

Peripheral Europe Update

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- **Greek preliminary deal in the making?**
- **Portugal wants to early repay IMF bailout loans**

Main market events

Core markets came under pressure this week, with 10 year German bond yields rising from 0.15% last week to 0.37%. Peripheral bond yields also rose, but to a far less extent. Negotiations with Greece resumed, which helped sentiment towards peripheral countries. Portuguese bonds returned 5.2% this year, Italian bonds 3.9%, Spanish bonds 2.2% and Irish bonds 2.2%.

Greece

Negotiations between Greece and the ‘institutions’ have resumed. Greek finance minister Varoufakis has been replaced by Minister of International Economic Relations Tsakolotis as leader of the negotiations. Greek & Euro officials are targeting May 3 for a preliminary deal, with Eurogroup sign off possible on May 11.

Spain

Spanish GDP rose by 0.9% in the first quarter of 2015. On an annual basis, real GDP rose by 2.6%. These figures confirm the strong positive trend in the Spanish economy.

Italy

The Italian government passed three rounds of confidence votes on the electoral reform this week. A final vote will be held next Monday. This electoral reform will give the winning party an absolute majority in the lower house, which significantly increases the governability of Italy.

Portugal

The Portuguese government made a request to the European Commission to early repay the total amount of IMF bailout loans, which have an average interest rate of 3.7%. This helps the debt sustainability of Portugal in the long run, but could put some pressure on long dated Portuguese bonds in coming months as they will need to issue more debt in the market.

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. Peripheral bonds remain attractive in this environment. Greek problems will continue to cause volatility, but in the end we believe in a positive outcome. The ECB’s bond buying allows countries to improve their debt sustainability by locking in the current affordable rates on their debt for a longer time.

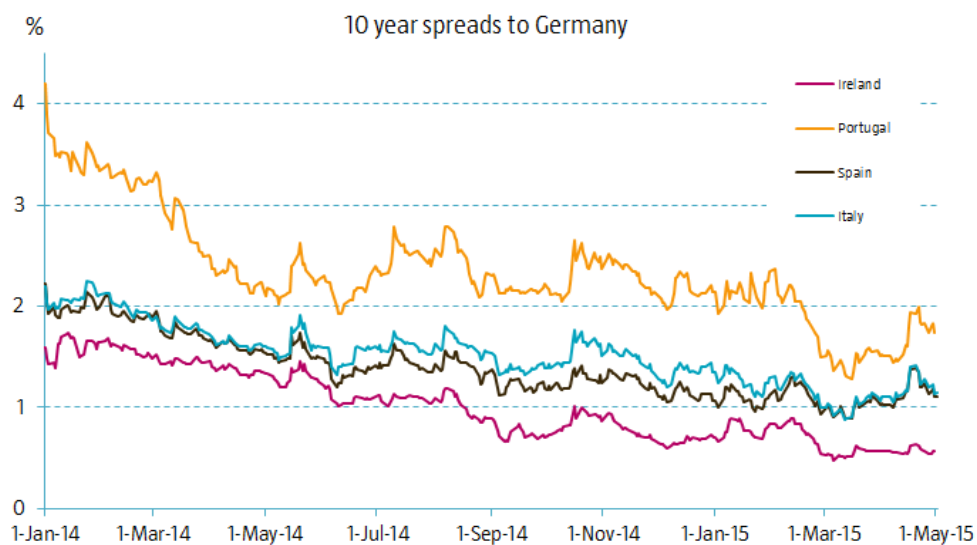
Peripheral bonds make up 58% of the fund, with overweight positions in Ireland, Spain, Italy and Portugal. In the fund we have a preference for bonds with maturities up to 10-years. Year-to-date the fund’s absolute performance is 2.64%*.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD April 30, 2015. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

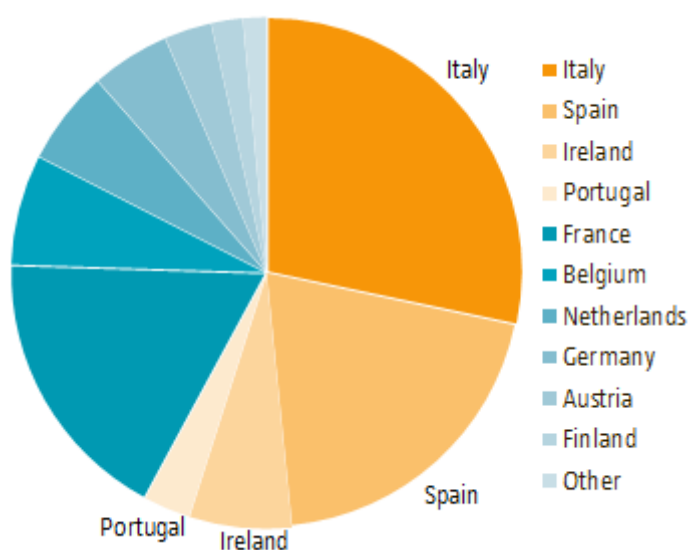
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.26	0.08									
2	-0.22	0.07	0.39	0.25	0.05	0.07	0.11		0.16	0.05	0.30
3	-0.15	0.09	0.42	0.33	0.05	0.09	0.12	22.5	0.17	0.09	0.47
4	-0.07	0.10	0.47	0.43	0.04	0.13	0.13		0.16	0.10	0.75
5	0.01	0.14	0.63	0.61	0.05	0.11	0.10	16.0	0.30	0.08	0.95
6	0.04	0.15	0.90	0.83	0.12	0.16	0.15		0.33	0.07	1.18
7	0.12	0.17	0.99	0.91	0.13	0.20	0.18		0.39	0.03	1.78
8	0.20	0.20	1.08	1.00	0.15	0.22	0.20			0.09	
9	0.28	0.25	1.16	1.12	0.14	0.27	-0.16		0.52	0.06	1.60
10	0.36	0.28	1.15	1.11	0.14	0.27	0.12	10.10	0.57	0.05	1.74
15	0.53	0.42	1.43	1.46		0.27	0.09	8.95	0.69	0.12	1.98
20	0.70	0.38	1.51			0.37	0.17	7.90			
30	0.89	0.45	1.62	1.56	0.10	0.42	0.14	7.91		-0.01	

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (April 30, 2015)



Source: Robeco

Important information

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