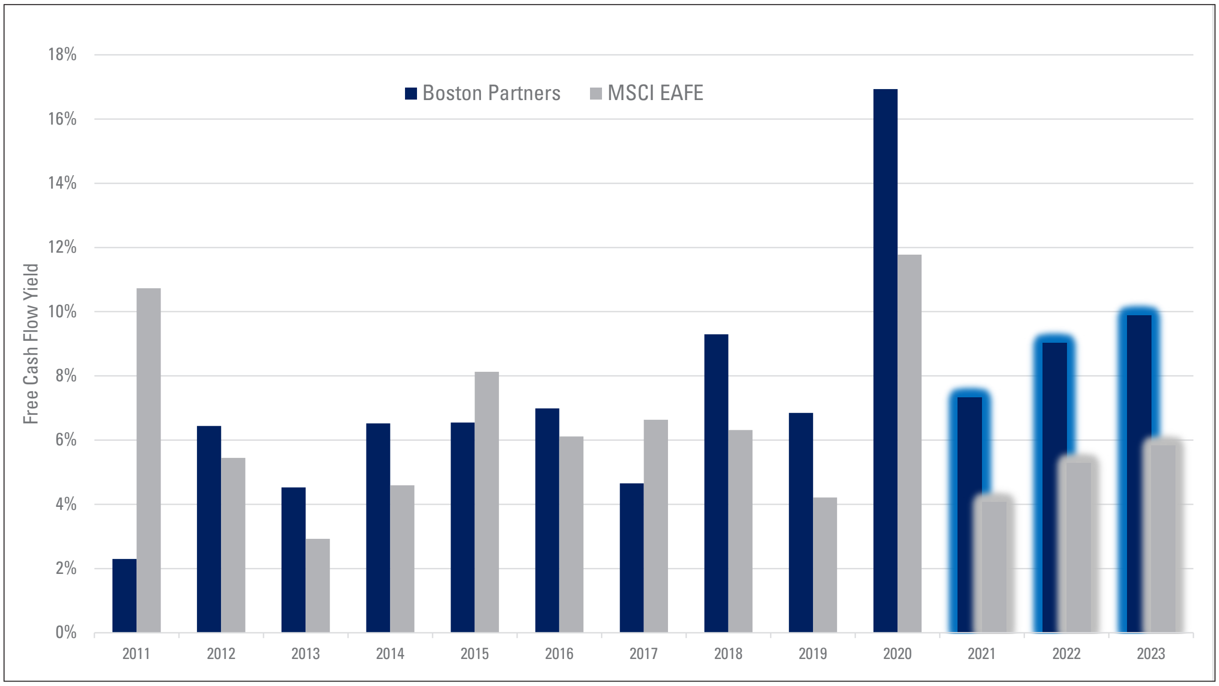
White Paper | January 2022

Banks and Energy in the International Markets

Boston Partners has applied its Three Circle stock selection process in International markets since 2008. Our bottom-up portfolio construction process seeks to identify stocks trading at attractive valuations with strong business fundamentals and positive business momentum. We are optimistic that our Three Circle style of investing is well positioned with the prospect of higher inflation and eventual full re-opening of the global economy.

Free Cash Flow (FCF) generation and yield is a dominant metric in our process. FCF is "the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets." As investors, FCF is important because it allows a company to pursue opportunities that enhance shareholder value. Ultimately, management teams can either redeploy free cash flow into additional organic growth opportunities, inorganic growth through mergers & acquisitions (M&A) or return capital to shareholders through dividends and buybacks. We believe understanding how management teams are deploying capital is critical is assessing the quality of a portfolio. The graph below illustrates the FCF yield of the Boston Partners International Equity portfolio versus the MSCI EAFE Index since 2011. On balance, the portfolio's FCF yield has been superior to that of the Index through time. And as we move into 2022 and 2023, the portfolio FCF yield relative to the Index looks increasingly robust, with levels exceeding those generators during the Euro crisis in 2011/'12 while the benchmark FCF generation has eroded. This FCF advantage, in relation to the Index, should underpin a healthy advantage in generating alpha.

Figure 1:
Boston Partners International Equity & MSCI EAFE Index
Free Cash Flow Yield 2011 through 2023



Data as of December 31, 2021.
Source: Bloomberg; Boston Partners Global Investors.
Estimates reflect subjective judgments and assumptions. There can be no assurance that developments will transpire as forecasted and that the estimates are accurate. Characteristics are for a representative account in the composite. Please refer to the last page for other important disclosures.

While a pillar of our process includes value, it also important to understand that our portfolio companies in aggregate generate solid earnings growth. We seek out businesses that are not only cheap but also are growing, which should help us avoid classic "value traps." We are happy to report that our expected operating income growth is relatively robust when compared with that generated by the Index. We believe this higher growth rate, at a lower implied portfolio P/E, should also create an advantage in generating alpha.

Figure 2:

MSCI EAFE Index

Operating Income 2010 through 2023

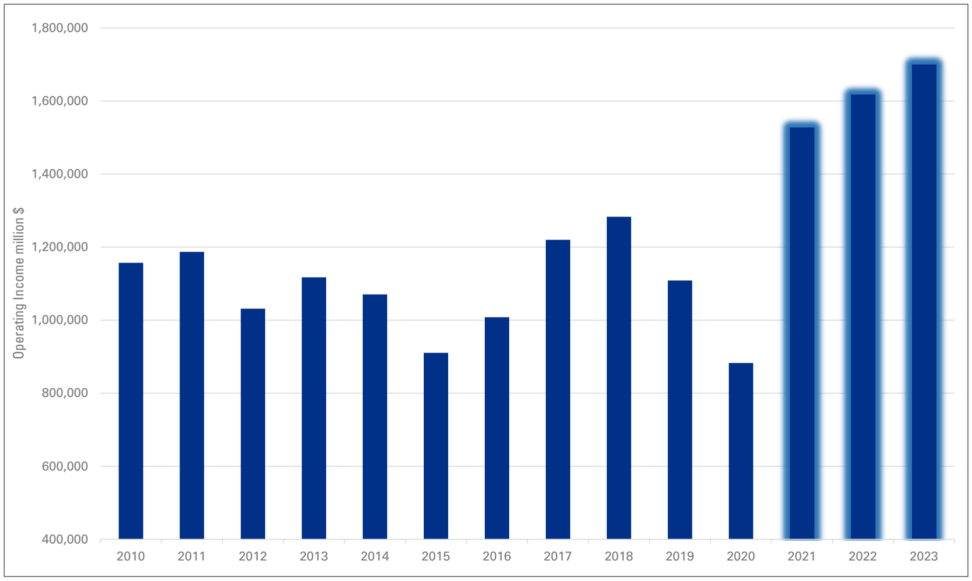


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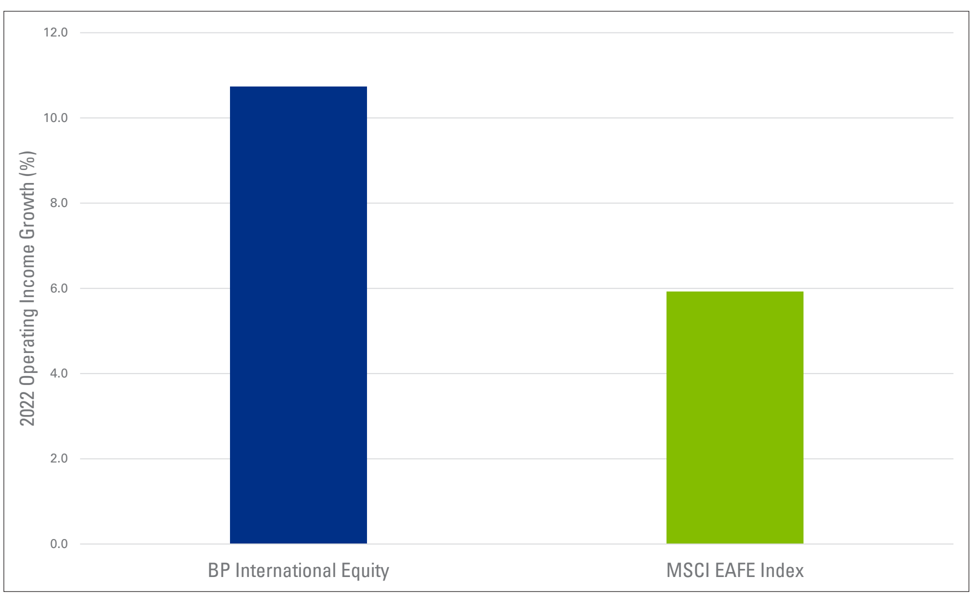
Figure 3:

Boston Partners International Equity & MSCI EAFE Index

2022 Operating Income Growth



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As can be seen below, despite better operating income growth, the portfolio is attractively valued relative to the MSCI EAFE Index.

Figure 4:

Boston Partners International Equity & MSCI EAFE Index

2022 Price/Earnings Ratio

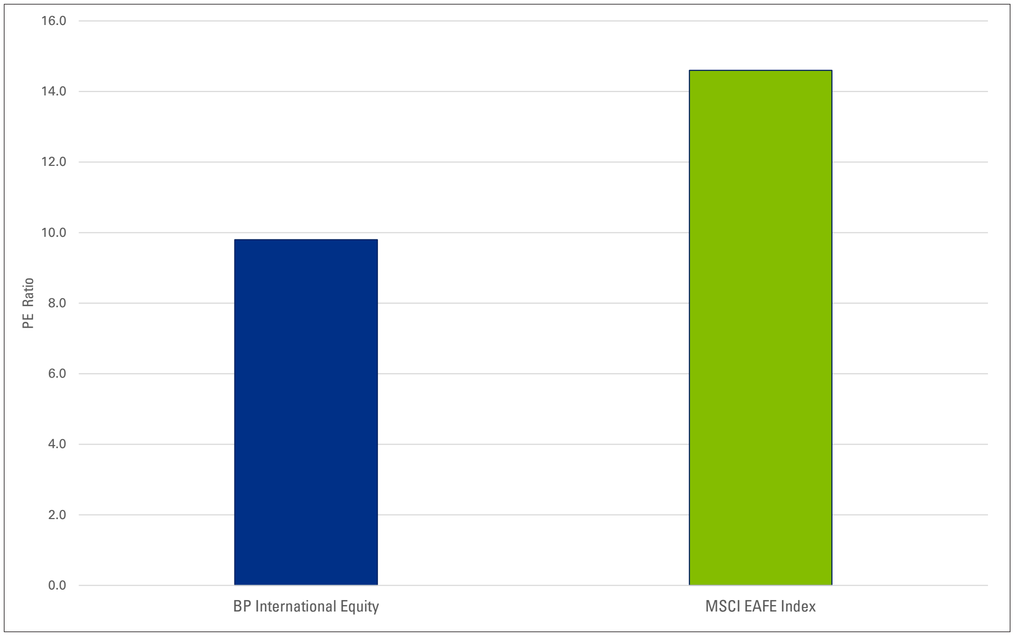

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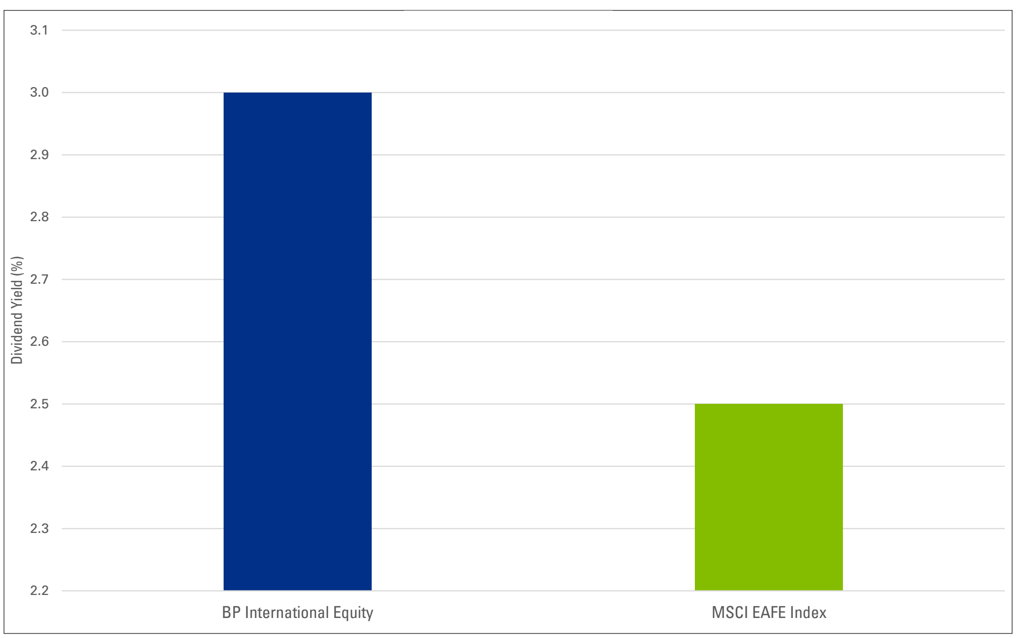
Figure 5:

Boston Partners International Equity & MSCI EAFE Index

Dividend Yield (%)



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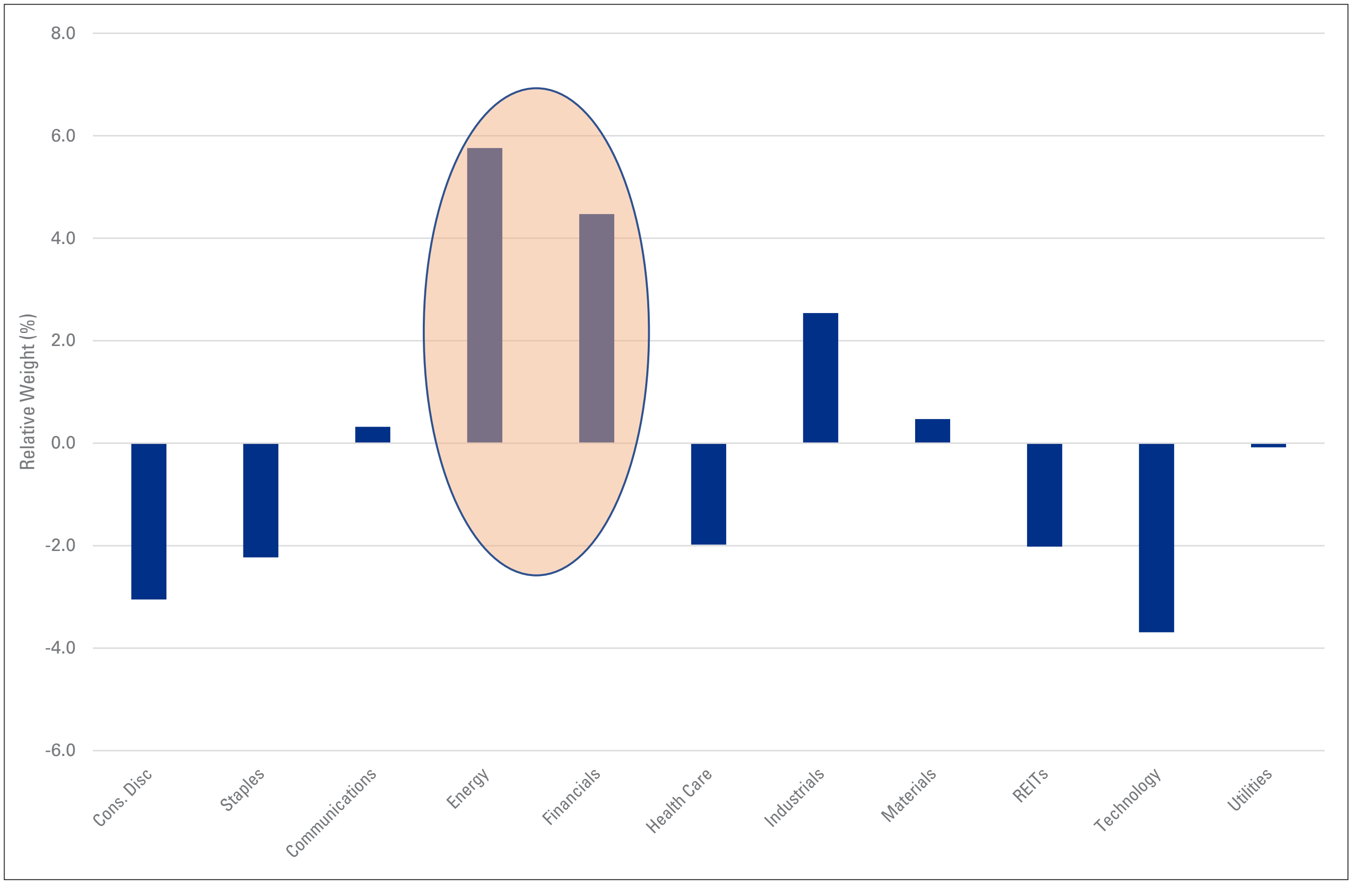
All Boston Partners portfolios are built from the bottom-up, with stocks of companies that embody the above attributes. Today, many Energy and Bank stocks display these characteristics, and the portfolio is positioned accordingly:

Figure 6:
Relative Sector Weighting
Boston Partners International less MSCI EAFE Index



Data as of December 31, 2021.
Source: Boston Partners Global Investors; MSCI.
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Why we like Energy

Putting aside the merits of environmental, social and governance (ESG) initiatives, the outcome of ESG cost of capital strategies in combination with years of poor capital allocation and shareholders returns in energy has created an under investment in many commodity sectors including energy. Even under bullish uptake scenarios for electric vehicles the world will remain dependent on oil for quite some time. Six or seven years ago there was an abundance of oil due to the fracking revolution. Since then, investment in hydrocarbons has decreased significantly. Energy companies are facing increasing pressure from capital markets to restrict investments in hydrocarbons and instead return capital to shareholders. The problem is that energy demand is inelastic and the transition to renewables will take longer than most people wish. Historically it has taken decades to move from one fuel source to another. The desire to move away from hydrocarbons before alternative sources are fully available has led to tight supply, rising demand, and impressive FCF generation from energy companies.

Figure 7:

MSCI EAFE Index: Energy Sector

Capital Expenditures 2010 through 2023

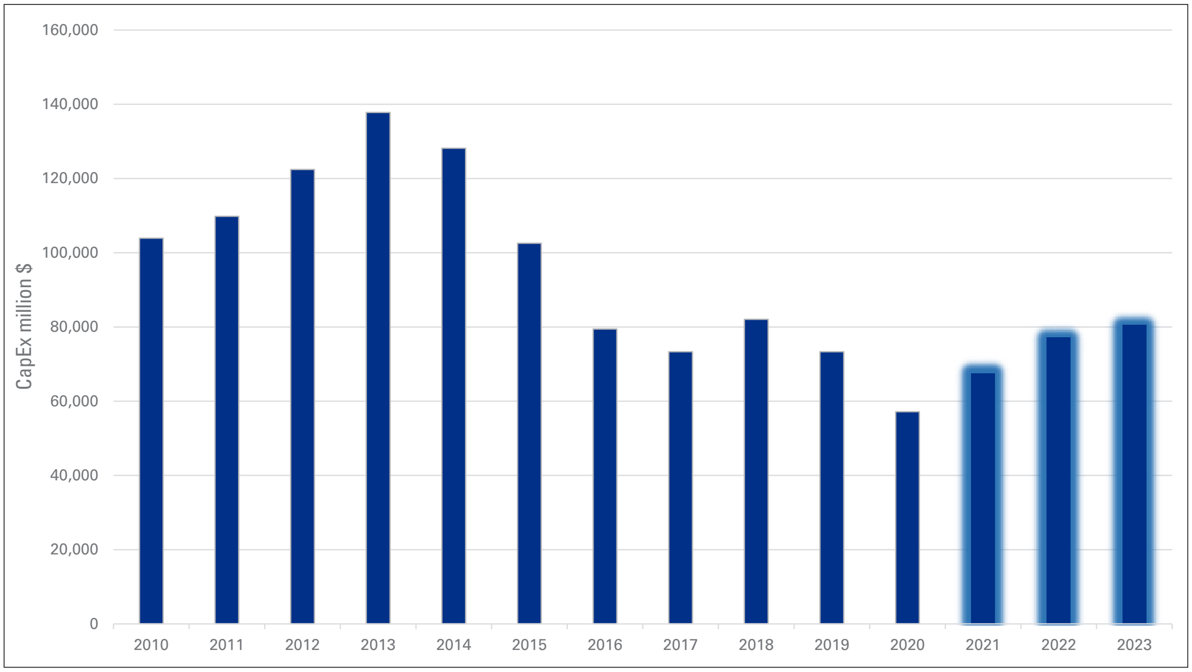

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Figure 8:

MSCI EAFE Index: Energy Sector

Operating Income 2010 through 2023

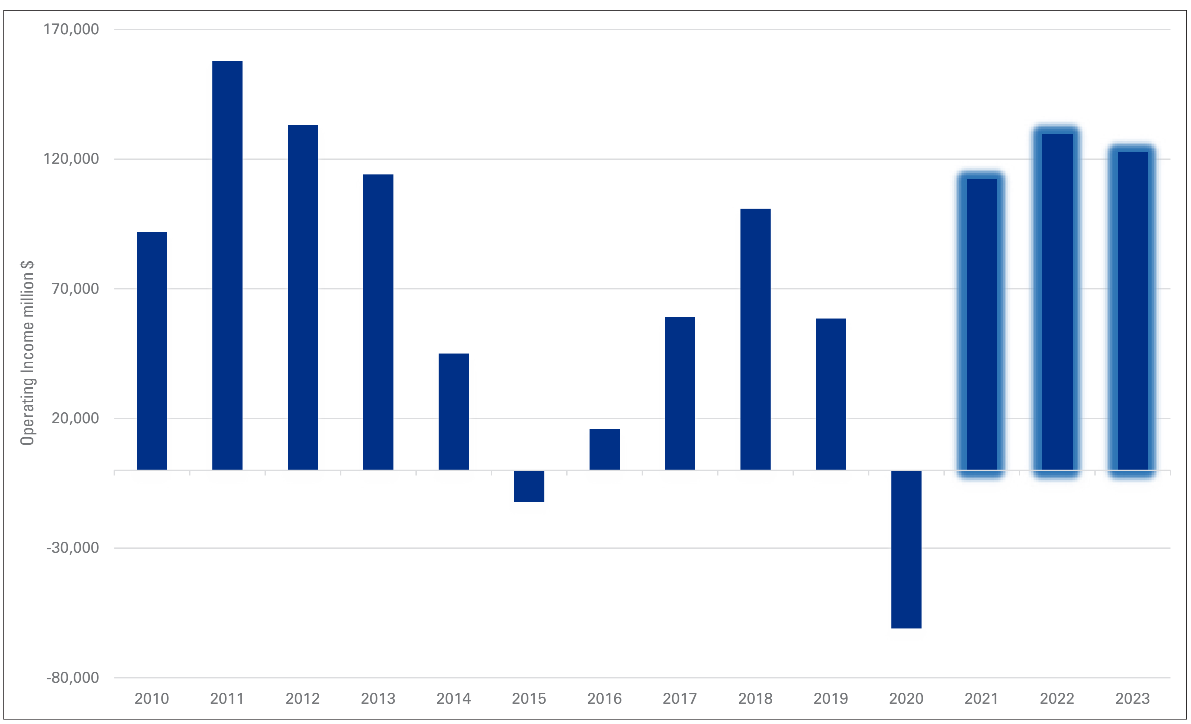

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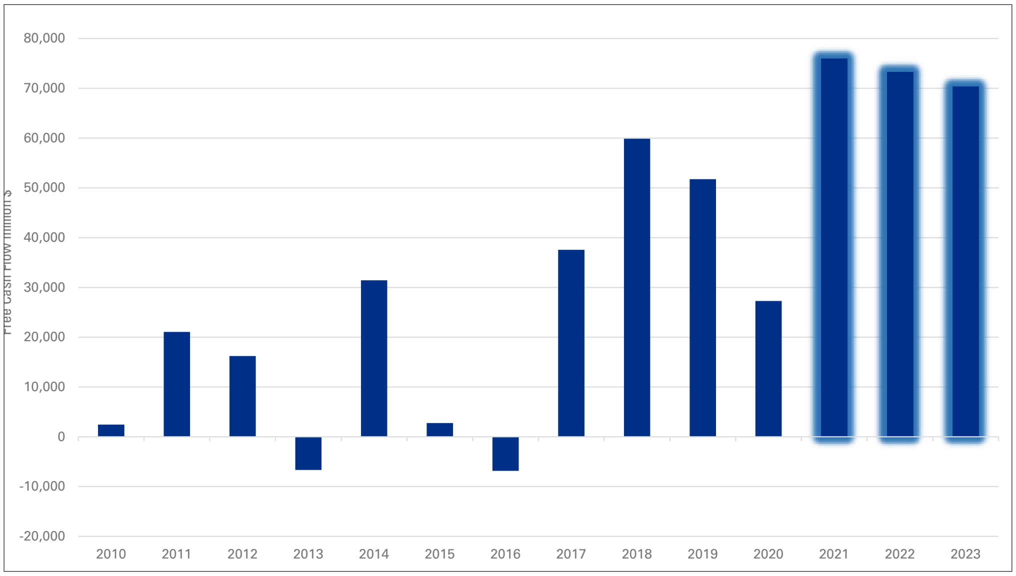
Figure 9:

MSCI EAFE Index Energy Sector

Free Cash Flow 2010 through 2023



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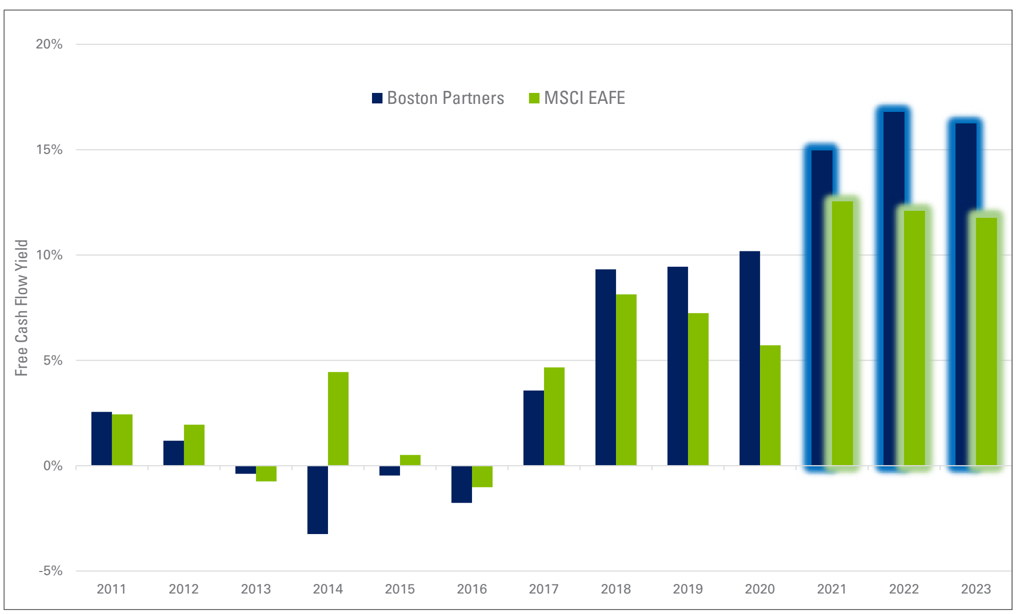
The portfolio currently holds energy positions offering FCF yields superior to the Index. Even if the prices of our energy holdings remain flat over the next several years, our energy holdings may still generate returns providing the FCF generation is returned to shareholders through dividends or buybacks.

Figure 10:

Boston Partners International Equity & MSCI EAFE Index Energy Sector

Free Cash Flow Yield 2011 through 2023



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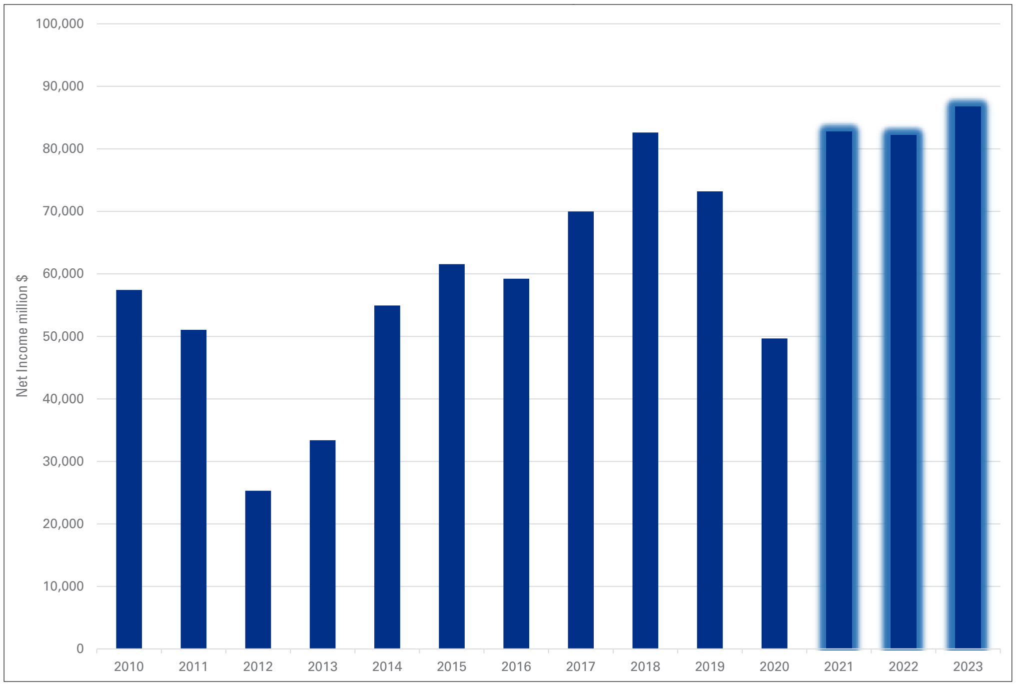
Why we like Banks

Over the past several years, persistently low interest rates have been a headwind to the price performance of European banks. Still net income steadily rose in the years before COVID-19 and looks set to resume its growth in the coming years.

Figure 11:

MSCI EAFE Index: European Banks

Net Income 2010 through 2023



Data as of December 31, 2021.
Source: Bloomberg; Boston Partners Global Investors.
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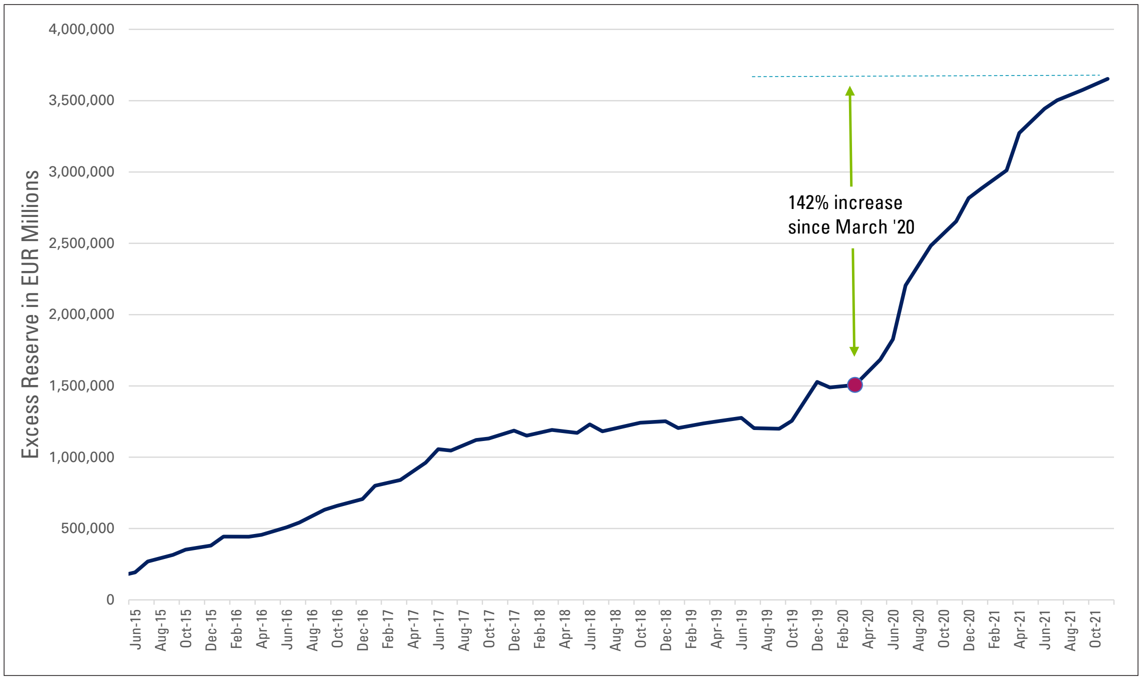
As with the Energy sector, Banks are rolling in excess cash that we anticipate will be returned to shareholders. The graph in Figure 12 shows the excess reserves on deposit with the European Central Bank. European banks have increased excess reserves by 142% since the onset of COVID-19 in March of 2020. Lenders were prevented by bank regulators from buying back shares or paying dividends in an effort to protect common equity capital from an expected wave of losses on bad loans that never materialized.

Figure 12:

European Central Bank Excess Reserves

June 2015 through November 2021



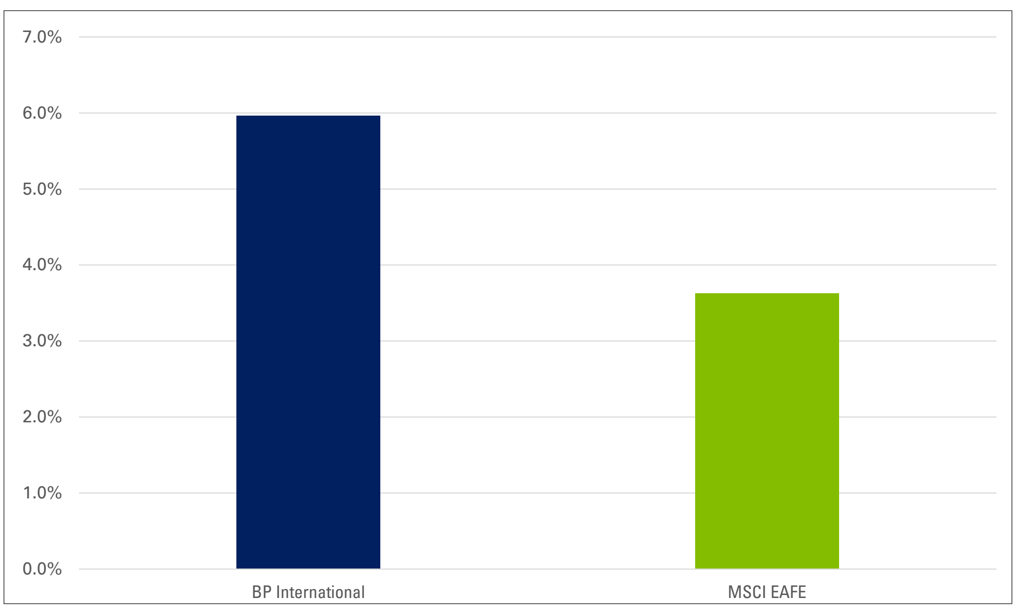
Data as of November 30, 2021.
Source: Bloomberg; European Central Bank.
Past performance is not an indication of future results. Please refer to the last page for other important disclosures.

As concerns about losses abate, much of these excess returns could be returned to shareholders. We are seeing that in the 2022 dividend payout growth projections.

Figure 13:

Boston Partners International Equity & MSCI EAFE Index

European Bank Positions: Expected 2022 Dividend Payout Growth



Data as of November 30, 2021.
Source: Bloomberg.
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Cash return could be higher still. For example, UBS Group is temporarily holding onto higher capital buffers to account for the upcoming resolution of a French Tax case. Even under a worst-case scenario, we believe UBS will have ample capital to return to shareholders over the next several years.

Despite higher net income, excess reserves, and the potential elevated capital returns, banks trade at attractive valuation levels based on their price-to-book ratios. The European banks in the MSCI EAFE Index trade at 0.8x book and the portfolio's European banks trade at 0.6x book. While banks have lower Returns on Equity than they did in the past, forward returns should improve as long as capital levels and capital returns are healthy.

Figure 14:

Boston Partners International Equity & MSCI EAFE Index

European Bank Positions: Price / Book

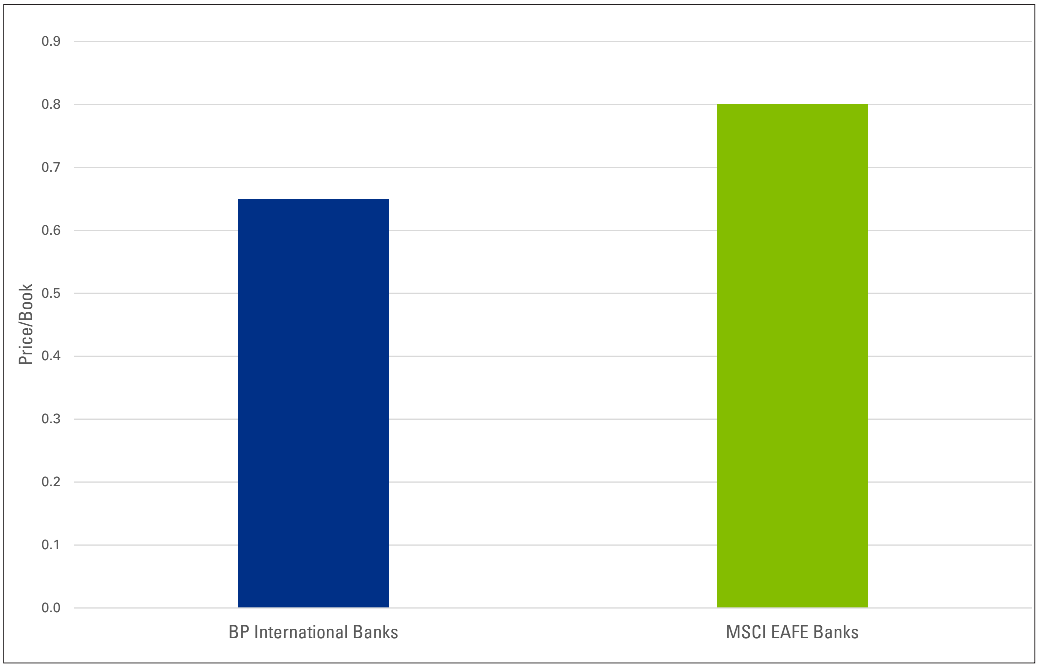

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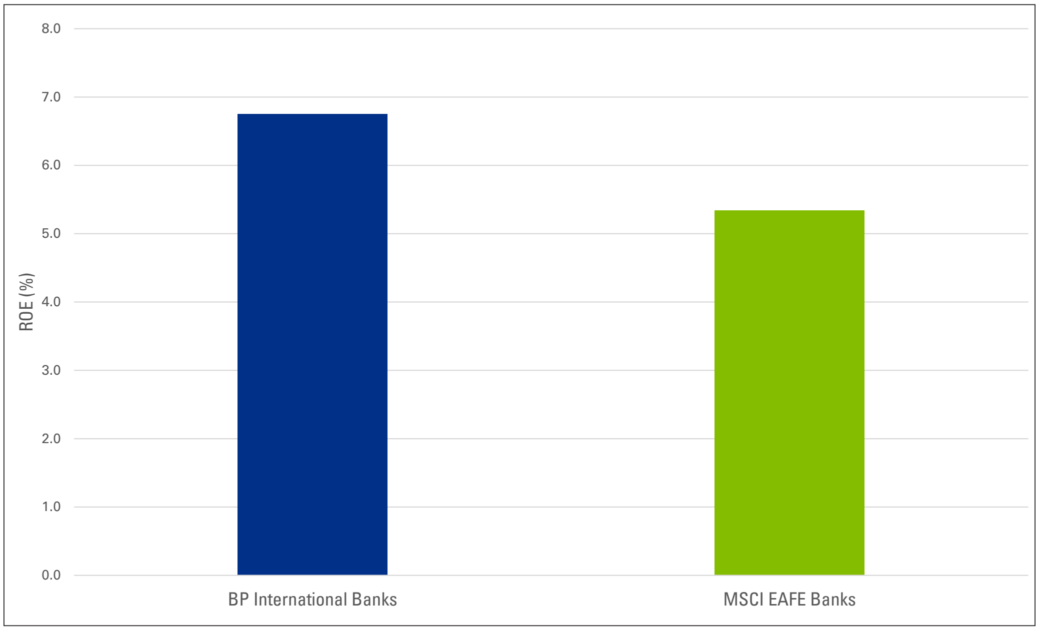
Figure 15:

Boston Partners International Equity & MSCI EAFE Index

European Bank Positions: Return on Equity



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Definitions

Alpha: A measure of performance, indicating when a strategy, trader, or portfolio manager has managed to beat the market return over some period.

Dividend Payout: The dividend payout ratio is the ratio of the total amount of dividends paid out to shareholders relative to the net income of the company. It is the percentage of earnings paid to shareholders via dividends. The amount that is not paid to shareholders is retained by the company to pay off debt or to reinvest in core operations. It is sometimes simply referred to as simply the payout ratio.

Dividend Yield: The dividend yield, expressed as a percentage, is a financial ratio (dividend/price) that shows how much a company pays out in dividends each year relative to its stock price.

Forward P/E: Forward P/E is a version of the ratio of price-to-earnings that uses forecasted earnings for the P/E calculation.

Inflation: Is a decrease in the purchasing power of money, reflected in a general increase in the prices of goods and services in an economy.

Interest Rate: The amount that is charged for a loan or purchase made on credit, typically expressed as an annual percentage of the loan or credit balance.

MSCI EAFE Index: The MSCI EAFE Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. The Index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 21 countries.

Price/Earnings: The price-to-earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its earnings per share (EPS). The price-to-earnings ratio is also sometimes known as the price multiple or the earnings multiple.

Price to book: Is the ratio of the market value of a company's shares (share price) over its book value of equity. A company with a high P/B ratio could mean the stock price is overvalued, while a company with a lower P/B could be undervalued.

Reopening trade: Seeks to invest in businesses that have been negatively affected by COVID-19 and are trading well below their valuation based on a normal operating environment.

Return on Equity: Measures the rate of return that the owners of common stock of a company receive on their shareholdings. Return on Equity signifies how good the company is in generating returns on the investment it received from its shareholders.

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.

Important Disclosure Information

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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 an account's 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 – U.S. 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. Investments in emerging markets may increase risks.

Index returns are provided for comparison purposes only to show how the composite's returns or characteristics 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.

Characteristics shown are for a representative account in the composite. However, individual portfolio results may vary.

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