

Peripheral Europe Update

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- **Portugal sells bills with negative yield for first time**
- **IMF raises Italian GDP forecasts**

Main market events

Peripheral bond yields on average rose somewhat last week. On Tuesday markets rallied after ECB's Coeuré announced the ECB will frontload QE buying ahead of an expected low-liquidity period in the summer, but the rally was short lived. Portuguese bonds have returned 3.6% this year, Italian bonds 1.7%, Spanish bonds 0.3% and Irish bonds 0.3%.

Greece

Greece aims to reach a partial cash-for-reforms deal in the next 10 days. A meeting between Tsipras, Merkel and Hollande failed to reach an agreement, with Merkel noting that "it was a friendly, constructive discussion", but "further work has to be done with the three institutions".

Portugal

Portugal sold six-month bills at a negative yield for the first time. The country's debt agency said it sold EUR 300 million of the securities at an average yield of minus 0.002 percent.

Italy

Italy approved the anti-corruption law, which raises the penalty for corruption while indicted officials can no longer ask for a plea bargain unless they restore the profits from the crime. The IMF raised Italian GDP growth forecasts to 0.7% this year and 1.2% in 2016. The recovery is mainly driven by the ECB's QE program, lower oil prices and a weaker euro. The IMF urged the Italian government to continue with reforms as structural weaknesses persist.

Spain

The Spanish Minister of Economy expects real GDP in 2015 to rise to 3.5%, up from 1.4% in 2014. Spanish non-performing loans continue to decrease. The current NPL ratio of 12.1% is the lowest since July 2013.

Robeco Euro Government Bonds

We remain positive on peripheral bond markets. Fundamentals are improving with stronger growth. The ECB's bond buying spurs the 'search for yield' by investors. Peripheral bonds remain attractive in this environment.

Volatility has increased in markets as the negotiations with Greece have toughened. We do expect a positive outcome will be reached in the end, but have scaled back positions in the meantime. As long as Greece is able to pay its IMF/ECB bills we expect the negotiations to continue.

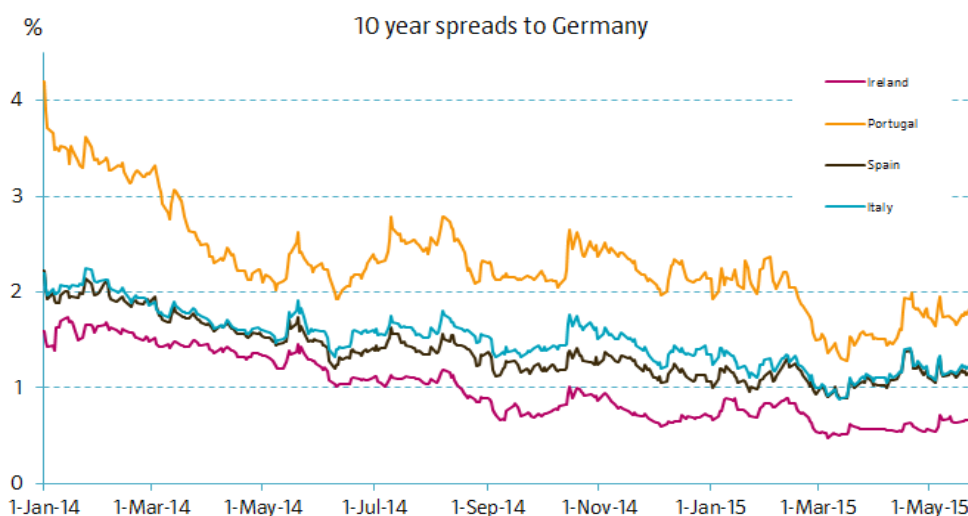
Peripheral bonds make up 43% of the fund, with overweight positions in Ireland, Spain and Portugal. Year-to-date the fund's absolute performance is 0.56%*.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD May 21, 2015. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

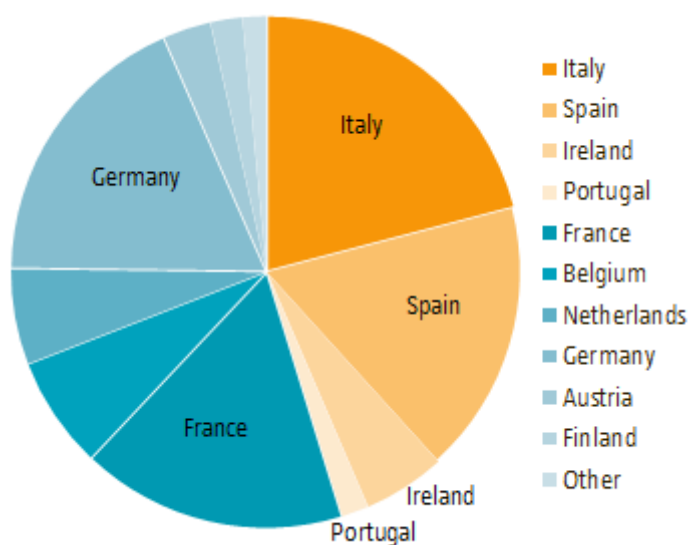
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.21	0.04									
2	-0.22	0.06	0.34	0.22	0.03	0.07	0.08		0.15	0.02	0.25
3	-0.17	0.12	0.50	0.34	0.08	0.13	0.16	22.5	0.26	0.12	0.48
4	-0.05	0.13	0.49	0.41	0.06	0.17	0.15		0.22	0.11	0.78
5	0.07	0.16	0.66	0.63	0.06	0.15	0.12	16.0	0.40	0.08	1.02
6	0.13	0.18	0.99	0.90	0.18	0.22	0.21		0.43	0.06	1.30
7	0.25	0.22	1.09	0.97	0.20	0.27	0.25		0.52	0.02	1.65
8	0.39	0.23	1.17	1.07	0.19	0.26	0.24			0.09	
9	0.50	0.26	1.25	1.20	0.18	0.28	-0.39		0.64	0.06	1.70
10	0.61	0.29	1.23	1.15	0.18	0.30	0.12	10.77	0.67	0.05	1.82
15	0.87	0.40	1.46	1.44		0.24	0.06	9.46	0.74	0.14	2.00
20	1.08	0.35	1.52			0.34	0.15	8.40			
30	1.25	0.45	1.66	1.57	0.10	0.42	0.13	7.54		0.00	

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (May 21, 2015)



Source: Robeco

Important information

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