

Peripheral Europe Update

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- **Germany calls Greek extension proposal 'Trojan horse'**
- **Greek banks face further deposit outflows**

Main market events

Again Greece was center of attention this week. The Greek extension proposal is being discussed this Friday during an extraordinary Eurogroup meeting. The current program expires on 28 February. Peripheral markets outperformed Bunds, which shows markets are hopeful a solution will be found. Italian bonds returned 2.7% this year, Spanish bonds 1.1% and Irish bonds 1.2%.

Greece

The ECB increased the Emergency Liquidity Assistance (ELA) for Greek banks with EUR 3.3 billion, after rising deposit outflows from Greek banks.

The Greek parliament elected a new president. Prokopis Pavlopoulos, a former minister from the opposition New Democracy party, received 233 out of the 300 votes for his candidacy.

The Greek government submitted an official request for a six month extension to the current 'loan agreement'. The government stated they will "honor Greece's financial obligations to all its creditors" and that "any new measures will be fully funded while refraining from unilateral action that would undermine the fiscal targets, economic recovery and financial stability".

The German Finance Ministry rejected the Greek extension proposal, saying it was "not a substantial solution" because it did not commit Athens to stick to the conditions of its bailout, adding that "it ... represents a Trojan horse".

Spain

Spanish Industry Minister Jose Manuel Soria expects the government's target of 600,000 new jobs to be exceeded in 2015, as the economy will grow faster than government's estimates.

European Central Bank

The ECB for the first time published its minutes, which showed large support for bond purchases.

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'. Peripheral bonds remain attractive in this environment. The fund has a preference for longer-dated peripheral bonds as these offer higher spreads and are likely to benefit more from the ECB buying. Greek negotiations do lead to volatility in the markets, but in the end we expect a positive outcome.

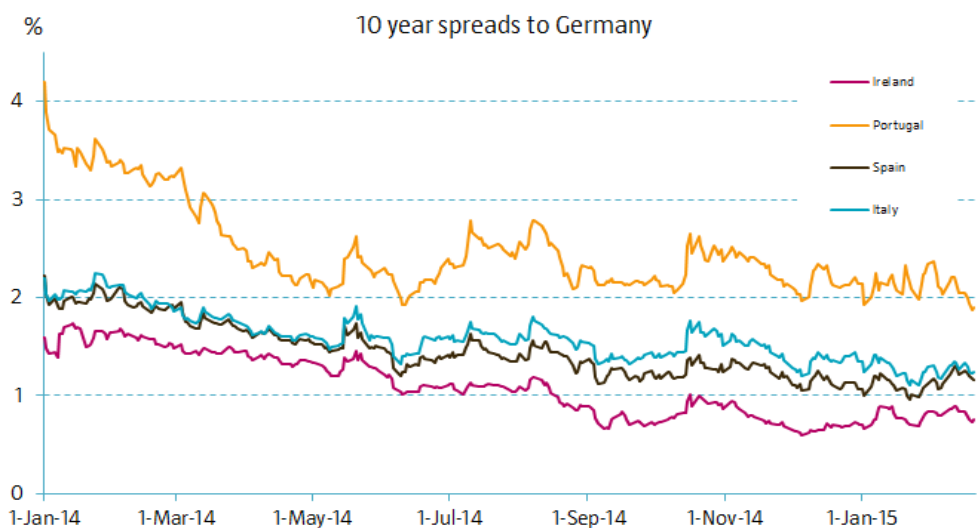
Peripheral bonds make up 59% of the fund, with overweight positions in Ireland, Spain, Italy and Portugal. Year-to-date the fund's absolute performance is 2.14%*.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD February 19, 2015. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

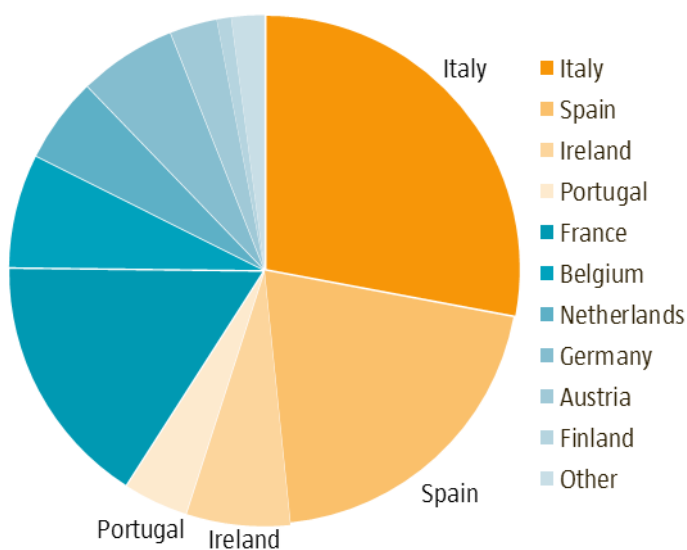
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.19	0.07									
2	-0.23	0.12	0.52	0.47	0.10	0.11	0.09		0.29	0.08	0.57
3	-0.20	0.11	0.61	0.58	0.10	0.15	0.08	16.7	0.28	0.10	0.86
4	-0.17	0.15	0.71	0.72	0.11	0.19	0.10		0.33	0.12	1.24
5	-0.08	0.14	0.76	0.83	0.06	0.16	0.05	14.2	0.49	0.08	1.41
6	-0.04	0.21	0.93	0.94	0.06	0.21	0.06		0.53	0.07	1.65
7	0.04	0.25	1.14	1.08	0.08	0.27	0.08		0.68	0.07	1.86
8	0.14	0.29	1.18	1.17	0.09	0.28	0.11			0.12	
9	0.25	0.30	1.18	1.16	0.10	0.28	0.10		0.72	0.06	1.90
10	0.35	0.32	1.24	1.16	0.08	0.29	0.10	9.56	0.75	0.05	1.90
15	0.61	0.42	1.47	1.36		0.22	-0.03	9.38	0.91	0.11	2.18
20	0.81	0.41	1.56			0.36	0.12	8.36			
30	1.02	0.44	1.58	1.52	0.06	0.40	0.07	7.04		-0.02	

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (February 20, 2015)



Source: Robeco

Important information

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