BostonPartners

Data as of December 31, 2021

# Boston Partners Long/Short Research Fund

## PRODUCT DESCRIPTION

The Boston Partners Long/Short Research Fund seeks to provide long-term growth of capital primarily through investment in equity securities. Our primary focus in achieving these objectives is security selection supported by internal fundamental research.

## CONTACT INFORMATION

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## MONTHLY PERFORMANCE PRESENTATION AS OF DECEMBER 31, 2021

| | Dec-21 | YTD | 1Y | 3Y | 5Y | 10Y | S/I* |
|---|---|---|---|---|---|---|---|
| BPRRX | 4.94 | 23.46 | 23.46 | 8.25 | 4.43 | 6.33 | 6.25 |
| SP500 | 4.48 | 28.71 | 28.71 | 26.07 | 18.47 | 16.55 | 15.71 |
| HFRIEHI | 1.85 | 11.96 | 11.96 | 14.49 | 9.56 | 7.50 | 6.23 |

## STATISTICS AS OF DECEMBER 31, 2021

| | | | |
|---|---|---|---|
| Beta | 0.59 | Std Dev | 9% |
| R-Squared | 0.75 | Sharpe | 0.87 |
| Months | 135 | Sortino (0%) | 1.50 |
| %+Month | 61% | Sortino (t-bill) | 1.38 |
| Max Drawdown | -21.3% | | |

## QUARTERLY PERFORMANCE PRESENTATION AS OF DECEMBER 31, 2021

| | 2021Q4 | YTD | 1Y | 3Y | 5Y | 10Y | S/I* |
|---|---|---|---|---|---|---|---|
| BPRRX | 6.98 | 23.46 | 23.46 | 8.25 | 4.43 | 6.33 | 6.25 |
| SP500 | 11.03 | 28.71 | 28.71 | 26.07 | 18.47 | 16.55 | 15.71 |
| HFRIEHI | 0.92 | 11.96 | 11.96 | 14.49 | 9.56 | 7.50 | 6.23 |

## ASSETS UNDER MANAGEMENT

| | | | |
|---|---|---|---|
| Fund | $728M | Strategy | $844M |

## FUND EXPENSES

| | |
|---|---|
| Management Fees | 1.25% |
| Operating and Other Expenses | 0.41% |
| Investment Related Expenses | 0.74% |
| Gross Expenses | 2.40% |

*For further information on fund expenses and potential fee waivers, please refer to the last page.*

**The performance data quoted represents past performance and does not guarantee future results. Current performance may be lower or higher. Performance data current to the most recent month-end may be obtained at www.boston-partners.com. The investment return and principal value of an investment will fluctuate so that shares, when redeemed, may be worth more or less than their original cost.**

## CHARCTERISTICS

| | Long | Short |
|---|---|---|
| Wtd Avg Mkt Cap ($Mil) | $131,243 | $36,086 |
| Median mkt Cap ($Mil) | $29,822 | $6,297 |
| Price/Earnings FY1 | 12.9x | 18.2x |
| Price/Book | 2.7x | 2.3x |
| Number Holdings | 228 | 181 |
| Current Month Exposure | 100.1% | 39.4% |

## LARGEST HOLDINGS

### LONG PORTFOLIO

| Weight | Security name |
|---|---|
| 2.4% | ALPHABET INC. CLASS A |
| 2.3% | META PLATFORMS INC. CLASS A |
| 1.3% | AMERIPRISE FINANCIAL, INC. |
| 1.2% | ABBVIE, INC. |
| 1.1% | UNITEDHEALTH GROUP INCORPORA |

### SHORT PORTFOLIO

| Weight | Security name |
|---|---|
| 0.5% | ATLAS AIR WORLDWIDE HOLDINGS |
| 0.5% | HOVNANIAN ENTERPRISES, INC. |
| 0.5% | LGI HOMES, INC. |
| 0.5% | CREDIT ACCEPTANCE CORPORATIO |
| 0.5% | FEDEX CORPORATION |

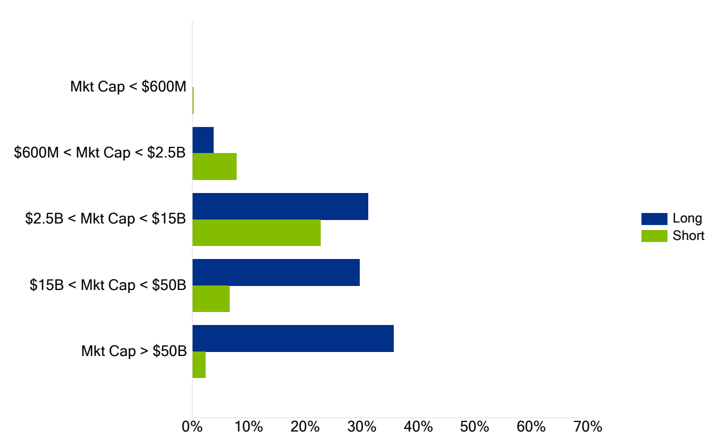
## QUARTERLY ATTRIBUTION (%) AS OF: DECEMBER 31,

| Sector | Long Contribution To Return | Short Contribution To Return | Total Contribution To Return |
|---|---|---|---|
| Communication Services | -0.07 | 0.13 | 0.06 |
| Consumer Discretionary | 0.47 | 0.50 | 0.97 |
| Consumer Staples | 0.00 | 0.06 | 0.06 |
| Energy | 1.24 | 0.07 | 1.31 |
| Financials | 0.57 | -0.42 | 0.15 |
| Health Care | 1.52 | 0.38 | 1.89 |
| Industrials | 0.69 | 0.06 | 0.75 |
| Information Technology | 1.79 | -0.01 | 1.78 |
| Materials | 0.57 | 0.35 | 0.93 |
| Real Estate | 0.03 | -0.22 | -0.20 |
| Utilities | 0.02 | 0.00 | 0.02 |
| Cash | | | -0.12 |
| Total | 6.82 | 0.89 | 7.59 |

## EXPOSURE BY SECTOR

| | Long | Short | Net |
|---|---|---|---|
| COMMUNICATION SERVICES | 8.6% | 2.0% | 6.6% |
| CONSUMER DISCRETIONARY | 11.0% | 5.5% | 5.4% |
| CONSUMER STAPLES | 4.8% | 3.3% | 1.5% |
| ENERGY | 11.4% | 1.5% | 9.8% |
| FINANCIALS | 16.5% | 7.6% | 9.0% |
| HEALTH CARE | 13.1% | 2.4% | 10.7% |
| INDUSTRIALS | 12.3% | 5.4% | 6.9% |
| INFORMATION TECHNOLOGY | 14.8% | 5.7% | 9.1% |
| MATERIALS | 6.3% | 4.7% | 1.6% |
| REAL ESTATE | 1.3% | 1.3% | 0.0% |
| UTILITIES | 0.0% | 0.0% | 0.0% |
| **Total Net** | | | **60.6%** |

## EXPOSURE BY MARKET CAPITALIZATION




* Since Inception: November 29, 2010

The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for advisory clients. It should not be assumed that an investment in these securities was or will be profitable. Portfolio is subject to change. Portfolio composition is for illustration purposes only and is not a permanent reflection of the fund.

# Long/Short Research Equity Fund

## QUARTERLY COMMENTARY

**Wins, Losses and Themes Driving Q4 and 2021 Performance**

The Boston Partners Long/Short Research Fund ("RF") returned 6.98% net of fees during the fourth quarter compared to the 11.03% return of the S&P 500 Index while averaging 58% net long exposure. The RF's 7.37% gross return can be roughly attributed to a +6.67% contribution from the long portfolio and a +0.70% contribution from the short portfolio. The Fund's value-oriented approach resulted in a long and short performance differential of +8.57% even though Russell 3000 Value trailed Russell 3000 Growth by -3.35% during the quarter.

Longs returned approximately 6.67% but trailed the S&P 500 return of 11.03%; top absolute contributors included Technology (+1.8%) Health Care (+1.5%) and Energy (+1.2%). In Technology, semiconductor and semiconductor equipment holdings outperformed as pricing remains strong with secular tailwinds from 5G, cloud, and Artificial Intelligence. Health Care was led by several pharmaceutical holdings following positive trial results and existing drugs posting better than expected revenues; managed care holdings also contributed due to growth in insured lives and better than feared COVID-related medical costs. In Energy, US oil producers benefitted from rising commodity prices amid a sharp demand recovery and constrained supplies; we see further opportunity for outperformance within the sector.

Shorts fell in price 1.90%, and we generated gains in eight of the ten sectors in which we were short; strongest contributions were from Consumer Discretionary (+0.5%), Health Care (+0.4%), and Materials (+0.4%). In Consumer Discretionary, internet retailers and an upstart mattress manufacturer fell on signs of slowing growth. Within Health Care, biotechnology shorts fell in price due to growing competition and weak free cash flow generation coupled with negative trial results. Two key mining shorts in Materials fell in price with salt prices down from peak levels, and a short in the electric vehicle battery supply chain fell as additional global supply resulted in weaker pricing and revenue headwinds.

The Fund returned 23.46% net of fees in 2021 vs the S&P 500 up 28.71%, thus capturing approximately 83% of the S&P 500 Index return while averaging approximately 59% net long exposure. The long portfolio returned 31.60% and outperformed the S&P 500; outperformance was driven by Energy as our long portfolio averaged 9% more exposure than the S&P 500 in the best-performing sector for the year, with U.S. exploration and production companies, refiners and oil services holdings driving the gains. Consumer Discretionary has been another area of outperformance due to not owning expensive ecommerce and instead owning specialty retailers as well as businesses tied to housing and travel end markets. Financials has been another area of outperformance driven by banks and consumer credit holdings which benefitted from rising interest rates and consumer credit tailwinds allowing for sizeable reserve releases.

Shorts rose in price approximately 8.84% in 2021, trailing our longs by roughly 23% and trailing the S&P 500 by roughly 20%. We generated absolute gains in Technology as several SMID-cap software shorts trading over 20x revenues have fallen sharply in price as rising rates have hurt the multiples of these long duration stocks, and in many cases revenue growth is slowing. We also generated gains in Health Care as several biotech and telehealth shorts fell in price due to a mix of poor trial results, slowing revenue growth, and multiple compression.

**Market Commentary**

The S&P 500 Index gained +11.03% in the fourth quarter and 28.71% for the year – the third straight year of double-digit gains. The returns were largely driven by stellar earnings growth, and the continuation of the most benign financial conditions in decades that helped stoke a strong rebound in economic activity.

Ten out of the eleven sectors that comprise the S&P 500 had positive returns during the fourth quarter, with Real Estate leading at +17.50%, a sector with a yield that is nearly double that of the broad Index (2.21% to 1.27%) and historically has been a beneficiary of rising inflation. Two cyclical sectors followed: Technology at +16.69% and Materials at +15.20%. Communications Services was the lone laggard at -0.01%, with weakness in both media and cable names.

While the overall return of the stock market was strong during the quarter, a more defensive, "risk-off" trading trend developed, with the large-cap Russell 1000 Index beating the small-cap Russell 2000 Index, +9.77% to +2.14%, high-quality stocks rated "B+" or higher by Standard & Poor's beating those rated "B" or lower, +8.64% to -2.58%, and lowest beta quintile of the S&P outpacing the highest quintile, +11.34% to +8.92%. The underperformance of low-quality stocks greatly helped our short portfolio in the quarter.

Year-to-date, it was all about Energy which returned +54.39%, reflecting gains in oil and gas that also exceeded 50% on supply/demand imbalance pressures. With interest rates rising by an average of 64 basis points (0.64%) along the coupon paying portion of the U.S. Treasury yield curve, the bond-surrogate Utilities sector was the laggard for the year with a return of +17.67%, though not bad considering the -2.38% posted by the ICE BofA Treasury Bond Index.

On an equal-weighted basis, the Russell 1000 Value Index outperformed the Russell 1000 Growth Index during the year, +22.01% to +10.91%, as that metric negates the mega-cap effect of the FAANG names within the Russell 1000 Growth Index (Facebook, Apple, Amazon, NVIDIA, Google), which collectively represent 29.2% of the make-up of that Index.

Over the next three to six months, we should witness the first phase of the tightening process as the Fed already communicated its goal of unwinding its monthly purchases of Treasuries and Mortgage Back Securities. In theory, this should set the stage for the Fed to begin raising interest rates sometime during Q1 or Q2 of 2022. The market currently projects the first 25 basis points hike in the Federal Funds rate to occur in March or May, with two additional 25 basis points hikes later in the year bringing the implied Fed Funds rate somewhere between 75-100 basis points by year end 2022. This will mark the first time the Fed attempts to raise interest rates since 2018, a year in which the market struggled for direction (the S&P 500 finished down over -4%) and volatility increased given the high degree of uncertainty surrounding the impact of the Fed's policy changes. We believe the set up for 2022 is similar, yet with potentially more volatility given the additional leverage in the system.

Minutes from the last U.S. Federal Reserve meeting in December 2021 suggest the Fed may need to increase the Federal Funds rate "sooner or at a faster pace" than previously anticipated. This is certainly understandable given U.S. inflation running near a 40-year high of 7% and unemployment nearing historic lows at 3.9%. Yet even more unsettling is the acknowledgement that the Fed may need to "reduce the size of the Federal Reserve's balance sheet relatively soon [after beginning to raise rates]". Markets earlier anticipated balance sheet shrinkage to be a 2024 event, and this event happening sooner than expected may provide additional upward pressure on interest rates.

In recent letters we highlighted the extreme valuation backdrop across global equities, with the quintile with relative performance most and correlated with falling U.S. 10 year rates trading at an all-time high relative P/E multiple (top industries include software, biotech, media and internet services – areas where we are finding short opportunities) and the quintile with relative performance most correlated with rising rates trading at an all-time low relative P/E multiple (top industries include banks, consumer finance, energy, and industrial machinery – areas where we are finding long opportunities). Rising interest rates in the second half of 2021 compressed the price to sales multiples in the most expensive quintile, and we have witnessed further multiple compression as global bond yields have attained multi-year highs in the early weeks of 2022. All else equal, our cyclically exposed long portfolio should benefit disproportionately from a strong U.S. economy and rising interest rates while our shorts appear vulnerable to the heightened volatility surrounding possible Federal Reserve tightening policies and inflationary pressures. We believe the RF offers a potential inflation hedge within a portfolio at a time when bond duration is at an all-time high, and growth equity multiples remain extended relative to history. From this starting point, we very much like our positioning and the opportunity ahead for substantial long/short performance spreads in the coming quarters and years.

**Tactics & Positioning**

Net exposure was modestly increased from roughly 58% net long at the beginning of the quarter to 61% net long at the end of the quarter due to increasing long exposure in the Materials and Consumer Staples sectors and covering several shorts in the Consumer Discretionary sector.

## BOSTON PARTNERS LONG/SHORT RESEARCH FUND

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

***You should consider the investment objectives, risks, charges and expenses of Boston Partners Investment Funds carefully before investing. Call (888)261-4073 to obtain a prospectus with this and other information about the Funds. Read the prospectus carefully before investing.***

***The performance data quoted represents past performance and does not guarantee future results. Current performance may be lower or higher. Performance data current to the most recent month-end may be obtained at www.boston-partners.com. The investment return and principal value of an investment will fluctuate so that shares, when redeemed, may be worth more or less than their original cost.***

Investment in shares of the Long/Short Research Fund are more volatile and risky than some other forms of investments. Since the Long/Short Research Fund has both a long and a short portfolio, an investment in the Fund will involve risks associated with twice the number of investment decisions made for a typical stock fund and short selling carries a risk on unlimited loss. The Fund will engage in short sales which theoretically involves unlimited loss potential since the market price of securities sold short may continuously increase. This may have the effect of increased leverage with risk of loss and cause fluctuations in the market value of the Fund's portfolio to have disproportionately large effects or cause the NAV of the Fund generally to decline faster than it would otherwise. Investments made in small or mid capitalization companies may be more volatile and less liquid due to limited resources or product lines and more sensitive to economic factors. The Fund may invest in more aggressive investments such as foreign securities which may expose the fund to currency and exchange rate fluctuations, derivatives (futures, options, swaps), REITS (affected by economic factors related to the real estate industry), illiquid and high yield debt (also known as junk bonds), all of which may cause greater volatility and less liquidity. Derivatives may be more sensitive to changes in market conditions. The Fund may experience high portfolio turnover which may result in higher costs and capital gains.

## INDICES

The Fund is benchmarked against the S&P 500 index for comparative purposes only since the strategy is not correlated to equity market returns. The S&P 500 is a registered trademark of the McGraw-Hill Companies, Inc. and is an unmanaged index of the common stocks of 500 widely held U.S. companies. The HFRI Equity Hedge (Total) Index is defined as constituent funds typically maintain at least 50% exposure to, and may in some cases be entirely invested in, equities or equity derivative securities, both long and short. Constituents use a wide variety of investment processes and techniques, net exposure levels, leverage employed, holding periods, market capitalizations concentrations, and valuation ranges. The ICE BofAML Fixed Income Indices track the performance of the global investment grade, high-yield and emerging debt markets. The Russell 3000® Index measures performance of the 3,000 largest U.S. companies based on total market capitalization. The Russell 3000® Value Index contains stocks included in the Russell 3000® Index displaying low price-to-book ratios and low forecasted growth values. The Russell 2000 Index is a small-cap stock market index that makes up the smallest 2,000 stocks in the Russell 3000 Index. The Russell 1000 Index is a stock market index that tracks the highest-ranking 1,000 stocks in the Russell 3000 Index, which represent about 93% of the total market capitalization of that index. The ICE BofAML Fixed Income Indices track the performance of the global investment grade, high-yield and emerging debt markets. The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected and historical growth rates. The Russell 1000® Growth Index measures the performance of the large- cap growth segment of the US equity universe. It includes those Russell 1000 companies with relatively higher price-to-book ratios and higher expected growth rates. The Russell 3000 Growth Index is a market capitalization-weighted index based on the Russell 3000 index. The Russell 3000 Growth Index includes companies that display signs of above-average growth. Data cannot be shared or distributed without written consent. Index returns are provided for comparison purposes only. Direct investment in these indices is not possible.

## FEES AND EXPENSES

Returns are provided on a net basis. Net returns are reduced by any fees and applicable expenses incurred in the management of the Fund.
Operating expenses include distribution fees and administrative, legal, registration and other expenses. Investment related expenses include dividend expenses on short sales and interest expenses on borrowings.
Gross expenses are as of the most recent prospectus and are applicable to investors.

## DEFINITIONS

Beta: A measure of a portfolio's market-related risk or its price movement in relation to a benchmark. Securities with betas higher than 1.0 have been, and are expected to be, more volatile than the benchmark; securities with betas lower than 1.0 have been, and are expected to be less volatile than the benchmark.
Drawdown: The peak-to - trough decline during a specific record period of an investment, fund or commodity. A drawdown is usually quoted as the percentage between the peak and the trough.
Price To Book(P / B) - The price per share of a stock divided by its book value(net worth) per share. For a portfolio, the ratio is the weighted average price-to- book ratio of the stocks that it holds.
Price To Earnings(P / E) - A method of valuing stocks, calculated by dividing the closing price of a company's stock by its annual earnings per share. A higher multiple means investors have higher expectations for future growth and have bid up the stock's price.
R - Squared: A statistical measure that represents the percentage of a fund or security's movements that can be explained by movements in a benchmark index.
Sharpe Ratio: A measure of risk-adjusted return. Sharpe ratio is calculated using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.
Sortino Ratio: A measure of risk-adjusted performance that indicates the level of excess return per unit of downside risk. Downside risk can be measured as negative returns or below a minimum required return.
Standard Deviation: A statistical term that measures the dispersion of a variable around its expected value. The standard deviation is often used as a measure of risk when applied to a return on an investment.
Treasury Yield Curve: The Treasury yield curve, which is also known as the term structure of interest rates, draws out a line chart to demonstrate a relationship between yields and maturities of on-the-run Treasury fixed-income securities.
Price to Sales Ratio: Price–sales ratio, P/S ratio, or PSR, is a valuation metric for stocks. It is calculated by dividing the company's market capitalization by the revenue in the most recent year.
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