

# Peripheral Europe Update

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- **The comeback of Greek statistics; Greece ending recession**
- **ECB to start buying ABS next week, EUR 11bn in covered bonds bought already**

## Main market events

Peripheral bonds slightly outperformed Bunds last week, with Ireland being the clear winner of the week. Short-dated peripheral bonds did a little better than longer-dated ones. Spanish bonds have returned 13.6% year-to-date, Italian bonds 12.4% and Irish bonds 12.2%.

### ECB

Executive Board member Yves Mersch indicated that the ECB will start to buy ABS next week. Currently the ECB has bought around EUR 11bn of covered bonds, which is already nearly the size of the total second covered bond purchase program, back in 2011-2012.

### Italy

Prime Minister Renzi and opposition leader Berlusconi reached a deal on the electoral reform on Wednesday. The timeframe for final approval of the electoral law is December 2014, while the constitutional reform which reduces the powers of the Senate should be approved in Jan 2015.

### Spain

The Catalan consultation vote on Sunday showed 80.8% of the votes in favor of independence. The turnout was only 35.9%, as the consultation was not legally binding at all. It seems quite likely therefore that mainly the 'yes' sympathizers made the effort of voting.

### Greece

Eurostat has resumed the publication of statistics on Greek quarterly GDP growth. These statistics show that Greece has finally escaped recession, with 0.7% growth in the third quarter.

## Robeco Euro Government Bonds

We remain positive on peripheral bond markets. Fundamentals are improving and the ECB's policy remains very supportive for the periphery. We expect the covered bond and ABS purchase program will be insufficient to reach the ECB's balance sheet expansion target, so further unconventional measures may well be needed. This will continue to spur the search for yield. Peripheral bonds remain attractive in this environment.

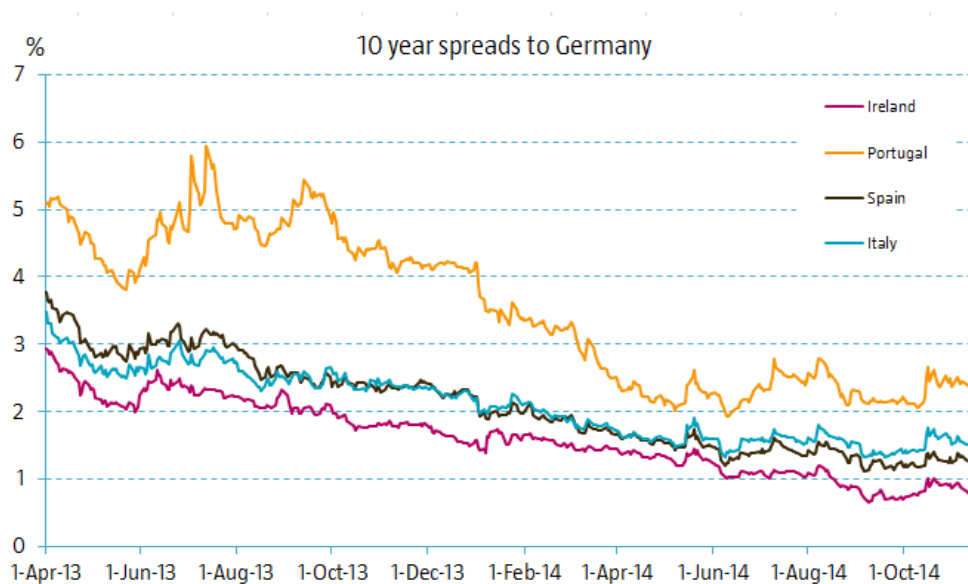
We maintained our overweight positions in the periphery this week. We had reduced some exposure in the previous two weeks. Investors are becoming more reluctant to add to peripheral exposure with the year-end getting closer. We remain overweight Spanish, Italian, Irish and Portuguese debt. Peripheral bonds make up 52% of the fund, more than half of which Italian. Year-to-date the fund's absolute performance is 11.18%\*, helped by the strong performance of periphery bonds.

\* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD November 13, 2014.  
The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

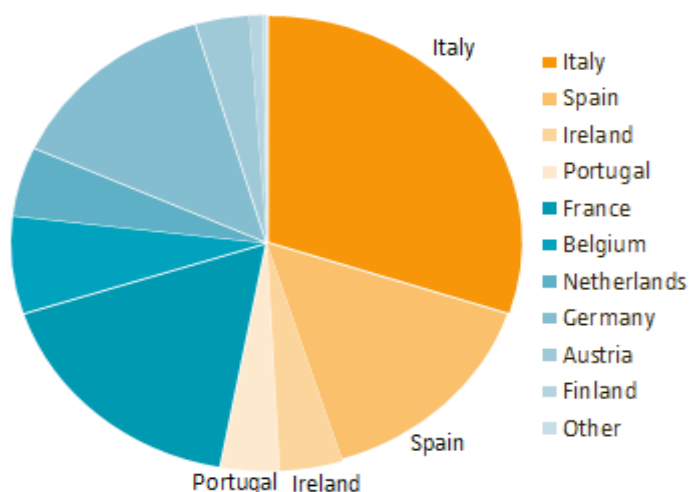
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.06	0.05									
2	-0.04	0.05	0.66	0.49	0.04	0.04	0.04		0.10	0.03	0.72
3	-0.04	0.05	0.86	0.68	0.04	0.04	0.04	6.88	0.36	0.03	1.19
4	0.00	0.14	1.00	0.87	0.10	0.08	0.06		0.44	0.06	1.49
5	0.10	0.18	1.05	0.94	0.11	0.11	0.03	6.91	0.39	0.06	1.69
6	0.18	0.23	1.21	1.08	0.10	0.16	0.11		0.52	0.09	1.96
7	0.31	0.27	1.49	1.05	0.13	0.20	0.15		0.45	0.12	2.10
8	0.48	0.29	1.52	1.04	0.13	0.25	0.10			0.18	
9	0.62	0.29	1.50	1.29	0.17	0.27	0.19		0.78	0.12	2.49
10	0.79	0.36	1.56	1.34	0.15	0.29	0.18	7.28	0.80	0.11	2.42
15	1.21	0.54	1.81	1.57		0.30	-0.04	7.63		0.12	
20	1.48	0.46	1.86			0.48	0.13	7.38			
30	1.71	0.54	2.01	1.79	0.05	0.54	0.10	6.45			

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (November 14, 2014)



Source: Robeco

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