

Peripheral Europe Update

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- **Irish budget deficit vanishes**
- **Catalan Premier Artur Mas indicted**

Main market events

Peripheral bonds performed somewhat better than German bonds this week. Spanish bonds outperformed other peripheral markets as the outcome of the regional elections in Catalonia did not lead to a majority of votes for the pro-independence camp. Portuguese bonds returned 4.3% this year, Italian bonds 3.3%, Irish bonds 1.2% and Spanish bonds 0.8%.

Spain

Catalan Premier Artur Mas has been indicted for carrying out the self-determination referendum in Catalonia in November 2014.

Spanish pro-independence parties managed to gain a majority in seats, but not in votes at the regional election in Catalonia last Sunday. This weakens their case for independence.

Greece

The EU commission has set the deadline for completing the first review of the third bailout program at 15 November. A positive outcome will lead to the disbursement of funds to recapitalize the banking sector.

Ireland

Ireland's fiscal position improved further as government revenue is well ahead of target at the end of the third quarter. Revenue rose due to higher than expected corporate taxes and VAT, while government spending decreased due to lower debt servicing costs.

Italy

Employment grew by 1.5% year on year, which is the fastest annual job creation since 2008. The unemployment rate dropped to 11.9%. Improving real growth together with labor market reforms like the tax break for hiring permanent employees are supportive of the labor market.

Robeco Euro Government Bonds

We are cautiously optimistic on periphery. We continue to see the ECB's QE program, the generally supportive stance of EU policy makers towards the periphery and the improvement in growth as positives for peripheral debt. On the other hand Portuguese elections this Sunday, and Spanish elections in December could cause some volatility.

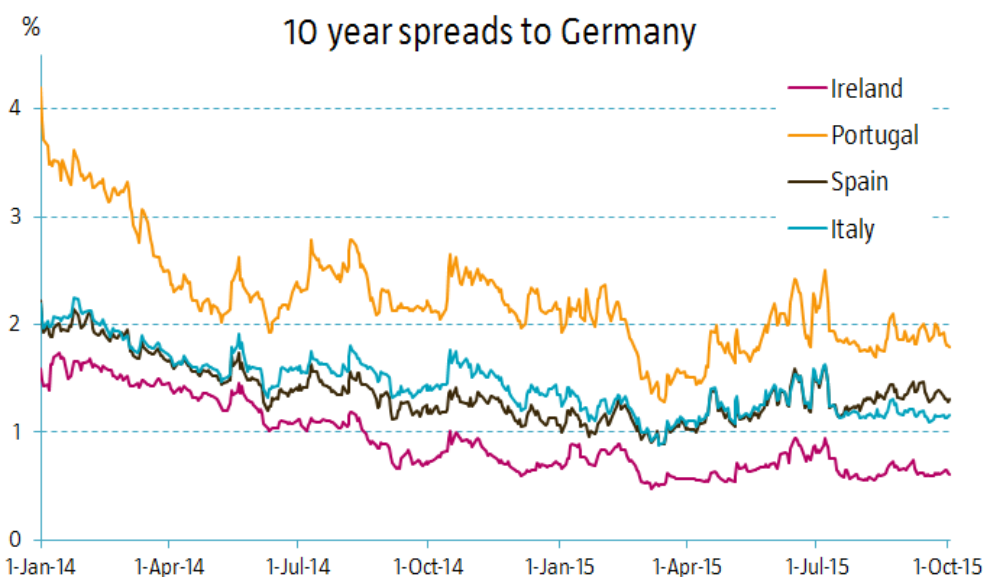
The fund has an overweight in Portuguese bonds and Spanish bonds versus Italian bonds as Portugal benefits disproportionately from QE and Spain's recent underperformance due to election concerns is overdone. The fund maintains its overweight in 10-year Irish bonds. Peripheral bonds make up 34% of the fund. Year-to-date the fund's absolute performance is 1.06%*.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD September 30, 2015. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

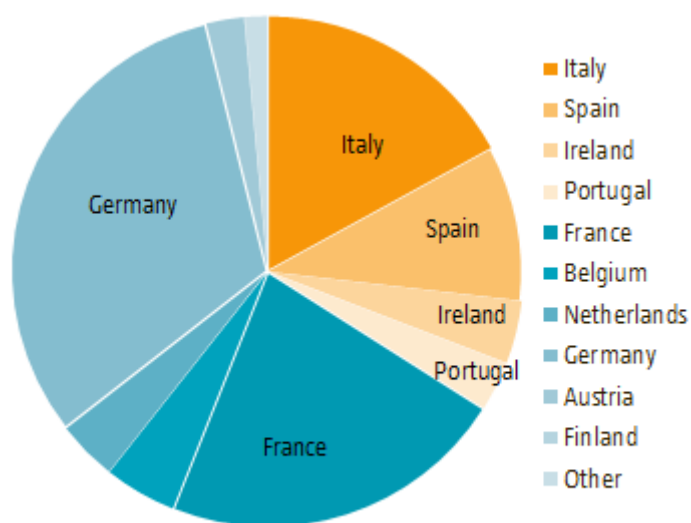
maturity	German yields	Spreads	France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.27	0.08										
2	-0.26	0.07	0.37	0.38	0.03	0.07	0.07			0.07	0.02	0.53
3	-0.22	0.14	0.49	0.55	0.05	0.07	0.07	22.5		0.17	0.06	0.67
4	-0.15	0.18	0.61	0.72	0.07	0.13	0.10			0.29	0.08	0.89
5	-0.04	0.22	0.76	0.89	0.05	0.13	0.06	16.1		0.35	0.11	1.14
6	0.04	0.25	0.93	1.17	0.11	0.18	0.16			0.55	0.11	1.38
7	0.16	0.28	1.03	1.30	0.14	0.24	0.21			0.65	0.22	1.71
8	0.27	0.30	1.15	1.34	0.20	0.26	0.26				0.21	
9	0.42	0.36	1.18	1.36	0.17	0.28	0.27			0.72	0.20	1.73
10	0.56	0.39	1.16	1.30	0.19	0.32	0.29	7.57		0.61	0.27	1.79
15	0.83	0.56	1.38	1.56		0.33	0.15	7.17		0.88	0.41	2.03
20	1.08	0.53	1.42			0.51	0.28	6.88				
30	1.32	0.56	1.51	1.66	0.14	0.53	0.26	7.48			0.06	

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (October 2, 2015)



Source: Robeco

Important information

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