance feels like it lasts a long-time. It is important to remind oneself to not be tempted into behavioral mistakes of market timing and performance chasing. Boston Partners has been through periods like this before and our experience tells us that out of such periods we find some of our best opportunities to create long-term outperformance. When we hear market pundits proclaim that value is dead or fundamentals no longer matter, this is typically a sign that opportunities abound. Our approach is consistent regardless of the economic backdrop, as we always strive to assemble a portfolio of companies exhibiting lower valuation characteristics, higher quality business fundamentals, and improving business momentum. This time-tested approach has served our clients well in the past, evidenced by Exhibit 5 which shows the Large Cap Value Equity composite's rolling three-year performance tracked each month over the past 15 years. It shows a distribution of returns with a clear skew to the right side of the distribution and the majority of the observations ahead of the market. More plainly stated, our approach generates positive 3-year results 86% of the time over an extended market cycle. This is how investors allow the power of compounding and active management to work on their behalf. This process has been in place for over two decades and has prospered through the ups and downs of the markets and especially when market excesses correct themselves such as the tech bubble in 2000, during the Financial Crisis in 2008-2009 and the aforementioned Low Vol/Brexit bubble in 2016. We believe the time is now for investors to take advantage of valuation discrepancies.

Ultimately, we believe top-down "noise" related to trade wars, political debates and Fed policy has created very attractive bottom–up opportunities for our "Three Circles" approach.

Exhibit 5: Distribution of rolling three-year excess returns: Relative Performance

Boston Partners Large Cap Value Equity Composite



The chart reflects a fifteen-year time period, 180 months. Data as of September 30, 2019.
Relative performance of the Boston Partners Large Cap Value Equity is versus the Russell 1000® Value Index. Returns reflect composite results gross of fees and individual portfolio results may vary. Past performance is not an indication of future results.

Annualized Performance (%)

	3Q 2019	YTD 2019	1 Year	3 Year	5 Year	7 Year	10 Year	15 Year	20 Year	Since Inception*
Large Cap Value - Gross of Fees	**1.76**	**14.87**	**-0.94**	**10.88**	**7.92**	**11.62**	**11.97**	**9.48**	**9.23**	**10.63**
Large Cap Value - Net of Fees	**1.68**	**14.61**	**-1.24**	**10.55**	**7.59**	**11.26**	**11.57**	**9.10**	**8.85**	**10.25**
Russell 1000® Value Index	1.36	17.81	4.00	9.43	7.79	11.30	11.46	7.82	6.93	9.30
S&P 500 Index	1.70	20.55	4.25	13.39	10.84	13.26	13.24	9.01	6.33	9.39

Calendar Year Performance (%)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Large Cap Value - Gross Of Fees	-8.70	20.07	14.74	-4.08	11.85	37.14	21.27	1.29	13.75	26.75
Large Cap Value - Net Of Fees	-8.99	19.71	14.40	-4.37	11.49	36.64	20.66	0.82	13.36	26.30
Russell 1000® Value Index	-8.27	13.66	17.34	-3.83	13.45	32.53	17.51	0.39	15.51	19.69
S&P 500 Index	-4.38	21.83	11.96	1.38	13.69	32.39	16.00	2.11	15.06	26.46

* Inception date is June 1, 1995.
Boston Partners has prepared and presented this report in compliance with GIPS®. Returns reflect composite results and individual portfolio results may vary. Past performance is not an indication of future results. Please refer to the important disclosures presented as part of this material.

Boston Partners Large Cap Value Equity **Performance Disclosure**

Boston Partners Global Investors, Inc. ("Boston Partners") is an Investment Adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. Registration does not imply a certain level of skill or training. Boston Partners is an indirect , wholly owned subsidiary of ORIX Corporation of Japan ("ORIX"). Boston Partners is comprised of two divisions, Boston Partners and Weiss, Peck & Greer Partners ("WPG").

Boston Partners claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Boston Partners has been independently verified for the periods 2007 through 2017. Before then, Boston Partners Asset Management ("BPAM"), the previous entity name, and WPG were independently verified on an annual basis from 1995 through 2006 and 1993 through 2006, respectively. A firm that claims compliance with the GIPS must establish policies and procedures for complying with all the applicable requirements of the GIPS. Verification provides assurance on whether a firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. The Boston Partners Large Cap Value Equity composite has had a performance examination for 1998 to 2017. The verification and performance examination reports are available upon request. A list of composite descriptions is available upon request. GIPS® is a registered trademark of the CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy of quality of the content contained herein. Past performance is not indicative of future results. This document is not an offering of securities nor is it intended to provide investment advice. It is intended for information purposes only.

Composite Construction

Performance results attained at Boston Partners have been linked to the results achieved at BPAM beginning on January 1, 2007 in compliance with the GIPS® standards on performance record portability. The Boston Partners Large Cap Value Equity Composite includes all separately managed and commingled vehicles, fully discretionary, fee-paying accounts under management with a similar investment mandate and an account market value greater than $1 million. Prior to January 1, 2007, the minimum account size for inclusion in the composite was $5 million. The composite contains proprietary assets. The inception date and creation date of the Boston Partners Large Cap Value Equity composite is June 1, 1995. The strategy is composed of securities with market capitalizations primarily greater than $3 billion and is benchmarked against the S&P 500 Index and the Russell 1000® Value Index.

Benchmarks

The S&P 500 Index is an unmanaged index of the common stocks of 500 widely held U.S. companies. The Russell 1000® Value Index typically measures the performance of universes of stocks displaying low price-to-book ratios and low forecasted growth values. Index returns are provided for comparison purposes only to show how the composite's returns compare to a broad-based index of securities, as the indices do not have costs, fees, or other expenses associated with their performance. In addition, securities held in either index may not be similar to securities held in the composite's accounts.

Calculation Methodology

Composite returns are asset value weighted and composite account returns are calculated on a total return, time-weighted basis using trade date valuations. Effective January 1, 2011, Boston Partners adopted a significant cash flow policy. Accounts are temporarily removed from the composite when a significant external cash flow occurs, which is typically defined as a flow that is greater than or equal to 10% of the beginning market value of the portfolio on the day of the flow that exceeds a threshold of +/-20 basis points from daily performance of the representative account and a similar account of the same strategy; and greater than or equal to 10% of the beginning market value of the composite for that month. An account is generally added back to the composite as of the first full month following the significant cash flow. Returns reflect the reinvestment of dividends and other earnings and are expressed in U.S. Dollars. Additional information regarding policies for valuing portfolios, calculating performance, and preparing compliant reports is available upon request.

Fees and Expenses

Composite returns are provided on a gross and net of fee basis. Account returns will be reduced by any fees and expenses incurred in the management of the account. Net of fee composite returns are asset weighted and reflect the deduction of management fees--which may include performance-based fees-commissions and transaction costs, and are calculated by deducting actual fees charged to composite accounts. Net of fee returns for commingled vehicles that are members of a composite are calculated using a model fee that is the highest tier in the separate account fee schedule for the strategy. Gross composite returns are calculated by deducting commissions and transaction costs charged to composite accounts. Fees are applied to gross returns at month end. Actual fees may vary depending on the applicable fee schedule and portfolio size. Additional information regarding policies for valuing portfolios, calculating performance, and preparing compliant reports is available upon request. Investment advisory fees are listed herein and are fully described in Boston Partners' Form ADV, Part 2.

Composite Dispersion

The measurement of composite dispersion is calculated by the weighted average standard deviation of the annual account gross-of-fee returns within the composite. Dispersion in composites with less than five accounts included for the entire year is not considered meaningful and is denoted with "N/A". Prior to January 1, 2007, the measurement of composite dispersion was calculated by determining the difference between the highest and lowest annual account returns within the composite. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. This calculation has been adopted effective with the period ended December 31, 2011.

Large Cap Value Equity:

	# of Portfolios in Composite	Total Assets in Composite	% of Firm AUM	Composite Dispersion
2018:*	142	$22.4 bn	27%	0.19%
2017:	141	$25.4 bn	26%	0.33%
2016:	156	$25.3 bn	29%	0.23%
2015:	167	$24.6 bn	31%	0.16%
2014:	151	$25.2 bn	34%	0.11%
2013:	129	$16.5 bn	32%	0.62%
2012:	105	$8.6 bn	30%	0.24%
2011:	99	$5.1 bn	24%	0.23%
2010:	89	$4.8 bn	26%	0.15%
2009:	83	$3.5 bn	21%	0.38%

* Data are preliminary and unaudited.

Firm Assets:

Year	Assets (mm)	Year	Assets (mm)
2017:	$99,241	**2012:**	$29,023
2016:	$87,222	**2011:**	$21,098
2015:	$78,363	**2010:**	$18,419
2014:	$73,250	**2009:**	$17,207
2013:	$52,334	**2008:**	$11,540

Other Disclosures

Boston Partners has adjusted the benchmark and comparative index (if shown) sector classifications to group stocks according to similar business product lines and correlation of stock returns. Boston Partners' classifications are similar to the major market indices in terms of breadth but may differ in terms of composition. All product characteristics and sector weightings are calculated using a representative portfolio. Risk statistics are calculated using composite data. Portfolio composition is subject to change and information contained in this publication may not be representative of the current portfolio. Foreign investors may have taxes withheld. Investing involves risk including the risk of loss of principal. Value investing involves buying the stocks of companies that are out of favor or are undervalued. This may adversely affect the portfolio value and return. Stock values fluctuate in response to issuer, political, regulatory, market or economic developments. The value of small and mid-capitalization securities may be more volatile than those of larger issuers, but larger issuers could fall out of favor. Investments in foreign issuers may be more volatile than in the U.S. market, and international investing is subject to special risks including, but not limited to, currency risk associated with non - US dollar denominated securities, which may be affected by fluctuations in currency exchange rates, political, social or economic instability, and differences in taxation, auditing and other financial practices.

Boston Partners changed the names of its composites in August 2016 after the firm changed its name.

Boston Partners participates in Initial Public Offerings (IPOs) as described in its Form ADV, Part 2. IPO contributions to performance vary from year-to-year depending on availability and prevailing market conditions. IPO contributions may have a significant positive effect on performance when initially purchased.

Such positive performance should not be expected for future performance periods.

Annual Fee Schedule

Investment advisory fees, which are more fully described in Boston Partners' Form ADV, Part 2, are: 70 basis points ("bp") on the first $10 million of assets; 50 bp on the next $40 million; 40 bp on the next $50 million; 30 bp thereafter.

Important Disclosure Information

The views expressed by Boston Partners' employees reflect those of the author as of the date of the article. Any such views are subject to change at any time based on market and other conditions and Boston Partners disclaims any responsibilities to update such views. The information provided does not constitute investment advice and it should not be relied on as such.

Investing involves risk including the possible loss of principal. The strategies discussed may present enhanced risks and are not suitable for all investors.

Boston Partners Global Investors, Inc. ("Boston Partners") is an SEC-registered Investment Adviser. Registration does not imply a certain level of skill or training. Boston Partners is a premier provider of value equity investment products that are firmly rooted in fundamental research and are based on a disciplined investment philosophy and process. In addition to Boston Partners value equity strategies, the Boston Partners brand includes Weiss, Peck & Greer Partners ("WPG Partners") Small & Micro Cap Value strategies. The investment processes of Boston Partners and WPG Partners are separate and independent, enabling clients to fully benefit from each specialist expertise.

Footnotes:

* FANG is is the acronym for four high-performing technology stocks in the market – Facebook, Amazon, Netflix and Google (now Alphabet, Inc.). This should not be considered a solicitation to buy or an offer to sell a security. It is not known whether these securities will or will not be profitable in the future.

About Boston Partners

Boston Partners specializes in traditional value investing, with an investment process and philosophy that was established more than 25 years ago. The source of our investment returns is security selection achieved through bottom-up fundamental analysis guided by quantitative methods. The team's process systematically blends fundamental research with quantitative screening to identify undervalued stocks throughout the capitalization spectrum.

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