

Peripheral Europe Update

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- **Greek bonds under large pressure**
- **Catalonian referendum officially called off**

Main market events

Peripheral bond markets came under strong pressure last week, although most of the spread widening was undone towards the end of the week. Worries about Greece leaving the Troika program early and fear of a fall of the Greek government pushed Greek yields much higher. The rest of the periphery then joined the global risk-off environment. Spanish bonds have returned 13.2% year-to-date, Italian bonds 10.9% and Irish bonds 11.1%.

Spain

The Catalonian independence referendum has officially been called off, as the Constitutional Court made it impossible to go ahead as planned. A consultation vote is likely to be held instead.

Italy

Moody's confirmed Italian Baa2 rating with a stable outlook. On the negative side, they cited the recent economic weakness, but on the positive side they highlighted Renzi's reform efforts.

Portugal

The Portuguese Government approved the 2015 budget bill, which aims at bringing the general government fiscal deficit back to 2.7% of GDP in 2015, down from a projected 4.8% in 2014.

Greece

The Greek government seeks to exit its bailout program early to escape IMF oversight. This would mean having to fund more than EUR 10bn in bond markets again next year. Greek bonds on average lost 14% of their value in four days' time. The yield on Greek 3-year bonds rose to 7.5%.

Robeco Euro Government Bonds

We remain positive on peripheral bond markets. Fundamentals are improving and the ECB's policy remains very supportive for periphery. The ECB announced to start covered bond buying within days, and the ABS purchase program will follow this quarter. Further unconventional measures from the ECB remain very well possible. The expansion of the ECB balance sheet will continue to spur the search for yield. Peripheral bonds remain attractive in this environment.

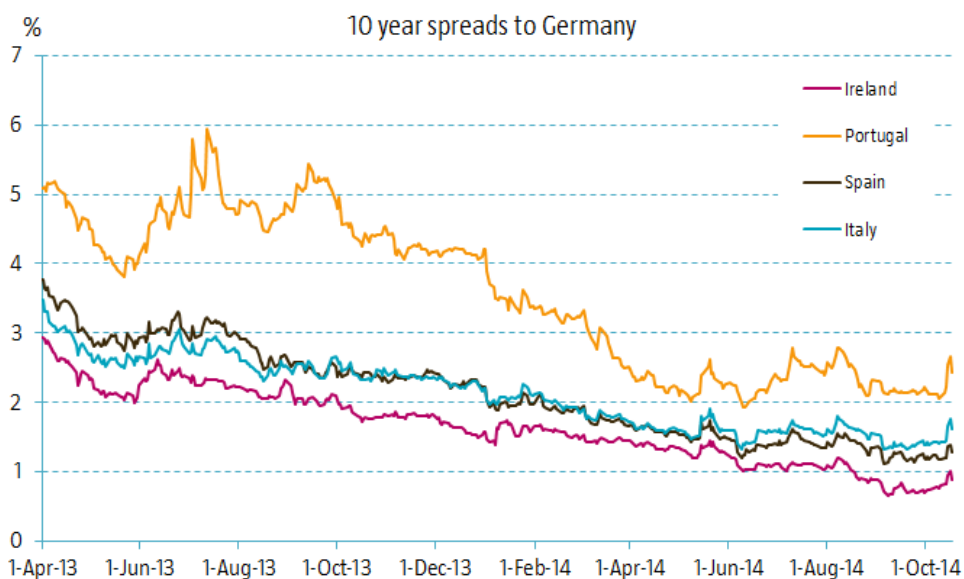
We reduced our positions in periphery at the start of the turmoil this week, and increased it again after the widening. We remain overweight Spanish, Italian, Irish and Portuguese debt. Peripheral bonds make up 57% of the fund, more than half of which Italian. Year-to-date the fund's absolute performance is 10.46%*, helped by the strong performance of periphery bonds.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD October 16, 2014. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

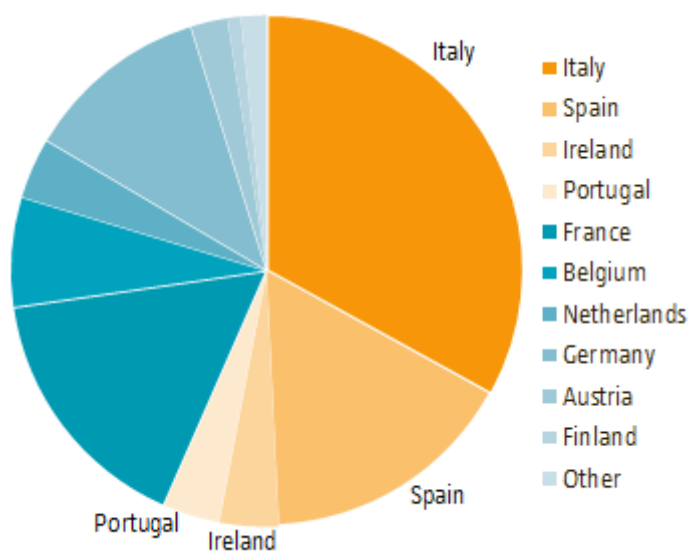
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.07	0.05									
2	-0.05	0.08	0.66	0.52	0.04	0.05	0.06		0.10	0.03	0.92
3	-0.03	0.13	0.82	0.67	0.06	0.10	0.07	6.81	0.26	0.06	1.27
4	0.04	0.19	0.96	0.76	0.16	0.12	0.10		0.41	0.10	1.61
5	0.17	0.24	1.05	0.81	0.16	0.17	0.10	6.90	0.37	0.10	1.77
6	0.26	0.28	1.23	0.94	0.14	0.24	0.16		0.52	0.13	1.93
7	0.39	0.32	1.35	0.90	0.18	0.28	0.22		0.45	0.16	2.11
8	0.57	0.35	1.54	0.91	0.15	0.33	0.15			0.22	
9	0.71	0.36	1.55	1.21	0.18	0.35	0.24		0.85	0.17	2.51
10	0.87	0.43	1.61	1.29	0.18	0.37	0.25	7.20	0.89	0.17	2.42
15	1.28	0.61	1.84	1.49		0.37	0.01	7.42			0.14
20	1.55	0.51	1.89			0.55	0.15	7.14			
30	1.79	0.58	2.05	1.72	0.04	0.60	0.11	5.98			

Source: Bloomberg



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Country allocation Robeco Euro Government Bonds (October 17, 2014)



Source: Robeco

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Important information

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