ROBECO

Peripheral Europe Update

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- Italian bonds rally due to ECB support
- Spain close to budget 2017 agreement

Main market events

Volatility was significant this week due to market moving comments from anonymous "sources" within the ECB. Primarily due to the ECB comments, Italian and other peripheral bonds rallied this week. The Italian bond market was also supported by market participants closing their underweight position, thereby buying Italian bonds, just ahead of the Italian constitutional referendum. Italian bonds have returned -1.02% this year, Spanish bonds 2.53%, Portuguese bonds -3.59% and Irish bonds 2.56%.

Italy

Italian spreads decreased significantly this week, on the back of ECB comments that it might temporarily purchase more Italian bonds in case Italian spreads rise significantly after the referendum vote. This Sunday the Italian constitutional referendum will be held, and there is a broad market expectation that voters will opt for No.

Spain

The Spanish parliament will likely agree on the budget of 2017 in the near future, as Rajoy's (PP) minority government and the socialist party (PSOE) have agreed on the most sensitive issues. The precondition for PSOE support was an increase of the minimum wage by 8%. The agreement enables the government to limit spending and to meet the required fiscal deficit target of 3.1% of GDP.

Greece

The ECB is contemplating to include Greek government bonds as part of the ECB's bond purchase program. The inclusion is already under consideration for months, but the ECB signaled that it could soften its strict stance on the Greek debt sustainability.

Robeco Euro Government Bonds

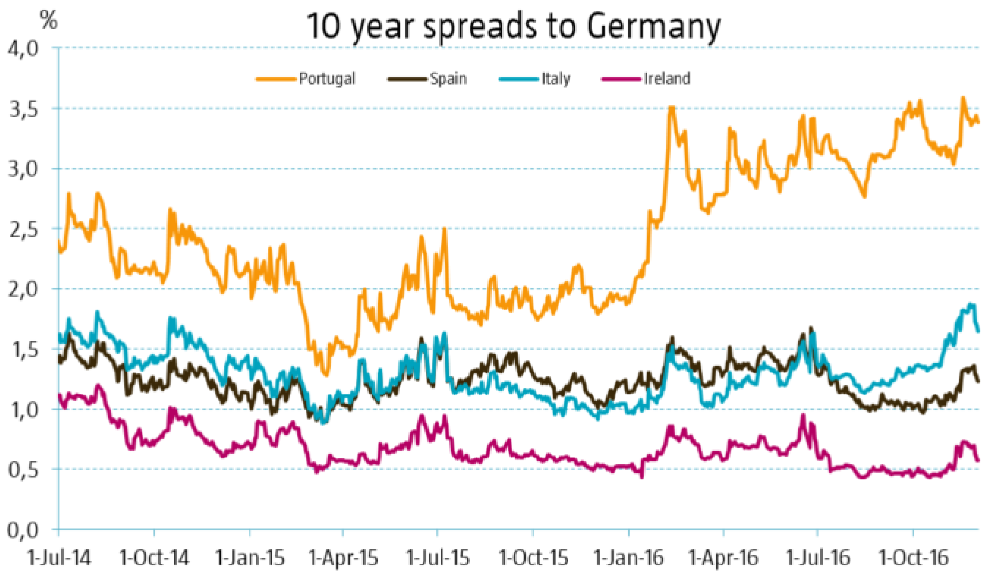
This week the fund took profit on the underweight position in Italian bonds, which we had increased at the beginning of November. Currently we are positioned neutral versus the benchmark in Italian government bonds. Spreads have risen, positioning has adjusted and the ECB remains supportive. Our fundamental view on Italy remains negative. Italy needs reforms to increase growth. Stronger growth is necessary to improve the sustainability of the public debt, to reduce bank NPLs and to reduce unemployment and hence political unrest. Rising yield levels are also unfavorable given Italy's large public debt.
We maintain our overweight position in Ireland. Irish bond spreads are attractive given the improved Irish fundamentals and its strong ESG scores.
Currently the fund is 37% invested in peripheral bonds, versus 39% in the benchmark. Year-to-date the fund's absolute return is 2.66%*.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD November 30th, 2016.
The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

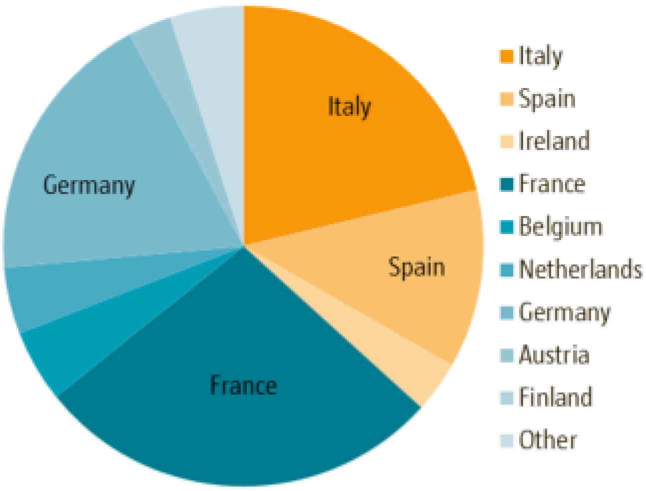
maturity	German yields	Spreads France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0,79	0,12									
2	-0,74	0,11	0,80	0,60	0,07	0,07	0,08		0,23	0,08	1,10
3	-0,70	0,29	1,01	0,77	0,06	0,19	0,18	7,4	0,29	0,11	1,69
4	-0,56	0,34	1,13	0,81	0,02	0,14	0,15		0,29	0,15	2,37
5	-0,40	0,36	1,28	0,88	0,14	0,11	0,13		0,40	0,07	2,64
6	-0,27	0,26	1,42	1,10	0,05	0,13	0,18		0,28	0,14	3,08
7	-0,14	0,28	1,55	1,15	0,09	0,14	0,15		0,37	0,23	3,32
8	0,00	0,38	1,65	1,29	0,16	0,29	0,22			0,16	3,48
9	0,15	0,47	1,62	1,30	0,18	0,34	0,22		0,56	0,24	3,40
10	0,33	0,45	1,65	1,23	0,15	0,34	0,24	6,12	0,58	0,16	3,38
15	0,56	0,56	1,77	1,40		0,51	0,46	6,31	0,69	0,32	3,62
20	0,79	0,59	1,82			0,31	0,29	6,21			3,58
30	1,00	0,62	2,07	1,80	0,07	0,61	0,39			0,07	3,59

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (December 01, 2016)



Source: Robeco

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