

Peripheral Europe Update

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

- **Peripheral bonds rally due to ECB announcements**
- **Spain heading for new elections in June**

Main market events

Peripheral bonds rallied strongly after Thursday's ECB meeting. Italian bonds have returned 1.2% this year, Portuguese bonds -2.2%, Spanish bonds 1.4% and Irish bonds 1.4%.

ECB

Last Thursday the ECB expanded the asset purchase program with EUR 20 bln per month to in total EUR 80 bln per month. The ECB will also start buying corporate bonds. Banks can borrow at the ECB for four years at negative rates if they increase their lending to the real economy.

Spain

As expected, given the opposition from PP and Podemos, Socialist leader Sanchez failed in the second round to get a majority of the votes for his appointment as prime minister. If no consensus on a candidate is found by May 2, a new round of elections will take place late June. Spain's fiscal watchdog mentioned that the budgetary strategy lacks credibility and argued that the government should target a medium-term primary fiscal balance of 2.5% of GDP to reduce the debt to GDP ratio.

Italy

EU Commission warns Italy of risk of breaching EU fiscal rules under the Stability and Growth Pact. The EU has asked the Italian government to adopt corrective fiscal measures.

Ireland

Ireland's GDP rose by 7,8% in 2015 (2014 5,2%), the highest growth in the euro area.

Portugal

Fitch revised the outlook for Portugal from positive to stable. Fitch said that the fiscal performance was "well off-target in 2015". The end to austerity after the elections and the government's overly optimistic assumptions in the budget also played a role in Fitch's decision.

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. But after the recent rally we sold 3- and 4-year bonds from Italy and Spain because of their valuation.

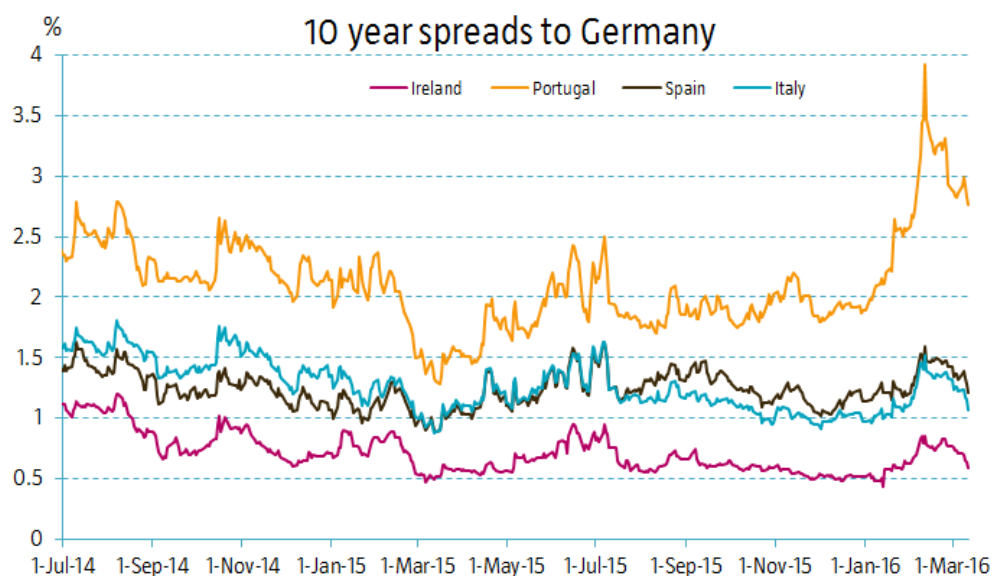
The fund has an overweight position in Ireland as strong economic growth is rapidly improving the Irish debt metrics, and a small overweight in Spanish longer dated bonds. We don't hold any short dated bonds of Italy and Spain due to unattractive valuations. Peripheral bonds make up 31% of the fund. Year-to-date the fund's absolute return is 1.99%*.

* Robeco Euro Government Bonds, gross of fees, based on Net Asset Value, YTD March 10, 2016. The value of your investments may fluctuate. Past results are no guarantee of future performance.

Current spreads and the movement over time

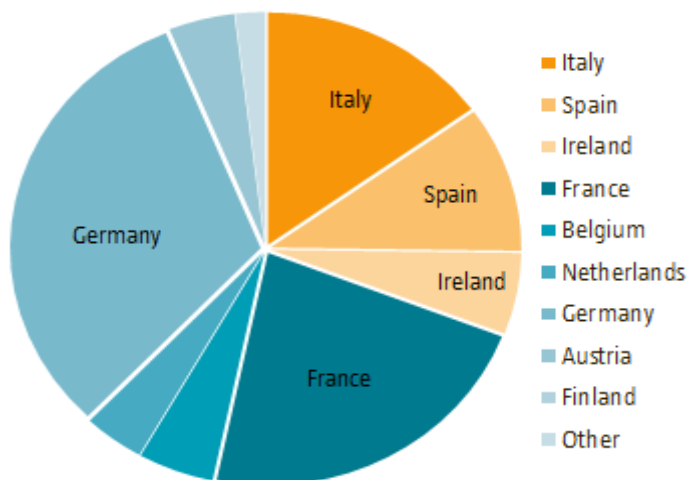
maturity	German yields	Spreads									
		France	Italy	Spain	Netherlands	Belgium	Austria	Greece	Ireland	Finland	Portugal
1	-0.46	0.07									
2	-0.46	0.06	0.40	0.46	0.01	0.06	0.06		0.12	0.09	1.12
3	-0.44	0.12	0.46	0.54	0.03	0.08	0.11	10.0	0.22	0.13	1.64
4	-0.36	0.11	0.51	0.55	0.02	0.06	0.07		0.27	0.18	1.98
5	-0.27	0.12	0.59	0.66	-0.02	0.05	0.03	16.3	0.31	0.14	2.22
6	-0.22	0.23	0.81	0.92	0.05	0.11	0.20		0.43	0.25	1.91
7	-0.12	0.27	0.88	1.09	0.06	0.15	0.18		0.51	0.25	2.43
8	0.00	0.28	0.91	1.30	0.09	0.33	0.18			0.29	
9	0.15	0.31	1.06	1.25	0.06	0.38	0.19		0.64	0.26	2.74
10	0.28	0.35	1.06	1.21	0.10	0.39	0.22	8.73	0.59	0.31	2.77
15	0.49	0.61	1.30	1.52		0.66	0.16	8.12	0.79	0.53	2.95
20	0.76	0.50	1.36			0.48	0.48	7.64			
30	1.02	0.56	1.51	1.68	0.12	0.69	0.45	7.77		0.21	

Source: Bloomberg



Source: Bloomberg

Country allocation Robeco Euro Government Bonds (March 11, 2016)



Source: Robeco

Important information

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