

Peripheral Europe Update

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- **Greece borrows from IMF to repay IMF**
- **Italy out of recession**

Main market events

Peripheral bond yields rose in line with core bond yields last week. Only Portugal outperformed. As expected no breakthrough was accomplished during the Eurogroup meeting on Monday, although the statement afterwards mentioned some progress was made. The ECB increased the emergency liquidity assistance to the Greek banks and decided not to increase haircuts on Greek collateral. Portuguese bonds have returned 3.5% this year, Italian bonds 1.4%, Spanish bonds -0.1% and Irish bonds 0.0%, against -0.4% for German bonds.

Greece

Greece made the EUR 750 mln IMF repayment in time, but it used EUR 650 mln from its IMF reserve account, which has to be replenished soon. This means that in fact they borrowed from the IMF to repay the IMF, which indicates government cash reserves have dried up.

The Greek economy fell back into recession in the first quarter of 2015. In 2014 Greece had finally shown positive GDP numbers after six years of recession. As a sign Greece is willing to make compromises with its creditors it unblocked the sale of a 51% stake in Piraeus, its largest port. Greece is in advanced talks with China's Cosco over the sale.

Italy

Italian real GDP rose by 0.3% in the first quarter of 2015, thereby officially ending its period of recession. This was the strongest quarter for growth in 4 years.

The EU commission will allow Italy more time to cut its budget deficit further if it implements structural reforms with a significant positive impact on growth. This again demonstrates EU policy makers' supportive stance towards the periphery.

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.

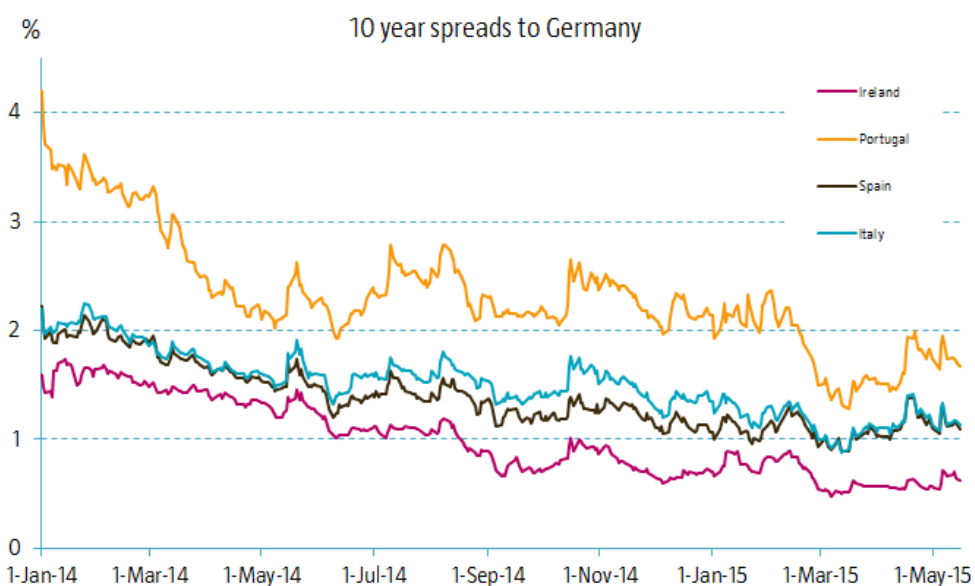
Volatility has increased in markets as the negotiations with Greece have toughened. We do expect a positive outcome will be reached in the end, but have scaled back positions in the meantime. As long as Greece is able to pay its IMF/ECB bills we expect the negotiations to continue. We took further profit on segments of the curve that have become expensive. We switched 5-year Portuguese bonds into Italian bonds and sold 5-year Spanish bonds. Peripheral bonds make up 44% of the fund, with overweight positions in Ireland, Spain and Portugal. Year-to-date the fund's absolute performance is 0.11%*.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD May 14, 2015. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

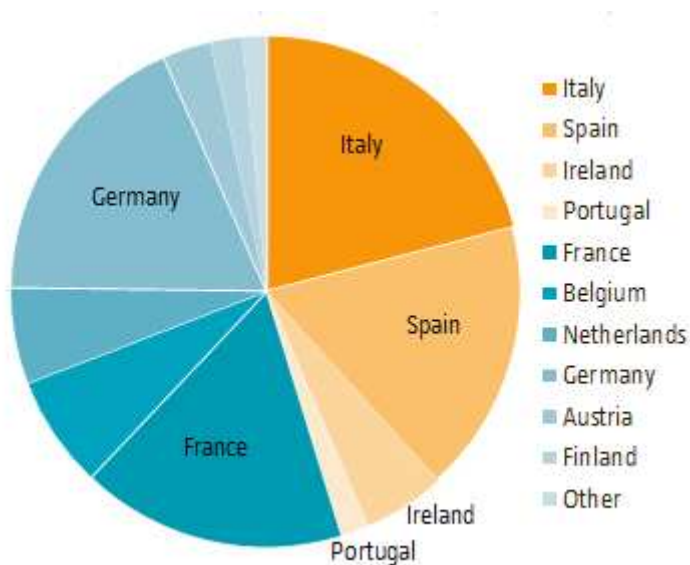
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.23	0.07									
2	-0.19	0.06	0.35	0.21	0.04	0.08	0.10		0.18	0.02	0.30
3	-0.14	0.11	0.43	0.31	0.07	0.12	0.16	22.5	0.27	0.13	0.45
4	-0.01	0.12	0.47	0.38	0.05	0.16	0.15		0.18	0.11	0.74
5	0.10	0.15	0.61	0.60	0.05	0.14	0.12	15.9	0.36	0.09	0.93
6	0.17	0.17	0.94	0.86	0.15	0.22	0.19		0.38	0.06	1.15
7	0.30	0.21	1.04	0.93	0.19	0.26	0.25		0.49	0.01	1.60
8	0.45	0.23	1.12	1.00	0.17	0.25	0.23			0.08	
9	0.55	0.26	1.19	1.14	0.17	0.28	-0.44		0.59	0.06	1.53
10	0.68	0.27	1.14	1.10	0.16	0.28	0.12	9.97	0.63	0.04	1.67
15	0.93	0.37	1.43	1.45		0.24	0.06	8.76	0.73	0.14	1.92
20	1.15	0.34	1.49			0.33	0.15	7.74			
30	1.33	0.44	1.60	1.54	0.11	0.41	0.12	7.47		0.00	

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (May 15, 2015)



Source: Robeco

Important information

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