

Peripheral Europe Update

Olaf Penninga, Lead Portfolio Manager Robeco Euro Government Bonds
Stephan van IJendoorn, Portfolio Manager

- **ECB ready to boost Quantitative Easing**
- **Spain needs less debt due to strong growth**

Main market events

Peripheral bonds underperformed German bonds this week, with Portugal the only exception. The resumption of supply and upcoming elections weighed on the periphery. Portuguese bonds returned 2.9% this year, Italian bonds 1.7%, Irish bonds 0.0% and Spanish bonds -0.7%.

ECB

The ECB revised its expectations for growth and inflation downwards. ECB President Draghi mentioned the ECB stands ready to act if downside risks materialize. The limit of individual bonds the ECB can buy was increased from 25% to 33%. This means the current QE program could, if needed, be extended for 6 months without hitting this limit.

Spain

Spain will need less funding this year thanks to the strong economic growth. Spain sold close to EUR 6 billion of bonds, one of the highest amounts of the year in a single day. The Spanish Treasury is clearly trying to frontload issuance as much as possible before elections in Catalonia this month and general elections in the fourth quarter.

Italy

Italian first half 2015 GDP growth was revised up and unemployment declined strongly in July.

Portugal

Portugal successfully issued a new 7-year benchmark bond with a size of EUR 3 billion. Total demand for the bond was over EUR 5.5 billion. Portugal is already pre-funding its 2016 funding needs.

Greece

Support for Tsipras' party Syriza fell behind its main rival New Democracy for the first time. Tsipras had called for new elections in order to silence hardline leftists within his own party, but this decision now seems to backfire on him.

Robeco Euro Government Bonds

We are cautiously optimistic on periphery. We continue to see the ECB's QE program, the generally supportive stance of EU policy makers towards the periphery and the improvement in growth as positives for peripheral debt. We replaced some Spanish bonds with the new Portuguese bond. Portugal benefits disproportionately from QE and its bonds cheapened due to the issuance of the new bond. The fund maintains its overweight position in 10-year Irish bonds.

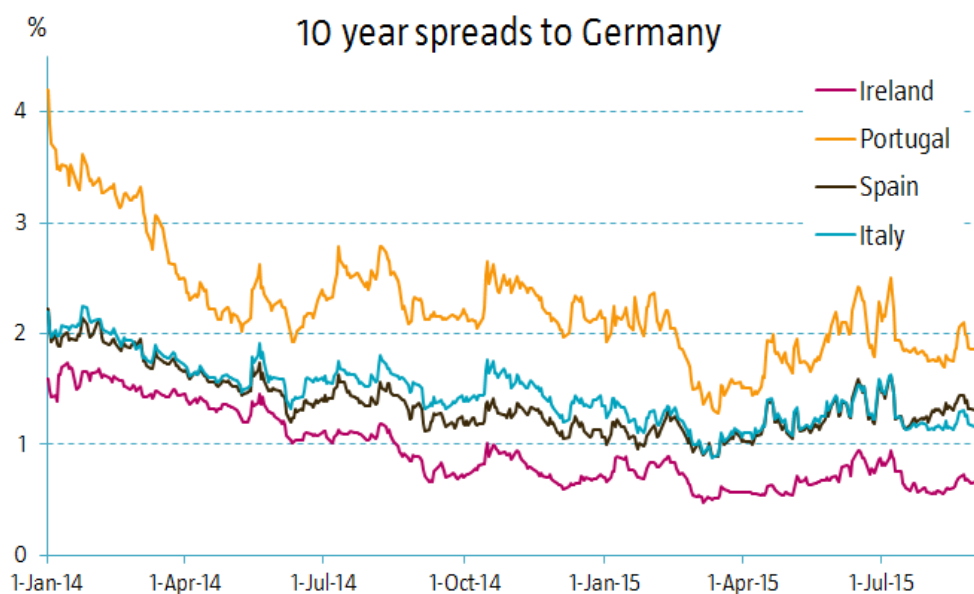
Peripheral bonds make up 39% of the fund. YTD the fund's absolute performance is -0.14%*.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD September 3, 2015. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

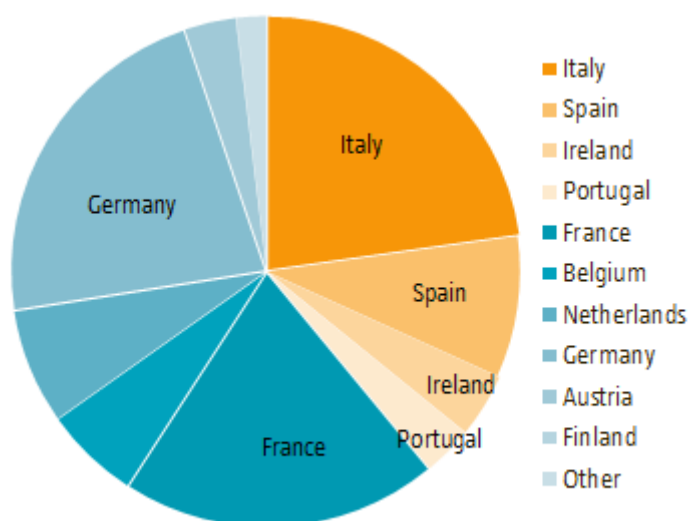
maturity	German yields	Spreads	France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.27	0.09										
2	-0.23	0.06	0.34	0.33	0.02	0.06	0.06			0.15	0.02	0.57
3	-0.17	0.08	0.48	0.53	0.03	0.05	0.06		22.5	0.18	0.07	0.75
4	-0.08	0.11	0.62	0.74	0.05	0.14	0.11			0.17	0.07	0.98
5	0.06	0.13	0.79	0.93	0.04	0.14	0.08		16.0	0.31	0.11	1.23
6	0.15	0.17	0.97	1.24	0.09	0.19	0.16			0.30	0.12	1.45
7	0.29	0.20	1.07	1.37	0.11	0.25	0.23			0.45	0.23	1.61
8	0.40	0.28	1.23	1.41	0.17	0.27	0.25				0.20	
9	0.56	0.27	1.24	1.43	0.16	0.29	0.26			0.64	0.18	1.77
10	0.69	0.35	1.22	1.40	0.19	0.35	0.29		8.38	0.70	0.26	1.85
15	0.93	0.58	1.48	1.66		0.33	0.14		7.95	0.94	0.37	2.06
20	1.17	0.53	1.53			0.51	0.27		7.58			
30	1.40	0.58	1.58	1.76	0.16	0.56	0.24		7.40		0.04	

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (September 4, 2015)



Source: Robeco

Important information

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