

Peripheral Europe Update

Olaf Penninga, Lead Portfolio Manager Robeco Euro Government Bonds
Stephan van IJzendoorn, Portfolio Manager

- **S&P upgrades Spain, citing benefit of reforms**
- **Portuguese elections: no party achieves majority**

Main market events

Peripheral bonds performed better than German bonds this week. The differences between the peripheral countries were relatively small. Just like with the Greek and Catalan elections in the previous weeks, the Portuguese election outcomes did not upset markets. Portuguese bonds returned 4.4% this year, Italian bonds 3.4%, Irish bonds 1.2% and Spanish bonds 0.9%.

Spain

S&P upgraded Spain on Friday by one notch, from BBB to BBB+. It argued that the Spanish economy has benefited from the reforms carried out since 2010. European Commissioner Moscovici has cautioned Spain that its proposed 2016 budget does not meet European spending rules. On the Commission's predictions, Spain's deficit will reach 4.5% of GDP in 2015 (above the required 4.2%) and 3.5% in 2016 (above the required 2.8%).

Portugal

The incumbent center-right coalition has won the elections, but it fell short of an absolute majority. A minority government supported by the center-left is now being discussed. Both the center-left and the center-right have supported the bailout program in recent years.

Greece

The government will present its 2016 budget today. Official forecasts include a further GDP contraction in 2016. Public debt is projected to rise to 196% this year and to 201% in 2016.

Ireland

The Irish government will make some changes to its corporate income tax regime in the 2016 budget due on 13 October in order to clamp down on tax avoidance.

Robeco Euro Government Bonds

We are cautiously optimistic on the 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 risk aversion in wider financial markets (related to emerging markets, commodities and weaker global growth) can weigh on the periphery. The fund has an overweight in Portuguese bonds and Spanish bonds versus Italian bonds as Portugal benefits disproportionately from QE and Spain's recent underperformance due to election concerns is overdone. The fund maintains its overweight in 10-year Irish bonds.

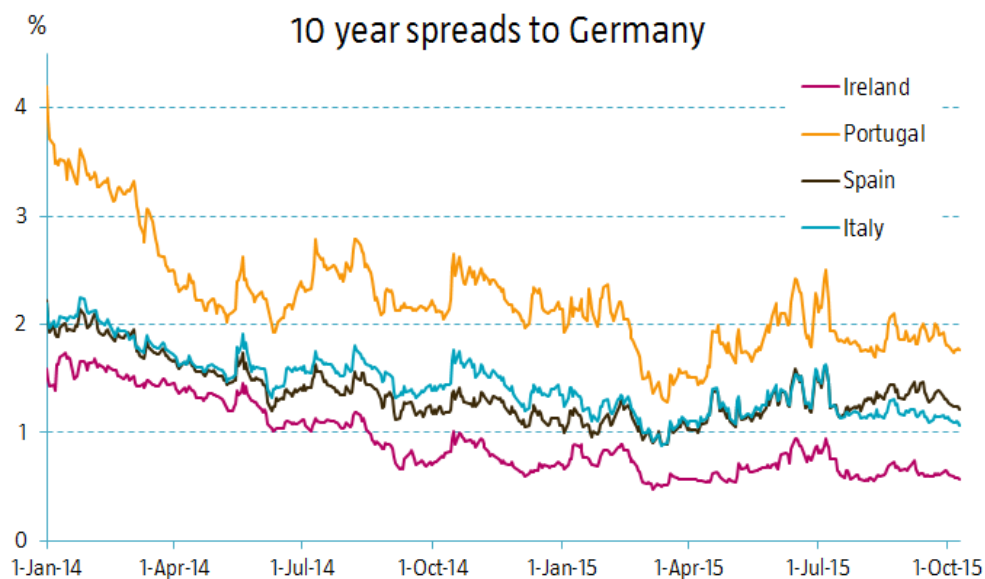
Peripheral bonds make up 34% of the fund. Year-to-date the fund's absolute performance is 1.23%*.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD October 8, 2015. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

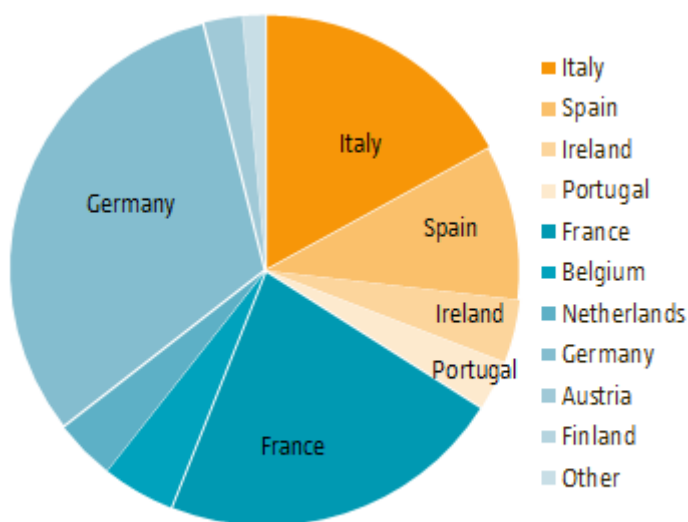
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.29	0.10									
2	-0.25	0.07	0.33	0.32	0.01	0.07	0.07		0.10	0.03	0.48
3	-0.20	0.13	0.44	0.48	0.04	0.06	0.06	22.5	0.20	0.05	0.61
4	-0.12	0.18	0.55	0.64	0.05	0.13	0.10		0.29	0.06	0.88
5	0.01	0.21	0.69	0.82	0.04	0.13	0.06	16.0	0.31	0.08	1.09
6	0.09	0.25	0.87	1.08	0.11	0.18	0.15		0.51	0.10	1.32
7	0.21	0.27	0.97	1.21	0.12	0.23	0.21		0.60	0.20	1.65
8	0.31	0.29	1.09	1.25	0.18	0.26	0.25			0.19	
9	0.47	0.34	1.11	1.26	0.16	0.28	0.27		0.66	0.18	1.69
10	0.62	0.37	1.07	1.22	0.18	0.32	0.28	7.21	0.57	0.25	1.76
15	0.89	0.61	1.28	1.46		0.30	0.13	6.86	0.80	0.40	1.97
20	1.14	0.48	1.31			0.48	0.29	6.50			
30	1.37	0.54	1.40	1.54	0.14	0.52	0.27	7.43		0.06	

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (October 8, 2015)



Source: Robeco

Important information

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