

Peripheral Europe Update

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- **Spain: Podemos to deliver the next Prime Minister?**
- **Fitch keeps Italy's BBB+ rating, but points to banking sector and public debt**

Main market events

In a directionless market, most peripheral bonds spreads showed a modest decrease. Noticeable exception was the 10-year Portuguese spread which decreased about 10 bp. The lower liquidity of Portuguese bonds explains the higher volatility vs its peers. Italian bonds have returned 1.27% this year, Portuguese bonds -2.26%, Spanish bonds 2.03% and Irish bonds 1.76%.

Spain

After numerous failed attempts to form a government, Spain will have a new round of elections most likely on June 26. In this regard Podemos leader Iglesias launched the idea to form a partnership with United Left (Communists). Due to the complicated weighing of regional votes, the combination of these two parties could potentially beat Spain's second largest party PSOE. Iglesias mentioned that he is willing to form a government with PSOE, but also making clear that he wants to become the next Prime Minister.

Italy

Fitch affirmed Italy's BBB+ rating with a stable outlook. One of the risks that could trigger a downgrade is a failure to tackle the issues within the banking sector. Secondly, the current rating is also at risk if Italy fails to significantly reduce the amount of public debt. At almost 133% Italy's public debt is second largest within the Eurozone.

Portugal

Today rating agency DBRS will publish the review of the BBBL rating of Portugal, but it is expected that the rating will not change. If DBRS would decide to lower the rating, the ECB will stop buying Portuguese bonds under its QE program. According to the Portuguese Finance Ministry the fiscal deficit increased further during the first quarter of 2016 compared to the same period of last year. The larger deficit is primarily caused by an increase in interest spending.

Robeco Euro Government Bonds

We continue to see the ECB's QE program as supportive for peripheral debt, but political risks are rising in the peripheral countries and growth is no longer improving. As consensus positioning is overweight in the periphery we have become more cautious with respect to the periphery.

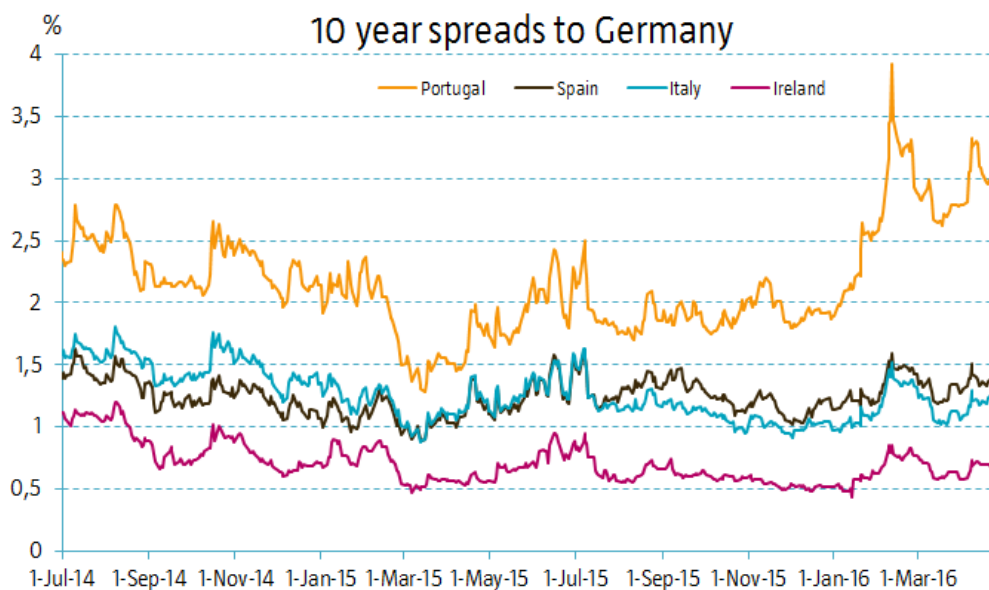
We continue to have an underweight position in both Spain and Italy given the evolving political risks and since the current spread level makes the periphery vulnerable. We don't hold any short dated bonds of Italy and Spain due to unattractive valuations. We have an underweight position in 10 year Italy and Spain. Peripheral bonds make up 16% of the fund. Year-to-date the fund's absolute return is 2.43%*.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD April 28, 2016. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

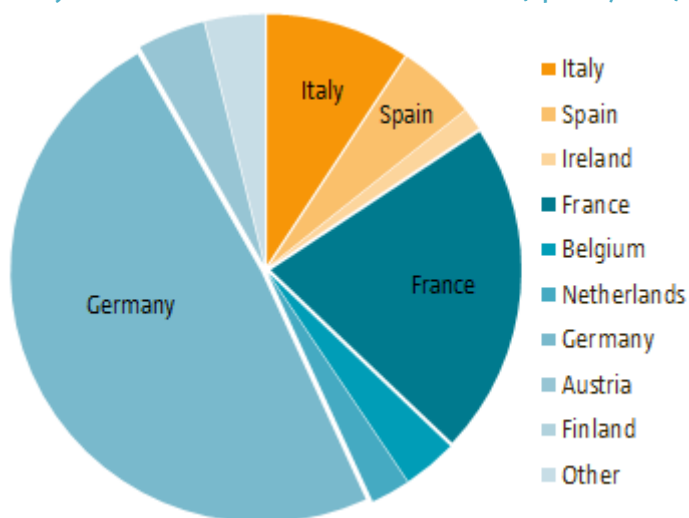
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0,50	0,02									
2	-0,49	0,08	0,47	0,45	0,02	0,05	0,05		0,16	0,05	1,20
3	-0,49	0,15	0,52	0,53	0,03	0,09	0,12	10,0	0,19	0,10	1,71
4	-0,42	0,18	0,61	0,80	0,01	0,09	0,08		0,28	0,17	2,04
5	-0,30	0,20	0,71	0,90	-0,02	0,07	0,01		0,31	0,13	2,28
6	-0,25	0,24	0,99	0,89	0,17	0,14	0,18		0,47	0,27	1,94
7	-0,14	0,28	1,10	1,04	0,20	0,17	0,14		0,59	0,24	2,61
8	-0,03	0,32	1,23	1,31	0,23	0,36	0,13				0,29
9	0,12	0,35	1,21	1,32	0,24	0,39	0,17		0,74	0,25	2,92
10	0,26	0,37	1,23	1,34	0,23	0,41	0,21	8,32	0,70	0,29	2,96
15	0,45	0,66	1,44	1,57		0,72	0,13	7,86	0,92	0,51	3,18
20	0,72	0,70	1,48			0,58	0,48	7,44			
30	1,00	0,62	1,61	1,82	0,15	0,78	0,47			0,17	

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (April 28, 2016)



Source: Robeco

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