

Peripheral Europe Update

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

- **Spain sells bills at negative yield**
- **Greek government forces local authorities to move cash to central bank**

Main market events

Peripheral markets recovered somewhat from last week's selloff as the immediate risk of a Greek exit faded. It became clear nothing could be expected from the Eurogroup meeting held in Riga last Friday. The next point in time to watch will be the IMF payment at May 12. Portuguese bonds have returned 5.7% this year, Italian bonds 4.6%, Spanish bonds 2.9% and Irish bonds 3.2%.

Eurogroup

The Eurogroup meeting on April 24 was supposed to be the deadline to discuss the progression on implemented reforms in Greece and possible disbursement of EUR 7 billion of bailout funds. Last week it became clear hardly any progress had been made by the Greek government.

Greece

The Greek government issued a presidential decree requiring all state bodies, ranging from hospitals to local authorities and municipalities, to move their cash reserves to the central bank. This money is needed by the government to be able to pay salaries and the IMF in coming weeks.

Spain

Spain sold three-month bills at negative yields for the first time. The bills were allotted at an average yield of minus 0.03 percent.

Ireland

Irish debt to GDP fell from 123.2% in 2013 to 109.7% at the end of 2014. This reduction is mainly due to strong economic growth (+4.8%) and early repayments of IMF debt. The deficit declined from 5.3% to 3.1%. As a comparison, Belgian debt to GDP came at 106.5% with a 3.2% deficit. This confirms our view that Ireland has shifted towards a semi-core country.

Robeco Euro Government Bonds

We remain positive on peripheral bond markets. Fundamentals are improving with stronger growth. The ECB's bond buying spurs the "search for yield" by investors, as German bonds with maturities up to nine years now offer negative yields. Peripheral bonds remain attractive in this environment.

We decided to reduce our positions in long dated periphery as the Greek problems will continue to cause volatility in coming months. In the end we believe in a positive outcome. We took profit on short-dated Portuguese bonds after a strong rally due to an announced debt exchange, where Portugal bought back short-dated bonds and issued longer-dated bonds.

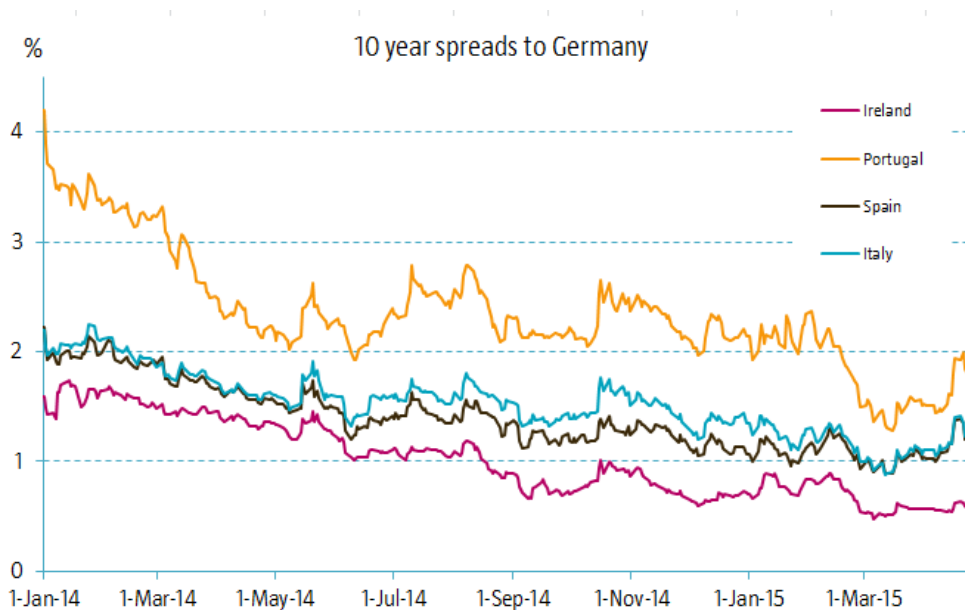
Peripheral bonds make up 58% of the fund, with overweight positions in Ireland, Spain, Italy and Portugal. Year-to-date the fund's absolute performance is 3.86%*.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD April 23, 2015.
The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

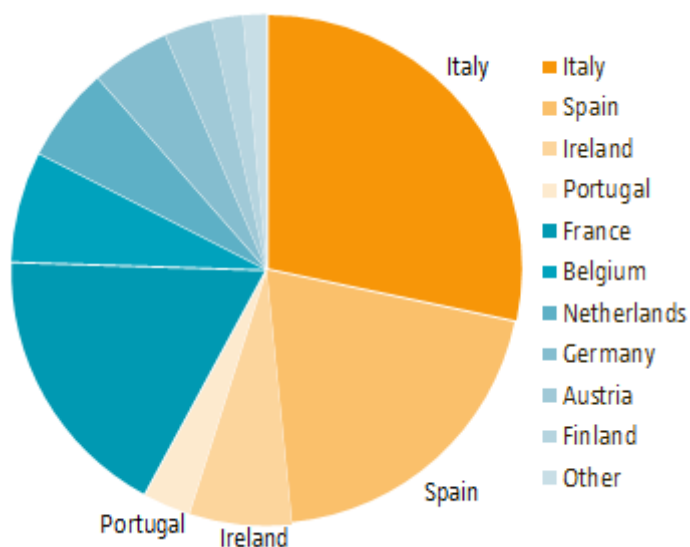
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.25	0.07									
2	-0.26	0.07	0.43	0.28	0.06	0.07	0.09		0.15	0.04	0.34
3	-0.23	0.09	0.48	0.39	0.06	0.08	0.11	25.8	0.18	0.09	0.57
4	-0.17	0.10	0.55	0.49	0.06	0.11	0.12		0.22	0.08	0.86
5	-0.10	0.11	0.69	0.68	0.04	0.08	0.08	18.1	0.31	0.06	1.02
6	-0.09	0.14	0.98	0.90	0.11	0.14	0.13		0.37	0.06	1.26
7	-0.03	0.16	1.07	0.97	0.13	0.19	0.16		0.44	0.04	1.93
8	0.03	0.20	1.19	1.08	0.15	0.21	0.18			0.10	
9	0.09	0.24	1.26	1.21	0.15	0.26	0.03		0.56	0.08	1.68
10	0.17	0.26	1.26	1.22	0.14	0.26	0.11	12.37	0.59	0.06	1.80
15	0.32	0.38	1.53	1.57		0.26	0.10	11.87	0.72	0.13	2.10
20	0.47	0.37	1.64			0.36	0.18	10.37			
30	0.61	0.45	1.75	1.67	0.12	0.42	0.14	8.86		0.01	

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (April 23, 2015)



Source: Robeco

Important information

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