

Peripheral Europe Update

Olaf Penninga, Lead Portfolio Manager Robeco Euro Government Bonds
Marck Bulter, Portfolio Manager

- **Portuguese PM rules out second bailout**
- **Hopes for Greek debt relief fade**

Main market events

Spanish bonds moved in line with German bonds this week, while Italian and especially Portuguese bonds underperformed. Italian bonds have returned 3.1% this year, Spanish bonds 5.8%, Portuguese bonds -2.3% and Irish bonds 4.5%.

Italy

Italian PM Renzi has finally announced the date: 26 September. However this is not the date of the referendum, but rather the date of the announcement of the referendum date.

Separately, the employers' federation Confindustria downgraded its growth projections for this year and 2017 to only 0.7% and 0.5%, respectively. It expects the budget deficit target to be missed and the debt/GDP ratio to rise to 134% in 2017. Confindustria calls for more reforms.

Spain

The acting PP government put pressure on the Socialists to support a new government. PM Rajoy warned that growth will weaken due to political stalemate, while the Economy minister reminded that the EU could fine Spain if it fails to present a 2017 budget with lower deficit by mid-October. Polls indicate that voters do not want to vote for the third time in a year.

Greece

Greek Deputy PM Dragasakis admitted that Greece will not get debt relief before 2018. According to Market News, the ECB shares the IMF's assessment that the Greek debt is unsustainable. Inclusion of Greek government bonds in the ECB's bond-buying program seems unlikely.

Portugal

PM Costa denied media reports that a second bailout could be necessary. The Portuguese government is studying a new real estate tax on houses worth more than EUR 500,000.

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 make the periphery vulnerable to economic shocks, political risks or financial-market volatility. Consensus positioning is overweight in the periphery.

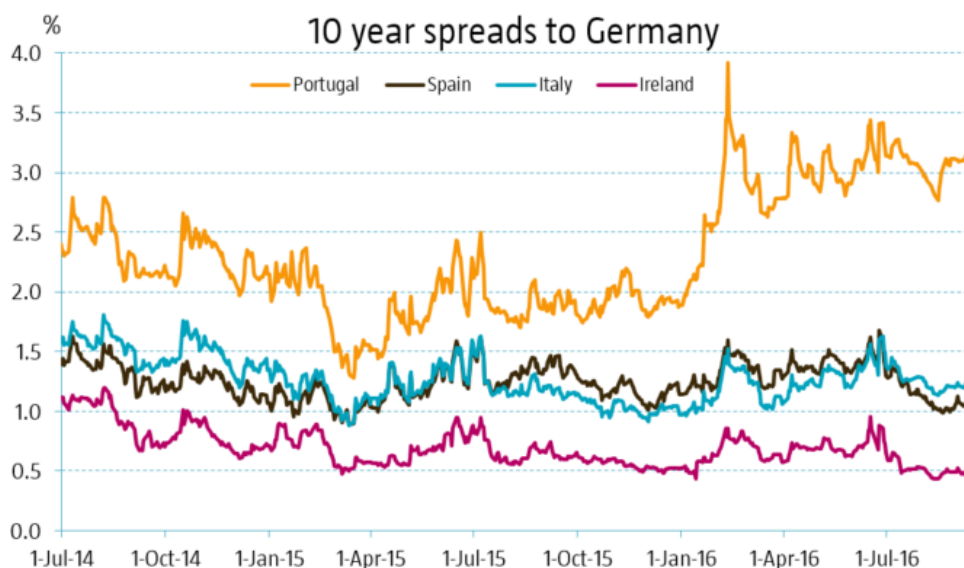
We have kept positioning in the periphery unchanged this week. The fund doesn't hold any short-dated bonds of Italy and Spain due to the unattractive valuations. Currently the fund is 22% invested in peripheral bonds, versus 39% in the benchmark. Year-to-date the fund's absolute return is 6.18%*.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD September 15th, 2016. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

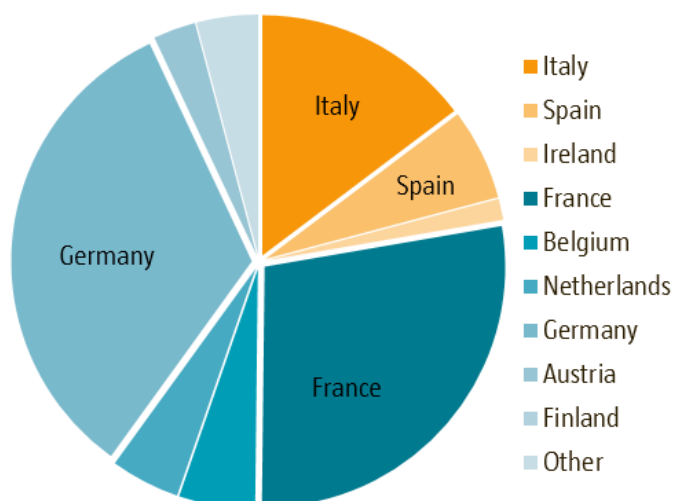
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.60	0.03									
2	-0.66	0.05	0.59	0.48	0.05	0.08	0.09		0.28	0.06	1.20
3	-0.66	0.11	0.70	0.59	0.05	0.12	0.12	10.7	0.28	0.07	1.75
4	-0.61	0.12	0.73	0.63	0.04	0.10	0.12		0.30	0.12	2.41
5	-0.51	0.13	0.83	0.66	0.09	0.08	0.10		0.52	0.06	2.60
6	-0.48	0.19	0.98	0.70	0.06	0.11	0.11		0.30	0.12	2.17
7	-0.41	0.20	1.10	0.82	0.10	0.12	0.08		0.37	0.13	3.07
8	-0.30	0.26	1.20	1.02	0.12	0.18	0.03			0.14	3.44
9	-0.17	0.30	1.29	1.05	0.13	0.22	0.18		0.49	0.11	3.39
10	-0.02	0.30	1.32	1.08	0.11	0.23	0.19	8.62	0.47	0.12	3.44
15	0.15	0.45	1.51	1.30		0.47	-0.03	8.30	0.65	0.25	3.68
20	0.38	0.51	1.62			0.33	0.26	7.83			3.71
30	0.61	0.50	1.81	1.63	0.07	0.59	0.31			0.08	3.65

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (September 15, 2016)



Source: Robeco

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