

Peripheral Europe Update

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- **ECB to respond to lower inflation outlook**
- **Irish debt/GDP close to French levels next year**

Main market events

Peripheral bonds generally moved in line with German bonds in recent weeks. The large market turmoil last weeks due to China hardly affected peripheral bonds. Portuguese bonds returned 2.8% this year, Italian bonds 1.6%, Irish bonds 0.0% and Spanish bonds -0.6%.

ECB

Ahead of next week's meeting, ECB chief economist Peter Praet said downside risks to the ECB's inflation goal have increased due to recent developments in the world economy and in commodity markets. If needed, the ECB is willing and able to act.

ESM

The European Stability Mechanism Board approved the third bailout program for Greece. EUR 13bln has been disbursed immediately, EUR 10bln will be available for bank recapitalization and EUR 3bln is available when Greece has completed further reforms.

Spain

Spanish second quarter GDP was confirmed at 1.0%, mainly due to rising domestic demand instead of exports. This positive environment is likely to help the current government at the national elections due in the fourth quarter.

Greece

Greek Prime Minister Tsipras ruled out a government formation with main opposition parties New Democracy, Pasok and To Potami if the 20 September elections don't lead to an absolute majority for Syriza. Coalition forming can become difficult as an absolute majority is unlikely.

Ireland

According to the Irish Treasury Agency debt/GDP is expected to decline to 100% in 2016, which is more or less in line with expected French levels next year.

Robeco Euro Government Bonds

We are cautiously optimistic on periphery. 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. On the other hand upcoming elections in Greece, Spain (regional and general) and Portugal could cause some volatility. We took profit on our Irish 5-year bonds this month as their spread reached post-crisis lows. The fund maintains its overweight position in Irish bonds with 10-year maturity.

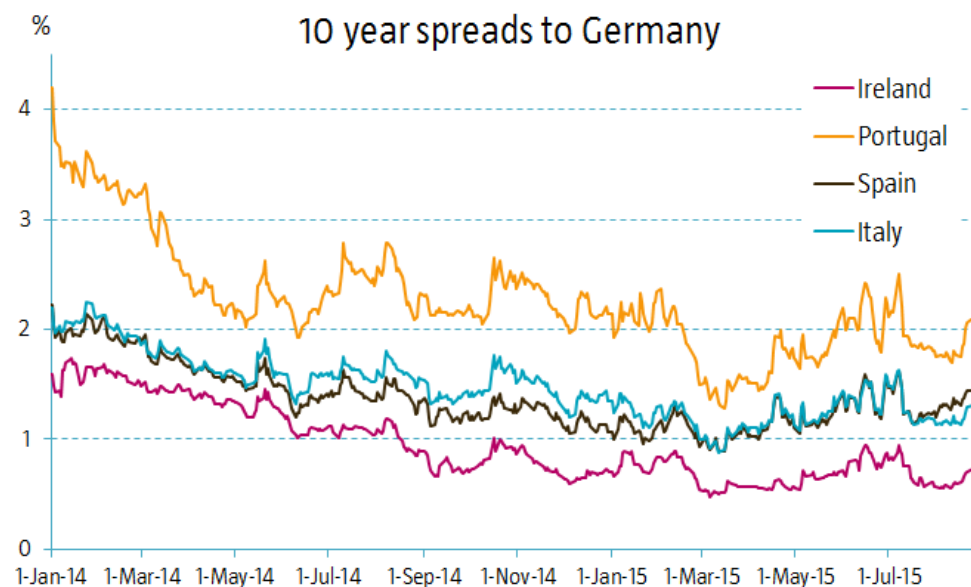
Peripheral bonds make up 39% of the fund. Year-to-date the fund's absolute performance is -0.18%*.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD August 27, 2015. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

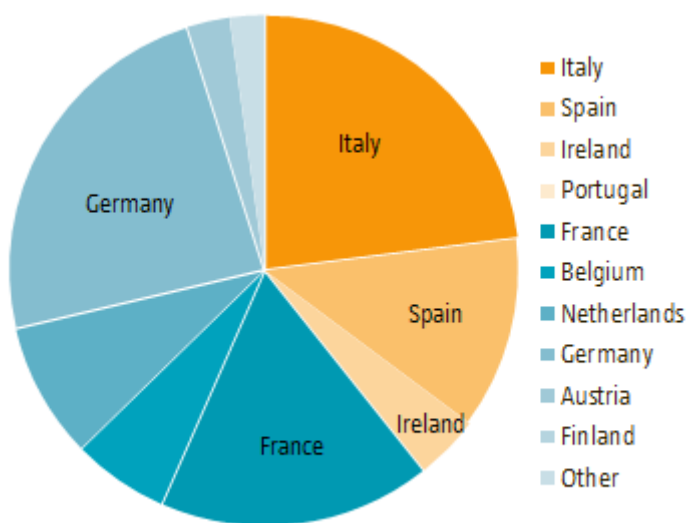
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.25	0.06									
2	-0.22	0.07	0.41	0.39	0.03	0.07	0.07		0.19	0.04	0.62
3	-0.15	0.10	0.53	0.57	0.03	0.07	0.08	22.5	0.21	0.07	0.76
4	-0.06	0.14	0.67	0.77	0.06	0.16	0.13		0.20	0.08	1.00
5	0.08	0.17	0.83	0.96	0.05	0.17	0.10	15.9	0.32	0.11	1.22
6	0.17	0.20	1.02	1.25	0.12	0.23	0.19		0.32	0.12	1.47
7	0.31	0.23	1.10	1.37	0.13	0.28	0.27		0.46	0.24	1.59
8	0.43	0.29	1.24	1.38	0.18	0.30	0.27			0.20	
9	0.60	0.29	1.23	1.38	0.17	0.31	0.28		0.61	0.17	1.78
10	0.73	0.36	1.20	1.33	0.20	0.36	0.31	8.40	0.66	0.17	1.88
15	0.98	0.58	1.44	1.58		0.34	0.15	7.90	0.88	0.38	2.07
20	1.21	0.56	1.49			0.53	0.30	7.54			
30	1.42	0.60	1.52	1.68	0.18	0.57	0.26	7.37		0.06	

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (August 28, 2015)



Source: Robeco

Important information

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