

Peripheral Europe Update

Olaf Penninga, Lead Portfolio Manager Robeco Euro Government Bonds
Marck Bulter, Portfolio Manager

- **Brexit hurts periphery**
- **General elections in Spain; how will Podemos perform?**

Main market events

Peripheral government bonds spreads widened significantly after the Brexit vote. As a result, peripheral government bonds spreads are at two-year highs. Ireland also saw widening, but to a much lesser extent. Italian bonds have returned 2.29% this year, Portuguese bonds -1.83%, Spanish bonds 3.08% and Irish bonds 2.87%. These returns are as of close Thursday.

Brexit

A majority of British voters (52%) choose to Leave the EU. The Brexit was broadly unexpected in financial markets since polls and bookmakers pointed to the other direction. Pound sterling versus the dollar declined significantly from 1.50 to 1.38. Italian and Spanish spreads versus Germany widened 30bp today.

Spain

This Sunday Spain will again have its general elections. Podemos, which wants to reverse austerity and reforms, has advanced in the polls. It's still unclear which coalitions will achieve a majority. Formation might be complicated, just as after the December elections.

Portugal

Both the European Commission and the ECB mentioned that the economic recovery is surprising to the downside, which poses a risk for Portugal's fiscal outlook. Both institution expect the budget deficit to come out at around 3% this year, much higher than the target of 2.2%.

Italy

The opposition party M5S performed very well during last Sunday. It became the largest party in Rome and unexpectedly in Turin. This doesn't bode well for the ruling party ahead of the October referendum.

Robeco Euro Government Bonds

The Brexit will have ramifications for the peripheral countries, since it will result in a further rise of political risks in Europe and this will likely hamper economic growth. As consensus positioning is overweight in the periphery we remain cautious with respect to the periphery, despite the ECB's QE program.

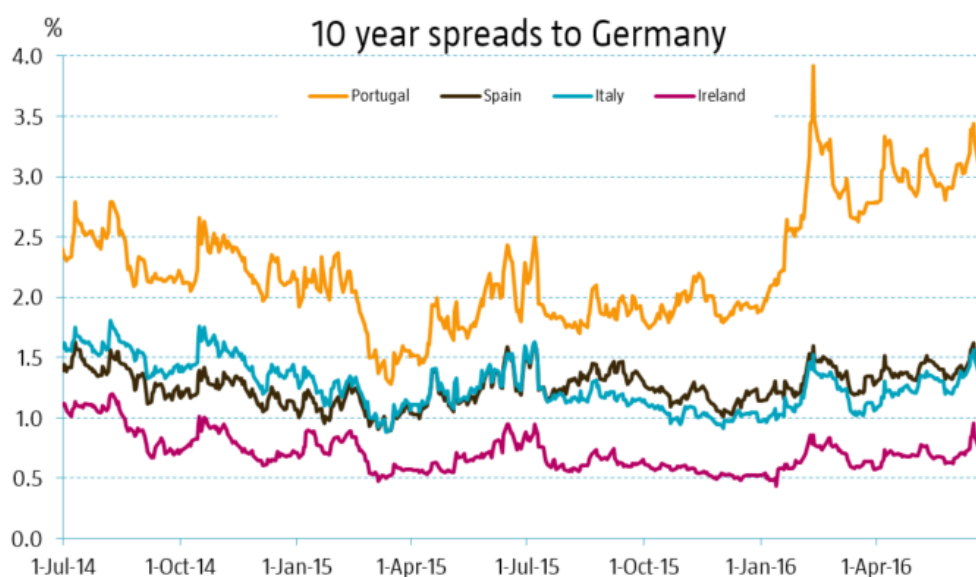
We remain cautious with the periphery. The evolving political risks and the lack of fiscal reform makes the periphery vulnerable. We don't hold any short dated bonds of Italy and Spain due to unattractive valuations. We have an underweight position in 10 year Italy and Spain. Peripheral bonds make up 24% of the fund versus 39% in the benchmark. Year-to-date the fund's absolute return is 4.13%*.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD June 23, 2016. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

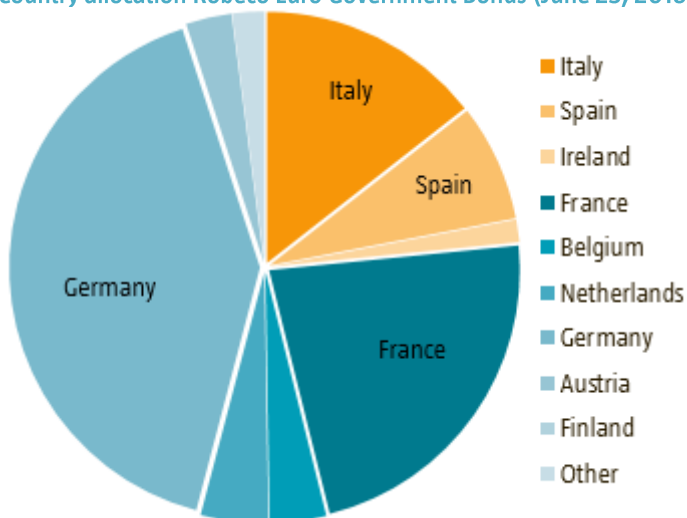
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.60	0.06									
2	-0.64	0.15	0.72	0.69	0.06	0.11	0.11		0.37	0.09	1.54
3	-0.65	0.21	0.81	0.81	0.11	0.18	0.17	10.6	0.57	0.13	2.16
4	-0.62	0.24	0.90	0.97	0.10	0.21	0.19		0.61	0.19	2.55
5	-0.55	0.28	1.04	1.11	0.21	0.24	0.21		0.55	0.17	2.73
6	-0.51	0.31	1.22	1.14	0.19	0.30	0.23		0.68	0.28	2.20
7	-0.42	0.34	1.31	1.30	0.22	0.31	0.19		0.78	0.27	3.04
8	-0.33	0.38	1.49	1.60	0.25	0.40	0.18			0.33	
9	-0.21	0.43	1.57	1.63	0.28	0.44	0.36		0.93	0.30	3.38
10	-0.07	0.42	1.61	1.67	0.27	0.46	0.39	8.85	0.88	0.34	3.43
15	-0.01	0.67	1.85	1.95		0.71	0.28	8.55	1.14	0.51	3.76
20	0.20	0.72	1.98			0.59	0.53	8.12			
30	0.47	0.64	2.10	2.22	0.15	0.76	0.51			0.19	

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (June 23, 2016)



Source: Robeco

Important Information

Robeco Institutional Asset Management B.V., hereafter Robeco, has a license as manager of UCITS and AIFs from the Netherlands Authority for the Financial Markets in Amsterdam. Without further explanation this document cannot be considered complete. It is intended to provide the professional investor with general information on Robeco's specific capabilities, but does not constitute a recommendation or an advice to buy or sell certain securities or investment products. All rights relating to the information in this presentation are and will remain the property of Robeco. No part of this document may be reproduced, saved in an automated data file or published in any form or by any means, either electronically, mechanically, by photocopy, recording or in any other way, without Robeco's prior written permission. The information contained in this publication is not intended for users from other countries, such as US citizens and residents, where the offering of foreign financial services is not permitted, or where Robeco's services are not available. 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 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

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

Additional Information for investors with residence or seat in Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Shares may not be circulated or distributed, nor may Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 304 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") or (ii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Additional Information for investors with residence or seat in Australia

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 licence 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. It is being supplied to you solely for your information and may not be reproduced, forwarded to any other person or published, in whole or in part, for any purpose.

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

Robeco Institutional Asset Management B.V. (Dubai Office), 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 and does not deal with Retail Clients as defined by the DFSA.

Additional Information for investors with residence or seat in France

In remuneration for its advisory and distribution activities in respect of the group's UCITS, the parent company will pay the entity in France a fee, in application of all the rules laid down by the Robeco Group with regard to transfer pricing:
- equivalent to 1/3 of the management fees applied to institutional-type units that do not give rise to a distribution fee (which distributor "clients" such as private banks would receive, for example).
- equivalent to 2/3 of the management fees applied to "all investors" units that may, provided there is an agreement in place, give rise to payment of a distribution fee (which distributor "clients" such as private banks would receive, for example) up to a maximum 50% of the management fees of the underlying UCIT. RIAM is a Dutch asset management company approved by the AFM (Netherlands financial markets authority), having the freedom to provide services in France. Robeco France has been approved 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 Spain

The Spanish branch Robeco Institutional Asset Management BV, Sucursal en España, having its registered office at Paseo de la Castellana 42, 28046 Madrid, is registered with the Spanish Authority for the Financial Markets (CNMV) in Spain under registry number 24.

Additional Information for investors with residence or seat in Switzerland

RobecoSAM AG has been authorized by the FINMA as Swiss representative of the Fund, and UBS AG as paying agent. The prospectus, the articles, the annual and semi-annual reports of the Fund, as well as the list of the purchases and sales which the Fund has undertaken during the financial year, may be obtained, on simple request and free of charge, at the head office of the Swiss representative RobecoSAM AG, Josefstrasse 218, CH-8005 Zurich. 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 value of the investments may fluctuate. Past performance is no guarantee of future results. The prices used for the performance figures of the Luxembourg-based funds 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. The prospectus is available at the company's offices or via the www.robeco.ch website. Performance is quoted net of investment management fees. The ongoing charges mentioned in this publication is the one stated in the fund's latest annual report at closing date of the last calendar year.