

# Peripheral Europe Update

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- **Robeco Euro Government Bond fund surpasses 10% return year to date**
- **ECB President Draghi hints at further policy measures**

## Main market events

Peripheral bonds again outperformed German Bunds this week. Performance was especially strong in the first days of the week due to Draghi's comments at Jackson Hole. Around the Italian auction, peripheral debt gave up some of the gains amidst rising tensions in the Ukraine. Spanish bonds have returned 13.3% year to date, Italian bonds 12.0% and Irish bonds 11.2%.

## ECB

In his Jackson Hole speech Draghi acknowledged the recent fall in inflation expectations. His speech led to increased speculation on Quantitative Easing by the ECB. Draghi also called for structural reforms and fiscal stimulus.

## France and Italy

France replaced two ministers who had openly criticized the Eurozone's austerity policy, but Prime Minister Valls warned that the recovery is too weak for further spending cuts and called on the ECB to do more. Italian Finance Minister Padoan hinted that the goal of a balanced budget may be further delayed as the government will have to revise its growth projections downward.

## Germany

German Finance Minister Schäuble reacted by stressing the need for further structural reforms and budget discipline by countries, as the available monetary policy instruments are finite.

## Issuance

After three weeks without issuance from peripheral countries, Italy auctioned EUR 8bn bonds on the 28<sup>th</sup>, after which it has already covered over 80% of its funding needs for 2014.

## Robeco Euro Government Bonds

We remain positive on peripheral bond markets as these bonds are attractive in the current low yield environment and the ECB's and EU's stance is supportive. The credit rating upgrade cycle is continuing, which draws new investors into peripheral bonds.

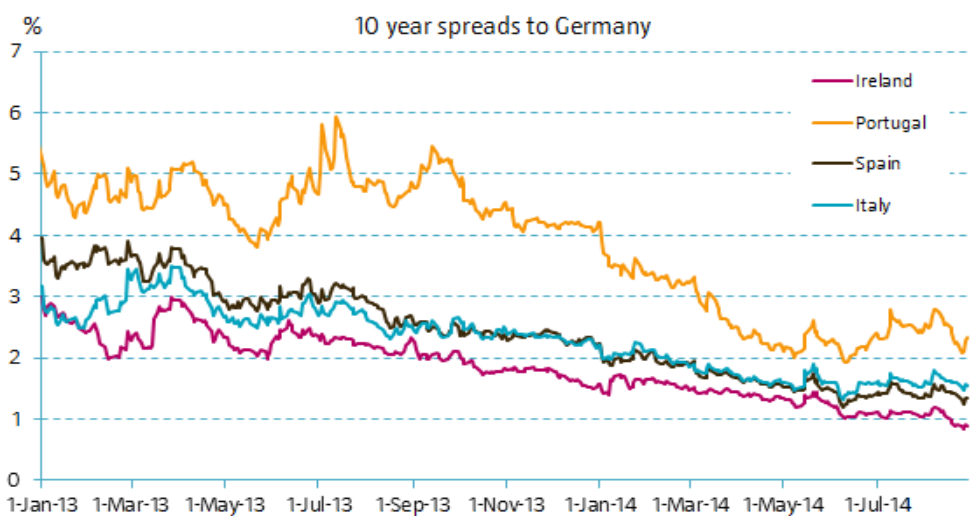
We had tactically increased our overweight in Italy on August 8. After the strong rally in the periphery over the last weeks, we took profit on this position. We remain overweight Spanish, Italian, Irish and Portuguese debt. Peripheral bonds make up 56% of the fund, more than half of which is Italian. Year to date the fund's absolute performance is 10.74%\*, helped by the strong performance of periphery bonds.

\* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD August 28, 2014. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

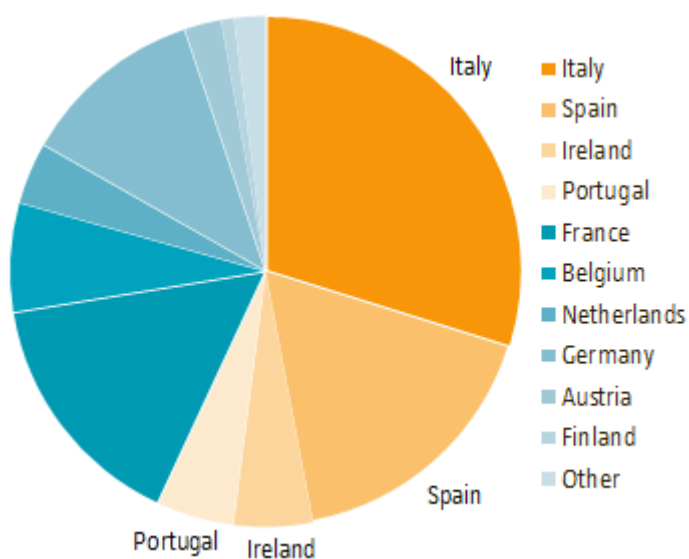
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.01	0.02									
2	-0.03	0.05	0.39	0.26	0.03	0.04	0.04		0.05	0.04	0.85
3	-0.01	0.08	0.63	0.50	0.03	0.07	0.07	3.46	0.29	0.04	1.31
4	0.05	0.16	0.82	0.67	0.04	0.12	0.10		0.43	0.13	1.51
5	0.18	0.19	0.98	0.74	0.04	0.19	0.09	3.94	0.46	0.11	1.65
6	0.29	0.21	1.14	0.84	0.14	0.22	0.13		0.56	0.13	1.83
7	0.42	0.25	1.25	0.96	0.17	0.27	0.19		0.51	0.14	2.01
8	0.59	0.28	1.45	0.99	0.18	0.29	0.13			0.21	
9	0.73	0.29	1.45	1.27	0.19	0.31	0.23		0.85	0.16	2.37
10	0.89	0.36	1.55	1.34	0.17	0.34	0.24	4.94	0.89	0.16	2.33
15	1.27	0.56	1.79	1.52		0.35	0.03	5.11		0.14	
20	1.60	0.38	1.72			0.43	0.06	4.91			
30	1.75	0.49	1.88	1.71	0.05	0.53	0.12	4.73			

Source: Bloomberg



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Country allocation Robeco Euro Government Bonds (August 29, 2014)



Source: Robeco

Please find the "Important information" on the next page.

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