

Peripheral Europe Update

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- **Portugal government voted down**
- **Catalans start independence process**

Main market events

Peripheral bond returns were mixed last week, with Italy leading while Spain and Portugal lagged Germany. Bond markets rallied due to increased expectations of further central bank stimulus, but Spain and Portugal were hurt by rising political tensions. Italian bonds have returned 4.4% this year, Portuguese bonds 1.8%, Irish bonds 1.3% and Spanish bonds 1.0%.

ECB

ECB President Draghi clearly reinforced his case for additional monetary policy stimulus. A deposit rate cut now seems highly likely, with the debate shifting to the magnitude of the cut.

Portugal

The Portuguese parliament voted against the program of the freshly appointed centre-right government, which now needs to step down. As a next step president Silva has to decide to either appoint socialist leader Antonio Costa as the new Portuguese prime minister or appoint a caretaker government until fresh national elections can take place (April 2016 at the earliest).

Greece

The Eurogroup delayed the decision to release the EUR2 bln bailout tranche to Greece, as the government is already three weeks behind schedule in bailout implementation. A deadline has now been set at the beginning of next week for Greece to finalize the negotiations.

Spain

The Catalan Parliament passed a motion to begin the independence process. The central government appealed the motion to the Constitutional Court, which has up to five months to formulate a ruling. Catalonia intends to apply the motion irrespective of the Court's decision. Fitch has cut the credit rating of Catalonia to BB due to the escalation of tensions.

Robeco Euro Government Bonds

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. On the other hand risk aversion in wider financial markets (related to emerging markets, commodities and expected FED tightening) and further political uncertainty might weigh on the periphery.

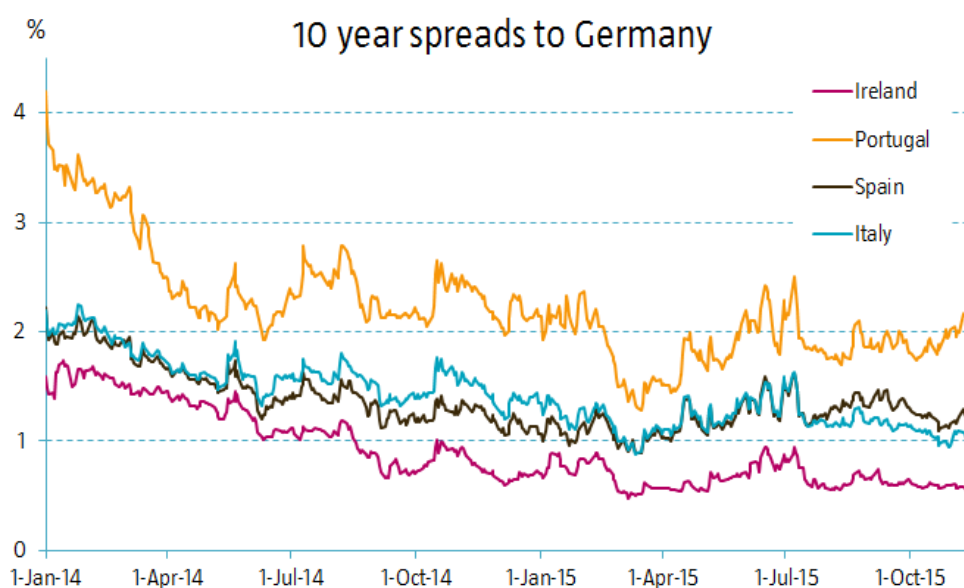
Overall the fund has significantly reduced its periphery exposure in recent weeks. Currently the fund has overweight positions in Portugal and Ireland versus underweight positions in Spanish and Italian bonds. Portugal benefits disproportionately from QE and strong economic growth is rapidly improving the Irish debt metrics. Peripheral bonds make up 28% of the fund. Year-to-date the fund's absolute return is 1.36%*.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD November 12, 2015. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

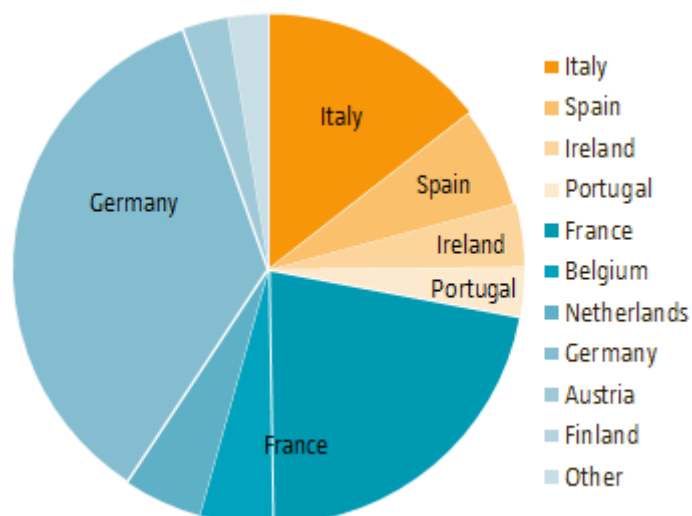
maturity	German yields	Spreads	France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.38	0.10										
2	-0.37	0.06	0.39	0.39	0.02	0.07	0.07			0.17	0.03	0.61
3	-0.33	0.10	0.46	0.51	0.04	0.05	0.06	22.6		0.21	0.07	0.86
4	-0.24	0.14	0.50	0.66	0.05	0.11	0.08			0.29	0.06	1.28
5	-0.11	0.16	0.55	0.77	0.03	0.11	0.03	16.1		0.33	0.09	1.61
6	-0.03	0.19	0.70	1.04	0.07	0.17	0.13			0.50	0.07	1.84
7	0.09	0.24	0.94	1.20	0.11	0.22	0.21			0.62	0.17	2.18
8	0.24	0.24	0.91	1.21	0.14	0.22	0.22				0.15	
9	0.41	0.29	1.02	1.28	0.14	0.25	0.24			0.73	0.15	1.87
10	0.56	0.32	1.01	1.24	0.16	0.29	0.27	6.61		0.54	0.23	2.19
15	0.85	0.58	1.18	1.54		0.29	0.11	6.51		0.81	0.41	2.48
20	1.14	0.43	1.19			0.46	0.30	6.37				
30	1.41	0.48	1.31	1.59	0.14	0.50	0.26	7.39			0.07	

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (November 13, 2015)



Source: Robeco

Important information

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