ROBECO

Peripheral Europe Update

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- **Portuguese president appoints new government**
- **ESM approves bailout payment to Greece**

Main market events
Peripheral bonds rallied along with German bonds last week, as expectations about 'QE2' continue to rise. Especially Portuguese bonds performed strongly, as for now political uncertainty in Portugal has diminished. Italian bonds have returned 5.7% this year, Portuguese bonds 4.6%, Irish bonds 2.3% and Spanish bonds 2.8%.

ECB
The ECB will suspend the purchase program from 22 December to 1 January due to expected low market liquidity. ECB purchases will be front-loaded in the first three weeks of December.

Portugal
The Portuguese President has sworn in socialist leader Antonio Costa as new Prime Minister. Costa said he will give priority to economic growth and job creation by turning the page on austerity, but also pledged to remain compliant with EU budget rules.

Greece
The European Stability Mechanism (ESM) approved a EUR 2bln bailout disbursement after the Greek government's completion of the first set of reforms. Separately, the ESM approved up to EUR 10bln to cover bank recapitalization costs.

Spain
Spanish third quarter GDP was confirmed at 0.8, mainly due to a significant pick-up in domestic demand. Year on year, real GDP rose by 3.4%, one of the highest growth numbers in Europe.

Italy
The Italian government stepped up its privatization efforts by initiating the process of selling a 40% stake, worth around EUR 4bln, in the state-owned railway company.

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. But to a large extend these positives are already reflected in current valuations. We therefore prefer to focus on relative differences between countries in the periphery.

Currently the fund has overweight positions in Portugal and Ireland versus underweight positions in Spanish and Italian bonds. Portugal benefits disproportionately from QE and strong economic growth is rapidly improving the Irish debt metrics. Peripheral bonds make up 28% of the fund. Year-to-date the fund's absolute return is 2.49%*.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD November 26, 2015.
The value of your investments may fluctuate. Past results are no guarantee of future performance.
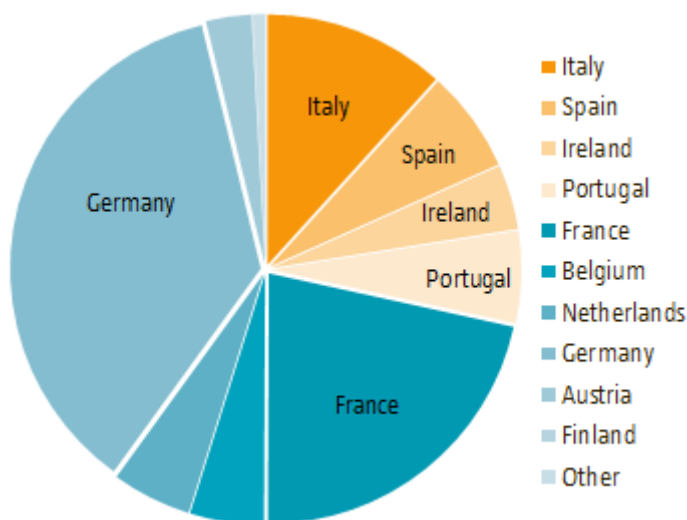
Current spreads and the movement over time

maturity	German yields	Spreads France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.39	0.04									
2	-0.43	0.09	0.39	0.38	0.03	0.08	0.09		0.23	0.05	0.55
3	-0.40	0.13	0.44	0.46	0.07	0.08	0.08	22.7	0.25	0.08	0.66
4	-0.33	0.17	0.46	0.56	0.07	0.14	0.11		0.30	0.09	0.96
5	-0.20	0.19	0.52	0.67	0.05	0.14	0.06	16.2	0.31	0.11	1.18
6	-0.13	0.22	0.69	0.93	0.12	0.20	0.14		0.48	0.10	1.40
7	-0.02	0.26	0.89	1.07	0.14	0.25	0.23		0.59	0.19	1.77
8	0.13	0.25	0.87	1.08	0.16	0.25	0.22			0.16	
9	0.29	0.30	0.96	1.13	0.14	0.27	0.24		0.85	0.16	1.99
10	0.45	0.32	0.94	1.06	0.16	0.30	0.25	6.92	0.49	0.25	1.83
15	0.73	0.59	1.15	1.35		0.65	0.11	6.85	0.76	0.40	2.17
20	1.01	0.45	1.17			0.49	0.28	6.70			
30	1.28	0.50	1.28	1.44	0.14	0.51	0.24	7.51		0.07	

Source: Bloomberg

10 year spreads to Germany
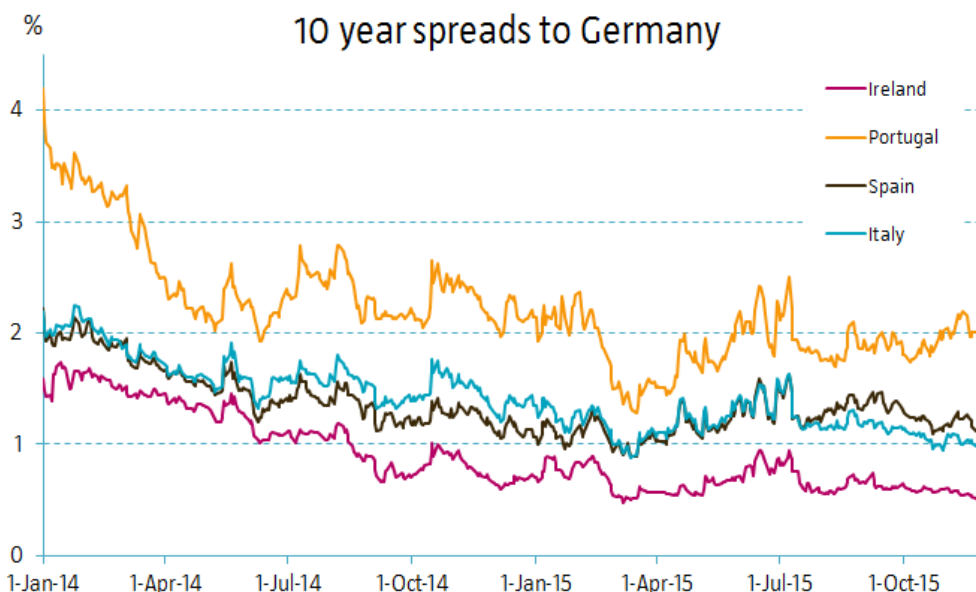
Source: Bloomberg

Country allocation Robeco Euro Government Bonds (November 27, 2015)

Source: Robeco