

# Topsy Turvy

- 'Fiscal dominance' versus the bond market
- Is there upside in banks?
- Brazil and China lead Emerging and Digital Finance higher

## Track record of Robeco New World Financials (EUR) – 31 August 2025

	Fund	Index*	Rel. perf.
Last month	1.0%	0.8%	0.2%
Year to date	9.2%	7.3%	1.9%
1-year	24.1%	19.6%	4.5%
3-year (ann.)	16.5%	16.3%	0.2%
10-year (ann.)	11.5%	10.0%	1.5%

## Track record of Robeco New World Financials (USD) – 31 August 2025

	Fund	Index*	Rel. perf.
Last month	3.3%	3.1%	0.2%
Year to date	23.4%	21.3%	2.1%
1-year	31.3%	26.5%	4.7%
3-year (ann.)	22.5%	22.3%	0.2%
10-year (ann.)	12.0%	10.5%	1.5%

Source: Robeco

**Past performance is no guarantee of future results. The value of your investments may fluctuate.**

Returns gross of fees, based on gross asset value. 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. Performance since inception is as of the first full month. Periods shorter than one year are not annualized. Values and returns indicated here are before cost; the performance data does not take account of the commissions and costs incurred on the issue and redemption of units. \* MSCI All Country World Financials Index

### Last month's overview

Global equities rallied for the fifth month in a row on robust earnings, rate cut expectations, and a continuing AI investment theme. The MSCI AC World gained 2.5% in USD while Financials added 3.1% as measured by the MSCI AC World Financials index. Year to date, the best performing global industry is Banks (+27%), even better than Semiconductors, boosted by a +58% rally in European banks. Insurance and Financial Services also perform well in a global sector context. In any case, it is interesting to note that many markets are outperforming US equities this year, although this is in part explained by the weakness in the USD. And it is not just European countries like Spain (+52%), Italy (+40%) and Germany (+31%), also Asia (Korea +40%, China +26%, Singapore +27%) and Latin America

### PORTFOLIO MANAGER'S UPDATE AUGUST 2025

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(Mexico +31%, Brazil +27%) are outperforming US equities (+10% year-to-date) hands down. This is in sharp contrast to 2024, and does suggest US exceptionalism is losing some of its luster.

In that context, despite the equity market bullishness, there is this nagging feeling that things feel a bit upside down, or to speak in Mark Twain's words; 'topsy turvy'. Macro data from the US signals weakening growth, with upward price pressure. Economists typically call this 'stagflation'. Frontloading of orders and the initial decision by corporates to keep sticker prices flat in the hope that tariffs noise would be temporary, initially kept inflationary impact muted but core PCE is now running at 2.9%, which is well above target. At the same time, US labour market conditions are weakening, and the political pressure on the Fed's independence has been immense in recent months. The combination of aggressive fiscal primary spending with a politically biased dovish Fed is called 'Fiscal Dominance'. At Jackson Hole, Fed chairman Powell indeed opened the door to rate cuts in September. Risk markets cheered, but something unprecedented is happening. For the first time since the 1980s, 10-year treasury yields are rising after rate cuts began. Bond markets are basically repricing inflation higher while being aware that a dovish Fed will not react to higher inflation. The long end of the yield curve hence becomes the release valve, and we observe a (bear) steepening of the yield curve. We are watching the warning signals sent by the bond market, as it could derail equity sentiment, but it is good to remember that historically speaking, the best returns for global equity markets occur in the fourth quarter. We moreover see a solid global earnings revisions picture, and abundant liquidity, and this typically supports equities. It is this topsy turvy market that investors need to navigate.

After stellar performance of our **Aging Finance** and **Emerging Finance** banks, especially the European ones, it is fair to wonder what potential upside there is left from here. The key observation is that for the first time since 2007 European banks as a group are earning a return *above* the cost of capital. This justifies a higher valuation multiple. There is also a solid case for a lower discount rate. The discount rate for European banks has indeed declined following strong performance, but they continue to trade at a sizeable discount relative to the market, and US peers. Creating Economic Value Add is a key component of our investment philosophy as it is a great predictor of future performance. A great example is BBVA, up 69% for the year. Its Spanish and Mexican operations are firing on all cylinders, translating into best in class ROE's. Given its profitability, BBVA is on track to return EUR 30bn in capital to shareholders between 2025 and 2028, equivalent of 30%+ of its market cap. Another example is Standard Chartered, which for most of the 2010's struggled to make cost of capital, but now is on track to hit 13% RoTE as revenue growth and positive operational leverage is lifting profitability. Deutsche Bank (+84% year-to-date) is a slightly different story as the bank is not yet producing a return above cost of capital, but we do see a very clear path towards 10%+ ROE. The main take away; yes, stock prices have run up, but banks' operational quality has greatly improved, and valuations have hardly kept up with that reality. Outside of Europe, Royal Bank of Canada (RBC) is another great example. RBC reported strong 2Q25 numbers and posted a ROE of 17.7% led by strength in Capital Markets and Wealth Management. It highlights the validity of our core thesis to focus on financials that generate positive Economic Value Add and have a heavy bias towards fee generating business, recognizing the peaking interest rate environment. Our tilt to emerging market financials also continues to pay off in 2025, with sound results driving Brazil's Itau Bank, Vietnam's Techcom Bank and ACB, all contributing to fund performance in August

Also in **Digital Finance**, our emerging market exposure continues to shine. NU Holdings' share price gained 18% in August, driven by a 42% year-over-year increase in loan growth. NU reported over 100 million active customers across Brazil, Mexico, and Colombia, NU is seeing a material pickup of growth in payroll loans (secured), while reaccelerating credit card and PIX financing (unsecured) in Brazil. While operations are still developing in Mexico and Colombia, NU has already gained 12 million customers in Mexico, with over 6 million receiving a credit card. StoneCo (+26%), also operating in Brazil, has been in recovery mode in 2025 as its core merchant acquiring business is recovering now that interest rates are easing somewhat. Stone moreover is in the process of selling its software business (Linx) generating BRL 4 billion in proceeds (~20% of market cap) even though the business represents ~5% of net income. We expect that excess cash will be returned to shareholders. In China, which is experiencing a stealth bull market, East Money Information (+23%) continues to dominate online retail brokerage. The company reported 2Q25 results that exceeded expectations, driven by a large increase in retail trading activity

during the period. The average daily turnover of Chinese A-shares increased 52% year-over-year, underlining increased risk appetite of Chinese retail investors, which is a big shift compared to a year ago.

### Performance

Robeco New World Financials had a return above the benchmark as the fund returned 1.0% (gross euro fund returns if not stated otherwise) versus the index return of 0.8% during August. Over the last three years, the annualized returns of the fund and the index are 16.5% and 16.3%, respectively. After two years of being rated Neutral due to a team change in early 2020, Morningstar changed the rating back to Bronze in February 2022. During February of this year, Morningstar did an annual review, and the bronze rating has been confirmed. Find more details at the Morningstar website ([www.morningstar.com](http://www.morningstar.com)).

As shown in the table below two trends contributed positively to performance, with Emerging Finance a little bit better than Aging Finance. The best contributors to performance were NU Holdings, Itaú Unibanco, Techcom Bank, StoneCo, Banco Bilbao Vizcaya Argentaria, Aegon, Royal Bank of Canada and East Money Information. The biggest detractors to performance were Coinbase, HDFC Bank, KKR and Tradeweb. The industry groups Banks and Insurance had the best positive contribution to performance while Capital Markets and Financial Services detracted the most.

**Figure 1** – Top / bottom company performance

Performance contribution August	
Emerging Finance Positive contribution	
Top 3	Bottom 3
Itaú Unibanco Techcom Bank Banco Bilbao Vizcaya Argentaria	HDFC Bank Hana Financial Kotak Mahindra Bank
Aging Finance Positive contribution	
Top 3	Bottom 3
Aegon Royal Bank of Canada Deutsche Bank	KKR Ameriprise Financial AIA Group
Digital Finance Negative contribution	
Top 3	Bottom 3
NU Holdings StoneCo East Money Information	Coinbase Tradeweb Transunion

Source: Robeco, August 2025

### Portfolio changes

In Emerging Finance, we added to our positions in **Bank Rakyat Indonesia** while we reduced positions in **Bank of the Philippine Islands**. We added a new position with **Saudi National Bank**, which offers growth exposure in the Middle East at attractive prices as the region is investing heavily to diversify the economy. The weight in Emerging Finance increased by 50bps to 31.8% of the overall portfolio. In Digital Finance, we added to the positions of **Coinbase** while we reduced the positions in **Robinhood Markets** and **Equifax**. We re-introduced **Charles Schwab** to the strategy as it offers growth at reasonable valuations as its interest income continues to recover. We also participated in the IPO of Digital Assets exchange **Bullish**, and the stock jumped 84% on first day of listing. The weight in Digital Finance decreased by 30bps to 30.8%. In Aging Finance, we added to our positions in **Allianz** while we reduced positions in **Blackrock** and **Deutsche Bank** after very strong performance over the last few months. We made a new investment in **AXA** as we see strong investment opportunities in Europe and a stronger European Savings and Investment Union should also benefit AXA. The weight in Aging Finance decreased by 20bps to 37.4%. Our current active share is close to 75%, well above the Morningstar category Global Financials.

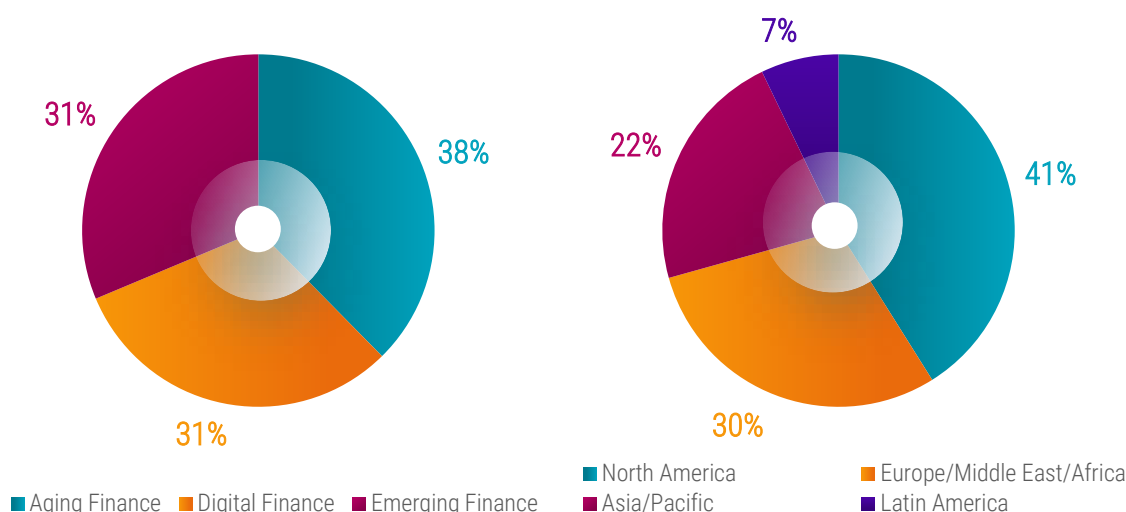
Figure 2 - Top 5 over- & underweights

Overweights		Underweights	
Citigroup	2.1%	JPMorgan Chase	-5.4%
Prudential Plc	2.1%	Berkshire Hathaway	-4.4%
Deutsche Bank	2.1%	Mastercard	-3.3%
AIA Group	2.0%	Visa	-2.1%
Ameriprise Financial	2.0%	Wells Fargo	-1.7%

Source: Robeco, August 2025.

The data stated above may differ from data on the monthly factsheets due to different sources. The companies shown in this table are for illustrative purposes only in order to demonstrate the investment strategy on the date stated. It cannot be guaranteed that the strategy/fund will consider the companies in the future. No reference can be made to the future development of the companies.

Figure 3 – Trend and regional breakdown



Source: Robeco, August 2025.

This is the current overview as of the date stated above and not a guarantee of future developments. It should not be assumed that any investments in regions or trends identified were or will be profitable.

## Outlook

As we enter 2H25, we note that equity markets continue to be highly correlated with the direction of global liquidity indicators. The course of action in (real) interest rates, credit spreads and global central bank policies will continue to set the tone, especially for financials. Bond yields are sending strong signals worldwide that we are entering a new inflationary regime, but the peak in rates seems in. The Covid pandemic, the subsequent massive government stimulus, and rising geo-political risks have reset the global economy with higher structural inflation as a result. This aligns with our consistent view that the days of zero interest rates policies are behind us, and that new reality is positive for nearly all financials. On top of that, after 15 years of tightening regulation for financials post the Global Financial Crisis, we believe we are entering a new phase where we start seeing a slow reversal of some of the more onerous aspects of the previous regime. It would be great news for the earnings outlook, return profile and cost of capital of many financials, but change will be slow and unevenly spread.

At the start of the year consensus was for a strong dollar, but that view clearly did not play out. Consensus is now for continued dollar weakness and we agree this is the path of least resistance. US dollar weakness is also eating into the total returns of non-dollar investors, and this jives with our view that non-US assets are relatively more attractive since valuations are cheap and positioning remains light, although not as underweight as compared to the start of the year. Having said that, there are plenty of strong US companies trading attractively so stock selection remains key.

In **aging finance**, we have seen a shifting of the retirement burden from the state or corporation to the individual and this provides a long-term structural growth opportunity for well positioned financial services companies. From 2023 to 2028 the entirety of asset management revenue growth is set to be driven by alternatives (private markets), which are expected to grow at a 11.5% CAGR and approach almost half of total revenues by 2028. Encouragingly, despite strong performance in 2024 there remain clear pockets of undervaluation, even as certain segments, such as alternative asset managers, retail brokers, and investment banks, have experienced a valuation re-rating. We see the pipeline for M&A deals and IPOs while especially the US is benefiting from a markedly pro-business climate, which augurs well for deal-making. This trend stands to benefit global **investment banks** in the US, but also Europe and Asia. **Alternative asset managers** are well-positioned to deliver robust growth in fee-related earnings over the next five years. Combined with an improving exit environment, this momentum is expected to facilitate new AuM gathering, further justifying premium valuations compared to traditional asset managers. After a year of lacklustre returns in 2024, **life insurers** are poised for much-improved performance. A notable trend driving this resurgence is the growing involvement of alternative asset managers, which have been acquiring assets and liabilities from life insurers or forming strategic partnerships with them. New business growth looks especially promising in Asia, where life insurers have been deeply discounted due to concerns surrounding China. However, Europe and the US also present strong growth opportunities, driven by rising demand for pre-retirement savings, post-retirement annuity income. Performance in 1H25 has been strong, and this should continue in the second half of the year.

The **emerging finance** trend focuses on the growth of the global middle class, especially in emerging markets, where financial penetration is still low. Emerging market economic growth has been resilient in 2024 with material progress on disinflation supporting emerging market central bank easing. However, relative equity market performance in 2024 was a different story. Policy uncertainty and implications for emerging market central banks' capacity to lower rates is weighing on emerging markets into 2025. Whereas uncertainty remains high, we note many emerging markets have proven to be resilient to significant shocks (Covid, Russia-Ukraine war, China's slowdown) in recent years partly owing to better macro policy management reflected in contained current account deficits. Finally, emerging market FX is already meaningfully cheaper today than at the outbreak of Trump's first trade war in 2018 and emerging market assets are attractively valued relative to global peers and history. This view is clearly paying off in 2025, and we are optimistic for the remainder of the year.

With the Magnificent Seven grabbing headlines, the outperformance of **digital finance** companies has flown under the radar in 2024. The fintech sector continues to demonstrate robust growth and innovation, driven by several key trends and developments. By focusing on key trends such as alternative payment methods, increased capital

market activity, and AI adoption, we can identify and capitalize on the most promising opportunities within the fintech landscape.

Digital wallets like PayPal, Apple Pay, Venmo, CashApp, and Shop Pay continue to grow transaction volumes. In the US, digital wallets accounted for 37% of total ecommerce transaction value and 15% of point-of-sale transaction value in 2023. The appeal lies in increased user convenience and reduced fraud risks, driving the shift away from manual card entries, card-on-file, and cash. Buy-now-pay-later providers like Afterpay, Affirm and Klarna represented 5% of ecommerce payments and just 1% of offline payments in 2023, but are gaining traction. Affirm grew its total platform portfolio 35% year-over-year to USD 11.8 billion at the end of September 2024. As a reference, card behemoth Capital One grew its gross loan book by 2% to USD 320 billion in that same period. Anecdotally, we have seen pay-by-bank payment options being promoted by merchants in recent months. It is a trend to watch as these volumes do not go over the card networks.

We also expect a resurgence in private fintech funding and a wave of initial public offerings (IPOs) in 2025. Notable companies like Klarna and Chime Financial have already submitted confidential filings for IPOs, signalling a strong pipeline of fintech companies ready to go public. This renewed interest in capital markets is likely to provide significant growth opportunities for fintech companies and investors alike.

One of the most transformative trends we are watching in 2025 is the adoption of **AI agents**. AI agents are capable of autonomously performing tasks on behalf of a user, and can enhance efficiency, reduce costs, and improve customer experiences by automating complex tasks. In a digital finance world, that means thousands of white-collar jobs at financial institutions are in line to be augmented by AI. We firmly believe that most incumbents will be slow to respond to these platform shifts and that digitally native or 'tech-first' companies are much better placed to adjust and benefit from the wave of incoming AI solutions. Having said that, as Enterprise GenAI adoption is still in early innings, we have to have an open mind when it comes to picking winners and losers.

Where we sit today, we see several of our holdings well placed to benefit from the AI revolution. Companies like nCino, Epam and Endava, which offer advanced financial infrastructure solutions, could benefit from this trend as AI agents integrate well within existing workflows. Data & Analytics behemoths like S&P Global have been plugging copilots to its customers to support with credit analysis, portfolio reporting and banking workflows. Credit agents can collect and interpret financial documents, handle transcripts, and manage legacy systems like a credit analyst. As the blockchain offers instant settlement, digital assets companies like Coinbase will likely see far more blockchain transactions between two AI agents. The first transaction was AI agents exchanging a piece of text for a micropayment.

## General

Robeco New World Financials is a long-only equity capability that is available as a Luxembourg-listed capital growth fund. Assets under management are around EUR 560 million / USD 650 million from retail, wholesale, and institutional clients.

## Investment Team

Patrick Lemmens (32 years of experience) started as the fund manager in 2008. Per March 2020, Koos Burema (18 years of experience) and Michiel van Voorst (29 years of experience) have complemented Patrick Lemmens. Mariia Semikhatova (18 years of experience) joined in 2023 as an analyst.

## Investment Philosophy

- Our mission is to benefit from the increase in book value of financials that are well positioned in strong growth trends. We believe we can identify trends early and identify financial companies that will capture that growth. The team's experience and global approach are key to recognizing company management's superior execution skills required to benefit from growth in the global financial infrastructure, emerging markets, global wealth management and global capital markets.
- We combine our top-down allocation to these trends with stock-picking within these trends based on both fundamental and quantitative research techniques.

## Investment themes

### *Aging Finance*

- Aging Finance is about the need for financial lifecycle planning. An important part is how to build enough savings to retire comfortably.
- Absolute return investing is increasingly gathering flows as larger numbers of people retire. Many of our investments are pension or life insurance related. For example, we invest in wealth managers with exposure to alternative assets. The demand for smart beta and ETFs is behind our investment in for example S&P Global.



### *Digital Finance*

- Digital Finance is first of all about changes in global payments. We are increasingly moving from paying with cash to paying with cards and electronic payments. Separately, mobile payments are growing very rapidly.
- More and more financials are outsourcing their IT including even the front office operations and software.

### *Emerging Finance*

- The Emerging Finance trend focuses on the growth of the global middle class. In emerging markets, the middle class is growing fast while financial penetration is low.
- In developed markets we look for financials that can grow by providing often basic financial services in an innovative way or with limited competition.





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**Additional information for investors with residence or seat in Mexico**

The funds have not been and will not be registered with the National Registry of Securities or maintained by the Mexican National Banking and Securities Commission and, as a result, may not be offered or sold publicly in Mexico. Robeco and any underwriter or purchaser may offer and sell the funds in Mexico on a private placement basis to Institutional and Accredited Investors, pursuant to Article 8 of the Mexican Securities Market Law.

**Additional information for investors with residence or seat in Peru**

The Superintendencia del Mercado de Valores (SMV) does not exercise any supervision over this Fund and therefore the management of it. The information the Fund provides to its investors and the other services it provides to them are the sole responsibility of the Administrator. This Prospectus is not for public distribution.

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**Additional information for investors with residence or seat in Spain**

Robeco Institutional Asset Management B.V., Sucursal en España with identification number W0032687F and having its registered office in Madrid at Calle Serrano 47-14º, is registered with the Spanish Commercial Registry in Madrid, in volume 19.957, page 190, section 8, sheet M-351927 and with the National Securities Market Commission (CNMV) in the Official Register of branches of European investment services companies, under number 24. The investment funds or SICAV mentioned in this document are regulated by the corresponding authorities of their country of origin and are registered in the Special Registry of the CNMV of Foreign Collective Investment Institutions marketed in Spain.

**Additional information for investors with residence or seat in South Africa**

Robeco Institutional Asset Management B.V. is registered and regulated by the Financial Sector Conduct Authority in South Africa.

**Additional information for investors with residence or seat in Switzerland**

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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 ACOLIN Fund Services AG. The prospectuses are also available via the website.

**Additional information for investors with residence or seat in Taiwan**

The Funds may be made available outside Taiwan for purchase outside Taiwan by Taiwan resident investors, but may not be offered or sold in Taiwan. The contents of this document have not been reviewed by any regulatory authority in Taiwan. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

**Additional information for investors with residence or seat in Thailand**

The Prospectus has not been approved by the Securities and Exchange Commission which takes no responsibility for its contents. No offer to the public to purchase the Shares will be made in Thailand and the Prospectus is intended to be read by the addressee only and must not be passed to, issued to, or shown to the public generally.

**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.

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**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 under 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 27 September 1996, as amended.