

Peripheral Europe Update

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

- **Spain cuts debt issuance again**
- **Senate passes Renzi's centerpiece reform**

Main market events

Peripheral bonds performed more or less in line with Germany this week. Italy outperformed other peripheral markets. Portugal suffered from unexpected long end issuance while negotiations on government formation are taking place. Portuguese bonds returned 3.5% this year, Italian bonds 3.6%, Irish bonds 1.3% and Spanish bonds 1.1%.

Italy

The Italian Senate passed the constitutional bill which drastically changes the shape and functions of the Senate itself and ends the so-called "perfect bicameralism". This is Renzi's centerpiece reform and should lead to improved political stability in Italy.

Spain

S&P downgraded the Catalan regional government's credit rating to BB- from BB with a negative outlook, citing increased political tensions after pro-independence parties obtained an absolute parliamentary majority in the Sep 27 regional parliamentary elections.

For the second time this year Spain cuts its 2015 net debt issuance, citing improved government revenue. The treasury will sell EUR48 bn, while initially the target was set at EUR55 bn.

Greece

The Greek government suspends planned tax hikes in rental incomes. The bill is part of a set of prior actions which needs to be implemented to unlock the next EUR 2bln of bailout funds.

Portugal

So far meetings between the centre-right current governing coalition and the Socialist Party to seek a government solution ended in a "completely inconclusive way". The President will step in next week to discuss negotiation results and nominate the new prime minister.

Robeco Euro Government Bonds

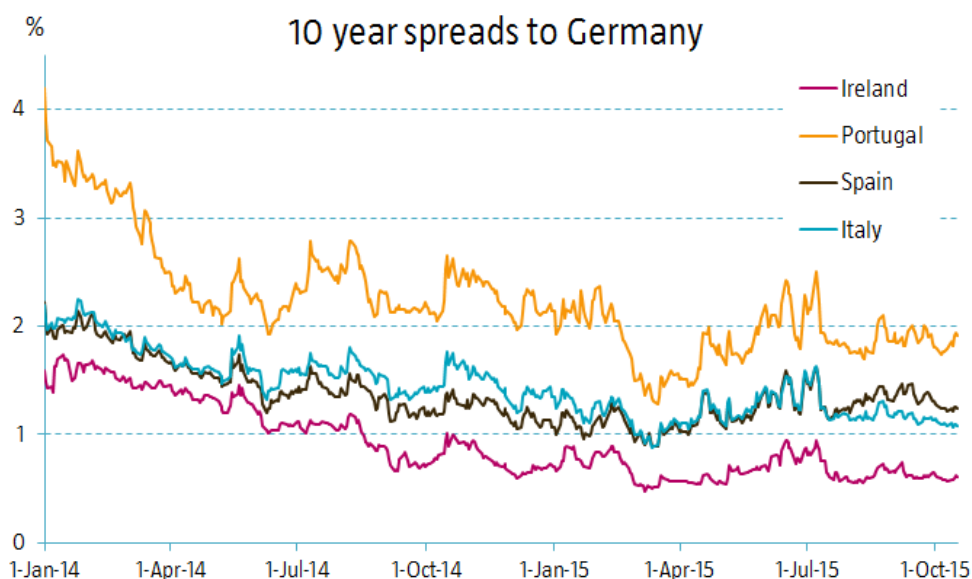
We are cautiously optimistic on periphery. We continue to see the ECB's QE program, the generally supportive stance of EU policy makers towards the periphery and the improvement in growth as positives for peripheral debt. On the other hand risk aversion in wider financial markets (related to EM, commodities 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 1.41%*.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD October 15, 2015. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

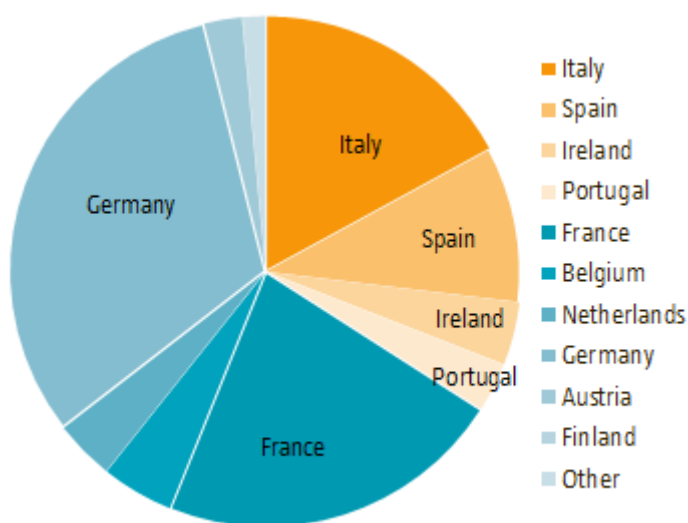
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.30	0.10									
2	-0.26	0.06	0.35	0.34	0.01	0.06	0.06		0.10	0.03	0.57
3	-0.23	0.12	0.46	0.50	0.05	0.06	0.06	22.5	0.20	0.05	0.74
4	-0.16	0.17	0.57	0.67	0.06	0.13	0.10		0.29	0.07	1.02
5	-0.04	0.20	0.70	0.84	0.05	0.12	0.06	16.1	0.34	0.07	1.23
6	0.03	0.24	0.89	1.10	0.11	0.19	0.15		0.54	0.09	1.44
7	0.14	0.27	1.10	1.22	0.14	0.24	0.22		0.65	0.20	1.81
8	0.25	0.28	1.11	1.26	0.18	0.26	0.25			0.19	
9	0.40	0.33	1.18	1.29	0.16	0.28	0.27		0.74	0.19	1.85
10	0.54	0.37	1.08	1.25	0.17	0.32	0.28	7.38	0.61	0.26	1.91
15	0.80	0.62	1.32	1.51		0.31	0.14	7.02	0.86	0.41	2.18
20	1.06	0.48	1.33			0.49	0.28	6.67			
30	1.29	0.54	1.44	1.60	0.15	0.53	0.26	7.51		0.05	

Source: Bloomberg



Source: Bloomberg

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



Source: Robeco

Important information

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