

Peripheral Europe Update

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

- **Calm returns to peripheral bond markets**
- **Draghi again hints at more stimulus in March**

Main market events

Peripheral bonds recovered somewhat from the large selloff that took place in the previous week, more or less in line with other asset classes like equities and credits. Italian bonds have returned 0.4% this year, Portuguese bonds -4.4%, Spanish bonds 0.5% and Irish bonds 1.6%.

ECB

At a hearing in the European Parliament Draghi reiterated that the ECB would review and possibly reconsider its monetary policy stance at the 10 March meeting. Besides the pass-through effects of low imported inflation he also mentioned a new reason for further stimulus: increased financial market stress could hamper the transmission of the ECB's stimulus to the economy.

Spain

The first parliamentary vote to elect a new prime-minister will be held on March 3. If the candidate does not gather a majority, parliament has two months to elect another prime minister. If that would fail, new national elections will need to take place.

Italy

The Italian government is due to request the EU Commission for more budgetary flexibility to boost growth. Italy demands more leeway to increase government spending and/or tax cuts.

Greece

Mrs Merkel warned Greece that the country cannot afford to reach an impasse with its lenders similar to last year, noting that she would not be able to get support in the German Parliament for any bailout program other than the one agreed last summer.

Ireland

Recent opinion polls suggest that a stalemate after the 26 February election is likely as the incumbent Fine Gael and Labour parties both continue to lose support.

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 the general risk off sentiment in financial markets favors a cautious stance towards peripheral bonds.

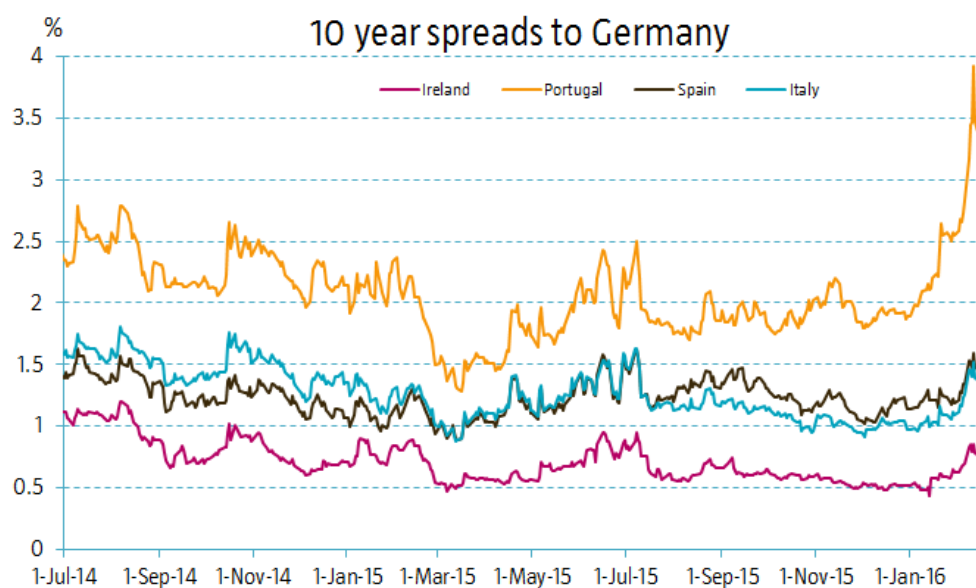
The fund has an overweight position in Ireland as strong economic growth is rapidly improving the Irish debt metrics, and a small overweight in Spanish longer dated bonds. We don't hold any short dated bonds of Italy and Spain due to stretched valuations. Peripheral bonds make up 36% of the fund. Year-to-date the fund's absolute return is 2.02%*.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD February 18, 2016. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

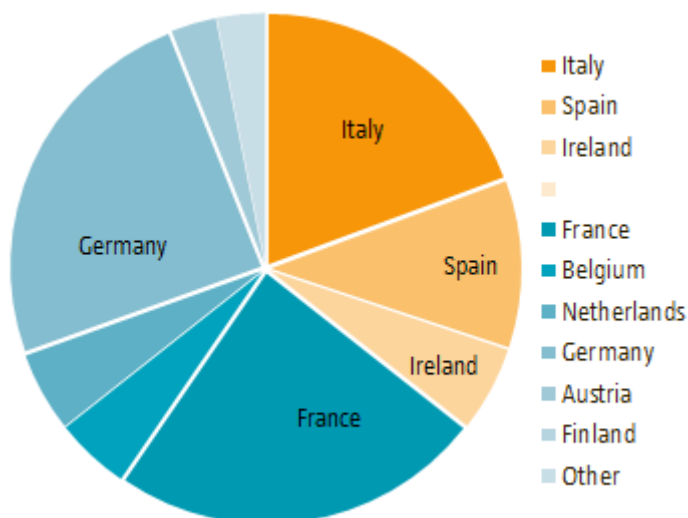
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.51	0.11									
2	-0.53	0.12	0.58	0.65	0.05	0.11	0.07		0.30	0.05	1.82
3	-0.48	0.14	0.62	0.76	0.03	0.12	0.06	13.2	0.37	0.06	2.28
4	-0.42	0.15	0.75	0.79	0.04	0.11	0.10		0.42	0.08	2.69
5	-0.32	0.17	0.85	0.94	0.01	0.10	0.06	16.3	0.39	0.13	2.84
6	-0.28	0.22	1.06	1.22	0.07	0.17	0.14		0.53	0.13	1.97
7	-0.18	0.25	1.16	1.38	0.10	0.22	0.21		0.60	0.19	3.02
8	-0.07	0.25	1.21	1.62	0.13	0.42	0.25			0.20	
9	0.08	0.31	1.36	1.55	0.09	0.46	0.26		0.77	0.20	3.25
10	0.20	0.37	1.36	1.52	0.14	0.49	0.31	10.41	0.76	0.30	3.25
15	0.40	0.70	1.56	1.79		0.75	0.25	9.39	0.93	0.58	3.46
20	0.65	0.60	1.63			0.60	0.47	8.60			
30	0.90	0.66	1.78	1.94	0.14	0.65	0.40	7.90		0.25	

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (February 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.