

Peripheral Europe Update

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- **Catalan government prepares for secession**
- **Rating agencies skeptical on Italian bad bank**

Main market events

Peripheral bonds underperformed German bonds last week. The general risk-off sentiment in global markets also affected peripheral bonds. The issuance of EUR 9bln of Italian 30-year bonds was a bit too much to digest for markets in this environment. Italian bonds have returned 0.6% this year, Portuguese bonds -1.6%, Spanish bonds 0.9% and Irish bonds 1.5%.

Spain

The pro-independence Catalan regional government has officially kick-started the secessionist process by setting up committees to create the first independent Catalan State institutions, like a Social Security system, a Finance Ministry and a Treasury.

Portugal

The Troika of IMF, ECB and EC concluded its third post-program surveillance mission this week. The institutions expect Portuguese growth to moderate as the structural reform progress lost momentum and urged the Portuguese government to significantly increase its efforts to reduce the budget deficit and comply with the European fiscal rules.

Italy

Rating agencies are skeptical on the Italian bad bank agreement. S&P said the mechanism may fall short of the target of reducing the stock of non-performing loans, while Moody's said it requires banks to recognize large additional loan losses.

Greece

Prime Minister Tsipras urged Greece's creditors to quickly give a verdict on the pension reform proposal and complete the first review as protests against his government are rising. A general strike brought some 40,000 protesters in the streets of Athens on Thursday.

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. But the general risk off sentiment in financial markets favors a cautious stance towards peripheral bonds. We did however use this week's spread widening to add somewhat to our Spanish exposure.

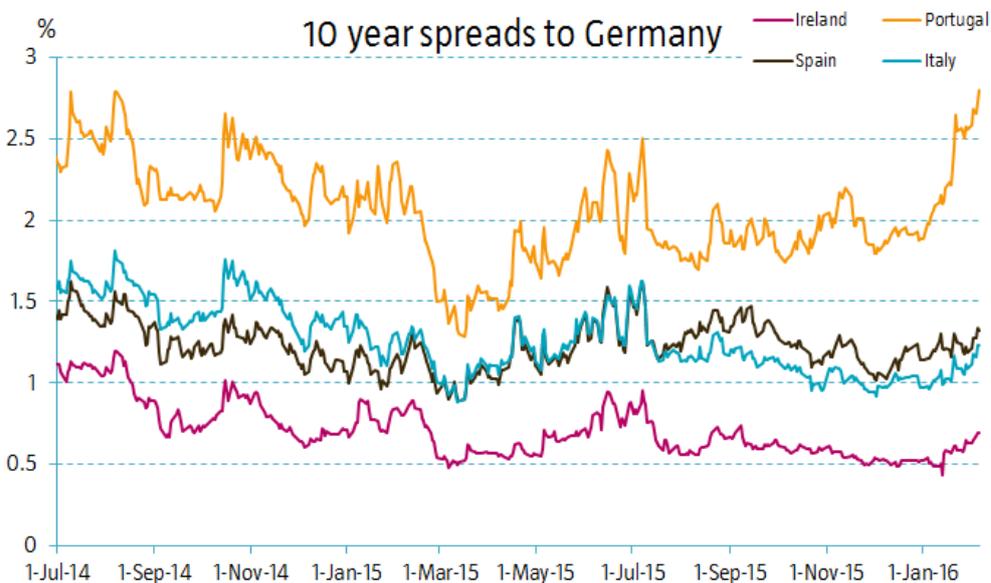
The fund has overweight positions in Portugal, Spain and Ireland and underweight positions in Italy. We don't hold any short dated bonds of Italy and Spain due to stretched valuations. We like Portuguese bonds as they benefit disproportionately from QE. Strong economic growth is rapidly improving the Irish debt metrics. Peripheral bonds make up 36% of the fund. Year-to-date the fund's absolute return is 1.78%*.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD February 04, 2016. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

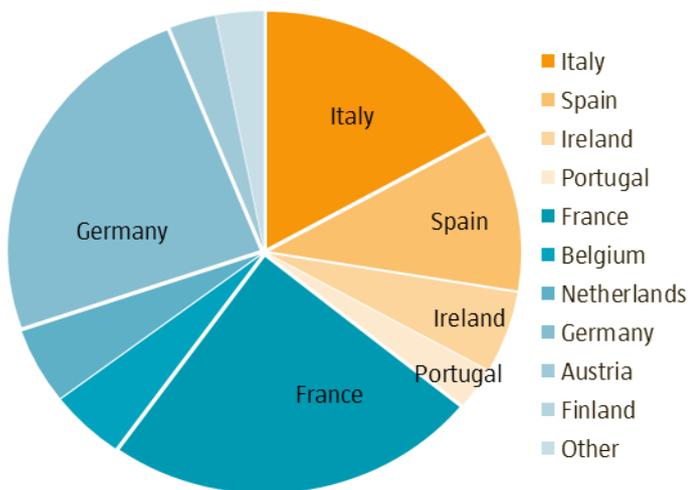
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.46	0.06									
2	-0.50	0.08	0.48	0.46	0.04	0.07	0.06		0.17	0.05	0.89
3	-0.44	0.09	0.48	0.50	0.00	0.09	0.03	12.4	0.24	0.04	1.38
4	-0.37	0.12	0.62	0.61	0.00	0.08	0.06		0.32	0.04	1.81
5	-0.25	0.12	0.72	0.75	-0.02	0.05	0.01	16.3	0.31	0.05	2.00
6	-0.20	0.18	0.96	1.03	0.05	0.15	0.09		0.45	0.07	1.89
7	-0.09	0.23	1.02	1.17	0.06	0.20	0.17		0.54	0.12	2.42
8	0.02	0.24	1.08	1.23	0.10	0.40	0.20			0.13	
9	0.18	0.28	1.21	1.32	0.08	0.43	0.21		0.69	0.14	2.73
10	0.30	0.33	1.23	1.32	0.13	0.46	0.27	9.28	0.69	0.25	2.80
15	0.51	0.65	1.45	1.67		0.69	0.20	8.74	0.88	0.54	3.06
20	0.77	0.55	1.50			0.55	0.41	8.22			
30	1.02	0.63	1.68	1.85	0.14	0.61	0.35	7.78		0.19	

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (February 4, 2016)



Source: Robeco

Important information

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