

# Robeco N.V.

(As of 1 March 2017: Robeco Global Stars Equities N.V.)

Investment company with variable capital incorporated under Dutch law  
Undertaking for Collective Investment in Transferable Securities  
Chamber of Commerce registration number 24041906

# 16

Annual report 2016

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# Robeco N.V.

(investment company with variable capital, having its registered office in Rotterdam, the Netherlands)

## Contact details

Weena 850  
PO Box 973  
NL-3000 AZ Rotterdam  
Tel. +31 - 10 - 224 12 24  
Fax +31 - 10 - 411 52 88  
Internet: [www.robeco.com](http://www.robeco.com)

## Management board (and manager)

Robeco Institutional Asset Management B.V. ("RIAM")

Management Board members:

Gilbert Van Hassel (from 19 September 2016)

Leni Boeren (until 19 September 2016)

Hester Borrie (until 1 May 2016)

Hans Rademaker (until 1 May 2016)

Roland Toppen (from 7 March 2016)

Peter Ferket (from 7 November 2016)

Karin van Baardwijk (from 7 November 2016)

Supervisory directors:

Jeroen Kremers (chairman) (from 13 May 2016)

Gihan Ismail (from 13 May 2016)

Masaaki Kawano (from 26 May 2016)

Jan Nooitgedagt (from 13 May 2016)

## Custodian

Citibank Europe PLC  
Schiphol Boulevard 257  
NL-1118 BH Schiphol

## Fund managers

Mark Glazener

Dirk Hoozemans (until 1 January 2017, from 1 January 2017: Jan Keuppens)

## Paying agent

ABN AMRO Bank N.V.  
Gustav Mahlerlaan 10  
NL-1082 PP Amsterdam

## Fund agent

ING Bank N.V. (from 18 November 2016)

Bijlmerplein 888

NL-1102 MG Amsterdam

Rabobank International (until 18 November 2016)

Europalaan 44

NL-3526 KS Utrecht

## Independent auditor

KPMG Accountants N.V.

Laan van Langerhuize 1

NL-1186 DS Amstelveen

# Report by the board

## General information

### Legal aspects

Robeco N.V. (the 'fund') is an investment company with variable capital established in the Netherlands. The fund is an Undertaking for Collective Investment in Transferable Securities (UCITS) within the meaning of the Council Directive for Investment Institutions dated 13 July 2009 (Directive 2009/65/EG, "UCITS IV"). UCITS have to comply with certain restrictions to their investment policy in order to protect investors. The UCITS V directive (Directive 2014/91/EU) comes into force with effect from 18 March 2016.

### Changes in the structure of Robeco Groep N.V. and Robeco Institutional Asset Management B.V.

In May 2016, Robeco Groep N.V. announced its intention to split the activities of Robeco Institutional Asset Management B.V. ("RIAM") off from those of the Robeco Group. After a transition period, Robeco Groep N.V. is to be changed into a financial holding. By means of this new governance structure, the activities at holding level are to be clearly separated from the asset management activities of subsidiary companies Boston Partners, Harbor Capital Advisors, Transtrend, RobecoSAM and RIAM. RIAM now has its own Supervisory Board, composed of Jeroen Kremers (chairman), Gihan Ismail, Masaaki Kawano and Jan Nooitgedagt.

### Investment in IT systems by RIAM

During 2016, RIAM started on the implementation of a new system which will include accounting and the calculation of net asset values. The implementation was completed on 1 February 2017. The investment in this system is part of RIAM's policy of reducing its operational risks by means of systems that are the market standard. More information on operational risk is provided on page 22.

### Share classes

The ordinary shares are divided into two series, both of which are open. Each series is designated as a share class. The series include the following share classes:

Share class A: Robeco

Share class B: Robeco - EUR G.

The management fee for the Robeco - EUR G share class (without distribution fee) is lower than for the Robeco share class.

### Allocation to share classes

The administration of the fund is such that attribution of the results to the different share classes takes place on a daily basis and pro rata. Issues and repurchases of own shares are registered per share class. The differences between the various share classes are explained in notes 13, 15 and 18 to the financial statements.

### Tax features

On the basis of Article 28 of the Dutch Corporate Income Tax Act, the fund has the status of a fiscal investment company. This means that 0% corporate-income tax is due, providing that, after deducting 15% in Dutch dividend tax, the fund makes its profit available for distribution to shareholders in the form of dividend within eight months of the close of the financial year and satisfies any other relevant regulations.

### Liquidity of ordinary shares

The fund is an open-end investment company, meaning that, barring exceptional circumstances, it issues and repurchases ordinary shares on a daily basis at prices approximating net asset value, augmented or reduced by a limited surcharge or discount. The only purpose of this surcharge or discount is to cover the costs made by the fund related to the entry and exit of investors. The maximum current surcharge or discount is 0.35%. Surcharges and discounts will be offset directly against the fund assets.

The Robeco share class is listed on Euronext Amsterdam<sup>1</sup>, Euronext Fund Service segment. In addition, the fund is listed on the stock exchanges of Berlin, Dusseldorf, Frankfurt, Hamburg, Luxembourg, Munich, Paris, Vienna and Zurich.

The share class Robeco - EUR G is listed on Euronext Amsterdam<sup>1</sup>, segment Euronext Fund Service.

<sup>1</sup>Depending on the distributor, investments can be made in Robeco or Robeco - EUR G.

## Key investor information and prospectus

A prospectus and a key investor information document with information on the product and its associated costs and risks are available for Robeco N.V. Both documents are available free of charge at the fund's offices and at [www.robeco.com](http://www.robeco.com).

## Information for investors in the respective countries

The information below applies only to investors in the respective countries.

### Representative and paying agent In Switzerland

RobecoSAM AG, Josefstrasse 218, CH-8005 Zurich, is the fund's appointed representative in Switzerland. Copies of the Key Investor Information, the Prospectus, Articles of Association, annual and semi-annual reports, and a list of all purchases and sales in the fund's securities portfolio during the reporting period are available from the above address free of charge. UBS Switzerland AG, Bahnhofstrasse 45, CH-8001 Zurich, is the fund's paying agent in Switzerland. Postal address: Badenerstrasse 574, Postfach, CH-8098 Zürich.

### Representative and paying agent in Germany

State Street Bank GmbH - Frankfurt Branch (Agent Fund Trading), Solmsstrasse 83, D-60486 Frankfurt am Main is the fund's appointed representative in Germany. The information address for Germany is Robeco Deutschland, Taunusanlage 17, D-60325 Frankfurt am Main. The prospectus, the Articles of Association and the annual/semi-annual reports may be obtained free of charge from the information address. The prices at which shares are bought and sold are published on [www.robeco.de](http://www.robeco.de).

### Financial services in Belgium

CACEIS Belgium N.V., Havenstraat 86C Bus 320, 1000 Brussel, is appointed as financial-services provider in Belgium. The most recent periodic reports, the prospectus and the Key Investor Information and other information about the fund are available from them in Dutch and English.

## Translations

This report is also published in Dutch and German. Only the original Dutch edition is binding and will be submitted to the General Meeting of Shareholders. The original financial statements were drafted in Dutch. This document is an English translation of the original. In the case of any discrepancies between the English and the Dutch text, the latter will prevail.

## Key figures per share class

### Overview 2012-2016

Robeco	2016	2015	2014	2013	2012	Average
<b>Performance in % based on:</b>						
- Market price <sup>1,2</sup>	6.7	8.0	18.5	21.3	13.9	13.5
- Net asset value <sup>1,2</sup>	6.3	7.8	17.6	20.3	15.5	13.4
MSCI World Index <sup>3</sup>	10.7	10.4	20.1	21.9	14.7	15.5
Dividend in euros <sup>4</sup>	1.00	1.20 <sup>8</sup>	0.80	0.80	0.80	
Total net assets <sup>5</sup>	1.4	1.6	2.3	3.3	4.1	

Robeco - EUR G	2016	2015	2014	2013 <sup>6</sup>	Average <sup>7</sup>
<b>Performance in % based on:</b>					
- Market price <sup>1,2</sup>	7.2	8.5	19.1	16.7	13.0
- Net asset value <sup>1,2</sup>	6.8	8.3	18.2	17.4	12.8
MSCI World Index <sup>3</sup>	10.7	10.4	20.1	18.5	15.1
Dividend in euros <sup>4</sup>	1.00	1.00	0.80	0.80	
Total net assets <sup>5</sup>	1.4	1.4	1.4	0.4	

<sup>1</sup> Possible differences between the performance based on market price and on net asset value are caused by the fact that the last market price of the reporting period and the net asset value are determined at different times. The last market price of the reporting period is the price on the last market day of the reporting period and uses the price data at 06:00h. The net asset value is based on the valuation figures from the close of trading on that same day.

<sup>2</sup> Any dividend payments that are distributed in any year are assumed to have been reinvested in the fund.

<sup>3</sup> Currencies have been converted at rates supplied by World Market Reuters.

<sup>4</sup> The dividend relates to the reporting year mentioned and is distributed in the following year. Proposed for 2016. Further information on the proposed dividend can be found in the section Proposed profit appropriation on page 37.

<sup>5</sup> EUR x billion.

<sup>6</sup> Concerns the period from 25 January through 31 December 2013.

<sup>7</sup> Concerns the average over the period 28 January 2013 through 31 December 2016.

<sup>8</sup> In order to meet the tax distribution obligation, a revised dividend proposal for the Robeco asset class was submitted to the General Meeting of Shareholders (GMS): EUR 1.20 per share instead of EUR 1.00 per share. This proposal was approved by the GMS.

## General introduction

### Economy

2016 was a multifaceted year. In a year of ups and downs, the global economy managed to generate 3.1% <sup>1</sup> GDP growth. The markets started the year depressed as a result of concerns about an imminent recession in the US, sparked by disappointing growth in the first quarter. Fears of a recession made way for hope regarding the economic path taken by the US following Donald Trump's surprising victory in the presidential elections of 8 November.

However, this upswing in market sentiment was not based solely on the victory of the Republican candidate Trump. Accelerated wage growth for the US labor force had already become perceptible some time before the presidential elections, contributing to a rise in consumer confidence. Elsewhere in the world, the second half of 2016 also appeared to be a tipping point for growth and inflation dynamics, aided by the recovery in the price of oil. Major emerging markets such as Brazil and Russia climbed out of a deep recession, China's industrial activity rebounded after a strong monetary stimulus, and Europe's growth rate accelerated despite political unrest in the region.

Britain's decision to leave the EU was just as surprising as the result of the presidential elections in the US, both in outcome and economic repercussions. Until now, the strong decline of the pound sterling has warded off most of the negative consequences of increased uncertainty among investors in the UK. However, the timescale and the objectives of the British government in leaving the EU can only be termed ambitious.

<sup>1</sup> Preliminary figure IMF per January 2017.

The central banks maintained their constructive role last year, but it is becoming more and more obvious that efforts to stimulate the economy via higher stock-market prices have been less effective than anticipated. This development has also led to a shift in focus from monetary to fiscal policy in the economists' debate on the policy instrument to apply. Institutions such as the International Monetary Fund (IMF) and the European Commission advocated that countries which have some fiscal latitude should put it to use. This is a clear change of stance, since these institutions previously backed a restrictive fiscal policy. The US Federal Reserve (Fed) decided on just one interest rate hike (in December), which had been broadly anticipated by the financial markets in light of strong recovery in the labor market, with unemployment falling to 4.7%. The European Central Bank (ECB) extended its purchasing program further in 2016, both in volume and in content. However, in December 2016 the ECB announced a reduction in its monthly purchasing from EUR 80 billion to EUR 60 billion until December 2017. The Bank of Japan (BoJ) introduced a new policy instrument by which the yield on Japanese 10-year government bonds was set at 0%. A side effect is that the Japanese government gets more leeway for fiscal stimulus. The People's Bank of China (PBoC) appears more comfortable on its current path of controlled depreciation of the yuan.

A notable characteristic of the socio-economic landscape in 2016 was the emergence of populism. Populists succeeded in increasing their visibility and starting up a movement that accuses the establishment of not focusing enough on economic disparity, immigration and terrorism.

Investors shied away from high-risk investments in early 2016, at a time when the malaise in the oil market had become more pronounced and the danger of recession seemed acute. A flattening yield curve and increasing surcharges for credit risk in corporate bond markets underpinned this. The poor stance taken by the Chinese authorities with regard to local trade distortions reinforced this negative sentiment. However, the January effect – 'as January goes, so goes the year' – did not hold true this year. The MSCI All Country World Index quoted above-average returns from a long-term perspective (11.1% in euros). The emerging markets generated even better numbers, with overall returns of 14.5% in euros, after having lagged developed markets for four years. Brazil and Russia turned out to be winners among emerging markets.

#### **Equity markets outlook**

From a multi-asset perspective, the long-term outlook for equities remains relatively favorable. First of all, historically equities have offered better protection against rising inflation than government or other bonds. Second, the earnings recession in the US is probably nearing its end, with stronger sales growth as a result of increased consumer spending and stabilized profit margins resulting from the ongoing recovery in the energy sector. In addition, the tax reductions proposed by President Trump offer upward potential in terms of earnings per share and equity purchasing. A lift in the profitability of businesses should to some extent justify raised valuations in the US. Third, with valuation in mind, global equities are still cheaper than government bonds. Compensation for shareholders for taking specific equity risk is currently above average in historical terms.

However, we still expect lower returns in 2017 than in previous years. After years of double-digit returns, mainly on the back of price-earnings expansion as a result of an expansive monetary policy, this phase is coming to an end. The central banks will respond to reflation and will therefore be less generous in creating money. At the same time it should be noted that transmitting unconventional monetary policy to financial markets is starting to show distinctive signs of diminishing returns. This brings the focus back on underlying corporate earnings growth as a source of returns. This earnings growth will be subject to a number of risks. Rising populism creates extreme geopolitical uncertainty and together with a full political agenda in 2017 this may have repercussions on the risk appetite of investors. We started 2017 with markets that only partly factored in Trump's proposed policies, discounting mainly the business-friendly aspects. But nobody knows exactly how Trump's administration will turn out, as a result of which, on balance, in light of increased US valuations and Trump's protectionist agenda, downside risk remains present. More pronounced protectionism and an excessive increase in capital market rates represent real risks that could slow down global growth and affect operating profits.

## Investment policy

### Introduction

The fund is a globally invested equity fund that has been in existence since 1929, making it one of the oldest existing investment companies in the Netherlands.

### Investment objective

The fund's objective is to offer clients a well-diversified global equity portfolio with the aim of generating higher returns than the benchmark, the MSCI World Net Return Index.

### Implementation of the investment policy

For the Robeco fund we invest in companies that generate strong free cash flow and apply this free cash flow in a sustainable manner with high returns on the capital invested. For stock selection, we use a policy-supporting model in which free cash flow plays a central role. We then research stocks from a fundamental perspective, in order to determine the value of the shares. Sustainability is an integral factor in this value determination. This is analyzed in cooperation with RobecoSAM, a leader in the field of sustainability investing. In brief, the fund's investment policy is based on three pillars:

1. Identifying stocks with a combination of high free cash flow and high returns on invested capital, for which
2. long-term value creation is still insufficiently factored into the price and where
3. the principal ESG factors are taken to be an integral part of the valuation.

At the beginning of the year, we reduced the number of positions in portfolio from 97 to 83. On 20 December 2016 we announced that we would be further refining our investment policy. The fund will reduce its number of positions from the current level of around 80 to a more concentrated portfolio holding around 30 to 40 positions. Further information on the announced changes is provided in the section on Adjustment to investment policy Robeco N.V. and the change of name. The following first discusses our policy in the various sectors in portfolio.

### Energy

We had a slightly underweight position in the energy sector throughout the year. The emphasis in the portfolio was on European integrated companies (Total, Royal Dutch Shell), which are more favorably valued than their US competitors (Exxon and Chevron). The increase in the oil price had the most positive effect on the price of Marathon Oil, which focuses solely on the extraction of oil. Within refining, we had an interest in Valero Energy.

### Materials

We had a slightly underweight position in the materials sector throughout the year. We sold our holdings in Linde and Umicore at the beginning of the year in order to further concentrate the portfolio. The proceeds were invested in the existing holdings Crown Holdings, AkzoNobel and Syngenta. In February, ChemChina made an offer for Syngenta of CHF 470 per share. The most important hurdle in our view was overcome in August when the Committee on Foreign Investment in the United States (CFIUS) approved the offer. The European Commission however still has to give its approval, and this is the reason why Syngenta's share price is still significantly lower than the price offered by ChemChina. We expect the deal to go through in 2017. Towards the end of the year, we sold our positions in Rio Tinto and DSM after these stocks had reached their price targets.

The focus of the portfolio is more on the chemicals industry and packaging than on mining and steel. This preference is due to the fact that the return on invested capital for our positions in the packaging industry (Crown Holdings and Sealed Air) is clearly higher than in steel or mining.

### Industrials

In the industrials sector, our position was underweight. We concentrated the portfolio at the beginning of the year. We accordingly disposed of Terex and Rexel and increased our existing positions in UPS, Experian and Stanley Black & Decker. The timing of the sale of Terex turned out to be unfortunate, as a significantly higher takeover bid was made by Zoomlion of China shortly after the sale. The further investment in UPS, Experian and Stanley Black & Decker did however make a positive contribution to the portfolio's relative return. In the first quarter, we purchased Vestas Wind Systems and Delta Air Lines. Vestas Wind Systems fits in well with our investment philosophy because of its strong free cash flow and effective sustainability profile. Due to technological progress, wind energy has become more competitive relative to energy generated using fossil fuels. The stock however declined after the election of Trump on the expectation that the US government will cut back subsidies for the construction of wind parks under his leadership. The price of Delta Airlines improved after a difficult start. The airline sector in the United States is in better shape after a number of bankruptcies at



the beginning of the 21<sup>st</sup> century. The sector has improved in terms of capital discipline, has a higher occupation rate and better options for implementing price increases. All this is leading to higher free cash flow.

At the end of the year we sold SMC, a Japanese producer of capital goods. We have held various conversations with the management of SMC in past years. The aim of these conversations was to increase the effectiveness of the balance sheet by useful application of the cash position and thereby improving the return on invested capital. We sold our position when these discussions led to nothing and the share price reached its target.

#### **Consumer discretionary**

Our position in the consumer discretionary sector was at market weight during the year. We sold cyclical companies such as car producers and suppliers (BMW and Johnson Controls) and increased our exposure to cable companies. We place emphasis within the sector on cable companies (Comcast, Charter Communications and Liberty Global) because they are less sensitive to the economic cycle. The same applies to our purchase of Compass Group, a UK caterer. In addition, we have extended our exposure to the Internet sector by taking positions in Priceline and Amazon. We sold our position in Lululemon Athletica (sport apparel) when the share price reached its target. We also sold our position in 21st Century Fox because the competitive environment for media companies has deteriorated as a result of the arrival of media services such as Netflix and Google's YouTube.

#### **Consumer staples**

We had an overweight position in the consumer staples sector during the year. Contrary to previous years, the sector was one of the worst-performing sectors. In this sector, we focus on tobacco (BAT, Japan Tobacco and Philip Morris International) and household products (Reckitt Benckiser and Estée Lauder). At the beginning of the year we sold Unicharm, a Japanese producer of diapers and tissues. Unicharm is burdened by weak currencies in the emerging markets in which it operates and by intensified competition from Procter & Gamble and the Japanese Kao.

#### **Healthcare**

In the health-care sector our position was overweight. In this sector we purchased Allergan due to its strong Botox franchise and positive free cash flow development and we added to our position in DaVita due to its good market position in kidney analysis, strong free cash flow and attractive valuation. We sold our position in HCA Holdings, a hospital operator, at the beginning of the year. The focus of the portfolio is on biotechnology (Celgene, Biogen Idec and Amgen) and on service providers in healthcare (Cigna, DaVita and Mednax).

#### **Financials**

Real estate became a separate sector in the MSCI World Index on 31 August 2016. We had no positions in this sector either before or after the change. In the financials sector, our position was overweight. In this sector, we sold S&P Global (a provider of financial information), BBVA and Intesa San Paolo (both South European banks), and State Street (a financial services provider). We exchanged Capital One (bank and credit card company) for Synchrony Financial (mainly credit cards) and after the Brexit referendum we purchased Prudential PLC (insurer with high exposure outside the United Kingdom).

In this sector we capitalize on a number of long-term trends such as aging, growing prosperity and the rise of the middle class in emerging markets. We achieve this by holding positions in insurance companies (Manulife, Axa, Prudential PLC), banks (Citigroup, HSBC and ING) and an asset manager (BlackRock). The portfolio has above-average interest-rate sensitivity in the financials sector: when interest rates rise, our stocks are expected to generate above-average returns. The portfolio did indeed achieve an above-average result when interest rates began to rise after 30 June, but it had underperformed the index in the preceding period.

#### **Information technology**

In the information technology sector, our position was overweight. The principal trends in technology are cloud computing (increasing use of data centers and the Internet), mobile Internet (increasing use of mobile Internet services: digital paying options, e-commerce), processing of large quantities of data and the protection of these data. Our main focus is on software and on companies with strong links to the Internet, such as Google, Facebook and Apple. EPAM Systems, which develops software for clients and operates from Eastern Europe, making use of a capable yet lower-cost work force, also fits into this category. We included Palo Alto Networks in the portfolio. Palo Alto and Check Point Software are both active in the field of security software, a structural growth market. In the second half of the year we purchased Electronic Arts (digital games).

## Telecommunication services

In the telecom sector, our position was at market weight. The emphasis in the portfolio was on European and Japanese telecom companies.

## Utilities

In the utilities sector our position was underweight. We had no holdings in Europe owing to the constant over-capacity in the European electricity markets. In the United States, we had positions in NextEra, which is engaged in a heavy expansion of wind energy, and in the water company American Water Works.

## Currency policy

The currency policy is based on the benchmark weights. Only minor deviations are made from this benchmark. For further quantitative information on currency risk we refer to the information on currency risk provided on page 23.

## Policy on derivatives

In compiling the portfolio for Robeco N.V., individual stocks form our starting point (bottom-up selection process). Our stock selection forms the basis for allocation to regions and countries. A top-down check is then performed on this allocation to regions and countries to establish whether the allocation complies with our knowledge of these countries and regions and/or the risks involved. The weights for regions and countries can be adjusted during this process with the aid of futures. The Robeco N.V. portfolio contains many stocks with a favorable valuation in Europe, which initially resulted in a large portfolio overweight in Europe. This overweight was scaled down by selling futures in the UK (futures on the FTSE 100 Index). This was offset by purchases of futures in Japan (Topix futures) and the United States (S&P500 futures).

## Investment results

### Investment result per share class

Share class	Price in EUR x 1 31/12/2016	Price in EUR x 1 31/12/2015	Dividend paid in April 2016 <sup>1</sup>	Investment result in reporting periods in % <sup>2</sup>
<i>Robeco</i>			1.20 <sup>3</sup>	
- Market price	34.84	33.90		6.7
- Net asset value	34.65	33.85		6.3
<i>Robeco - EUR G</i>			1.00	
- Market price	36.96	35.51		7.2
- Net asset value	36.76	35.45		6.8

<sup>1</sup> Ex-dividend date.

<sup>2</sup> Any dividend payments distributed in any year are assumed to have been reinvested in the fund.

<sup>3</sup> In order to meet the tax distribution obligation, a revised dividend proposal for the Robeco asset class was submitted to the General Meeting of Shareholders (GMS): EUR 1.20 per share instead of EUR 1.00 per share. This proposal was approved by the GMS.

### Net returns per share <sup>1</sup>

EUR x 1

Robeco	2016	2015	2014	2013	2012
Investment income	0.83	0.80	0.62	0.65	0.66
Change in value	1.21	3.07	4.29	4.48	2.97
Management costs, service fee and other costs	-0.36	-0.39	-0.33	-0.29	-0.27
<b>Net result</b>	<b>1.68</b>	<b>3.48</b>	<b>4.58</b>	<b>4.84</b>	<b>3.36</b>

Robeco - EUR G	2016	2015	2014	2013 <sup>2</sup>
Investment income	0.88	0.83	0.65	0.51
Change in value	1.54	2.35	4.73	5.54
Management costs, service fee and other costs	-0.21	-0.23	-0.19	-0.17
<b>Net result</b>	<b>2.21</b>	<b>2.95</b>	<b>5.19</b>	<b>5.88</b>

<sup>1</sup> Based on the average amount of shares outstanding during the reporting year. The average number of shares is calculated on a daily basis.

<sup>2</sup> Concerns the period from 25 January through 31 December 2013.

2016 was the reverse of 2015: in 2015, sectors sensitive to economic performance such as energy, materials, industrials and services underperformed the average. These were the strongest-performing sectors in 2016. While consumer-related

sectors such as consumer staples and healthcare were the best performers in 2015, these were the worst performers in 2016.

Of the four major equity markets in the world, the United Kingdom booked the best result. Many of the companies listed in the United Kingdom have extensive international operations. The appreciation of foreign currencies against the British pound had a favorable effect on profitability in pounds and therefore on share prices. The United Kingdom was followed by the markets in the United States, continental Europe and Japan.

The portfolio of Robeco N.V. realized a negative result of -3.3% compared to its benchmark (based on net asset value, and before deduction of costs). Of the -3.3% mentioned above, -3.2% was attributable to stock selection and -0.1% to regional and futures allocation. Sector allocation was neutral.

The most negative contributions to stock selection were in information technology, consumer staples and industrials. Returns in information technology were below benchmark due to sales of Synopsis, Omron and Western Digital, which posted a strong rally after the sale, and due to our underweight in semi-conductors. Our position in NXP Semiconductors produced a return that was below the sector average, despite the takeover bid from Qualcomm. In consumer staples, the portfolio underperformed the benchmark as a result of the positions in CVS Health (disappointing earnings forecasts), Estée Lauder (disappointing growth) and Pernod Ricard (still no clear recovery in sales of brandy in China). In industrials, the returns were below the benchmark due to the underweights in airlines, defense and machinery and the position in Stericycle. Stericycle is a waste processing company in the United States. The share price fell as a result of an expensive takeover and disappointing growth. The portfolio produced a better result than the benchmark in consumer discretionary due to positions in cable companies (Comcast and Charter Communications), Internet companies (Amazon and Priceline) and Lululemon Athletica. In utilities, our US holdings (NextEra and American Water Works) outperformed the benchmark.

#### **Return and risk**

The tracking error is a frequently used measure to gauge portfolio risk. It indicates the degree to which positions in the portfolio can diverge from those in the benchmark. The tracking error for the Robeco fund was on average 2.2% over the year.

Another measure used is the active part of the portfolio, the active risk. This is the part that diverges from the benchmark. For instance, if Royal Dutch Shell has a weight of 0.5% in the benchmark and a weight of 1.5% in the Robeco portfolio, the active part for this position is 1%. On average, the Robeco portfolio had an active risk of 81% during 2016. In comparison: an index-tracking fund, or ETF, that follows the benchmark has an active part of 0%.

A third measure of risk is the portfolio's beta, a means of gauging the degree to which the portfolio moves along with the market. A portfolio with a beta above 1 is subject to greater fluctuations than the market. Robeco's beta amounted to 1.04 on average over the year, and was therefore slightly above 1. Clearly, the value of beta does not represent a goal in itself but rather results from the stocks selected for the portfolio.

The fund has a long-term investment horizon of three to five years: we buy stocks that we expect to remain in the portfolio for an average of three to five years. In 2016 the fund's portfolio turnover was 51% (double counting). In other words, around a quarter (25.5%) of the portfolio holdings changed. This corresponds to an investment horizon of four years.

#### **Adjustment to investment policy and change of name**

On 20 December 2016, Robeco announced that it would refine the investment policy of the fund Robeco N.V. by reducing the number of positions in the fund from 75-85 to 30-40 names. This more focused investment approach is expected to increase the likelihood of a positive investment result, since only companies for which the investment team has the strongest conviction will be invested in. This is a next step in a trend that has been initiated earlier to bring more focus in the portfolio. This approach has already been implemented for the Luxembourg fund Robeco Global Stars Equities. A start was made on refining the policy on 21 December 2016. The transition is expected to take until the first quarter of 2017.

Mark Glazener will remain the lead portfolio manager of the fund, and Jan Keuppens will replace Dirk Hoozemans as co-portfolio manager on 1 January 2017. The risk profile of the fund will not change and the volatility will remain in line with the current policy. The fund's cost structure will remain unchanged.

In addition, in December 2016 Robeco proposed that the name of the fund should be changed from Robeco N.V. to Robeco Global Stars Equities Fund N.V. With this name, Robeco aims to offer better recognizability and more transparency to its investors regarding the fund's investment policy. The Extraordinary General Meeting of Shareholders approved the proposed change of name on 9 February 2017 and the new name will take effect on 1 March 2017.

### Executive remuneration

A description of the remuneration policy for fund executives can be found in the note on remuneration policy on page 35.

### Risk management

A description of the risk management can be found in the notes to the financial statements on pages 21 through 27.

### Movements in net assets

During the reporting period the assets of the Robeco fund fell by EUR 247.6 million to EUR 2,814.2 million. This decline can be explained by the following items. On balance, stocks to the amount of EUR 315.6 million were bought. Adding the net result increased these assets by EUR 161.1 million. EUR 93.0 million was distributed in dividend.

Survey of movements in net assets		
EUR x thousand	2016	2015
<b>Assets at opening date</b>	<b>3,061,793</b>	<b>3,723,124</b>
Company shares issued	98,654	153,608
Company shares repurchased	-414,291	-1,055,450
<b>Situation on closing date</b>	<b>2,746,156</b>	<b>2,821,282</b>
Direct investment income	71,283	79,095
Costs	-24,617	-31,734
Indirect investment income	114,423	270,613
<b>Net result</b>	<b>161,089</b>	<b>317,974</b>
<b>Dividend payments</b>	<b>-93,043</b>	<b>-77,463</b>
<b>Assets at closing date</b>	<b>2,814,202</b>	<b>3,061,793</b>

### Sustainability investing

#### Integrated approach

Robeco uses a holistic approach in order to integrate sustainability in its investment decisions. Over the long term, sustainability is an important factor for change in markets, countries and businesses that in turn can affect future performance. From an investor's perspective, we are convinced that including material sustainability factors strengthens the investment process and leads to better investment decisions. These factors in our investment strategies are thus properly embedded in the organization. Our portfolio managers and analysts work closely with the engagement specialists of the Governance and Active Ownership team and the Sustainability Investing Research team of RobecoSAM. We base our assessment of the sustainability of the businesses and countries in which we invest on a combination of our own sustainability research and research from leading agencies such as RobecoSAM, Sustainalytics, RepRisk and Glass Lewis. The quality of our research is further enhanced by the insights we obtain during our active dialog with companies and countries regarding their sustainability performance.

#### Stewardship policy

Stewardship concerns the way in which an investor accepts responsibility for the fact that he is an owner of the companies in which he invests. Meeting our responsibilities with respect to stewardship is an integral element in Robeco's approach to sustainability investing. Robeco has a stewardship policy and is a co-signatory to various stewardship codes, including the British Stewardship Code and the Japanese Stewardship Code. We carry out these activities within our own organization, so they are not delegated. The exercise of voting rights and engagement with companies are important aspects of our approach to stewardship.

### **Principles for Responsible Investment (PRI)**

Robeco's focus on sustainability investing is confirmed by its commitment to the Principles for Responsible Investment (PRI) of the United Nations. Robeco has obtained the highest PRI score for three years in a row, which confirms that the company is a leader in sustainability investing.

### **Sustainable Development goals**

The General Meeting of the United Nations officially adopted the universal, integrated and revolutionary 2030 Agenda for Sustainable Development, along with 17 Sustainable Development Goals (or SDGs) on 25 September 2015. These SDGs build on the success of the Millennium goals and focus on various social needs such as education, health, social protection and employment, but also on addressing climate change and environmental protection. As a co-signatory to the Dutch SDG Investing Agenda, Robeco is committed to contributing to the SDGs, since we see them as catalysts for positive change. In addition, Robeco is involved in various initiatives that study how the investment world can contribute to the SDGs being realized.

The Robeco funds have integrated sustainability investing with minimal limitations to the investment universe and apply the following effective measures:

- exercise of voting rights
- engagement
- exclusion
- integration of ESG factors<sup>1</sup> in the investment processes

### **Exercise of voting rights**

Robeco strives to exercise its voting rights on shares held by its investment funds around the world. Robeco's voting policy is based on the internationally accepted principles of the International Corporate Governance Network (ICGN) and local codes for corporate governance, such as the Dutch Corporate Governance Code. The ICGN principles and local codes provide guidelines for shareholders and listed companies on various corporate governance issues, such as the composition of the board of directors of listed companies, independent supervision of the daily management, an effective remuneration policy, shareholder rights and the boards of directors of companies. The objective of Robeco's voting policy is to improve corporate governance at the companies in which it invests.

In 2016, the manager voted at 2,141 meetings on behalf of (Dutch) funds managed by RIAM. In 58% of these meetings, the manager voted against the proposal of the company's board on at least one agenda item.

### **Engagement**

Robeco actively exercises its rights as a shareholder so as to initiate a constructive dialog with companies on behalf of our clients. We are convinced that improved sustainability at companies can lead to a better risk-return profile for our investments. Robeco strives to improve the conduct of businesses with respect to ESG issues in order to improve the company's performance over the long term and thereby ultimately also the quality of the investments of our clients. Robeco conducts an active dialog with companies regarding good corporate governance and a socially responsible business policy. We think that this improves shareholder value for investors over the longer term. We use an integrated approach whereby the expertise of our investment analysts, our research analysts for sustainability investing and our engagement specialists is combined. By taking material financial information as a basis for our dialog, we hope to add value and improve a company's risk-return profile. This means we can generate value for both our investors and the company concerned.

Robeco also enters into dialog with companies that contravene the UN Global Compact. The UN Global Compact sets universal principles that organizations must observe. These general principles focus on respecting human rights, healthy labor conditions, combating corruption and treating the environment with care. Robeco enters into a dialog with a company if that company contravenes one or more of these principles on a permanent basis. If after three years of dialog the progress made is inadequate with respect to stopping or limiting this contravention, Robeco may decide to exclude the company in question from its investment universe.

### **Exclusion**

Robeco's exclusion policy is based on three important criteria. Firstly, companies engaged in the production of controversial weapons or essential parts of such weapons are excluded. The same applies to companies that generate

<sup>1</sup> ESG stands for 'Environmental, Social and Governance'. It thus refers to factors relating to the environment, society and corporate governance.

income from the sale or transport of this type of weapons. We base our policy of not investing in such companies on a Dutch Act of Parliament on investments in companies producing cluster munitions that has been in force since 1 January 2013. Secondly, there is a policy for excluding countries. Robeco considers a country that systematically abuses the human rights of its citizens as controversial. These exclusions relate to investment-related sanctions that are imposed by the UN, the US or the EU. Thirdly, an unsuccessful dialog may in time lead to a company's exclusion from the investment universe. In such cases the dialog with a company has to focus on serious and systematic contraventions of generally accepted international guidelines for good corporate governance. Robeco is guided in this respect mainly by the UN Global Compact. The final responsibility for the exclusion of companies and countries rests with the Executive Committees of RIAM and RobecoSAM.

### **Integration of ESG factors in investment processes**

Our research shows that companies that score highly on the major ESG factors are ultimately also winners in the stock markets. The way in which Robeco integrates sustainability data in its investment process is designed specifically for the features of each investment strategy. Our quantitative equity strategies use the ESG scores of companies. These scores are based on the information collected using the proprietary questionnaires developed by RobecoSAM. Our other equity strategies integrate ESG factors in the fundamental analysis process. This means not only that we can identify potential reputational and financial risks, we can also identify opportunities for companies developing solutions to the challenges with respect to sustainability.

ESG factors give sustainability context. ESG stands for Environmental (world around us), Social (relating to a company as employer) and Governance (relating to the structure of executive management). We believe that sustainability investing improves the risk-return profile of a portfolio. The inclusion of information in the field of the environment, society and good governance provides extra insight based on which well-founded investment decisions can be taken. The investment philosophy adopted by the Robeco Fund rests on three pillars, one of which is ESG integration. Companies that take the environment, society and good corporate governance into account will in the long term come out as winners. Ignoring ESG factors leads to reputation and financial risks.

The investment philosophy used by Robeco N.V. is based on the idea that short-term investors underestimate the capacity of companies to create value for the long term. As a rule, the market is not prepared to look beyond the short term and the Robeco Fund capitalizes on this. Sustainability, in particular, is oriented towards the long term and is therefore highly suited to a long-term investment horizon. The sustainability criteria of subsidiary RobecoSAM and the rankings of companies in terms of these criteria provide important input for the analysis of potential investments. Each year, RobecoSAM sends some 2500 companies a comprehensive questionnaire covering general and sector-specific ESG issues. RobecoSAM's sector analysts translate the results obtained, adding publicly available information, into scores for these companies relative to various environmental, social and economic criteria. The stocks of companies with a good RobecoSAM score have a greater chance of being included in the portfolio. Stocks with a poor rating from RobecoSAM are only included in the portfolio if they have a very good valuation and the potential to improve their score.

Not all ESG information is relevant for the investor. The analysts at RobecoSAM and the Robeco Global Equity team first establish which information is 'financially material'. A factor is material if it can influence the financial performance of a company. Decreasing the energy consumption in a production process is material because it can save costs. And this may go further than simply reducing costs: companies can obtain a competitive advantage just by considering the ESG challenges together with their clients (e.g. a chemical-producing firm that offers innovative ESG solutions to clients who are struggling with higher commodity prices and the pressure of regulation). The above-mentioned advantages are relevant for an investor because they are linked directly to a company's financial performance.

The Robeco fund is managed by a team of portfolio managers and analysts. The analysts write investment cases on companies considered to be of interest for the portfolio. These contain a section dedicated to the ESG rating of companies based on data available at RobecoSAM in Switzerland, a subsidiary of the Robeco Group, with whom close collaboration takes place. To establish this score, RobecoSAM uses a 'best-in-class' method to compare companies within one sector. This enables us to see how a company's ESG performance compares to that of its competitors.

### **Statement of operational management**

Robeco Institutional Asset Management B.V. has a statement of operational management, which meets the requirements of the Dutch Financial Supervision Act [*Wet op het financieel toezicht*, or 'Wft'] and the Dutch Market Conduct Supervision of Financial Enterprises Decree [*Besluit Gedragstoezicht financiële ondernemingen*, or 'BGfo'].

**Activities**

During the past financial year we evaluated different aspects of corporate governance with the aid of a model with three 'lines of defense' as described in the section on Risk Management on page 21. In our assessment we noted nothing that would lead us to conclude that the description of the structural aspects of operational management within the meaning of article 121 of the BGfo failed to meet the requirements as specified in the Wft and related regulations.

**Statement of operational management**

On the basis of this we, as directors of Robeco Institutional Asset Management B.V., declare that we possess a statement of operational management as defined in article 121 BGfo that meets the requirements of the BGfo. In our assessment we noted nothing that would lead us to conclude that operational management does not function as described in this statement. We therefore declare with reasonable assurance that operational management has been effective and has functioned as described throughout the reporting year.

Rotterdam, 16 March 2017

The Management Board

## Report of the Supervisory Board

As part of structural changes in the governance and organization of the Robeco Group, which took place in 2016, a Supervisory Board of Robeco was installed on 13 May 2016. Until then, the Supervisory Board of Robeco Groep N.V. was designated to play a role in monitoring the funds managed by Robeco, via its Investment Committee and the Audit & Risk Committee, of which the majority of the members was independent of the shareholders. Since the setting up of the Supervisory Board at the level of Robeco has been effectuated, it has taken over the supervision of the funds and it is also involved with advising regarding the customizing and optimizing the governance model of Robeco.

The Supervisory Board of Robeco is composed of Jeroen Kremers (chairman), Gihan Ismail, Masaaki Kawano and Jan Nooitgedagt.

### Fund Governance

Robeco's Supervisory Board has ascertained the application of Robeco's Principles on Fund Governance. These principles are aligned with the principles that have been established by the Dutch Fund and Asset Management Association (DUFAS). The goal of the Principles is to give further guidance for the organizational set up and working methods of fund managers or stand-alone funds. The Principles serve to create guarantees for the participants in the funds with regard to sound operations and the duty to care. The Principles are published on Robeco's website. Robeco's Compliance function monitors the application of the Principles within Robeco and reports on fund governance issues to the ExCo and the Supervisory Board of Robeco via quarterly reports and an annual overview of monitoring activities. At least once every three years Robeco's Internal Audit carries out an audit on Fund Governance as designed and implemented within Robeco and on the consistence of Robeco's Principles with the Principles of DUFAS. The reports by Compliance and Internal audit are discussed in the meetings of the Supervisory Board.

### Meetings of the Supervisory Board

In 2016 the Supervisory Board met in person several times, as well as by conference call. The meetings in person were all held in Rotterdam and were attended by most of the Supervisory Board members.

At the meetings of the Supervisory Board and also at those of its respective committees, due attention was paid to developments in the financial markets, performance of products and the financial results.

With regard to changes to rules and regulations, the Supervisory Board understands and endorses the emphasis on regulatory control and ensures that this matter receives sufficient attention. The interests of clients are considered to be a key issue and consequently an important focus item. The developments in the financial markets are another subject that comes up on a regular basis in the Supervisory Board's discussions. As for the human resources aspect, we acknowledge the importance of retaining, training, developing and recruiting talent as a key element in successfully running an asset-management company. This means giving opportunities to professionals, while applying a remuneration policy that is market conform as well as compliant with the applicable laws and regulations. HR developments are also regularly monitored and discussed in Supervisory Board meetings.

### Supervisory Board Committees

There are two Supervisory Board committees: the Audit & Risk Committee ("ARC") and the Nomination & Remuneration Committee ("NRC").

#### *Audit & Risk Committee*

This committee exists since 6 September 2016, and the members of this committee are Jan Nooitgedagt (chairman), Jeroen Kremers, Gihan Ismail and Masaaki Kawano. Audit and risk matters were discussed a number of times in 2016, in the meetings of the committee and also in the Supervisory Board. The meetings were attended by the members of the ExCo of Robeco as well as by the heads of Internal Audit, Compliance, Risk Management, Legal and Human Resources and the independent auditor KPMG. The regular items on the agenda were the interim financial reports, reports by control functions as well as the independent auditor's reports.

Other subjects discussed included fund governance, various risk management related issues, incident management, the cash management policy and cyber security.

On the basis of quarterly reports from the respective departments, the ARC discussed various internal audit, compliance and risk management related issues.



#### *Nomination & Remuneration Committee*

Members of this committee are Gihan Ismail (chairman), Jeroen Kremers and Masaaki Kawano, and it exists since 20 December 2016. Nomination and remuneration matters were discussed several times in 2016, prior to the foundation of this committee these were discussed in the Supervisory Board. Some of the meetings were held in the presence of the members of the ExCo of Robeco and the Head of Human Resources. Regular remuneration issues on the agenda included discussions regarding the variable remuneration for 2016 and the long-term incentive allocation. The results of the Employee Engagement Survey 2016 were also reported and discussed.

Rotterdam, March 2017

On behalf of the Supervisory Board

Jeroen Kremers, Chairman

# Annual financial statements

## Balance sheet

Before profit appropriation, EUR x thousand		31/12/2016	31/12/2015
<b>ASSETS</b>			
<b>Investments</b>			
<i>Financial investments</i>			
Equities	1	2,783,997	2,969,706
Derivatives	2	3,319	2,800
Total investments		<b>2,787,316</b>	<b>2,972,506</b>
<b>Accounts receivable</b>			
Receivables on securities transactions		9,110	16,979
Dividends receivable	3	3,339	2,791
Amounts owed by affiliated parties	4	20	50
Receivables on collateral provided	5	1,300	1,720
Other receivables	6	5,280	10,195
		<b>19,049</b>	<b>31,735</b>
<b>Other assets</b>			
Cash and cash equivalents	7	<b>30,644</b>	<b>72,673</b>
<b>LIABILITIES</b>			
<b>Investments</b>			
Derivatives	2	<b>5,618</b>	<b>6,611</b>
<b>Accounts payable</b>			
Payable to credit institutions	8	1,308	0
Accounts payable relating to collateral received	9	690	0
Payable to affiliated parties	10	2,096	2,299
Other liabilities	11	13,095	6,211
		<b>17,189</b>	<b>8,510</b>
<b>Accounts receivable and other assets less accounts payable</b>		<b>32,504</b>	<b>95,898</b>
<b>Assets minus liabilities investments minus accounts payable</b>		<b>2,814,202</b>	<b>3,061,793</b>
<b>Composition of shareholders' equity</b>			
Issued capital	12.13	78,954	88,565
Other reserves	12	2,574,159	2,655,254
Undistributed earnings	12	161,089	317,974
		<b>2,814,202</b>	<b>3,061,793</b>
<b>Net asset value Robeco per share</b>		<b>34.65</b>	<b>33.85</b>
<b>Net asset value Robeco - EUR G per share</b>		<b>36.76</b>	<b>35.45</b>

The numbers of the items in the financial statements refer to the numbers in the Notes.

## Profit and loss account

EUR x thousand		2016	2015
<b>Investment income</b>	14	<b>71,283</b>	<b>79,095</b>
<b>Value changes in investments</b>	1,2		
Unrealized profit		373,644	271,043
Unrealized losses		-343,178	-642,691
Realized profit		316,344	867,008
Realized losses		-232,387	-224,747
<b>Total operating income</b>		<b>185,706</b>	<b>349,708</b>
<b>Costs</b>	18.19		
Management fee	15	20,964	27,136
Service fee	15	3,160	3,857
Other costs	17	493	741
<b>Total operating expenses</b>		<b>24,617</b>	<b>31,734</b>
<b>Net result</b>		<b>161,089</b>	<b>317,974</b>

## Cash flow statement

Indirect method, EUR x thousand		2016	2015
<b>Cash flow from investment activities</b>			
Net result		161,089	317,974
Unrealized changes in value	1,2	-30,466	371,648
Realized changes in value	1,2	-83,957	-642,261
Purchase of investments	1.2	-768,919	-1,200,440
Sale of investments	1.2	1,070,623	2,180,623
Increase (-)/decrease (+) accounts receivable	3,4,5.6	9,168	900
Increase (+)/decrease (-) accounts payable	9,10,11	5,163	-675
		<b>362,701</b>	<b>1,027,769</b>
<b>Cash flow from financing activities</b>			
Received for shares subscribed		98,654	153,607
Paid for repurchase of own shares		-414,291	-1,055,449
Dividend payments		-93,043	-77,463
Increase (-)/decrease (+) accounts receivable	6	3,518	-1,775
Increase (+)/decrease (-) accounts payable	11	2,208	-2,993
		<b>-402,954</b>	<b>-984,073</b>
<b>Net cash flow</b>		<b>-40,253</b>	<b>43,696</b>
Currency and cash revaluation		-3,084	1,596
<b>Increase (+)/decrease (-) cash</b>		<b>-43,337</b>	<b>45,292</b>
Cash at opening date	7	72,673	29,108
Accounts payable to credit institutions at opening date	8	0	-1,727
<b>Total cash at opening date</b>		<b>72,673</b>	<b>27,381</b>
Cash at closing date	7	30,644	72,673
Accounts payable to credit institutions at closing date	8	-1,308	0
<b>Total cash at closing date</b>		<b>29,336</b>	<b>72,673</b>

The numbers of the items in the financial statements refer to the numbers in the Notes.

# Notes

## General

The annual financial statements have been drawn up in conformity with Part 9, Book 2 of the Dutch Civil Code and the Wft. The fund's financial year is the same as the calendar year. The notes referring to fund shares concern ordinary shares outstanding.

The original financial statements were drafted in Dutch. This document is an English translation of the original. In the case of any discrepancies between the English and the Dutch text, the latter will prevail.

The ordinary shares are divided into two series, both of which are open. Each series is designated as a share class. The series include the following share classes:

Share class A: Robeco

Share class B: Robeco - EUR G.

## Accounting principles

### General

The financial statements are produced according to the going concern assumption. Unless stated otherwise, items shown in the annual financial statements are included at nominal value and expressed in thousands of euros. Assets and liabilities are entered on the balance sheet on transaction date, or no longer included on the balance sheet.

### Liquidity of ordinary shares

The fund is an open-end investment company, meaning that, barring exceptional circumstances, it issues and repurchases ordinary shares on a daily basis at prices approximating net asset value, augmented or reduced by a limited surcharge or discount. The only purpose of this surcharge or discount is to cover the costs made by the fund related to the entry and exit of investors. The maximum current surcharge or discount is 0.35%. Surcharges and discounts will be offset directly against the fund assets.

### Financial investments

Financial investments are classified as trading portfolio and are valued at fair value, unless stated otherwise. The fair value of stocks is determined on the basis of market prices and other market quotations at closing date. For derivatives and futures, the value is based on the market price and other market quotations at closing date. For forward exchange contracts, internal valuation models are used and the value is based on quoted currency rates and reference interest rates at closing date. Transaction costs incurred in the purchase and sale of investments are included in the purchase or sale price as appropriate and are accounted for as part of the value changes in the profit and loss account. The transaction date of an investment determines its inclusion in the balance sheet.

### Presentation of derivatives

The market value of derivatives is reported on the balance sheet. The presentation of the fair value is based on the liabilities and receivables per contract. The receivables are reported under assets and obligations are reported under liabilities. The value of the derivatives' underlying instruments is not included on the balance sheet. Where applicable, the underlying value of derivatives is included in the information provided on the currency and concentration risk.

### Cash and cash equivalents

Cash and cash equivalents are entered at nominal value. If cash is not freely available, this is taken into account in the valuation.

Cash and cash equivalents in foreign currency are converted into euros at the exchange rate prevailing at balance-sheet date. The exchange rates can be found in the currency table on page 37.

### Receivables

Other receivables are subsequently measured amortized cost price based on the effective interest method, less exceptional impairment losses. Given the short-term character of the receivables, the value is equal to nominal value.

### Payables

Other payables are subsequently measured at amortized cost using the effective interest method. Given the short-term character of the payables, the value is equal to nominal value.

### **Foreign currencies**

Transactions in currencies other than the euro are converted into euros at the exchange rates valid at the time. Assets and liabilities expressed in other currencies are converted into euros at the exchange rate prevailing at balance-sheet date. Any exchange-rate differences arising are accounted for in the profit and loss account.

### **Securities lending**

Investments for which the legal ownership has been transferred by the fund for a given period of time as a result of securities-lending transactions, will continue to be included in the fund's Balance sheet during this period, since their economic advantages and disadvantages, in the form of investment income and changes in value, will be added to or deducted from the fund's result. The way in which collateral ensuing from securities-lending transactions is reported depends on the nature of this collateral. If the collateral is received in the form of investments these will not be included on the balance sheet as the economic advantages and disadvantages relating to the collateral will be for the account and risk of the counterparty. If the collateral is received in cash it will be included on the balance sheet as, in this case, the economic advantages and disadvantages will be for the account and risk of the fund.

## **Principles for determining the result**

### **General**

Investment results are determined by investment income, rises or declines in stock prices, rises or declines in foreign exchange rates and results of transactions in currencies, including forward transactions and other derivatives. Results are allocated to the period to which they relate and are accounted for in the profit and loss account.

### **Investment income**

This includes the net cash dividends declared during the year under review, the nominal value of stock dividends declared, interest received and paid and proceeds from loan transactions. Accrued interest at balance-sheet date is taken into account.

### **Changes in value**

Realized and unrealized capital gains and losses on securities and currencies are presented under this heading. Realization of capital gains takes place on selling as the difference between the realizable sales value and the average historical cost price. Unrealized capital gains relate to value changes in the portfolio between the beginning of the financial year and the balance sheet date, corrected by the realized gains when positions are sold or settlement takes place.

## **Principles for cash flow statement**

### **General**

This cash flow statement has been prepared using the indirect method. Cash comprises items that may or may not be directly claimable. Accounts payable to credit institutions include debit balances on bank accounts.

### **Allocation to share classes**

The administration of the fund is such that attribution of the results to the different share classes takes place on a daily basis and pro rata. Issue and repurchase of own shares are registered per share class.

## **Risk management**

The presence of risks is inherent to the character of asset management. It is therefore very important to have a procedure for controlling these risks embedded in the company's day-to-day operations. The manager (RIAM) ensures that risks are effectively controlled via the three-lines-of-defense model: RIAM management (first line), the Compliance and Risk Management departments (second line) and the Internal Audit department (third line).

The management of RIAM has primary responsibility for risk management as part of its day-to-day activities. The Compliance and Risk Management departments develop and maintain policy, methods and systems that enable the management to fulfill their responsibilities relating to risk. Furthermore, portfolios are monitored by these departments to ensure that they remain within the investment restrictions under the Terms and Conditions for Management and Custody and the information memorandum, and to establish whether they comply with the internal guidelines. The Risk Management Committee decides how the risk-management policies are applied and monitors whether risks remain within the defined limits. The Internal Audit department carries out audits to assess the effectiveness of internal control.

RIAM uses a risk-management and control framework that helps control all types of risk. Within this framework, risks are periodically identified and assessed as to their significance and materiality. Internal procedures and measures are focused on providing a structure to control both financial and operational risks. Management measures are included in the framework for each risk. Active monitoring is performed to establish the effectiveness of the procedures and measures of this framework.

#### **Operational risk**

Operational risk is the risk of loss as a result of inadequate or failing processes, people or systems. Robeco constantly seeks opportunities to simplify processes and reduce complexity in order to mitigate operational risks. Automation is a key resource in this regard and uses systems that can be seen as the market standard for financial institutions.

#### **Compliance risk**

Compliance risk is the risk of sanctions, financial loss or reputation damage as a result of non-compliance with the laws and regulations applicable to the activities of Robeco and the funds it manages. Robeco's activities – collective and individual asset management – are subject to the European and national rules of financial supervision. Observance of these rules is supervised by the empowered regulators (in the Netherlands the Authority for the Financial Markets, AFM and the Central Bank of the Netherlands, DNB). It is also in the interest of investors in Robeco-managed funds that Robeco complies with all the applicable laws and regulations. Robeco has implemented a meticulous process with clear responsibilities in order to ensure that new laws and regulations are reported and implemented in a timely fashion.

Significant changes in the field of legislation and regulation that could affect the funds managed by Robeco also took place in 2016. An important example of this is the amendment of the European Investment Institution's Directive for Collective Investment in Securities (UCITS Directive). This amended directive, also referred to as UCITS V, came into force on 18 March 2016. The principal requirements from this directive – appointing an authorized external custodian and establishing a balanced remuneration policy in line with the strategy and the risk profile of Robeco and its funds – have been implemented in a timely fashion and to their full extent.

Another notable development relates to the introduction of a new European framework for market abuse (Market Abuse Regulation, MAR). This regulation entered into force with direct effect on 3 July and has led to the renewal of policies at Robeco relating to market abuse, particularly in terms of the elements market sounding and detection of suspicious transactions or transactions by directors and other day-to-day policymakers.

During the reporting year, Robeco also made the necessary preparations for the implementation of the new European directive relating to markets for financial instruments (MiFID II), which takes effect on 3 January 2018. A core project group analyzed the impact of MiFID II for Robeco during the first three quarters of 2016. European distributors of funds managed by Robeco will in principle no longer be permitted to receive and hold commission based on MiFID II. In addition, it will be necessary to identify a 'target market' for each fund. Moreover, more information will have to be provided to both retail and institutional clients, for instance on the costs incurred for the fund and its distribution. The rules contained in MiFID II relating to the infrastructure of the financial markets contain no direct obligations for Robeco as a fund manager, but are liable to have an indirect impact. This applies for instance to the obligation to trade liquid derivatives and bonds via trading platforms in future. Robeco will also apply the new rules relating to best execution to its funds.

The European regulation relating to the central settlement of derivatives (EMIR) contains three different types of obligations for certain forms of derivatives: (1) reporting to the regulators, (2) central settlement via central clearing institutions, and (3) supplementary requirements for bilateral transactions, such as the periodic reconciliation of derivative positions and exchange of collateral. This regulation entered into force at the end of 2012 and is taking effect in stages. The reporting, reconciliation and exchange of collateral obligations have already entered into effect and have been implemented for the Robeco funds. The central settlement of interest-rate swaps in the currencies GBP, EUR, USD and JPY entered into force on 21 June 2016 for the Robeco funds. The central settlement obligation for credit default swaps will enter into force on 9 August 2017. The variation margining requirements for derivative transactions not settled centrally will enter into force on 1 March 2017.

The Securities Financing Transaction Regulation (SFTR) entered into force on 12 January 2016. As of this date, information on securities lending and repo transactions including total return swaps must be included in the prospectus of newly established funds. For funds that already existed when the SFTR took effect, this obligation will apply from 13 July 2017. Information on securities financing transactions entered into must also be included in the funds' semi-annual and annual reports. The obligation to report securities financing transactions to an entity known as a trade repository will take effect as of the third quarter of 2018 for the funds managed by Robeco. The SFTR also contains a retention obligation for information on securities financing transactions for a period of at least five years. A project group is active at Robeco to supervise and monitor the implementation of the SFTR.

## Developments

RIAM constantly works to improve and tighten its processes and methods for measuring and controlling financial risks, among others in the field of market and counterparty risk. In the field of market risk, Risk Management focuses on developing what are known as customized stress tests that make it possible to expose portfolio-specific risks. In the context of counterparty risk, Risk Management has set up a counterparty due diligence process. This process makes it easier for RIAM to independently assess the creditworthiness of the investment funds' counterparties. RIAM is thus less dependent on assessments made by rating bureaus.

## Risks relating to financial instruments

### Investment risk

The value of investments may fluctuate. Past performance is no guarantee of future results. The net asset value of the fund depends on developments in the financial markets and can therefore either rise or fall. Shareholders run the risk that their investments may end up being worth less than the amount invested, or even worth nothing. The general investment risk can also be characterized as market risk.

### Market risk

Market risk can be divided into three types: price risk, currency risk and concentration risk. Market risks are contained using limits on quantitative risk measures such as tracking error, volatility or value-at-risk. This means that the underlying risk types (price risk, currency risk and concentration risk) are also indirectly contained.

#### Price risk

The net asset value of the fund is sensitive to market movements. In addition, investors should be aware of the possibility that the value of investments may vary as a result of changes in political, economic or market circumstances, as well as changes in an individual business situation. The entire portfolio is exposed to price risk. The degree of price risk that the fund runs depends among other things on the risk profile of the fund's portfolio. More detailed information on the risk profile of the fund's portfolio can be found in the section on Return and risk on page 11.

#### Currency risk

All or part of the fund's equity portfolio may be invested in currencies, or financial instruments denominated in currencies other than the euro. As a result, fluctuations in exchange rates may have both a negative and a positive effect on the investment result of the fund. Currency risks may be hedged with currency forward transactions and currency options. Currency risks can be limited by applying relative or absolute currency concentration limits.

At balance-sheet date, there were positions in forward exchange contracts. The table below shows the gross and net exposure to the various currencies, including cash and cash equivalents, payables and receivables. Further information on the currency policy can be found on page 10.

### Currency exposure

In EUR x thousand

Currency	Gross position 31/12/2016	Exposure to forward exchange contracts 31/12/2016	Net position 31/12/2016	In % 31/12/2016	In % 31/12/2015
USD	1,704,387	-1,743	1,702,644	60.5	59.1
EUR	372,989	-99,019	273,970	9.7	10.1
GBP	223,952	-28,236	195,716	7.0	7.5
CHF	170,293	-59,539	110,754	3.9	4.8
JPY	111,198	136,063	247,261	8.8	8.9
CAD	86,587	23,172	109,759	3.9	3.2
HKD	66,052	-29,864	36,188	1.3	1.0
KRW	25,147	-22,842	2,305	0.1	0.0
NOK	21,628	-20,974	654	0.0	0.1
DKK	20,617	526	21,143	0.8	0.7
TWD	12,136	-11,029	1,107	0.0	0.0
SEK	78	25,744	25,822	0.9	1.3
SGD	2	15,224	15,226	0.5	0.5
AUD	0	71,651	71,651	2.6	2.8
Other currencies	2	0	2	0.0	0.0
<b>Total</b>	<b>2,815,068</b>	<b>-866</b>	<b>2,814,202</b>	<b>100.0</b>	<b>100.0</b>

All outstanding forward exchange contracts have a remaining life of less than one year.

### Concentration risk

Based on its investment policy, the fund may invest in financial instruments from issuing institutions that (mainly) operate within the same sector or region, or in the same market. In the case of concentrated investment portfolios, events within the sectors, regions or markets in which they invest have a more pronounced effect on the fund assets than in less concentrated investment portfolios. Concentration risks can be limited by applying relative or absolute country or sector concentration limits.

The portfolio includes positions in stock market index futures at balance-sheet date. The table below shows the exposure to stock markets through stocks and stock-market index futures per country in amounts and as a percentage of the fund's total equity capital.

#### Concentration risk by country

	Shares in EUR x thousand	Exposure to stock index futures in EUR x thousand	Total exposure in EUR x thousand	In % of net assets	In % of net assets
	31/12/2016	31/12/2016	31/12/2016	31/12/2016	31/12/2015
<b>America</b>					
US	1,638,223	15,689	1,653,912	58.7	53.8
Canada	86,164	0	86,164	3.1	2.7
<b>Europe</b>					
The Netherlands	206,415	-289	206,126	7.3	6.5
United Kingdom	258,678	-63,760	194,918	6.9	4.4
Switzerland	170,295	0	170,295	6.1	6.3
France	136,986	-1,126	135,860	4.8	4.2
Ireland	24,845	-40	24,805	0.9	0.8
Norway	21,626	0	21,626	0.8	0.8
Belgium	22,223	-113	22,110	0.8	0.4
Denmark	20,043	0	20,043	0.7	0.0
Germany	5,120	-1,008	4,112	0.1	1.5
Italy	0	-137	-137	0.0	1.4
Spain	0	-298	-298	0.0	0.9
Finland	0	-37	-37	0.0	0.0
<b>Asia</b>					
Japan	108,695	74,900	183,595	6.5	12.0
Hong Kong	26,776	0	26,776	1.0	0.9
South Korea	25,148	0	25,148	0.9	0.0
Israel	21,361	0	21,361	0.8	0.9
Taiwan	11,399	0	11,399	0.4	0.0
China	0	0	0	0.0	0.6
<b>Total</b>	<b>2,783,997</b>	<b>23,781</b>	<b>2,807,778</b>	<b>99.8</b>	<b>98.1</b>

All outstanding futures have a remaining term of less than three months. The concentrations to sectors are shown below.

#### Sector allocation

In %	31/12/2016	31/12/2015
Financials	19.1	18.5
Information technology	18.2	17.7
Pharmaceutical and healthcare	13.7	13.1
Consumer discretionary	12.2	11.6
Consumer staples	10.3	11.0
Industrials	9.5	8.3
Energy	7.1	6.3
Telecom services	3.6	3.3
Materials	3.4	5.6
Utilities	1.8	1.6
Other assets and liabilities	1.1	3.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>



### Leverage risk

The fund may make use of derivative instruments, techniques or structures. They may be used for hedging risks, and for achieving investment objectives and ensuring efficient portfolio management. These instruments may be leveraged, which will increase the fund's sensitivity to market fluctuations. The risk of derivative instruments, techniques or structures will always be limited within the conditions of the Fund's integral risk management. The degree of leveraged financing in the fund, measured using the gross method (where 0% exposure indicates no leveraged financing) over the year, as well as on the balance sheet date, is shown in the table below. The gross method means that the absolute underlying value of the long positions and the short positions in derivatives are added up and represented as a percentage of the assets.

Leverage risk				
	Lowest exposure during the reporting period	Highest exposure during the reporting period	Average exposure during the reporting period	Exposure per 31/12/2016
	18%	33%	24%	25%

### Counterparty risk

Counterparty risk is a circumstantial form of risk that is a consequence of the implemented investment policy. It occurs when a counterparty of the fund fails to fulfill the financial obligations arising from financial transactions with the fund. This risk is limited as much as possible by taking every possible care in the selection of counterparties. In selecting counterparties the assessments of independent rating bureaus are taken into account, as are other relevant indicators. Wherever it is customary in the market, the fund will demand and obtain collateral in order to mitigate counterparty risk. The figure that best represents the maximum credit risk is given in the table below.

Counterparty risk				
	31/12/2016		31/12/2015	
	In EUR x thousand	In % of net assets	In EUR x thousand	In % of net assets
Unrealized profit on derivatives	3,319	0.12	2,800	0.09
Accounts receivable	19,049	0.68	31,735	1.04
Cash and cash equivalents	30,644	1.09	72,673	2.37
<b>Total</b>	<b>53,012</b>	<b>1.88</b>	<b>107,208</b>	<b>3.50</b>

Any collateral received has not been taken into account in the calculation of the total credit risk. Counterparty risk is contained by applying limits to the exposure per counterparty as a percentage of the fund assets. As at the balance sheet date the fund's exposure to any single counterparty did not exceed 5% of the total assets.

### Risk of lending financial instruments

In the case of securities-lending transactions, collateral is requested and obtained for those financial instruments that are lent. In the case of securities-lending transactions, the fund runs a specific type of counterparty risk that the borrower cannot comply with the obligation to return the financial instruments on the agreed date or to furnish the requested collateral. The lending policy of the fund is designed to control these risks as much as possible. To mitigate specific counterparty risk, the fund receives collateral prior to lending the financial instruments.

The creditworthiness of counterparties in securities-lending transactions is assessed on the basis of how independent rating agencies regard their short-term creditworthiness and on the basis of their net assets. Guarantees given by parent companies are also taken into account.

The fund only accepts collateral from EU member states or OECD countries in the form of:

- government bonds with a minimum credit rating of BBB–;
- the bonds of supranational bodies with a minimum credit rating of BBB–;
- stocks listed on the main indexes of stock markets in OECD countries;
- cash (CAD, CHF, EUR, GBP, JPY or USD).

In addition, concentration limits are applied to collateral to restrict concentration risks in the collateral and there are also liquidity criteria for containing the liquidity risks in the collateral. Finally, depending on the type of lending transaction and the type of collateral, collateral with a premium is requested relative to the value of the lending transaction. This limits the negative effects of price risks in the collateral.

The table below gives an overview of the positions lent out as a percentage of the portfolio (total of the instruments lent out) and relative to the fund's assets.

<b>Positions lent out</b>						
Type of instrument	31/12/2016			31/12/2015		
	Amount in EUR x 1,000	in % of portfolio	in % of net assets	Amount in EUR x 1,000	in % of portfolio	in % of net assets
Shares lent out	52,367	1.9	1.9	116,860	3.9	3.8
<b>Total</b>	<b>52,367</b>	<b>1.9</b>	<b>1.9</b>	<b>116,860</b>	<b>3.9</b>	<b>3.8</b>

The following table gives an overview of the positions lent out and the collateral received per counterparty.

All outstanding lending transactions are transactions with an open-ended term. That means that there is no prior agreement as to how long the securities are lent out and when they may be reclaimed by the fund if required.

<b>Counterparties</b>						
	Domicile of counterparty	Manner of settlement and clearing	31/12/2016		31/12/2015	
			Positions lent out in EUR x thousand	Collateral received in EUR x thousand	Positions lent out in EUR x thousand	Collateral received in EUR x thousand
ABN AMRO	The Netherlands	Tripartite <sup>1</sup>	0	0	28,478	31,031
HSBC	Great Britain	Tripartite <sup>1</sup>	0	0	55,122	60,212
ING Bank	The Netherlands	Tripartite <sup>1</sup>	36,985	40,103	0	0
Société Générale	France	Tripartite <sup>1</sup>	0	0	7,388	8,140
UBS	Great Britain	Tripartite <sup>1</sup>	15,382	16,728	25,872	28,023
<b>Total</b>			<b>52,367</b>	<b>56,831</b>	<b>116,860</b>	<b>127,406</b>

<sup>1</sup> Tripartite means that the collateral is in the custody of an independent third party.

This collateral is not included on the balance sheet. The table below contains a breakdown of collateral received according to type. All securities received have an open-ended term.

<b>Collateral by type</b>				
EUR x thousand			31/12/2016	31/12/2015
Class	Currency	Rating of government bonds	Market value in EUR x thousand	Market value in EUR x thousand
Government bonds	EUR	AAA	0	187
Government bonds	EUR	AA+	1,048	0
Government bonds	EUR	AA	3,358	0
Government bonds	NZD	AAA	8	0
Stocks listed in OECD countries	AUD		6,120	2,303
Stocks listed in OECD countries	CHF		36	0
Stocks listed in OECD countries	EUR		19,645	48,012
Stocks listed in OECD countries	GBP		4,882	33,834
Stocks listed in OECD countries	JPY		9,597	9,961
Stocks listed in OECD countries	NOK		0	144
Stocks listed in OECD countries	NZD		0	2,483
Stocks listed in OECD countries	SEK		0	58
Stocks listed in OECD countries	USD		8,274	22,022
American drawing rights	USD		407	0
Real-estate funds listed in OECD countries	EUR		3,456	4,248
Real-estate funds listed in OECD countries	USD		0	4,154
<b>Total</b>			<b>56,831</b>	<b>127,406</b>

JP Morgan has been appointed custodian of all collateral received.

The securities are managed by RIAM and are held on separate accounts per counterparty.

The collateral received has, as stated in the prospectus, not been reinvested.

RIAM is the intermediary for all of the fund's securities-lending transactions. As compensation for its services, RIAM receives a fee of 30% of the gross return on these securities-lending transactions. An external agency periodically assesses whether the agreements between the fund and RIAM are still in line with the market. The fund's revenues and RIAM's compensation are included in the following table.

Income from securities lending						
	2016			2015		
	Gross income in EUR x thousand	Fee paid to RIAM in EUR x thousand	Net fund revenues in EUR x thousand	Gross income in EUR x thousand	Fee paid to RIAM in EUR x thousand	Net fund revenues in EUR x thousand
Shares lent out	280	84	196	247	74	173
<b>Total</b>	<b>280</b>	<b>84</b>	<b>196</b>	<b>247</b>	<b>74</b>	<b>173</b>

### Liquidity risk

Liquidity risk is an incidental form of risk that is a consequence of the investment policy pursued. Liquidity risk occurs when financial instruments cannot be sold in a timely fashion unless additional costs are incurred. Liquidity risk can be divided into two categories: exit risks and the liquidity risk of financial instruments.

#### Exit risk

Exit risks occur when the fund's value is negatively affected by the exit of one or more clients, with negative consequences for existing clients. The extent to which the value of the fund can be negatively affected depends on the liquidity of the financial instruments in the portfolio, and on the concentration of clients. An exit charge is made to cover the exit costs in order to prevent exits having a negative effect on the fund.

#### Liquidity risk of financial instruments

The actual buying and selling prices of financial instruments in which the fund invests partly depend upon the liquidity of the financial instruments in question. It is possible that a position taken on behalf of the fund cannot be quickly liquidated at a reasonable price due to a lack of liquidity in the market in terms of supply and demand. To limit this risk, the fund invests almost entirely in financial instruments that can be traded daily, so the liquidity risk of financial instruments occurring under normal circumstances does not manifest itself. Moreover, liquidity risks of financial instruments are contained using limits on the non-liquid portion of the securities portfolio.

### Manager

Robeco Institutional Asset Management B.V. ("RIAM") will manage the fund. In this capacity RIAM handles asset management, administration, marketing and distribution of the fund. RIAM has been granted a license by the AFM, as defined by Section 2:65 of the Wft. In addition, RIAM is licensed as a manager of UCITS (2:69b Wft), which includes managing individual assets and giving advice on financial instruments. RIAM is subject to supervision by the Netherlands Authority for the Financial Markets (the "AFM"). RIAM has listed the fund with AFM. RIAM is a 100% subsidiary of Robeco Groep N.V. (via Robeco Holding B.V.). Robeco Group N.V. is part of ORIX Corporation.

### Custodian

Citibank Europe Plc has been appointed custodian of the Fund within the meaning of Section 4:56, Subsection 1 of the Wft. The custodian is responsible for supervising the fund insofar as required under and in accordance with the applicable legislation. The manager and Citibank Europe Plc have entered into a custody agreement.

### Liability of the custodian

The custodian is liable to the fund and/or the shareholders for the loss of a financial instrument under the custody of the custodian or of a third party to which custody has been transferred. The custodian is not liable if it can demonstrate that the loss is a result of an external event over which it in all reasonableness had no control and of which the consequences were unavoidable, despite all efforts to ameliorate them. The custodian is also liable to the fund and/or the participants for all other losses they suffer because the custodian has not fulfilled its obligations as stated in this custodial agreement either deliberately or through negligence. Shareholders may make an indirect claim upon the liability of the custodian through the manager. If the manager refuses to entertain such a request, the shareholders are authorized to submit the claim for losses directly to the custodian.

### Affiliated parties

The fund and the manager may utilize the services of and carry out transactions with parties affiliated to the fund as defined in the BGfo, such as RIAM, Robeco Nederland B.V and ORIX Corporation. The services entail the execution of tasks that have been outsourced to these parties such as (1) securities lending, (2) hiring temporary staff and (3) issuance and

repurchase of the fund's shares. Transactions that can be carried out with affiliated parties include the following: treasury management, derivatives transactions, lending of financial instruments, credit extension, purchase and sale of financial instruments on regulated markets or through multilateral trading facilities. All these services and transactions are executed at market rates.

## Notes to the balance sheet

### 1 Equities

Movements in the stock portfolio		
EUR x thousand	2016	2015
Book value (fair value) at opening date	2,969,706	3,684,101
Purchases	759,712	1,181,491
Sales	-1,062,161	-2,163,550
Unrealized gains	28,954	-374,877
Realized gains	87,786	642,541
<b>Book value (fair value) at closing date</b>	<b>2,783,997</b>	<b>2,969,706</b>

A breakdown of this portfolio is given under Equity Portfolio, in the Notes section. A sub-division into regions and sectors is provided under the information on concentration risk under the information on risks relating to financial instruments.

#### Transaction costs

Brokerage costs and exchange fees relating to investment transactions are discounted in the cost price or the sales value of the investment transactions. These costs and fees are charged to the result ensuing from changes in value. The quantifiable transaction costs are shown below.

Transaction costs		
EUR x thousand	2016	2015
<b>Transaction type</b>		
Equities	1,611	2,342
Futures	95	122

RIAM wants to be certain that the selection of counterparties for order execution (brokers) occurs using procedures and criteria that ensure the best results for the fund.

The costs charged by brokers are not necessarily just for the order they have executed, but may also relate to research supplied by the brokers. RIAM only pays for research if this leads to an improvement in the investment decisions made at RIAM. The costs for research can be paid for by the fund through full service fees or commission sharing agreements (CSA)

The breakdown of the transaction costs over the reporting period is as follows.

Breakdown of equity transaction costs		
EUR x thousand	2016	2015
<b>Type of transaction</b>		
Order execution	601	1,129
Exchange fees	508	261
Research paid for via full service	436	684
Research paid for via CSA	66	268
<b>Total transaction costs</b>	<b>1,611</b>	<b>2,342</b>

### 2 Derivatives

Movements in derivatives						
EUR x thousand	Forward exchange contracts		Futures		Total	
	2016	2015	2016	2015	2016	2015
Book value (fair value) at opening date	1,610	-1,252	-5,421	-5,788	-3,811	-7,040
Purchases	0	0	9,207	0	9,207	0
Sales	0	0	0	-17,073	0	-17,073
Expirations	-8,462	18,949		0	-8,462	18,949
Unrealized gains	-2,476	2,862	3,988	367	1,512	3,229
Realized gains	8,462	-18,949	-9,207	17,073	-745	-1,876
<b>Book value (fair value) at closing date</b>	<b>-866</b>	<b>1,610</b>	<b>-1,433</b>	<b>-5,421</b>	<b>-2,299</b>	<b>-3,811</b>

The presentation of derivatives on the balance sheet is based on the liabilities and receivables per contract.

### Presentation of derivatives in the balance sheet

EUR x thousand	Under assets		Under liabilities		Total	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
<b>Type of derivative</b>						
Forward exchange contracts	2,583	2,800	3,449	1,190	-866	1,610
Futures	736	0	2,169	5,421	-1,433	-5,421
<b>Total</b>	<b>3,319</b>	<b>2,800</b>	<b>5,618</b>	<b>6,611</b>	<b>-2,299</b>	<b>-3,811</b>

The breakdown of the forward exchange contracts according to currency is given under the information on currency risk under the information on Risks relating to financial instruments. The breakdown according to region for futures is given under the information on concentration risk under the information on risks relating to financial instruments.

### 3 Dividends receivable

These are receivables arising from net dividends declared but not yet received.

### 4 Amounts owed by affiliated parties

This concerns the following receivables from RIAM:

#### Amounts owed by affiliated parties

EUR x thousand	31/12/2016	31/12/2015
Receivables arising from securities-lending transactions	20	50
<b>Total</b>	<b>20</b>	<b>50</b>

### 5 Receivables on collateral provided

This refers to the following collateral provided to cover positions in derivatives.

#### Collateral received

EUR x thousand			31/12/2016
Counterparty	Type	Currency	Market value in EUR x thousand
HSBC	Cash	EUR	1,300
<b>Total</b>			<b>1,300</b>

### 6 Other receivables

This includes:

#### Other receivables

EUR x thousand	31/12/2016	31/12/2015
Dividend tax to be reclaimed	4,916	6,313
Bank transactions to be classified	5	5
<b>Subtotal (investment activities)</b>	<b>4,921</b>	<b>6,318</b>
Receivables from issuance of new shares	359	3,877
<b>Subtotal (financing activities)</b>	<b>359</b>	<b>3,877</b>
<b>Total</b>	<b>5,280</b>	<b>10,195</b>

### 7 Cash and cash equivalents

This includes:

#### Cash and cash equivalents

EUR x thousand	31/12/2016	31/12/2015
Freely available cash	30,644	71,123
Cash that is not freely available	0	1,550
<b>Total</b>	<b>30,644</b>	<b>72,673</b>

### 8 Payable to credit institutions

This concerns temporary debit balances on bank accounts caused by investment transactions.

## 9 Accounts payable relating to collateral received

This refers to the following collateral provided to cover positions in derivatives.

Collateral provided			
EUR x thousand			31/12/2016
Counterparty	Type	Currency	Market value in EUR x thousand
Barclays Bank	Cash	EUR	300
Citigroup	Cash	EUR	390
<b>Total</b>			<b>690</b>

## 10 Payable to affiliated parties

This concerns the following payables to RIAM:

Payable to affiliated parties		
EUR x thousand	31/12/2016	31/12/2015
Liabilities on management fee	1,821	2,004
Liabilities on service fee	275	295
<b>Total</b>	<b>2,096</b>	<b>2,299</b>

## 11 Other liabilities

This includes:

Other liabilities		
EUR x thousand	31/12/2016	31/12/2015
Dividends payable	1,000	2,922
Costs payable	6,721	123
<b>Subtotal (investment activities)</b>	<b>7,721</b>	<b>3,045</b>
Liabilities from acquisition of own shares	5,374	3,166
<b>Subtotal (financing activities)</b>	<b>5,374</b>	<b>3,166</b>
<b>Total</b>	<b>13,095</b>	<b>6,211</b>

## 12 Shareholders' equity

Composition of and movements in shareholders' equity		
EUR x thousand	31/12/2016	31/12/2015
<b>Issued capital Robeco</b>		
Situation on opening date	48,548	71,576
Received on shares issued	1,841	1,958
Paid for shares repurchased	-8,703	-24,986
Situation on closing date	<b>41,686</b>	<b>48,548</b>
<b>Issued capital Robeco - EUR G</b>		
Situation on opening date	40,017	42,601
Received on shares issued	1,255	2,289
Paid for shares repurchased	-4,004	-4,873
Situation on closing date	<b>37,268</b>	<b>40,017</b>
<b>Other reserves</b>		
Situation on opening date	2,655,254	3,018,448
Received on shares issued	95,558	149,360
Paid for shares repurchased	-401,584	-1,025,590
Addition to result of the previous financial year	224,931	513,036
Situation on closing date	<b>2,574,159</b>	<b>2,655,254</b>

### Composition of and movements in shareholders' equity

EUR x thousand	31/12/2016	31/12/2015
<b>Undistributed earnings</b>		
Situation on opening date	317,974	590,499
Dividend payment Robeco	-53,721	-44,742
Dividend payment Robeco - EUR G	-39,322	-32,721
Addition to other reserves	-224,931	-513,036
Undistributed result financial year	161,089	317,974
Situation on closing date	<b>161,089</b>	<b>317,974</b>
<b>Shareholders' equity</b>	<b>2,814,202</b>	<b>3,061,793</b>

The company's authorized share capital amounts to EUR 300 million, divided into 299,999,990 ordinary shares and 10 priority shares with a nominal value of EUR 1 each. The priority shares have already been issued. The ordinary shares are subdivided into 150,000,000 Robeco shares, and 149,999,990 Robeco - EUR G shares. Fees are not included in the share premium reserve.

### Survey of movements in net assets

EUR x thousand	2016	2015
<b>Assets at opening date</b>	<b>3,061,793</b>	<b>3,723,124</b>
Company shares issued	98,654	153,608
Company shares repurchased	-414,291	-1,055,450
Situation on closing date	<b>2,746,156</b>	<b>2,821,282</b>
Investment income	71,283	79,095
Management fee	-20,964	-27,136
Service fee	-3,160	-3,857
Custody costs	-142	-146
Other costs	-351	-595
	<b>46,666</b>	<b>47,361</b>
<b>Changes in value</b>	<b>114,423</b>	<b>270,613</b>
<b>Net result</b>	<b>161,089</b>	<b>317,974</b>
<b>Dividend payments</b>	<b>-93,043</b>	<b>-77,463</b>
<b>Assets at closing date</b>	<b>2,814,202</b>	<b>3,061,793</b>

### 13 Assets, shares outstanding and net asset value per share

#### Assets, shares outstanding and net asset value per share

	Robeco			Robeco - EUR G		
	31/12/2016	31/12/2015	31/12/2014	31/12/2016	31/12/2015	31/12/2014
Assets in EUR x thousand	1,444,339	1,643,157	2,298,845	1,369,863	1,418,636	1,424,279
Situation of number of shares issued at opening date	48,547,961	71,575,769	118,491,206	40,016,999	42,601,444	14,683,060
Shares issued in financial year	1,841,648	1,958,485	5,033,564	1,254,811	2,288,527	33,467,679
Shares repurchased in financial year	-8,703,150	-24,986,293	-51,949,001	-4,004,013	-4,872,972	-5,549,295
Number of shares outstanding	41,686,459	48,547,961	71,575,769	37,267,797	40,016,999	42,601,444
Net asset value per share in EUR x 1	34.65	33.85	32.12	36.76	35.45	33.43
Dividend paid per share during financial year	1.20	0.80	0.80	1.00	0.80	0.80



## Notes to the profit and loss account

### Income

#### 14 Investment income

This concerns:

<b>Investment income</b>		
In EUR x thousand	2016	2015
Dividends received *	67,796	78,984
Interest	1,603	-57
Net revenues from securities lending	198	173
Carry-over security-lending fees previous financial year	6	-5
Reservation for release of dividend for K-shares	1,680	–
<b>Total</b>	<b>71,283</b>	<b>79,095</b>

\* This concerns net dividends received. Factored into this amount as withholding tax reclaimable from the country that withheld the tax plus withholding tax that is subject to a remittance reduction from the Dutch tax authorities. The remittance reduction is offset against the dividend tax payable on dividends distributed by the fund.

### Costs

#### 15 Management costs and service fee

The management fee and service fee are charged by the manager. Management costs only relate to management fees.

The fees are calculated daily on the basis of the fund assets.

<b>Management fee and service fee specified in the prospectus</b>		
In %	Robeco	Robeco - EUR G
Management fee	1.00	0.50
Service fee <sup>1</sup>	0.12	0.12

<sup>1</sup> For the share classes, the service fee is 0.12% per year on assets up to EUR 1 billion, 0.10% on assets above EUR 1 billion and 0.08% on assets above EUR 5 billion.

The management costs cover all current costs resulting from the management and marketing of the fund. If the manager outsources operations to third parties, any costs associated with this will also be paid from the management fee. The management costs for the Robeco share class also include the costs related to registering participants in this share class.

The service fee paid to RIAM covers the administration costs, the costs of the external auditor, other external advisers, regulators, costs relating to reports required by law, such as the annual and semi-annual reports, and the costs relating to the meetings of shareholders. Costs for the external auditor are not included in the fund's results. Of the costs covered by RIAM for the external auditor, EUR 8 thousand related to the auditing of Robeco N.V.. The fee that RIAM pays to the external auditor is for audit-related costs only.

#### 16 Performance fee

Robeco N.V. is not subject to a performance fee.

#### 17 Other costs

This includes:

<b>Other costs</b>		
In EUR x thousand	2016	2015
Custody fee	142	146
Bank charges	14	17
Costs for fund agent	137	408
Other costs relating to own shares	107	170
Costs of custodian	93	–
<b>Total</b>	<b>493</b>	<b>741</b>

## 18 Ongoing charges

### Ongoing charges

In %	Robeco		Robeco - EUR G	
	2016	2015	2016	2015
<b>Cost item</b>				
Management fee	1.00	1.00	0.50	0.50
Service fee	0.11	0.11	0.12	0.11
Other costs	0.02	0.02	0.02	0.02
Proportion of income on securities lending payable to RIAM	0.00	0.00	0.00	0.00
<b>Net result</b>	<b>1.13</b>	<b>1.13</b>	<b>0.64</b>	<b>0.63</b>

The percentage of ongoing charges is based on the average net assets per share class. The average assets are calculated on a daily basis. The ongoing charges include all costs charged to the share classes in the reporting period, excluding the costs of transactions in financial instruments and interest charges. Not included in the ongoing charges are also any payment of entry or exit costs charged by distributors.

The proportion of securities-lending income payable to RIAM as defined in the Information on the Risks of lending Financial Instruments on page 26 is included separately in the ongoing charges.

## 19 Maximum costs

For some cost items, the fund prospectus specifies a maximum percentage of average net assets. The table below compares these maximum percentages with the costs actually charged.

### Maximum costs

	2016 in EUR x thousand	2016 in % of net assets	Maximum as specified in the prospectus <sup>1</sup>
Management fee for Robeco share class	14,342	1.00	1.00
Service fee for Robeco share class	1,635	0.11	0.12
Management fee for Robeco - EUR G share class	6,622	0.50	0.50
Service fee for Robeco - EUR G share class	1,525	0.12	0.12
Custody charge and bank costs	156	0.01	0.02
Costs for fund agent	137	0.00	0.02
Costs of custodian	93	0.00	0.01

<sup>1</sup> The prospectus also specifies a maximum percentage of the total cost. This amounts to 1.46% for the Robeco share class and 0.96% for the Robeco - EUR G share class.

## 20 Turnover ratio

The turnover ratio for the reporting period was 51% (for the previous reporting period it was 68%). This ratio shows the rate at which the fund's portfolio is turned over and is a measure of the incurred transaction costs resulting from the portfolio policy pursued and the ensuing investment transactions. The turnover ratio is determined by expressing the amount of the turnover as a percentage of the average fund assets. The average fund assets are calculated on a daily basis. The amount of the turnover is determined by the sum of the purchases and sales of investments less the sum of issuance and repurchase of own shares. The sum of issues and repurchases of own shares is determined as the balance of all issues and repurchases in the fund. Cash and money-market investments with an original life to maturity of less than one month are not taken into account in the calculation.

## 21 Transactions with affiliated parties

Part of the transaction volume over the reporting period relates to transactions with affiliated parties. The table below shows the various types of transactions where this was the case.

Transactions with affiliated parties			
Part of the total volume in %	Counterparty	2016	2015
Transaction type			
Securities-lending transactions	RIAM	100.0	100.0

During the reporting period the fund paid RIAM the following amounts in management costs and service fees:

Management costs and service fee paid			
In EUR x thousand	Counterparty	2016	2015
Management fee	RIAM	20,964	27,136
Service fee	RIAM	3,160	3,857

## 22 Remuneration policy

The fund itself does not employ any personnel and is managed by RIAM. In the Netherlands, persons performing duties for the fund at management-board level and portfolio managers are employed by Robeco Nederland B.V. The remuneration for these persons comes out of the management fee. RIAM's remuneration policy, which applies to all employees working under RIAM's responsibility, complies with the applicable requirements laid down in the European framework documents of the AIFMD, MiFID, the UCITS Directive, the ESMA guidelines for a responsible remuneration policy under the UCITS Directive, as well as the applicable Dutch Remuneration Act for Financial Undertakings (*Wet beloningsbeleid financiële ondernemingen*, or *Wbfo*). The remuneration policy has the following objectives:

- To promote that employees act in the clients' interests and do not take any undesired risks.
- To promote a healthy corporate culture aimed at realizing sustainable results in accordance with the long-term objectives of RIAM and its stakeholders.
- To attract and retain good employees and to reward talent and performance fairly.

### Responsibility for the remuneration policy

The Supervisory Board supervises the correct application of the remuneration policy and is responsible for the annual evaluation. Changes in the remuneration policy have to be approved by the Supervisory Board. RIAM's Remuneration Committee provides advice to the Supervisory Board in the execution of these tasks, with the involvement of the HR Department and the relevant internal control officers. In the application and evaluation of the remuneration policy, RIAM regularly makes use of the services of various external advisers. The remuneration of fund managers consists of a fixed component and, if applicable, a variable component.

### Fixed salary

The fixed salary of each employee is based on his/her position and experience and is in accordance with the RIAM salary scales, which have also been derived from benchmarks in the asset management sector. The fixed salary is therefore in line with the market and the employees are not dependent on whether or not they receive a variable remuneration.

### Variable remuneration

In accordance with the applicable laws and regulations, the available budget for variable remuneration is approved in advance by the Supervisory Board of RIAM based on a proposal made by the Remuneration Committee. The total budget is based, in principle, on a percentage of RIAM's operating result. In order to ensure that the total variable remuneration adequately represents the performance of RIAM and the funds that it manages, when determining the budget a correction is made for risks that may occur in the year concerned and furthermore for multiple-year risks that may affect the risk profile of RIAM.

The variable remuneration component for the fund managers depends on the multi-year performance of the fund. The system is linked to outperformance with regard to risk-adjusted pre-defined annual targets. The calculated outperformance over a one-year, three-year and five-year period is taken into account when determining the variable remuneration. Both the extent to which team and individual qualitative and predetermined objectives have been achieved and the extent to which Robeco corporate values are observed are also important in this determination, as well as the fund manager's contribution to the organization's targets. If this performance-related variable remuneration (partly) exceeds the fixed threshold amount, 40% of the payment will be deferred for a period of at least three years. The

deferred parts will be converted into hypothetical 'Robeco Group' shares, the value of which moves with the company's future results.

#### Identified Staff

RIAM has a specific and more stringent remuneration policy for employees who may have a material impact on the risk profile of the fund. These employees are designated to be 'Identified Staff'. For 2016, in addition to the Management Board, RIAM has identified 76 other employees as Identified Staff, including all senior portfolio managers, senior management and the heads of the control functions (HR, Compliance, Risk Management, Business Control, Internal Audit and Legal). Among other things the performance targets of these employees that are used to determine the award of variable pay are subject to additional risk analyses, both prior to the performance year and at the end when the results are evaluated. In addition, in all cases at least 70% of the payment of variable remuneration granted to these employees will be deferred for a period of four years, and 50% will be converted into hypothetical 'Robeco Group' shares whose value will follow the company's future results.

#### Risk control

RIAM has implemented additional risk-management measures with regard to the variable remuneration. For instance, RIAM has the possibility with regard to all employees to reclaim the granted variable remuneration ('claw-back') when this has been based on incorrect assumptions, fraudulent acts, serious undesirable behavior, neglect of duties or conduct that has led to a considerable loss for RIAM. After the granting but before the actual payment of the deferred variable remuneration components to Identified Staff, an additional assessment is performed to check whether new information would result in decreasing the previously granted remuneration components (the so-called 'malus arrangement'). The malus arrangement can be applied because of (i) misconduct or serious incorrect actions (ii) a considerable worsening of RIAM's financial results that was not foreseen at the time the remuneration was granted (iii) a serious impairment of the risk management system, leading to changed circumstances compared with the granting of the variable remuneration or (iv) fraud committed by the employee concerned.

#### Annual assessment

RIAM's remuneration policy and the application thereof was evaluated in 2016 under the responsibility of the Supervisory Board, advised by the Remuneration Committee. In this case, special attention was given to the new ESMA guidelines for a responsible remuneration policy under the UCITS Directive. This resulted in a number of changes in the remuneration policy that were not of a material nature.

#### Remuneration in 2016

Of the total amounts granted in remuneration<sup>[1]</sup> in 2016 to the groups Board, Identified Staff and Other Employees, the following amounts are to be assigned to the fund:

##### Remuneration in EUR x 1

Staff category	Fixed pay for 2016	Variable pay for 2016
Board (7 members)	56,236	52,383
Identified Staff (76) (ex Board)	290,874	179,352
Other employees (735 employees)	1,085,943	449,935

The total of the fixed and variable remuneration charged to the fund is EUR 2,114,723. Imputation occurs according to the following key:

$$\text{Total remuneration (fixed and variable) x } \frac{\text{Total fund assets}}{\text{Total assets under management (RIAM)}}$$

The above stated remuneration, which comes out of the management fee, is paid by RIAM and is therefore not charged to the fund separately.

#### 23 Fiscal status

The fund has the status of a fiscal investment institution. A further description of the fiscal status is included in the general information of the management report on page 4.

<sup>[1]</sup> The remunerations relate to activities performed for one or more entities within the Robeco Group.

## 24 Proposed profit appropriation

For the financial year 2016, dividend distribution will take place on the basis of the fiscal result in order to fulfill the fiscal distribution obligation. Based on the number of shares outstanding on 31 December 2016 it is proposed to fix the dividend per share for the financial year 2016 at:

- EUR 1.00 per share (last year: EUR 1.20) for the Robeco share class.
- EUR 1.00 per share (last year: EUR 1.00) for Robeco - EUR G share class.

If necessitated by legislation and regulation or changes in the number of shares outstanding, the General Meeting of Shareholders shall submit a revised dividend proposal. If this proposal is accepted, the dividend will be payable on 15 May 2017. Robeco and Robeco EUR - G will be quoted ex dividend from 24 April 2017.

Shareholders will be offered the opportunity to reinvest the dividend (less dividend tax) in Robeco and Robeco - EUR G shares. The price used to calculate this is the transaction price of the shares on the stock market of Euronext Amsterdam, Euronext Fund Service segment, on 10 May 2017. Costs which distributors charge to their customers for this, will be borne by the shareholder. In some countries and with some distributors, reinvestment will not be possible for technical reasons.

## 25 Events after balance sheet date

As of 1 March 2017, the name of the fund will be changed into Robeco Global Stars Equities N.V.

## 26 Register of Companies

The fund has its registered office in Rotterdam and is listed in the Trade Register of the Chamber of Commerce in Rotterdam, under number 24041906.

## Currency table

### Exchange rates

	31/12/2016	31/12/2015
<b>EUR 1</b>		
AUD	1.4566	1.4931
CAD	1.4145	1.5090
CHF	1.0720	1.0874
DKK	7.4356	7.4627
GBP	0.8536	0.7371
HKD	8.1777	8.4190
JPY	123.0208	130.6765
KRW	1,273.9271	1,273.7411
NOK	9.0790	9.6153
SEK	9.5820	9.1582
SGD	1.5238	1.5411
TWD	33.9936	35.6817
USD	1.0548	1.0863

# Equity portfolio

As of 31 December 2016

Market value	Market value		Market value	Market value	
		America			
EUR	USD	US			
45,142,089	47,613,618	AbbVie Inc	32,356,808	45,767,087	Manulife Financial Corp
23,666,560	24,962,304	Allegion PLC			Europe
39,035,080	41,172,250	Allergan plc	EUR	GBP	United Kingdom
68,602,616	72,358,610	Alphabet Inc (Class A)	36,863,772	31,466,915	British American Tobacco PLC
48,641,484	51,304,606	Amazon.com Inc	32,314,212	27,583,412	Compass Group PLC
33,863,367	35,717,386	American International Group Inc	25,308,227	21,603,103	Experian PLC
18,674,197	19,696,609	American Water Works Co Inc	33,014,951	28,181,562	Prudential PLC
30,459,781	32,127,454	Amgen Inc	30,913,913	26,388,116	Reckitt Benckiser Group PLC
57,223,041	60,356,003	Apple Inc	37,177,240	31,734,492	Royal Dutch Shell PLC
32,200,546	33,963,526	Biogen Inc	23,813,132	20,326,889	Vodafone Group PLC
35,698,061	37,652,530	BlackRock Inc	EUR	HKD	United Kingdom
36,734,260	38,745,461	Celgene Corp	39,272,921	321,160,200	HSBC Holdings PLC
38,401,253	40,503,722	Charter Communications Inc			
35,984,126	37,954,257	Cigna Corp	EUR	EUR	The Netherlands
36,987,389	39,012,449	Cisco Systems Inc	21,135,119	21,135,119	Akzo Nobel NV
66,901,699	70,564,567	Citigroup Inc	59,503,025	59,503,025	ING Groep NV
83,869,744	88,461,612	Comcast Corp	32,196,744	32,196,744	Koninklijke KPN NV
22,957,353	24,214,268	Crown Holdings Inc	50,879,929	50,879,929	Royal Dutch Shell PLC
23,010,074	24,269,875	CVS Health Corp	EUR	USD	The Netherlands
46,834,501	49,398,690	DaVita Inc	42,700,209	45,038,045	NXP Semiconductors NV
31,677,839	33,412,200	Delphi Automotive PLC			
25,382,460	26,772,149	Delta Air Lines Inc	EUR	CHF	Switzerland
32,356,378	34,127,889	Electronic Arts Inc	37,146,266	39,820,797	Nestlé SA
16,851,811	17,774,448	EPAM Systems Inc	37,381,653	40,073,132	Novartis AG
25,962,653	27,384,108	Estee Lauder Cos Inc/The	64,754,799	69,417,144	Roche Holding AG
45,692,766	48,194,445	Facebook Inc	31,012,024	33,244,890	Syngenta AG
47,674,701	50,284,891	Fifth Third Bancorp			
16,761,275	17,678,955	Liberty Global PLC	EUR	EUR	France
1,490,641	1,572,254	Liberty Global Plc LiLAC	31,767,917	31,767,917	AXA SA
24,976,521	26,343,985	Marathon Oil Corp	35,092,052	35,092,052	Pernod Ricard SA
20,944,960	22,091,697	Mead Johnson Nutrition Co	50,990,352	50,990,352	TOTAL SA
15,900,693	16,771,256	MEDNAX Inc	19,135,556	19,135,556	Vivendi SA
55,804,872	58,860,189	Microsoft Corp			
28,358,711	29,911,350	NextEra Energy Inc	EUR	EUR	Ireland
28,009,572	29,543,096	Norfolk Southern Corp	24,844,773	24,844,773	Ryanair Holdings PLC
34,630,336	36,526,347	Oracle Corp			
20,589,057	21,716,308	Palo Alto Networks Inc	EUR	EUR	Belgium
30,758,595	32,442,628	Philip Morris International Inc	22,222,958	22,222,958	Anheuser-Busch InBev SA/NV
37,613,700	39,673,050	Priceline Group Inc/The			
36,046,469	38,020,013	Rockwell Automation Inc	EUR	NOK	Norway
21,752,797	22,943,763	Sealed Air Corp	21,626,007	196,342,515	Telenor ASA
36,123,735	38,101,509	Stanley Black & Decker Inc			
15,704,327	16,564,139	Stericycle Inc	EUR	DKK	Denmark
51,687,475	54,517,364	Synchrony Financial	20,042,958	149,030,415	Vestas Wind Systems A/S
31,618,250	33,349,349	United Parcel Service Inc			
35,879,611	37,844,019	Valero Energy Corp	EUR	EUR	Germany
43,085,089	45,443,997	Visa Inc	5,120,313	5,120,313	Innogy SE
					Asia
EUR	CAD	Canada	EUR	JPY	Japan
31,503,270	44,559,801	Bank of Nova Scotia/The	27,084,682	3,331,979,200	Japan Tobacco Inc
22,304,277	31,548,285	Intact Financial Corp	22,964,724	2,825,138,700	KDDI Corp

<u>Market value</u>	<u>Market value</u>	
25,240,057	3,105,052,000	Sumitomo Mitsui Financial Group
33,405,774	4,109,605,000	Toyota Motor Corp
<b>EUR</b>	<b>HKD</b>	<b>Hong Kong</b>
26,775,418	218,960,000	AIA Group Ltd
<b>EUR</b>	<b>KRW</b>	<b>South Korea</b>
25,147,401	32,035,956,000	Samsung Electronics Co Ltd

<u>Market value</u>	<u>Market value</u>	
<b>EUR</b>	<b>USD</b>	<b>Israel</b>
21,361,273	22,530,803	Check Point Software Technologies
<b>EUR</b>	<b>TWD</b>	<b>Taiwan</b>
11,399,295	387,502,500	Taiwan Semiconductor Manufacturing Co
<b>2,783,996,516</b>		<b>Total</b>

Rotterdam, 16 March 2017

The Management Board  
Robeco Institutional Asset Management B.V.

Gilbert Van Hassel  
Karin van Baardwijk  
Peter Ferket  
Roland Toppen

# Other information

## Profit appropriation

According to article 20 of the fund's Articles of Association, the profit, after payment of dividend on the priority shares and less allocations to the reserves deemed desirable by the management board shall be at the disposal of the General Meeting of Shareholders.

## Special controlling rights in accordance with the Articles of Association

The ten priority shares in the company's share capital are held by Robeco Holding B.V. In terms of structural changes to Robeco Groep N.V. and Robeco Institutional Asset Management B.V., Robeco Groep N.V. transferred the priority shares to Robeco Holding B.V. on 30 September 2016. According to the company's Articles of Association, the rights and privileges of the priority shares include the appointment of managing directors and the amendment to the Articles of Association. The Management Board of Robeco Holding B.V. determines how the voting rights are exercised:

Gilbert Van Hassel  
Karin van Baardwijk  
Peter Ferket  
Roland Toppen

## Directors' interests

On 1 January 2016 and 31 December 2016, the directors had no personal interests in the fund's investments.



# Independent auditor's statement

To: The General Meeting of Shareholders and Supervisory Board of Robeco N.V. (As of 1 March 2017: Robeco Global Stars Equities N.V.)

## Report on the audit of the annual financial statements 2016

### Our opinion

In our opinion the financial statements give a true and fair view of the financial position of Robeco N.V. (the company) as at 31 December 2016, and of its result for 2016 in accordance with Part 9 of Book 2 of the Netherlands Civil Code and the requirements set with regard to the financial statements by or pursuant to the Wet op het financieel toezicht (Wft, Act on Financial Supervision).

### What we have audited

We have audited the financial statements 2016 of Robeco N.V., based in Rotterdam.

The financial statements comprise:

- 1 the balance sheet as at 31 December 2016;
- 2 the profit and loss account for 2016;
- 3 the cash flow statement for 2016; and
- 4 the notes comprising a summary of the significant accounting policies and other explanatory information.

### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of the company in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Unqualified audit opinion



### Materiality

- EUR 28 million
- Based on 1 % of shareholders' equity



### Key audit matters

- Existence and valuation of investments

### Materiality

Based on our professional judgment we determined the materiality for the financial statements as a whole at EUR 28 million (2015: EUR 31 million). Materiality is determined based on 1% of shareholders' equity. The materiality is determined with reference to total shareholders' equity as we consider the invested amount by shareholders (equity) most relevant for an investment fund. Value changes are an important part of the total revenue and therefore of the result of an investment fund. Due to the dependency on the value changes both the total revenues and the profit before tax are inherently volatile and therefore less suited as benchmark for determining materiality.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements. Materiality, as a percentage of shareholders' equity, is unchanged relative to the last financial year.

We agreed with the Supervisory Board, the manager and the Management Board of the company, Robeco Institutional Asset Management B.V. (RIAM), that misstatements in excess of EUR 1.4 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

### Scope of the audit

#### Processes performed by service providers

The fund has no employees and its portfolio management, risk management and financial and investment administration are therefore performed by RIAM. Consequently, the fund is dependent on RIAM for generating financial information and drafting the financial statements. Taking into account our responsibilities for the audit of the financial statements we are responsible for assessing the nature and significance of the services provided by RIAM and its effect on the internal controls relevant to the audit. Based on this assessment we identify the risks of material misstatement and design audit procedures to address these risks.

As part of our audit procedures we rely on the procedures performed by the external auditor of RIAM on the relevant administrative organisation and internal controls of RIAM. The outcome of these procedures is included in the ISAE 3402 type II report of RIAM. Our audit procedures consisted of determining the minimum expected controls at RIAM, and evaluating the controls which are included in the ISAE 3402 type II report, the procedures performed in order to test the effectiveness of those controls and the outcome of these procedures.

Based on the above procedures performed over these processes and additional work performed by us, we have collected sufficient appropriate audit evidence in relation to the fund's investments and investment income in order to opine on the financial statements.

### Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matter to the Supervisory Board. The key audit matter is not a comprehensive reflection of all matters discussed. This matter was addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

#### Existence and valuation of investments

##### Description

The investments of the fund comprise more than 98% of the balance sheet total. These investments are valued at fair value based on market information. Therefore, the valuation of the investments has a significant impact on the financial results of the fund. The determination of the fair value is disclosed on page 21 and 30. We assess the risk of a material misstatement in the valuation of the investments as low due



## Existence and valuation of investments

to the fact that the portfolio consists of liquid, listed investments which are traded on an active market. Due to the amount of the investments in relation to the financial statements as a whole we identify the existence and valuation of investments as a key audit matter.

### Our response

Our audit procedures consisted of the following:

- determining the existence of the investments by custodian confirmation and other relevant counterparties.
- determining that the used price is based on the method which is defined for the relevant investment category. We performed this procedure by comparing the used valuations of the investments with our independent valuation which is based on observable market prices. In performing these procedures we have used our valuation specialists.

Furthermore we evaluated the disclosure in the financial statements on page 21 to 29.



### Our observation

Based on our procedures we conclude that the investments exist and that the Management Board's valuation of the investments resulted in an acceptable valuation of the investments in the financial statements.



## Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the report by the board;
- other information.

Based on the below procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Netherlands Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Netherlands Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Management Board is responsible for the preparation of the other information, including the report by the board in accordance with Part 9 of Book 2 of the Netherlands Civil Code and other information pursuant to Part 9 of Book 2 of the Netherlands Civil Code.

## Report on other legal and regulatory requirements

### Engagement

We were engaged by the General Meeting on 24 April 2014 as auditor of the company as of the audit for year 2014 and have operated as statutory auditor since then.

## Description of the responsibilities for the financial statements

### Responsibilities of the Management Board and Supervisory Board for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Netherlands Civil Code and the requirements set with regard to the financial statements by or pursuant to the Wft. Furthermore, the Management Board is responsible for such internal control as the Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless the Management Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

### **Our responsibilities for the audit of financial statements**

Our objective is to plan and perform the audit to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during the audit.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 16 March 2017

KPMG Accountants N.V.

W.L.L. Paulissen RA