

Peripheral Europe Update

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- **New Greek government spooks markets**
- **Ireland borrows for free**

Main market events

The new Greek government spooked markets. Some of the new ministers immediately announced plans to reverse austerity measures. Greek short-term bond yields briefly rose above 18% and Greek bank stocks lost EUR 11 billion market value. Markets calmed down somewhat after more constructive remarks from Prime Minister Tsipras. Nevertheless Greek bonds lost 12%. Italian bonds have returned 2.2% this month, Spanish bonds 1.4% and Irish bonds 0.9%.

Spain

The Spanish GDP grew by an unexpectedly strong 0.7% in the last quarter of 2014. Compared to a year ago the Spanish economy has grown by 2%. The strong growth has pushed unemployment down to 23.7%, from a peak of 26.9% in 2013. Retail sales rose by 6.5% in a year.

Italy

The Italian parliament started the process to elect a new president. The proposed candidate is the Constitutional Court judge and former minister of Defense Sergio Mattarella.

Ireland

Ireland borrowed EUR 500 million on international capital markets at a yield of zero percent. The auction of six-month treasury bills drew 1.75 billion euros of bids, 3.5 times the amount on offer.

Greece

Far-left party Syriza won 149 seats out of 300 in the Greek parliamentary election. Syriza leader Alexis Tsipras was sworn in as Prime Minister last Monday, after reaching agreement with coalition partner the Independent Greeks. Both parties promised in the campaign to undo austerity measures. However, Greece will need to reach an agreement with the Troika not only to obtain funding but also to allow Greek banks to continue to borrow from the ECB.

Robeco Euro Government Bonds

We remain positive on peripheral bond markets as fundamentals are improving and the ECB has clearly shown its determination to do 'whatever it takes'. The ECB's QE program pushes German bond yields to even lower levels, further spurring the search for yield. Peripheral bonds remain attractive in this environment. The fund shifted some of its Spanish and Italian exposure to longer-dated bonds. These bonds offer higher spreads and are likely to benefit from the ECB buying.

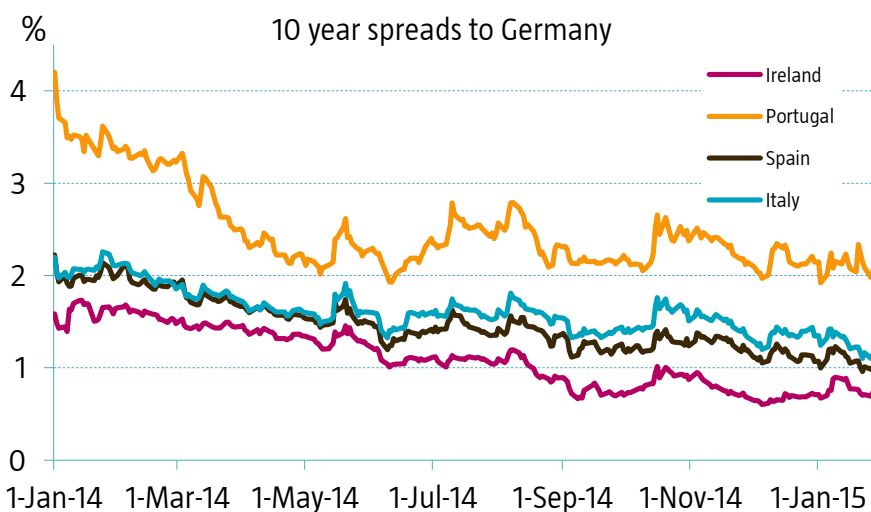
Peripheral bonds make up 60% of the fund, with overweight positions in Ireland, Spain, Italy and Portugal. Year-to-date the fund's absolute performance is 2.05%*, helped by the strong performance of the periphery.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD January 29, 2015. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

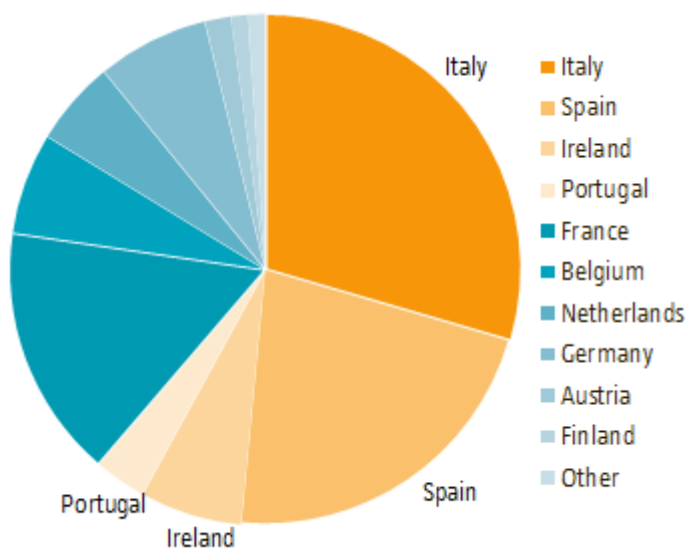
maturity	German yields	Spreads										
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal	
1	-0.15	0.05										
2	-0.17	0.09	0.54	0.48	0.07	0.10	0.05		0.24	0.06	0.51	
3	-0.15	0.08	0.67	0.63	0.09	0.11	0.06	19.2	0.31	0.10	0.97	
4	-0.12	0.11	0.77	0.75	0.09	0.16	0.08		0.37	0.12	1.51	
5	-0.02	0.10	0.81	0.86	0.04	0.09	0.03	14.9	0.53	0.06	1.65	
6	0.00	0.14	0.96	0.95	0.05	0.16	0.06		0.56	0.05	1.86	
7	0.07	0.17	1.15	1.06	0.07	0.23	0.06		0.63	0.06	1.83	
8	0.15	0.19	1.20	1.13	0.09	0.26	0.10			0.10		
9	0.24	0.18	1.21	1.11	0.08	0.28	0.08		0.73	0.05	2.14	
10	0.34	0.23	1.27	1.12	0.07	0.30	0.08	10.55	0.82	0.04	2.29	
15	0.53	0.45	1.58	1.38		0.26	-0.01	10.72	0.98	0.13	2.54	
20	0.74	0.43	1.71			0.40	0.13	9.29				
30	0.99	0.43	1.68	1.51	0.06	0.41	0.07	7.79		-0.03		

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (January 29, 2015)



Source: Robeco

Important information

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