

# Peripheral Europe Update

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

- **Peripheral bonds continued last week's ECB rally**
- **Portuguese 2016 budget plan at risk**

## Main market events

Peripheral bonds continued last week's rally, and outperformed core and semi-core bonds. Italian bonds have returned 2.1% this year, Portuguese bonds -1.0%, Spanish bonds 2.1% and Irish bonds 2.2%.

### Spain

Spanish newspaper El Mundo reports that S&P is about to downgrade Catalonia rating to selective default. Catalonia has requested Madrid for additional funding to cover liquidity needs of the regional government. In addition, it requested Madrid to allow for a delay of payments of short-term debt to local banks. Catalonia's request is rather delicate, given the tensions between Catalonia and Madrid.

### Italy

Prime Minister Renzi repeated his request to exclude certain cash outlays, related to co-financing of EU funded projects, from the calculation of the EU fiscal budget. In addition, Renzi called for higher public and private investments and suggested to cut taxes on households in order to reduce the risk of deflation.

### Portugal

Although the Portuguese parliament approved the 2016 budget, in the coming months the EU commission will reassess 2016's budget plans, given risks of non-compliance with the Stability and Growth Pact. Should the commission require additional fiscal consolidation measures, then the parliament will need to renegotiate the budgetary plan of 2016.

## 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 improved growth as positives for peripheral debt. Nevertheless, we took profit on our long dated Spanish bonds after the recent rally.

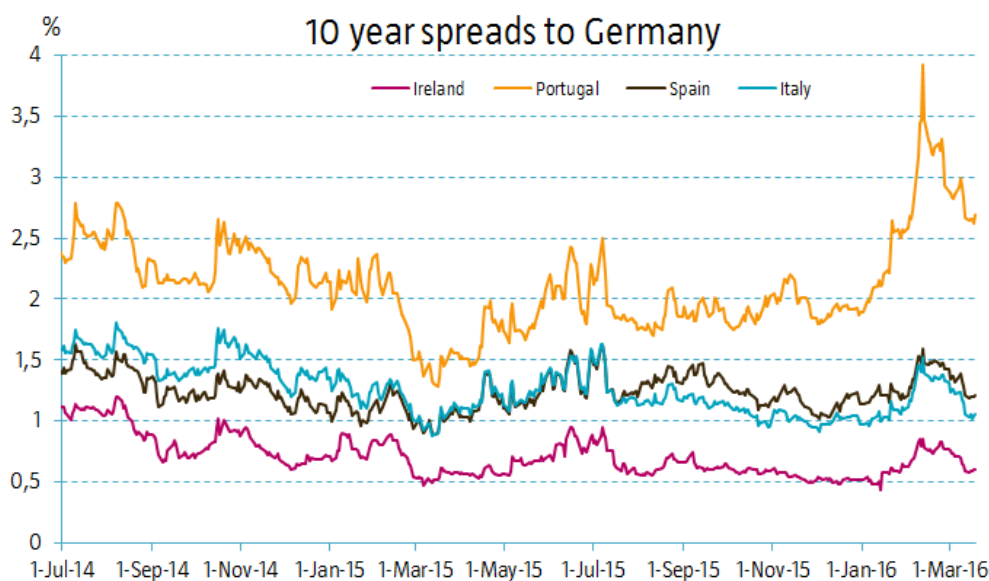
The fund has an overweight position in Ireland as strong economic growth is rapidly improving the Irish debt metrics. We don't hold any short dated bonds of Italy and Spain due to unattractive valuations. Peripheral bonds make up 25% of the fund. Year-to-date the fund's absolute return is 2.90%\*.

\* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD March 17, 2016. The value of your investments may fluctuate. Past results are no guarantee of future performance.

## Current spreads and the movement over time

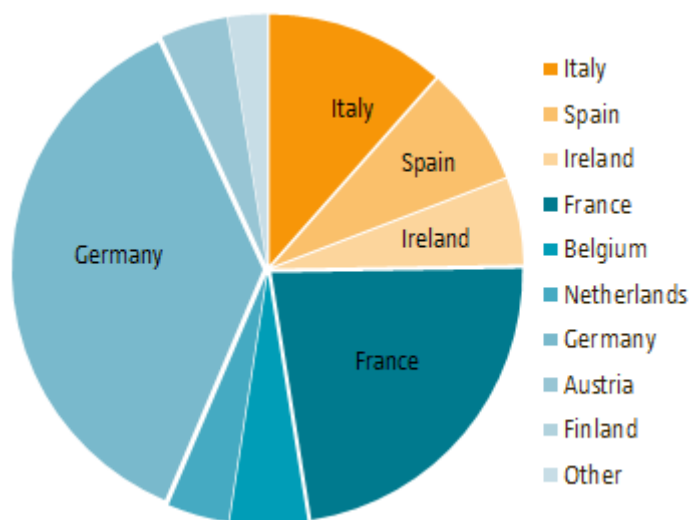
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0,48	0,07									
2	-0,48	0,06	0,47	0,52	0,00	0,05	0,06		0,13	0,08	1,14
3	-0,46	0,11	0,51	0,60	0,03	0,09	0,11	9,5	0,21	0,13	1,64
4	-0,39	0,12	0,53	0,59	0,01	0,08	0,07		0,30	0,17	1,89
5	-0,30	0,13	0,58	0,66	-0,01	0,07	0,02	16,3	0,32	0,13	2,09
6	-0,26	0,22	0,78	0,90	0,06	0,12	0,18		0,44	0,22	1,95
7	-0,17	0,27	0,85	1,08	0,07	0,16	0,16		0,51	0,25	2,37
8	-0,07	0,29	0,91	1,30	0,10	0,33	0,18			0,29	
9	0,08	0,31	1,06	1,26	0,07	0,38	0,19		0,65	0,26	2,65
10	0,21	0,34	1,05	1,21	0,10	0,39	0,21	8,49	0,60	0,30	2,69
15	0,40	0,59	1,29	1,55		0,64	0,16	8,12	0,82	0,50	2,92
20	0,65	0,48	1,36			0,48	0,45	7,70			
30	0,91	0,54	1,51	1,71	0,12	0,67	0,42	7,89		0,20	

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (March 18, 2016)



Source: Robeco

**Important information**

This statement is intended for professional investors. Robeco Institutional Asset Management B.V. has a license as manager of UCITS and AIFs from the Netherlands Authority for the Financial Markets in Amsterdam. This document is intended to provide general information on Robeco's specific capabilities, but does not constitute a recommendation or an advice to buy or sell certain securities or investment products. The prospectus and the Key Investor Information Document for the Robeco Funds can all be obtained free of charge at [www.robeco.com](http://www.robeco.com).