

Peripheral Europe Update

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- **ECB not buying government bonds (yet)**
- **Irish bad bank (NAMA) already worked off more than 50% of bad debt**

Main market events

Peripheral markets had a strong week again, although the ECB did not announce any new measures. Hopes had risen that Draghi would start buying government bonds, but he didn't. Spanish bonds have returned 15.3% year-to-date, Italian bonds 14.8% and Irish bonds 13.2%.

ECB

ECB President Draghi did not announce any new measures after Thursday's meeting. However, the ECB will reassess *'early next year'* whether they need to alter the size, pace and composition of their measures. This is code language for adding government bonds to their buying programs.

The ABS purchase program has started slowly, with only EUR 368m bought in its first week. The total amount of covered bond purchases so far amounts to EUR 17.8bn, implying a weekly purchase average close to EUR 3bn.

Italy

The Senate approved the 'Jobs Act' labor reform bill, which aims to ease hiring and firing rules and simplify labor contracts. Trade unions are calling for a strike on December 12. The Italian debt agent held a debt buy-back this week. So instead of issuing debt, they bought back close to EUR 4bn in bonds with maturities of up to three years, supporting short-dated bonds.

Ireland

The Irish NAMA (bad bank) has already paid back EUR 16bn of its loans, achieving the 50% repayment target originally set for 2016 two years ahead of schedule. This Nama debt redemption comes amid separate early repayments of EUR9 billion in IMF loans by the Irish Treasury.

Robeco Euro Government Bonds

We remain positive on peripheral bond markets as fundamentals are improving and the ECB's policy remains very supportive. Peripheral bonds remain attractive amidst the search for yield.

We have maintained our overweight positions in shorter-dated Italian and Portuguese peripheral bonds. The upcoming TLTRO will be especially beneficial for shorter-dated bonds. Furthermore we remain overweight longer-dated Irish debt as Ireland has the best fundamentals among the peripheral countries. On Friday we switched 10-year Italian bonds into 10-year Spanish bonds, as we prefer Spain to Italy at similar spread levels and better fundamentals.

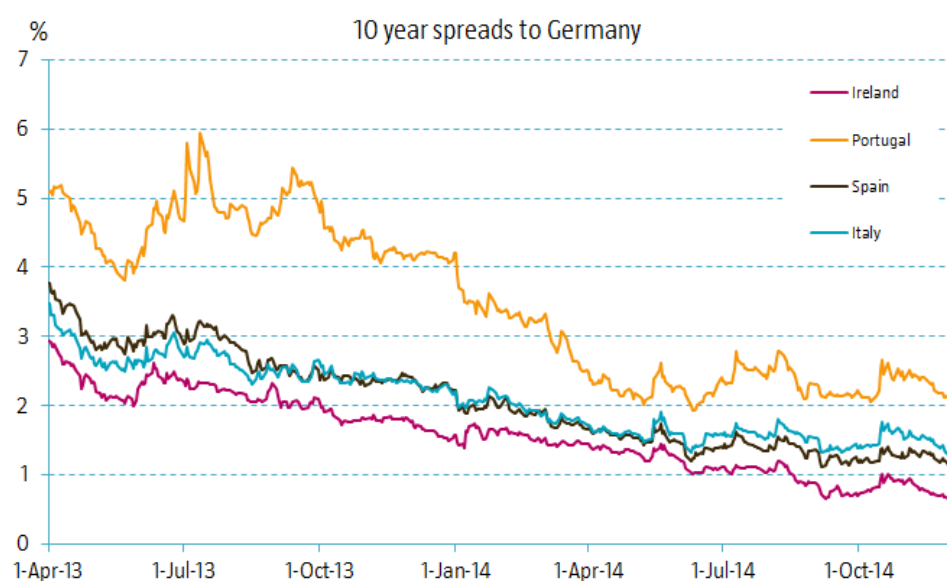
Peripheral bonds make up 50% of the fund, half of which Italian. Year-to-date the fund's absolute performance is 12.44%*, helped by the strong performance of periphery bonds.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD December 4, 2014. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

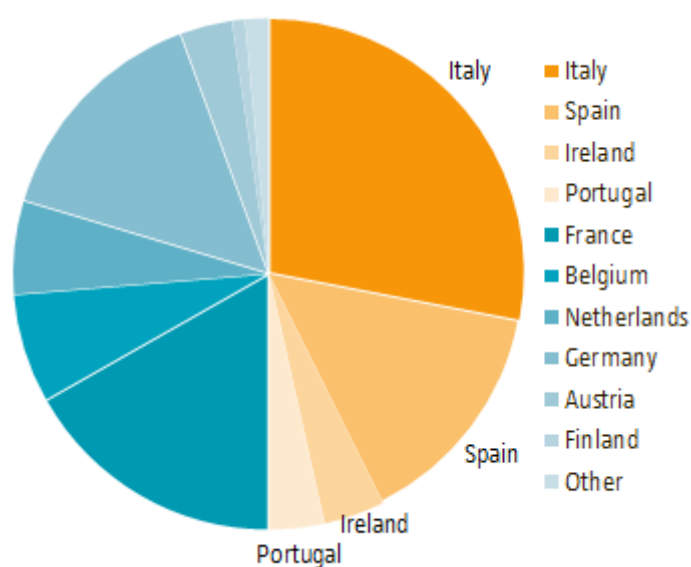
maturity	German yields	Spreads	France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.06	0.06										
2	-0.02	0.02	0.50	0.48	0.03	0.02	0.02			0.07	0.03	0.50
3	-0.02	0.04	0.69	0.64	0.03	0.03	0.02	6.20		0.27	0.02	0.97
4	0.03	0.11	0.81	0.71	0.07	0.05	0.04			0.34	0.04	1.18
5	0.12	0.13	0.83	0.84	0.09	0.08	0.02	6.34		0.28	0.03	1.38
6	0.20	0.16	0.93	0.88	0.07	0.12	0.07			0.36	0.05	1.60
7	0.31	0.18	1.12	0.99	0.10	0.15	0.10			0.28	0.09	1.77
8	0.46	0.21	1.14	1.06	0.11	0.19	0.06				0.15	
9	0.59	0.21	1.13	1.05	0.14	0.20	0.14			0.59	0.09	2.08
10	0.76	0.25	1.21	1.07	0.12	0.21	0.12	6.56		0.62	0.07	2.00
15	1.15	0.45	1.51	1.30		0.22	-0.05	6.94			0.12	
20	1.42	0.38	1.55			0.38	0.12	6.76				
30	1.65	0.45	1.69	1.53	0.06	0.45	0.10	5.88				

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (December 5, 2014)



Source: Robeco

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Important information

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