ROBECO

Peripheral Europe Update

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- **Portugal upgraded by S&P ahead of elections**
- **New Greek government committed to bailout program**

Main market events

Peripheral bonds underperformed German bonds somewhat this week despite renewed signals the ECB could up its asset purchase program. Spanish bonds lagged other peripheral markets as regional elections take place in Catalonia this Sunday. Portuguese bonds returned 3.2% this year, Italian bonds 3.1%, Irish bonds 1.0% and Spanish bonds -0.1%.

ECB

ECB executive board member Peter Praet said the ECB would forcefully react if the objective of being close to 2 percent inflation would be pushed down further due to the global environment. President Draghi confirmed that the ECB can expand its QE program, but he also said it is too early to decide whether this is indeed necessary.

Greece

Syriza won the largest share of votes (35%) in Sunday's election, well ahead of main opponent New Democracy (28%). Tsipras appointed senior negotiators of the recent bailout program to the top economic posts in a sign of commitment to the tough austerity program.

Italy

The Italian government revised up its 2016 deficit target from 1.8% to 2.2% of GDP as it aims to expand its fiscal policy to support the nascent recovery.

Portugal

S&P upgraded the sovereign credit rating for Portugal from BB to BB+, one notch below investment grade, citing Portugal's economic recovery and budgetary consolidation efforts.

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 Spain (regional and general) and Portugal could cause some volatility.
The fund has an overweight in Portuguese bonds versus Italian bonds as Portugal benefits disproportionately from QE. We added to our overweight in Spanish bonds versus Italian bonds as we feel Spain's underperformance due to election concerns is overdone. The fund maintains its overweight in 10-year Irish bonds.

Peripheral bonds make up 34% of the fund. Year-to-date the fund's absolute performance is 0.95%*.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD September 24, 2015.
The value of your investments may fluctuate. Past results are no guarantee of future performance.
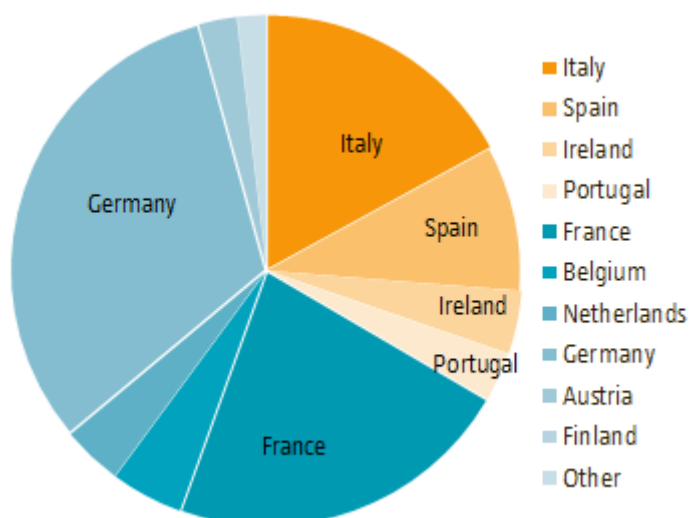
Current spreads and the movement over time

maturity	German yields	Spreads France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.24	0.06									
2	-0.24	0.08	0.38	0.42	0.02	0.06	0.06		0.08	0.02	0.60
3	-0.19	0.14	0.49	0.60	0.05	0.06	0.06	22.5	0.17	0.07	0.72
4	-0.10	0.18	0.61	0.77	0.05	0.12	0.09		0.28	0.07	0.93
5	0.03	0.22	0.74	0.93	0.05	0.11	0.06	16.0	0.34	0.11	1.19
6	0.12	0.24	0.92	1.23	0.10	0.17	0.15		0.54	0.10	1.43
7	0.25	0.28	1.03	1.38	0.13	0.22	0.21		0.65	0.22	1.77
8	0.36	0.30	1.15	1.40	0.19	0.24	0.24			0.21	
9	0.51	0.36	1.16	1.43	0.16	0.27	0.27		0.62	0.20	1.81
10	0.66	0.40	1.13	1.37	0.18	0.31	0.29	7.60	0.61	0.27	1.88
15	0.90	0.60	1.36	1.66		0.34	0.16	7.23	0.90	0.42	2.13
20	1.14	0.55	1.39			0.52	0.28	6.99			
30	1.38	0.59	1.49	1.76	0.15	0.55	0.25	7.42		0.05	

Source: Bloomberg

10 year spreads to Germany
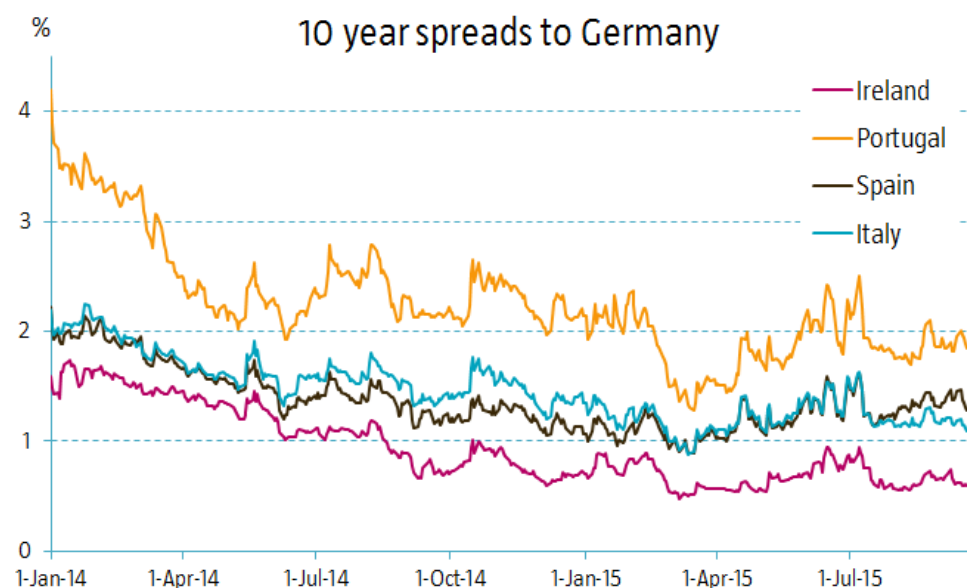
Source: Bloomberg

Country allocation Robeco Euro Government Bonds (September 25, 2015)

Source: Robeco