

Peripheral Europe Update

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- **Ireland beats fiscal targets by a large margin**
- **Catalan premier Mas steps down**

Main market events

Peripheral bonds could not keep pace with the rally in German bonds in the first week of the year. Only Ireland managed to outperform, as 2015 fiscal data surpassed already elevated expectations. Italian bonds have returned 0.1% this year, Portuguese bonds -0.6%, Spanish bonds 0.0% and Irish bonds 0.5%.

Spain

Catalan Premier Artur Mas agreed to step down in favor of Charles Puigdemont to avoid new regional elections. This was enough to clinch a deal with the communist party CUP and form a regional government which will press ahead with their campaign for independence.

Portugal

Portugal's central bank ordered the transfer of some senior bonds at Novo Banco back to the bad bank that emerged from the breakup of Espirito Santo last year, effectively imposing losses on their holders. The transfer will help capitalize Novo Banco after the ECB's stress tests in November showed a large shortfall.

Greece

The Greek government has sent its pension reform proposal to the creditors. A key change is to link future pensions to paid contributions rather than earnings. The pension reform represents the last missing reform for the first review of the bailout program to be completed.

Ireland

Ireland saw massive demand for its newly issued 10 year bond after the release of strong fiscal data. Ireland's deficit is expected to have dropped to -1.5% of GDP (original EU target -2.9%), while Debt/GDP has likely fallen to 94%, in line with the EU average.

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 these positives are partly reflected in current valuations. We remain cautious towards Spanish bonds, as we expect the political uncertainty to continue in the first quarter of the year.

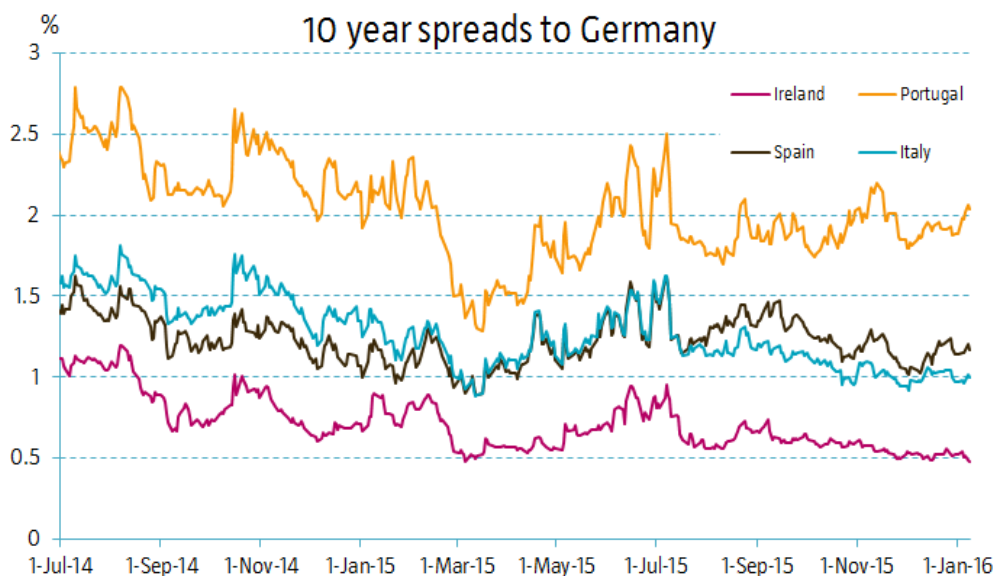
The fund has overweight positions in Portugal and Ireland and underweight positions in Spanish bonds and short dated Italian bonds. On December 30 we closed our tactical underweight in Italian bonds with longer maturities. We like Portuguese bonds as they benefit disproportionately from QE. Strong economic growth is rapidly improving the Irish debt metrics. Peripheral bonds make up 32% of the fund. Year-to-date the fund's absolute return is 0.21%*.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD January 7, 2016.
The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

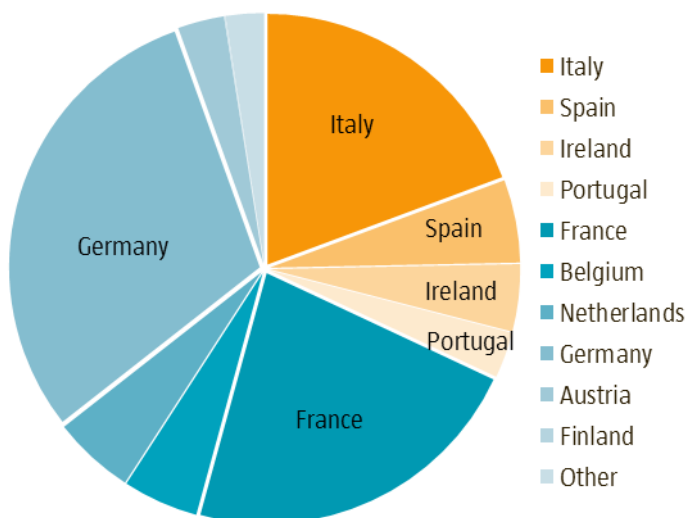
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.40	0.03									
2	-0.39	0.05	0.38	0.38	-0.01	0.03	0.04		0.12	0.01	0.47
3	-0.36	0.12	0.42	0.46	0.04	0.06	0.09	9.6	0.19	0.07	0.60
4	-0.27	0.18	0.61	0.59	0.07	0.12	0.12		0.26	0.09	1.02
5	-0.12	0.17	0.67	0.73	0.05	0.11	0.07	16.1	0.25	0.10	1.33
6	-0.03	0.20	0.87	0.95	0.09	0.17	0.13		0.37	0.08	1.50
7	0.09	0.25	0.90	1.09	0.12	0.23	0.21		0.49	0.17	1.89
8	0.22	0.28	0.93	1.11	0.16	0.28	0.25			0.19	
9	0.37	0.35	1.02	1.19	0.15	0.32	0.28		0.76	0.20	1.90
10	0.53	0.38	1.00	1.17	0.18	0.36	0.31	8.18	0.47	0.30	2.03
15	0.86	0.63	1.11	1.40		0.70	0.11	7.86	0.72	0.46	2.31
20	1.15	0.50	1.13			0.52	0.35	7.52			
30	1.40	0.57	1.26	1.54	0.12	0.57	0.29	7.40		0.09	

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (January 7, 2016)



Source: Robeco

Important information

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