

Peripheral Europe Update

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- **Periphery rallies despite rising yields in Greece**
- **Constancio: ECB to buy government bonds in Q1 if other measures fail**

Main market events

Peripheral markets had a strong week again, outperforming rallying Bunds. Spanish 10-year yields fell below 2% for the first time ever. Italian spreads declined even more. Markets were boosted by increasing speculation on ECB government bond buying. Only Greek bonds lost more than 3% this week. This has not led to any contagion to other peripheral markets at all. Spanish bonds have returned 15% year-to-date, Italian bonds 14.3% and Irish bonds 13.2%.

European Central Bank

The ECB will evaluate in the first quarter of next year whether they achieve sufficient balance sheet expansion with the current measures, said ECB Vice President Constancio. If not, they would have to consider buying government bonds. Other members of the governing council made similar comments, suggesting that next week's meeting is probably too early to assess the effect of the current measures, but next year more action might be needed. Bundesbank president Weidmann repeated that he sees high legal hurdles to buying government bonds.

Spain

Catalan Premier Artur Mas said he will call regional elections early next year if all pro-independence parties agree to run as an united front. The votes for this list would then amount to votes for independence. Mas suggested independence could be reached by late 2016.

Greece

Negotiations on the latest bailout tranche still have not been completed. These negotiations have to be completed before Greece can negotiate an EU credit line for next year. The Greek government still aims to leave the current bailout at the end of this year, before its scheduled end. The Greek government even has sent a 2015 budget to parliament on which the Troika does not agree. Due to the rising tensions, Greek 10-year yields have again risen above 8%.

Robeco Euro Government Bonds

We remain positive on peripheral bond markets as fundamentals are improving and the ECB's policy remains very supportive. Peripheral bonds remain attractive amidst the search for yield. We have maintained our overweight positions in shorter-dated Italian and Portuguese peripheral bonds. The upcoming TLTRO will be especially beneficial for shorter-dated bonds. Furthermore we remain overweight longer-dated Irish debt as Ireland has the best fundamentals among the peripheral countries.

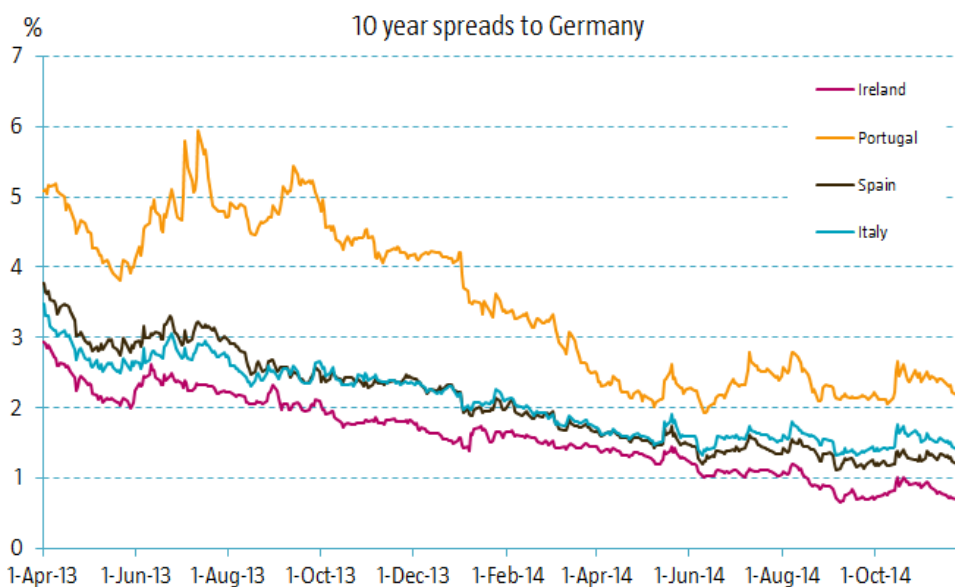
Peripheral bonds make up 50% of the fund, more than half of which Italian. Year-to-date the fund's absolute performance is 12.47%*, helped by the strong performance of periphery bonds.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD November 27, 2014. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

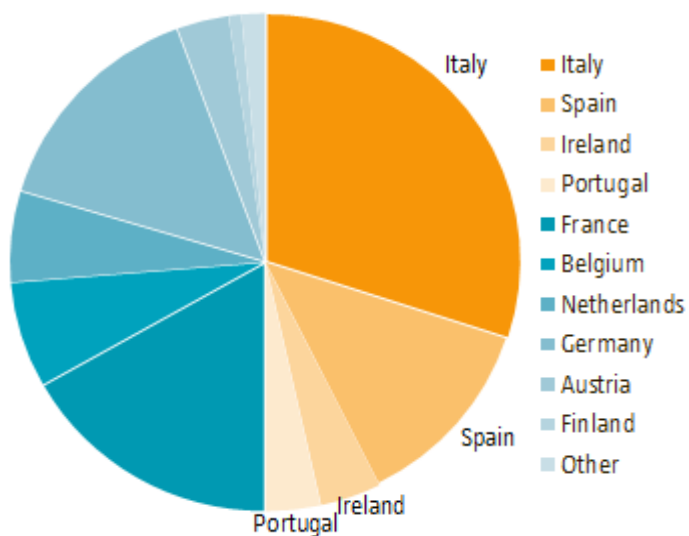
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.07	0.06									
2	-0.03	0.04	0.54	0.46	0.03	0.03	0.04		0.08	0.03	0.53
3	-0.03	0.06	0.71	0.62	0.05	0.05	0.04	7.20	0.30	0.03	1.04
4	0.01	0.13	0.83	0.74	0.08	0.08	0.04		0.36	0.04	1.25
5	0.11	0.15	0.85	0.80	0.09	0.11	0.03	7.05	0.29	0.03	1.46
6	0.17	0.19	1.00	0.95	0.08	0.15	0.09		0.40	0.07	1.73
7	0.27	0.21	1.25	0.95	0.11	0.18	0.12		0.33	0.09	1.91
8	0.41	0.23	1.27	0.93	0.12	0.21	0.08			0.14	
9	0.54	0.22	1.26	1.17	0.14	0.22	0.16		0.64	0.09	2.26
10	0.70	0.27	1.34	1.20	0.12	0.22	0.14	7.62	0.68	0.07	2.16
15	1.10	0.44	1.64	1.45		0.22	-0.05	7.71		0.11	
20	1.37	0.37	1.69			0.38	0.12	7.44			
30	1.59	0.44	1.86	1.71	0.05	0.45	0.10	6.48			

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (November 28, 2014)



Source: Robeco

Important information

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