

Peripheral Europe Update

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- **Outcome banking stress positive as expected**
- **Italian reform referendum in November**

Main market events

In a risk positive environment peripherals bonds spreads tightened further versus Germans bonds. The relative positive outcome of the banking stress test and the decision of the BoE to lower the base rate and restart their QE-program where relevant catalysts for the positive risk environment. Italian bonds have returned 4.50% this year, Spanish bonds 6.42%, Portuguese bonds 0.26% and Irish bonds 5.04%.

Banking stress test

As expected the banking stress test outcome was relative positive and did not contain any surprises. The only bank that needs additional capital is Banca Monte Dei Paschi, since that banks showed a negative capital ratio when tested in an adverse economic scenario. After the release of the stress test results, Banca Monte Dei Paschi announced a plan to sell stocks for an amount of EUR 5bn.

Italy

According to an Italian newspaper, the constitutional reform referendum will be held on November 27. Polls show a small lead for the current governing Democratic Party compared to the Five Stars Movement, but about 20% of voters is still undecided. Earlier Renzi mentioned that he would step down if the constitutional reform is rejected by the referendum.

Spain

The Spanish labor market continues to recover. Although unemployment is still high at 20%, its now at the lowest level since the summer of 2010. In March 2013 unemployment reached a peak of almost 27%.

Robeco Euro Government Bonds

We maintain our cautious stance towards euro periphery debt, despite the ECB's QE program. The lack of further reforms and the failure to improve public finances sufficiently in the current benign environment makes the periphery vulnerable. The Brexit will have ramifications for the peripheral countries, since it will result in further uncertainty and lower economic growth. Consensus positioning is overweight in the periphery and valuation is not really compelling.

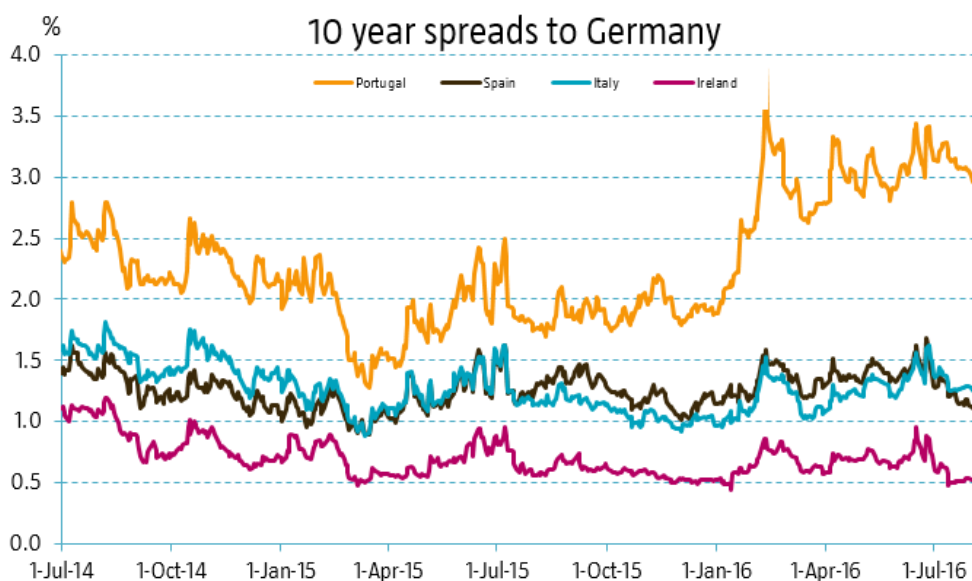
We don't hold any short dated bonds of Italy and Spain due to unattractive valuations. The holdings of peripheral bonds are unchanged at 24%, versus 39% in the benchmark. Year-to-date the fund's absolute return is 6.58%*.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD August 4, 2016. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

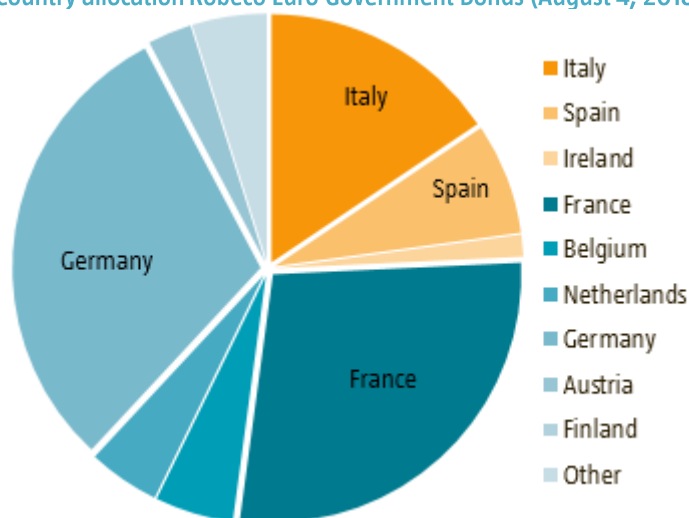
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.60	0.04									
2	-0.62	0.07	0.54	0.45	0.03	0.04	0.09		0.20	0.02	1.03
3	-0.66	0.12	0.63	0.56	0.05	0.10	0.13	10.0	0.29	0.07	1.55
4	-0.61	0.13	0.67	0.61	0.02	0.08	0.10		0.34	0.11	1.99
5	-0.53	0.13	0.78	0.67	0.07	0.06	0.07		0.53	0.07	2.21
6	-0.50	0.14	0.91	0.72	0.06	0.11	0.09		0.40	0.13	2.20
7	-0.44	0.19	1.04	0.87	0.09	0.14	0.05		0.46	0.15	2.62
8	-0.34	0.19	1.13	1.07	0.11	0.21	-0.01			0.14	
9	-0.21	0.21	1.18	1.07	0.12	0.23	0.15		0.53	0.13	2.89
10	-0.08	0.22	1.22	1.10	0.10	0.24	0.17	8.38	0.49	0.14	2.95
15	0.03	0.44	1.44	1.29		0.47	-0.02	8.15	0.68	0.26	3.17
20	0.23	0.50	1.54			0.34	0.27	7.77			
30	0.41	0.49	1.69	1.65	0.07	0.59	0.32			0.08	

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (August 4, 2016)



Source: Robeco

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