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Peripheral Europe Update

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- **ECB cuts rates and extends QE, but still disappoints**
- **Irish deficit to decline further to below 2%**

Main market events

All European bond markets sold off this week after the disappointing ECB meeting on Thursday. Although Draghi announced a rate cut and an extension of QE, markets expected even more after his recent very dovish speeches. Italian bonds have returned 4.4% this year, Portuguese bonds 3.8%, Irish bonds 1.3% and Spanish bonds 1.8%.

ECB

The ECB decided to cut the interest rate on the deposit facility by 0.1% to -/-0.3% and to extend the asset purchase program with 6 months to at least March 2017, which amounts to EUR 360 bln additional bond buying. They also added regional bonds to the list of eligible assets.

Portugal

The Portuguese Parliament voted against a motion, introduced by the centre-right opposition, to reject the government program of the recently-appointed Socialist Party. This outcome officially grants power to the socialist government, ending a two-month political gridlock.

Greece

The Bank of Greece announced a reduction in the amount of Emergency Liquidity Assistance, available for Greek banks by EUR 8bln, due to improvement in banks' liquidity situation.

Spain

The Spanish Constitutional Court unanimously ruled against the Catalan pro-independence motion, as it was in "absolute contradiction" to the Spanish Constitution.

Ireland

The Finance Minister expects the 2015 budget deficit to be close to 1.7% of GDP, significantly lower than the original 3% target. This is mainly due to improvements in corporation tax.

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.

We further reduced exposure to Italy this week as valuations are becoming stretched. 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 25% of the fund. Year-to-date the fund's absolute return is 1.33%*.

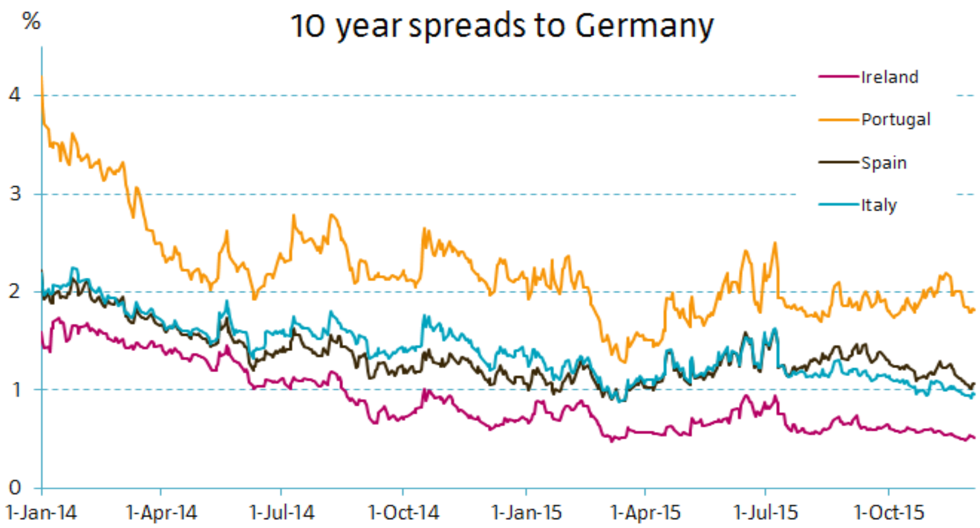
* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD December 3, 2015.

The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

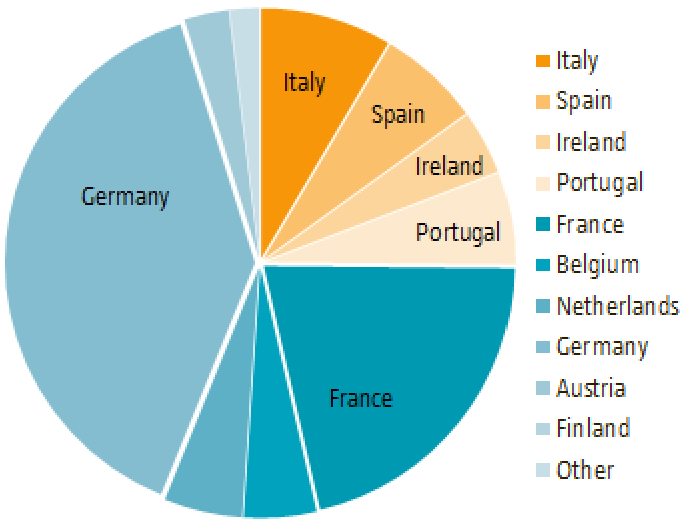
maturity	German yields	Spreads France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.29	0.03									
2	-0.29	0.08	0.36	0.36	0.02	0.06	0.08		0.20	0.06	0.51
3	-0.23	0.11	0.43	0.44	0.05	0.05	0.07	22.5	0.22	0.09	0.62
4	-0.13	0.15	0.48	0.57	0.05	0.09	0.09		0.26	0.07	0.91
5	0.01	0.16	0.57	0.71	0.03	0.08	0.03	16.0	0.27	0.09	1.15
6	0.09	0.20	0.88	0.95	0.09	0.16	0.12		0.45	0.08	1.34
7	0.21	0.26	0.90	1.06	0.12	0.22	0.22		0.58	0.17	1.74
8	0.35	0.26	0.92	1.07	0.16	0.24	0.23			0.16	
9	0.53	0.31	1.02	1.13	0.15	0.26	0.25		0.61	0.16	1.75
10	0.70	0.32	0.96	1.07	0.15	0.29	0.25	7.66	0.52	0.25	1.82
15	0.98	0.57	1.08	1.27		0.61	0.11	7.44	0.77	0.41	2.13
20	1.23	0.46	1.12			0.47	0.31	7.01			
30	1.48	0.52	1.22	1.37	0.15	0.52	0.26	7.31		0.08	

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (December 3, 2015)



Source: Robeco

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