

Peripheral Europe Update

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- **Draghi pre-announces further easing in December**
- **Senate passes Renzi's centerpiece reform**

Main market events

Peripheral bonds clearly outperformed German bonds this week. It was a strong week for euro government bonds, with Spanish 10-year yields declining by 14 basis points. Portuguese bonds have returned 4.5% this year, Italian bonds 4.8%, Irish bonds 1.8% and Spanish bonds 2.3%.

European Central Bank

The ECB did not take any new measures this month, but President Draghi strongly suggested that the ECB will ease policy further in December. Draghi stated that a rate cut is possible, while last year the current rate level was described as "effectively the lower bound". The possibility to increase or extend the Quantitative Easing program was also stressed.

Portugal

President Cavaco Silva has asked the incumbent center right Prime Minister Passos Coelho to form a new government. He deemed a coalition including "anti-European forces" (the smaller left-wing parties) unfit to guarantee a stable, durable and credible government. The center-right party is the largest party, but the center-left and left parties together won the majority of seats in the recent elections.

The EU commission warned Portugal that it needs to submit the 2016 budget plans within a few days, as elections are no excuse for the delay.

Spain

Spanish unemployment fell to 21.2% in the third quarter, from 22.4% in Q2.

The Catalan pro-independence party Popular Unity Candidates (CUP) reiterated that it will not support a government led by the current leader of the single pro-independence list Artur Mas. Without CUP there is no majority in favor of the independence drive in the Catalan parliament.

Robeco Euro Government Bonds

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.

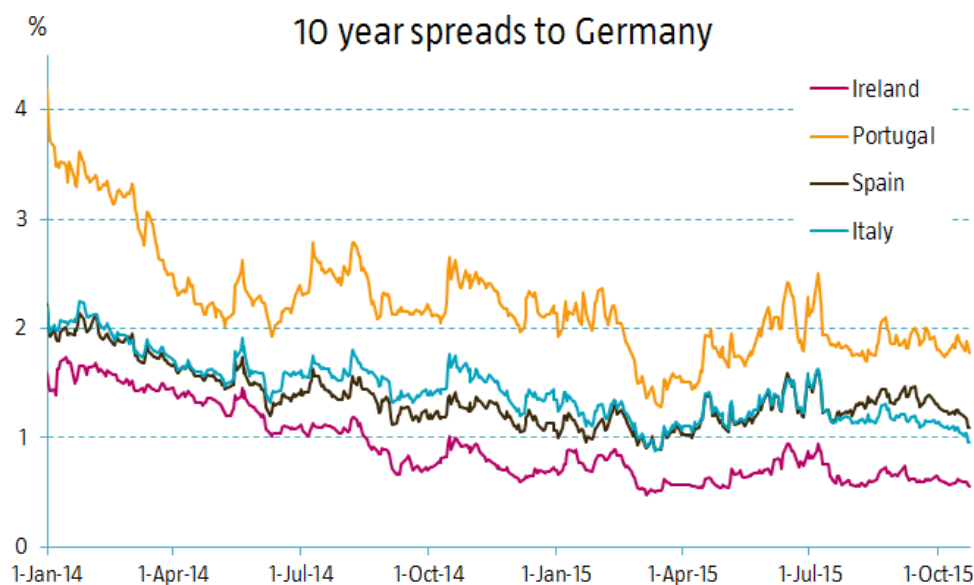
The fund has overweight positions in Portuguese, Spanish and Irish bonds and an underweight position in Italian bonds. Portugal benefits disproportionately from QE and Spain's recent underperformance due to election concerns is overdone. Strong economic growth is rapidly improving the Irish debt metrics. Peripheral bonds make up 34% of the fund. Year-to-date the fund's absolute performance is 2.19%*.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD October 22, 2015. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

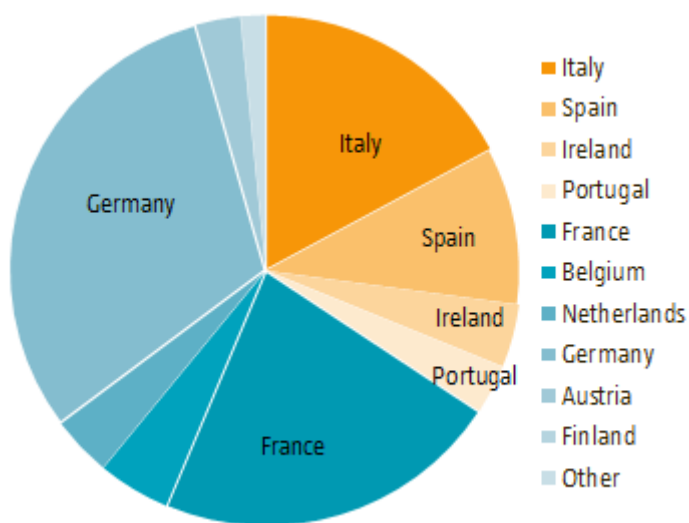
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.33	0.09									
2	-0.32	0.06	0.32	0.33	0.02	0.06	0.06		0.12	0.03	0.53
3	-0.28	0.12	0.40	0.45	0.04	0.05	0.05	22.6	0.20	0.05	0.67
4	-0.21	0.15	0.48	0.58	0.06	0.12	0.10		0.28	0.07	0.93
5	-0.09	0.18	0.58	0.73	0.04	0.12	0.05	16.1	0.32	0.08	1.11
6	-0.02	0.22	0.77	0.98	0.10	0.18	0.14		0.48	0.10	1.31
7	0.09	0.25	0.99	1.10	0.14	0.23	0.21		0.61	0.20	1.69
8	0.21	0.26	0.99	1.12	0.17	0.25	0.24			0.18	
9	0.36	0.30	1.05	1.14	0.15	0.25	0.25		0.77	0.18	1.71
10	0.51	0.34	0.95	1.10	0.16	0.29	0.26	7.18	0.56	0.25	1.78
15	0.77	0.59	1.19	1.36		0.28	0.12	6.95	0.81	0.40	2.03
20	1.04	0.44	1.20			0.44	0.27	6.53			
30	1.27	0.50	1.32	1.43	0.15	0.48	0.25	7.52		0.05	

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (October 22, 2015)



Source: Robeco

Important information

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