

Peripheral Europe Update

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- **Greece bundles IMF June payment**
- **ECB reaffirms need for full implementation of QE**

Main market events

Interest rates in core markets rose significantly last week. Yields of peripheral countries also rose, but to a lesser extent than for example German Bunds. Representatives of the IMF, ECB, and the European Commission met with Merkel and Hollande last Monday to come up with a more or less final offer to Greece, after months of negotiations had failed to lead to an agreement. Portuguese bonds have returned 1.1% this year, Italian bonds 0.2%, Irish bonds -1.1% and Spanish bonds -1.3%.

European Central Bank

Mario Draghi reaffirmed the need for full implementation of the QE program. He also stressed that the ECB was ready to add to the monetary policy stimulus if necessary.

Greece

The Greek government decided to bundle all the June IMF debt repayments (adding to EUR 1.6 billion) into a single transaction at the end of the month. The first payment of EUR 300 million was due Friday 5 June. Prime Minister Tsipras will brief parliament Friday night on the state of negotiations, after which a debate between party leaders will take place. According to government ministers the creditors' proposal is "much more painful" than measures the previous government was asked to adopt.

Italy

The ruling Democratic Party won five regional elections out of the seven held last Sunday. Although these results are quite strong, support for Renzi is less overwhelming than at the European Parliamentary elections in May 2014.

Portugal

According to the Portuguese head of Treasury the planned early repayment of 87% of IMF loans granted under the bailout program is estimated to generate savings of up to EUR 1.3billion.

Robeco Euro Government Bonds

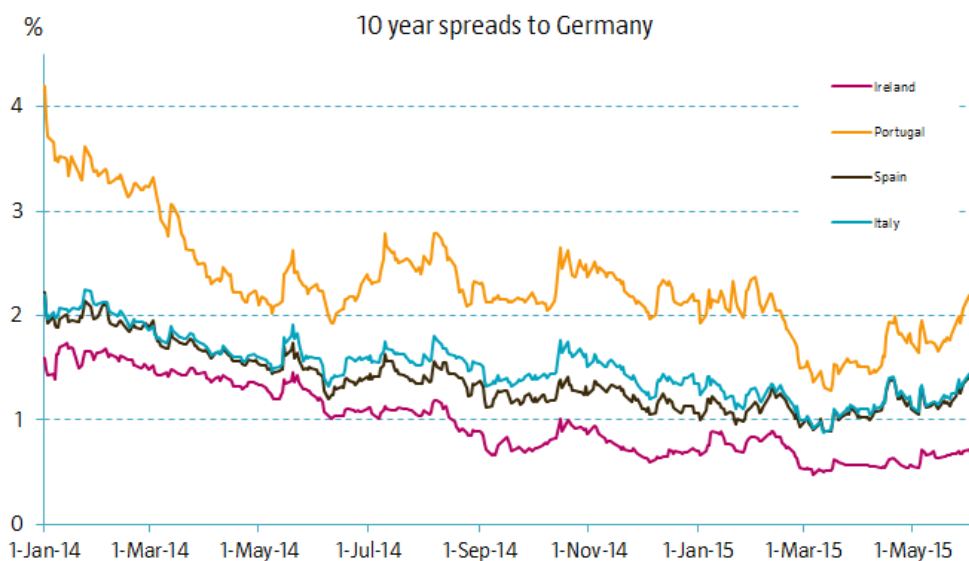
We used this weeks' spread tightening to reduce our Spanish exposure to neutral. We continue to see the ECB's QE program, the generally supportive stance of EU policy makers towards the periphery and the improvement in growth as positives for peripheral debt. However, as we expect the complicated Greek negotiations to continue to drag on peripheral performance, we reduced our overweight position in the periphery further. The fund now has an overweight position in Irish bonds versus Germany and an underweight in Italian bonds versus Germany. The fund has no exposure in Portuguese bonds anymore. Peripheral bonds make up 39% of the fund. Year-to-date the fund's absolute performance is -0.87%*.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD June 5, 2015. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

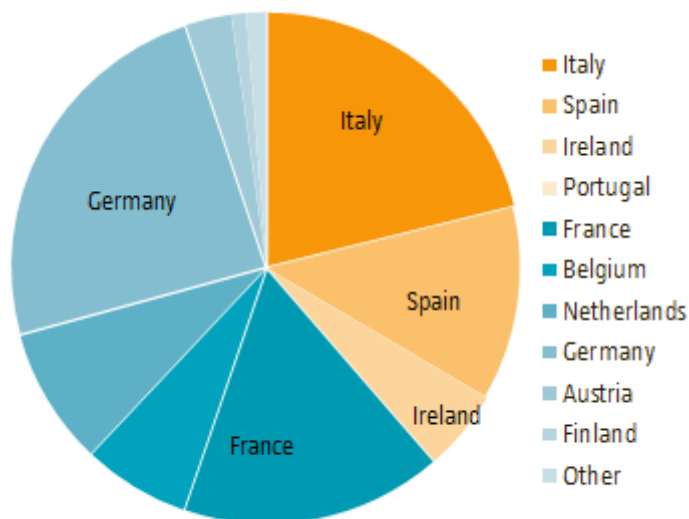
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.21	0.04									
2	-0.17	0.05	0.36	0.22	0.02	0.06	0.09		0.21	0.02	0.32
3	-0.11	0.10	0.57	0.39	0.08	0.12	0.17	22.4	0.31	0.13	0.66
4	0.02	0.14	0.76	0.51	0.05	0.17	0.18		0.28	0.12	1.24
5	0.19	0.16	0.89	0.78	0.05	0.16	0.13	15.8	0.48	0.06	1.46
6	0.28	0.21	1.14	1.04	0.18	0.26	0.24		0.49	0.04	1.68
7	0.41	0.27	1.27	1.10	0.21	0.33	0.32		0.59	0.01	1.49
8	0.59	0.30	1.33	1.20	0.23	0.32	0.30			0.10	
9	0.73	0.31	1.38	1.35	0.20	0.33	-0.62		0.72	0.05	1.93
10	0.88	0.32	1.32	1.28	0.18	0.32	0.14	10.61	0.75	0.03	2.03
15	1.16	0.44	1.53	1.58		0.25	0.06	9.27	0.87	0.12	2.16
20	1.37	0.37	1.56			0.36	0.16	8.07			
30	1.54	0.48	1.64	1.62	0.10	0.44	0.14	7.26		-0.01	

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (June 5, 2015)



Source: Robeco

Important information

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