

Peripheral Europe Update

Olaf Penninga, Lead Portfolio Manager Robeco Euro Government Bonds
Stephan van IJendoorn, Portfolio Manager Rates

- **Portugal upgraded by Moody's to Ba1, only one notch below investment grade**
- **Both Spanish and Italian government bonds returned more than 10% year to date**

Main market events

Globally yields rose after a very strong second quarter GDP figure in the US, together with an uptick in US inflation. Peripheral yields rose in line with other bond markets. Spanish bonds have returned 10.8% year to date, Italian bonds 10.2% and Irish bonds 9.3%.

EU

The Eurozone inflation fell to a new low of 0.4% in July. Core inflation remained stable at 0.8%. Eurozone unemployment fell to 11.5%, the lowest reading since September 2012.

Italy

Prime Minister Renzi pushes for Senate reform approval, saying the reform, which is currently under discussion in the Upper House, must pass at all costs as "it is the only way to get Italy out of conservatism and stagnation".

Spain

The Spanish GDP rose by 0.6% in the second quarter of 2014, the highest quarter on quarter growth since 2007. The economic improvement was driven mainly by a recovery in domestic demand.

Cyprus

The IMF released its fifth review of the Cypriot bailout program with a positive conclusion, noting that Cyprus met its fiscal targets under the terms of the bailout "with significant margin" and that the financial industry in Cyprus continues to stabilize.

Portugal

Moody's upgraded Portugal's rating to Ba1 with a stable outlook, only one notch below investment grade. The rationale for the upgrade was the improved fiscal condition, Portugal's exit from the support program, its return to public debt markets and a comfortable liquidity position.

Robeco Euro Government Bonds

We remain positive on peripheral bond markets as these bonds are attractive in the current low yield environment and given the supportive stance from the ECB and the EU. Growth is recovering in several peripheral countries as reforms are starting to bear fruit.

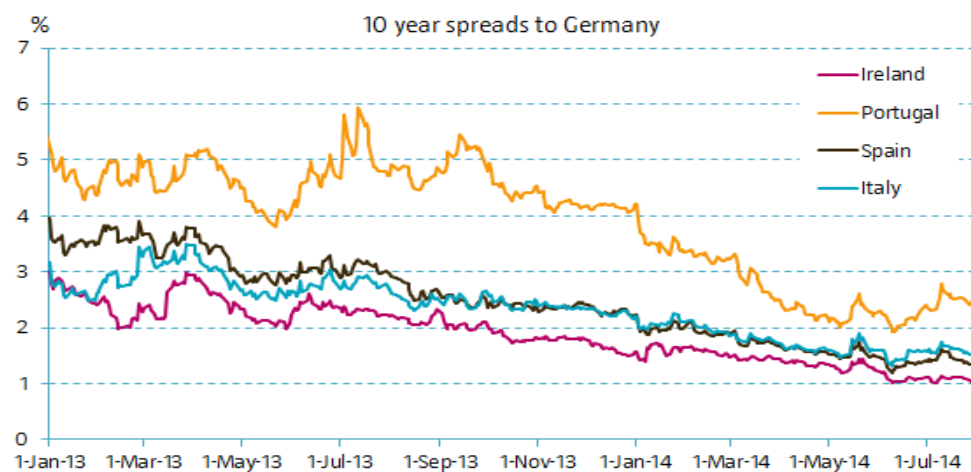
We have not been invested in Portuguese debt since June 2010, months before Portugal was removed out of the index. This week we decided to buy some short dated Portuguese bonds, as these bonds offer attractive carry and roll. We maintain our overweight positions in Italy, Ireland and Spain. Spanish, Italian, Irish and Portuguese debt make up 53% of the fund; more than half of this percentage is Italian. Year to date the fund's absolute performance is 8.52%*, helped by the strong performance of periphery bonds.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD July 31, 2014.
The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

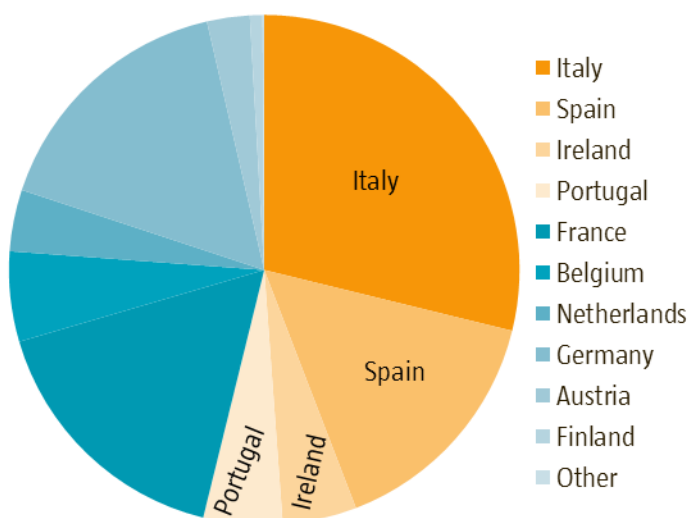
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	0.03	0.00									
2	0.03	0.07	0.49	0.33	0.02	0.03	0.04		0.04	0.01	0.74
3	0.05	0.14	0.74	0.61	0.06	0.07	0.11	3.55	0.35	0.00	1.08
4	0.16	0.21	0.92	0.78	0.03	0.09	0.13		0.50	-0.05	1.50
5	0.32	0.24	0.98	0.85	0.03	0.10	0.11	4.08	0.54	-0.04	1.90
6	0.46	0.15	1.08	1.02	0.15	0.25	0.17		0.73	-0.04	2.16
7	0.64	0.17	1.32	1.10	0.19	0.29	0.21		0.64	-0.04	2.36
8	0.84	0.20	1.36	1.16	0.19	0.21	0.13			-0.05	
9	1.01	0.26	1.53	1.44	0.21	0.35	0.24		1.04	0.06	2.57
10	1.18	0.39	1.60	1.38	0.19	0.40	0.25	4.94	1.11	0.14	2.53
15	1.59	0.56	1.69	1.65		0.37	0.02	5.25		0.15	
20	1.95	0.35	1.68			0.44	0.05	4.91			
30	2.10	0.47	1.82	1.81	0.07	0.53	0.10	4.48			

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (August 1, 2014)



Source: Robeco

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