

Peripheral Europe Update

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- **Greek Finance Minister Varoufakis willing to compromise**
- **ECB no longer accepts Greek government bonds as collateral**

Main market events

Greece continued to hit the headlines last week. On Monday Finance Minister Varoufakis met with international investors in London. We attended this meeting, where he signaled Syriza is willing to compromise and a 'Grexit' is definitely not what they aim for. Markets rallied on his constructive stance, until the ECB announcement on Greek collateral (see below). Italian bonds have returned 2.9% this year, Spanish bonds 1.5% and Irish bonds 1.0%.

ECB

The ECB announced it will no longer accept Greek government (and government-guaranteed) bonds as collateral. These bonds were eligible as long as the Greek government complied with its bailout program. Greek banks will now have to borrow from the Greek central bank under the emergency liquidity assistance (ELA). The ECB will temporarily allow up to EUR 60bn in ELA for Greek banks. The size of this lending will be determined in Frankfurt, usually every two weeks.

Italy

The Italian Parliament elected Sergio Mattarella as Italian President, although Berlusconi's Forza Italia voted against. Forza Italia announced to end the reform pact (the so-called Nazareno pact) with Renzi's Democratic Party, which makes it more difficult for Renzi to pass further legislation.

Greece

Greek Finance Minister Varoufakis presented his government's plan for a deal with Greece's Eurozone creditors. Greece wants to link debt repayments to nominal economic growth and to replace ECB-owned Greek bonds by "perpetual bonds". This means they have softened their stance on an official debt haircut.

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 has a preference for longer-dated bonds as these bonds offer higher spreads and are likely to benefit more from the ECB buying.

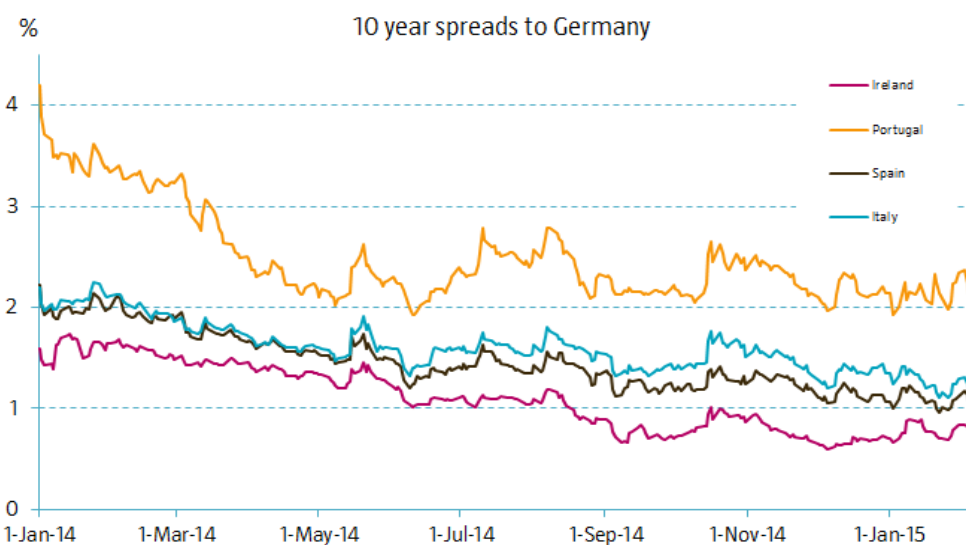
Peripheral bonds make up 60% of the fund, with overweight positions in Ireland, Spain, Italy and Portugal. Year-to-date the fund's absolute performance is 2.48%*, helped by the strong performance of the periphery.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD February 5, 2015. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

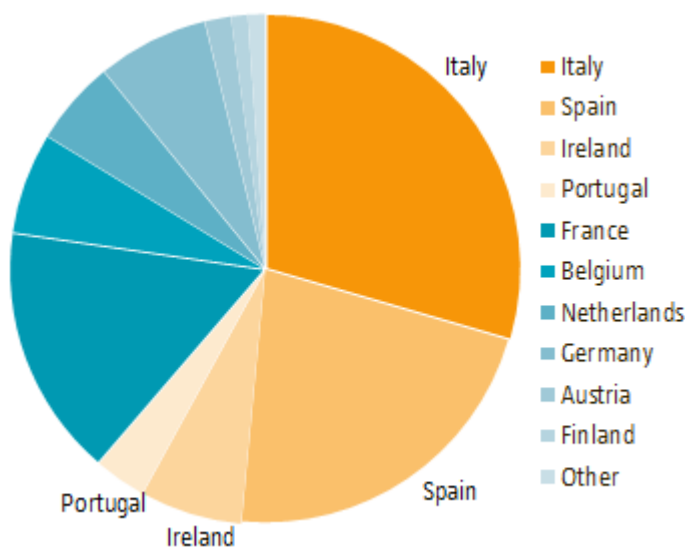
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.19	0.07									
2	-0.20	0.08	0.51	0.43	0.06	0.10	0.06		0.26	0.04	0.48
3	-0.17	0.07	0.62	0.60	0.07	0.12	0.05	17.0	0.29	0.07	0.87
4	-0.13	0.11	0.71	0.73	0.08	0.15	0.06		0.37	0.10	1.34
5	-0.03	0.08	0.76	0.86	0.03	0.09	0.01	13.3	0.53	0.04	1.46
6	0.00	0.12	0.91	0.95	0.03	0.16	0.04		0.54	0.04	1.71
7	0.07	0.16	1.11	1.06	0.05	0.23	0.05		0.64	0.04	1.83
8	0.16	0.19	1.12	1.11	0.05	0.25	0.08			0.09	
9	0.27	0.17	1.11	1.11	0.05	0.26	0.05		0.73	0.04	1.97
10	0.36	0.22	1.18	1.10	0.05	0.28	0.06	9.28	0.81	0.03	2.10
15	0.55	0.42	1.50	1.36		0.23	-0.03	9.49	0.97	0.11	2.38
20	0.73	0.40	1.62			0.36	0.12	8.49			
30	0.95	0.41	1.62	1.53	0.04	0.39	0.06	7.23		-0.04	

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (February 5, 2015)



Source: Robeco

Important information

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