

Peripheral Europe Update

Michiel de Bruin, Head Euro Sovereigns
Martin van Vliet, Global Macro Strategist

- **Italy's Salvini hints at breaking EU rules**
- **US-China trade dispute intensifies**

Main market events

Peripheral spreads came under significant widening pressure as the US raised tariffs on Chinese imports and China retaliated, fueling worries of an all-out trade war. Sentiment was furthermore impacted by defiant rhetoric from deputy PM Salvini. On Friday, US president Trump decided to delay the decision on whether to place tariffs on auto imports from Europe and Japan by six months. Italian bonds have returned 1.4% year-to-date, Spanish bonds 4.4%, Portuguese bonds 4.7% and Irish bonds 3.6%.

Italy

The 10yr BTP-Bund spreads broke above 280bp this week, partly driven by increased concerns about Italy's fiscal outlook. Comments from the country's government leaders indicated that the government is unlikely to go ahead with a VAT hike in early 2020 – which is penciled in to keep the budget deficit below 3% of GDP. Deputy PM Salvini went even further, arguing that “if we need to break some limits, like the 3% or the 130-140% [of debt-to-GDP ratio], we'll go ahead”. If Salvini's League party does exceptionally well at next week's European elections, this might spur talk of a possible government collapse and snap elections.

Spain

Acting PM Sanchez still struggles to form a new government. This did little to affect Spanish 10-year spreads over Germany, which managed to fully reverse the widening seen earlier this week.

ECB

The past week saw two important ECB officials, Executive Board member Coeuré and Bundesbank president Weidmann, expressing doubts about the need for a tiered deposit system. Coeuré said negative interest rates were not the main culprit for bank's reduced profitability, while Weidmann stated that the relief it would bring for banks would be “insignificant”.

Robeco Euro Government Bonds

The cautious approach regarding the periphery benefited the fund as peripheral spreads widened. We did take the opportunity to reduce the BTP underweight slightly as the 10 year BTP-Bund spread widened close to its highest level year to date. For now we continue to be prudent and focus on more defensive trades, such as curve flatteners and an underweight in Italy, Portugal and Spain. In the run up to the European elections at the end of next week continued volatility is possible and further fall-out from the US-China trade standoff cannot be ruled out either. Investments in peripheral bonds are at circa 28%, about 12% below the level of the index. Year to date the absolute return of the fund is 2.88%*.

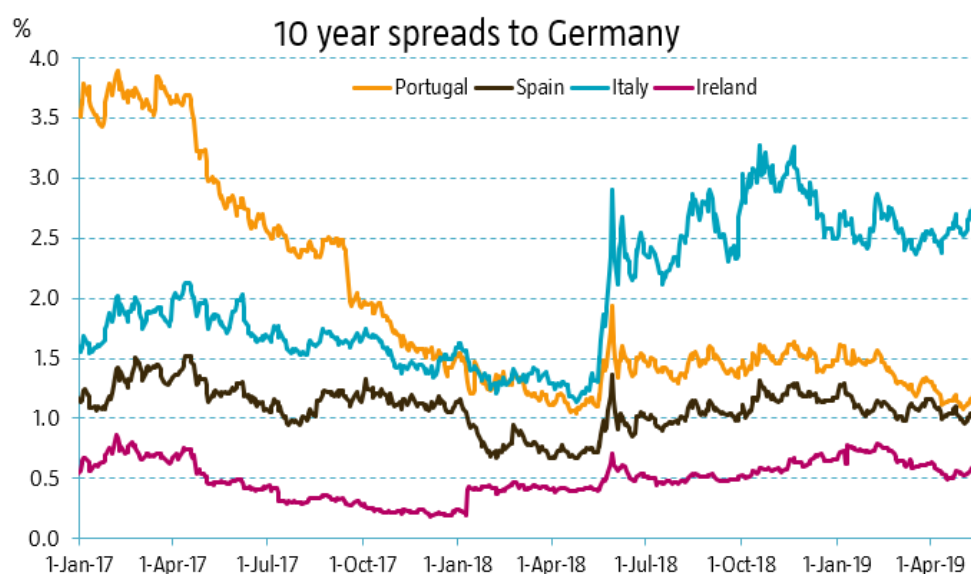
* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value at 17th of May, 2019. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current 10-yr spreads versus Germany

Maturity	German yields	Spreads	France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.57	0.01										
2	-0.65	0.08	1.22	0.30	0.07	0.12	0.09			0.21	0.11	0.29
3	-0.66	0.16	1.88	0.40	0.02	0.19	0.17			0.31	0.11	0.43
4	-0.61	0.19	2.02	0.52	0.03	0.28	0.20			0.29	0.13	0.53
5	-0.52	0.21	2.12	0.58	0.03	0.33	0.23		2.71	0.31	0.13	0.57
6	-0.48	0.28	2.33	0.66	0.17	0.37	0.28			0.41	0.12	0.83
7	-0.40	0.31	2.46	0.79	0.18	0.41	0.33			0.48	0.19	0.93
8	-0.31	0.34	2.56	0.88	0.20	0.45	0.30				0.18	1.03
9	-0.22	0.37	2.51	0.90	0.20	0.47	0.31					1.13
10	-0.11	0.39	2.73	0.98	0.19	0.48	0.31		3.52	0.58	0.23	1.15
15	0.13	0.55	2.93	1.36		0.65	0.45		3.72	0.72	0.38	1.39
20	0.33	0.49	2.88			0.73	0.33		3.85			1.46
30	0.54	0.78	3.04	1.50	0.04	0.90	0.44				0.28	1.60

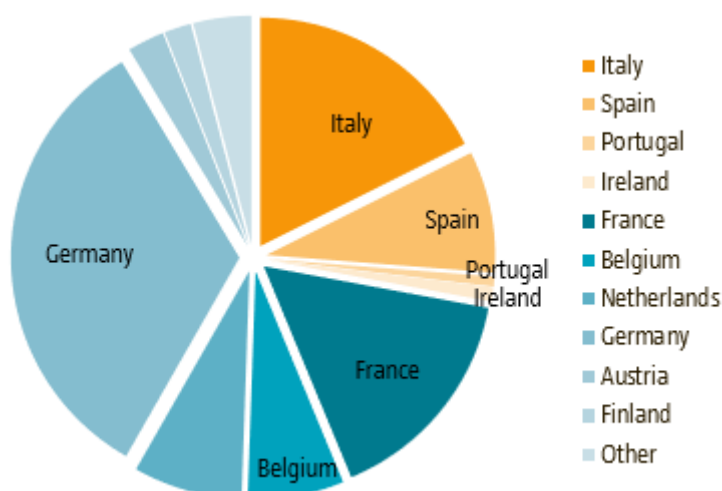
Source: Bloomberg

Movement over time



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (17th of May 2019)



Source: Robeco

Important Information

Robeco Institutional Asset Management B.V. has a license as manager of Undertakings for Collective Investment in Transferable Securities (UCITS) and Alternative Investment Funds (AIFs) ("Fund(s)") from The Netherlands Authority for the Financial Markets in Amsterdam. This document is solely intended for professional investors, defined as investors qualifying as professional clients, have requested to be treated as professional clients or are authorized to receive such information under any applicable laws. Robeco Institutional Asset Management B.V. and/or its related, affiliated and subsidiary companies, ("Robeco"), will not be liable for any damages arising out of the use of this document. Users of this information who provide investment services in the European Union have their own responsibility to assess whether they are allowed to receive the information in accordance with MiFID II regulations. To the extent this information qualifies as a reasonable and appropriate minor non-monetary benefit under MiFID II, users that provide investment services in the European Union are responsible to comply with applicable recordkeeping and disclosure requirements. The content of this document is based upon sources of information believed to be reliable and comes without warranties of any kind. Without further explanation this document cannot be considered complete. Any opinions, estimates or forecasts may be changed at any time without prior warning. If in doubt, please seek independent advice. It is intended to provide the professional investor with general information on Robeco's specific capabilities, but has not been prepared by Robeco as investment research and does not constitute an investment recommendation or advice to buy or sell certain securities or investment products and/or to adopt any investment strategy and/or legal, accounting or tax advice. All rights relating to the information in this document are and will remain the property of Robeco. This material may not be copied or used with the public. No part of this document may be reproduced, or published in any form or by any means without Robeco's prior written permission. Investment involves risks. Before investing, please note the initial capital is not guaranteed. Investors should ensure that they fully understand the risk associated with any Robeco product or service offered in their country of domicile ("Funds"). Investors should also consider their own investment objective and risk tolerance level. Historical return: are provided for illustrative purposes only. The price of units may go down as well as up and the past performance is not indicative of future performance. If the currency in which the past performance is displayed differs from the currency of the country in which you reside, then you should be aware that due to exchange rate fluctuations the performance shown may increase or decrease if converted into your local currency. The performance data do not take account of the commissions and costs incurred on trading securities in client portfolios or on the issue and redemption of units. Unless otherwise stated, the prices used for the performance figures of the Luxembourg-based Fund are the end-of-month transaction prices net of fees up to 4 August 2010. From 4 August 2010, the transaction prices net of fees will be those of the first business day of the month. Return figures versus the benchmark show the investment management result before management and/or performance fees; the Fund returns are with dividends reinvested and based on net asset values with prices and exchange rates of the valuation moment of the benchmark. Please refer to the prospectus of the Funds for further details. Performance is quoted net of investment management fees. The ongoing charges mentioned in this document are the ones stated in the Fund's latest annual report a closing date of the last calendar year. This document is not directed to, or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, document, availability or use would be contrary to law or regulation or which would subject any Fund or Robeco Institutional Asset Management B.V. to any registration or licensing requirement within such jurisdiction. Any decision to subscribe for interests in a Fund offered in a particular jurisdiction must be made solely on the basis of information contained in the prospectus, which information may be different from the information contained in this document. Prospective applicants for shares should inform themselves as to legal requirements also applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile. The Fund information, if any, contained in this document is qualified in its entirety by reference to the prospectus, and this document should, at all times, be read in conjunction with the prospectus. Detailed information on the Fund and associated risks is contained in the prospectus. The prospectus and the Key Investor Information Document for the Robeco Funds can all be obtained free of charge at www.robeco.com.

Additional Information for US investors

Neither Robeco Institutional Asset Management B.V. nor the Robeco Capital Growth Funds have been registered under the United States Federal Securities Laws, including the Investment Company Act of 1940, as amended, the United States Securities Act of 1933, as amended, or the Investment Advisers Act of 1940. No Fund shares may be offered or sold, directly or indirectly, in the United States or to any US Person. A US Person is defined as (a) an individual who is a citizen or resident of the United States for federal income tax purposes; (b) a corporation, partnership or other entity created or organized under the laws of or existing in the United States; (c) an estate or trust the income of which is subject to United States federal income tax regardless of whether such income is effectively connected with a United States trade or business. Robeco Institutional Asset Management US Inc. ("RIAM US"), an Investment Adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940, is a wholly owned subsidiary of ORIX Corporation Europe N.V. and offers investment advisory services to institutional clients in the US. In connection with these advisory services, RIAM US will utilize shared personnel of its affiliates, Robeco Nederland B.V. and Robeco Institutional Asset Management B.V., for the provision of investment research, operational and administrative services.

Additional Information for investors with residence or seat in Australia and New Zealand

This document is distributed in Australia by Robeco Hong Kong Limited (ARBN 156 512 659) ("Robeco"), which is exempt from the requirement to hold an Australian financial services license under the Corporations Act 2001 (Cth) pursuant to ASIC Class Order 03/1103. Robeco is regulated by the Securities and Futures Commission under the laws of Hong Kong and those laws may differ from Australian laws. This document is distributed only to "wholesale clients" as that term is defined under the Corporations Act 2001 (Cth). This document is not for distribution or dissemination, directly or indirectly, to any other class of persons. In New Zealand, this document is only available to wholesale investors within the meaning of clause 3(2) of Schedule 1 of the Financial Markets Conduct Act 2013 ("FMCA"). This document is not for public distribution in Australia and New Zealand.

Additional Information for investors with residence or seat in Austria

This information is solely intended for professional investors or eligible counterparties in the meaning of the Austrian Securities Oversight Act.

Additional Information for investors with residence or seat in Brazil

The Fund may not be offered or sold to the public in Brazil. Accordingly, the Fund has not been nor will be registered with the Brazilian Securities Commission – CVM, nor has it been submitted to the foregoing agency for approval. Documents relating to the Fund, as well as the information contained therein, may not be supplied to the public in Brazil, as the offering of the Fund is not a public offering of securities in Brazil, nor may they be used in connection with any offer for subscription or sale of securities to the public in Brazil.

Additional Information for investors with residence or seat in Canada

No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein, and any representation to the contrary is an offence. Robeco Institutional Asset Management B.V. is relying on the international dealer and international adviser exemption in Quebec and has appointed McCarthy Tétrault LLP as its agent for service in Quebec.

Additional information for investors with residence or seat in the Republic of Chile

Neither the issuer nor the Funds have been registered with the Superintendencia de Valores y Seguros pursuant to law no. 18.045, the Ley de Mercado de Valores and regulations thereunder. This document does not constitute an offer of, or an invitation to subscribe for or purchase, shares of the Funds in the Republic of Chile, other than to the specific person who individually requested this information on his own initiative. This may therefore be treated as a "private offering" within the meaning of article 4 of the Ley de Mercado de Valores (an offer that is not addressed to the public at large or to a certain sector or specific group of the public).

Additional Information for investors with residence or seat in Colombia

This document does not constitute a public offer in the Republic of Colombia. The offer of the Fund is addressed to less than one hundred specifically identified investors. The Fund may not be promoted or marketed in Colombia to Colombian residents, unless such promotion and marketing is made in compliance with Decree 2555 of 2010 and other applicable rules and regulations related to the promotion of foreign Funds in Colombia.

Additional Information for investors with residence or seat in the Dubai International Financial Centre (DIFC), United Arab Emirates

This material is being distributed by Robeco Institutional Asset Management B.V. (Dubai Office) located at Office 209, Level 2, Gate Village Building 7, Dubai International Financial Centre, Dubai, PO Box 482060, UAE. Robeco Institutional Asset Management B.V. (Dubai Office) is regulated by the Dubai Financial Services Authority ("DFSA") and only deals with Professional Clients or Market Counterparties and does not deal with Retail Clients as defined by the DFSA.

Additional Information for investors with residence or seat in France

Robeco is at liberty to provide services in France. Robeco France (only authorized to offer investment advice service to professional investors) has been approved under registry number 10683 by the French prudential control and resolution authority (formerly ACP, now the ACPR) as an investment firm since 28 September 2012.

Additional Information for investors with residence or seat in Germany

This information is solely intended for professional investors or eligible counterparties in the meaning of the German Securities Trading Act.

Additional Information for investors with residence or seat in Hong Kong

The contents of this document have not been reviewed by the Securities and Futures Commission ("SFC") in Hong Kong. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice. This document has been distributed by Robeco Hong Kong Limited ("Robeco"). Robeco is regulated by the SFC in Hong Kong.

Additional Information for investors with residence or seat in Italy

This document is considered for use solely by qualified investors and private professional clients (as defined in Article 26 (1) (b) and (d) of Consob Regulation No. 16190 dated 29 October 2007). If made available to Distributors and individuals authorized by Distributors to conduct promotion and marketing activity, it may only be used for the purpose for which it was conceived. The data and information contained in this document may not be used for communications with Supervisory Authorities. This document does not include any information to determine, in concrete terms, the investment inclination and, therefore, this document cannot and should not be the basis for making any investment decisions.

Additional Information for investors with residence or seat in Peru

The Fund has not been registered with the Superintendencia del Mercado de Valores (SMV) and is being placed by means of a private offer. SMV has not reviewed the information provided to the investor. This document is only for the exclusive use of institutional investors in Peru and is not for public distribution.

Additional Information for investors with residence or seat in Shanghai

This material is prepared by Robeco Investment Management Advisory (Shanghai) Limited Company ("Robeco Shanghai") and is only provided to the specific objects under the premise of confidentiality. Robeco Shanghai has not yet been registered as a private fund manager with the Asset Management Association of China. Robeco Shanghai is a wholly foreign-owned enterprise established in accordance with the PRC laws, which enjoys independent civil right and civil obligations. The statements of the shareholders or affiliates in the material shall not be deemed to a promise or guarantee of the shareholders or affiliates of Robeco Shanghai, or be deemed to any obligations or liabilities imposed to the shareholders or affiliates of Robeco Shanghai.

Additional Information for investors with residence or seat in Singapore

This document has not been registered with the Monetary Authority of Singapore ("MAS"). Accordingly, this document may not be circulated or distributed directly or indirectly to persons in Singapore other than (i) to an institutional investor under Section 304 of the SFA, (ii) to a relevant person pursuant to Section 305(1), or any person pursuant to Section 305(2), and in accordance with the conditions specified in Section 305, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. The contents of this document have not been reviewed by the MAS. Any decision to participate in the Fund should be made only after reviewing the sections regarding investment considerations, conflicts of interest, risk factors and the relevant Singapore selling restrictions (as described in the section entitled "Important Information for Singapore Investors" contained in the prospectus. You should consult your professional adviser if you are in doubt about the stringent restrictions applicable to the use of this document, regulatory status of the Fund, applicable regulatory protection associated risks and suitability of the Fund to your objectives. Investors should note that only the Sub-Funds listed in the appendix to the section entitled "Important Information for Singapore Investors" of the prospectus ("Sub Funds") are available to Singapore investors. The Sub-Funds are notified as restricted foreign schemes under the Securities and Futures Act, Chapter 289 of Singapore ("SFA") and are invoking the exemptions from compliance with prospectus registration requirements pursuant to the exemptions under Section 304 and Section 305 of the SFA. The Sub-Funds are not authorized or recognized by the MAS and shares in the Sub-Funds are not allowed to be offered to the retail public in Singapore. The prospectus of the Fund is not a prospectus as defined in the SFA. Accordingly, statutory liability under the SFA in relation to the content of prospectuses would not apply. The Sub-Funds may only be promoted exclusively to persons who are sufficiently experienced and sophisticated to understand the risks involved in investing in such schemes, and who satisfy certain other criteria provided under Section 304, Section 305 or any other applicable provision of the SFA and the subsidiary legislation enacted thereunder. You should consider carefully whether the investment is suitable for you. Robeco Singapore Private Limited holds a capital markets service license for fund management issued by the MAS and is subject to certain clientele restrictions under such license.

Additional Information for investors with residence or seat in Spain

Robeco Institutional Asset Management BV, Branch in Spain is registered in Spain in the Commercial Registry of Madrid, in v.19.957, page 190, section 8, page M-351927 and in the Official Register of the National Securities Market Commission of branches of companies of services of investment of the European Economic Space, with the number 24. It has address in Street Serrano 47, Madrid and CIF W0032687F. The investment funds or SICAV mentioned in this document are regulated by the corresponding authorities of their country of origin and are registered in the Special Registry of the CNMV of Foreign Collective Investment Institutions marketed in Spain.

Additional Information for investors with residence or seat in Switzerland

This document is exclusively distributed in Switzerland to qualified investors as defined in the Swiss Collective Investment Schemes Act (CISA) by ACOLIN Fund Services AG which is authorized by the Swiss Financial Market Supervision Authority FINMA as Swiss representative of foreign collective investment schemes, and UBS Switzerland AG, Bahnhofstrasse 45, 8001 Zurich, postal address: Europastrasse 2, P.O. Box, CH-8152 Opfikon, as Swiss paying agent. The prospectus, the Key Investor Information Documents (KIIDs), the articles of association, the annual and semi-annual reports of the Fund(s), as well as the list of the purchases and sales which the Fund(s) has undertaken during the financial year, may be obtained, on simple request and free of charge, at the office of the Swiss representative ACOLIN Fund Services AG, Affolternstrasse 56, 8050 Zürich, Switzerland. The prospectuses are also available via the website www.robeco.ch.

Additional Information for investors with residence or seat in the United Arab Emirates

Some Funds referred to in this marketing material have been registered with the UAE Securities and Commodities Authority (the Authority). Details of all Registered Funds can be found on the Authority's website. The Authority assumes no liability for the accuracy of the information set out in this material/document, nor for the failure of any persons engaged in the investment Fund in performing their duties and responsibilities.

Additional Information for investors with residence or seat in the United Kingdom

Robeco is subject to limited regulation in the UK by the Financial Conduct Authority. Details about the extent of our regulation by the Financial Conduct Authority are available from us on request.

Additional Information for investors with residence or seat in Uruguay

The sale of the Fund qualifies as a private placement pursuant to section 2 of Uruguayan law 18,627. The Fund must not be offered or sold to the public in Uruguay, except in circumstances which do not constitute a public offering or distribution under Uruguayan laws and regulations. The Fund is not and will not be registered with the Financial Services Superintendency of the Central Bank of Uruguay. The Fund corresponds to investment funds that are not investment funds regulated by Uruguayan law 16,774 dated September 27, 1996, as amended.

Additional Information concerning ROBECOSAM Collective Investment Schemes

The RobecoSAM collective investment schemes ("RobecoSAM Funds") in scope are sub-Funds under the Undertakings for Collective Investment in Transferable Securities (UCITS) of MULTIPARTNER SICAV, managed by GAM (Luxembourg) S.A., ("Multipartner"). Multipartner SICAV is incorporated as a Société d'Investissement à Capital Variable which is governed by Luxembourg law. The custodian is State Street Bank Luxembourg S.C.A., 49, Avenue J. F. Kennedy, L 1855 Luxembourg. The prospectus, the Key Investor Information Documents (KIIDs), the articles of association, the annual and semi-annual reports of the RobecoSAM Funds, as well as the list of the purchases and sales which the RobecoSAM Fund(s) has undertaken during the financial year, may be obtained, on simple request and free of charge, via the website www.robecosam.com or www.funds.gam.com.