

Erste Asset Management: chances of solid returns intact for 2025

- Higher price fluctuations (i.e. volatility) due to Trumponomics and global crises
- Return opportunities for shares, bonds, and precious metals (e.g. gold) remain intact
- New high for assets under management: EUR 84bn; and 1.5mn fund savings plans (as of 30 October 2024)
- Erste AM relies on professionally managed equity, bond, and mixed funds
- Securities harbour both opportunities and risks

The US election in 2024 is causing movement in the financial markets. Trump's clear victory gave a boost to US equities and crypto assets (such as Bitcoin) in particular, and the US dollar also showed relative strength against the euro. At this point in time, investors are turning their attention to the protectionist measures announced by the future Trump administration and the impact on the global economy and financial markets.

Erste AM sees Janus-faced development

Austria's leading capital investment company, Erste Asset Management, expects a two-track development next year: the US economy is likely to continue to grow solidly, whereas the economy in Europe will develop cautiously and, indeed, some countries, such as Germany or Austria, will be on the brink of a recession, according to Chief Investment Officer Gerold Permoser at the press conference on the 2025 outlook.

"If the tax cuts announced by US President Trump are implemented, share prices are likely to rise yet again due to the effects on corporate earnings." But for Permoser, there is a catch: such a policy entails the risk of growing national debt. Investors might demand a higher premium for holding US Treasury bonds due to the rising risk, which would drive yields up and limit the Fed's room for manoeuvre with regard to further interest rate cuts. "The period of interest rate cuts could soon be over, which in turn could lead to disappointment," said Erste AM Chief Investment Officer Permoser.

Increased volatility on the back of "Trumponomics"

Also, the protectionist measures mentioned by the President-elect could impact the global economy. Trump has announced import duties of up to 60% on Chinese goods and plans to implement punitive tariffs of 25% on all goods from Mexico and Canada shortly after taking office. If these announcements were to be executed, they could trigger a spiral of import duties in Europe and China, too, and thus lead to an increase in the price of goods and a decline in exports, which Europe in particular would feel painfully. "We therefore have to expect higher volatility in the markets due to Trumponomics," says Permoser.

Not abandoning the sustainable path

Permoser is less concerned about the new US administration abandoning the climate targets: "This won't be as bad as it sounds now." Although the USA will probably withdraw from the Paris climate agreement

and try to bring the chemical, steel, and cement industries back home, not even someone like Trump would be able to ignore the technological achievements in the field of renewable energies. The anti-climate wave is exaggerated, because 90% of green jobs in the USA were created in Republican-dominated states. The fear of more oil production is unfounded, especially since it follows the law of supply and demand and not political polemics. 90% of all sustainable investments is made in Europe, anyway, says Permoser.

Permoser regards the outlook for the global equity and bond markets as overall intact. "We may see less spectacular gains – but gains we should see." The numerous risks at the political level are offset by positive factors such as the continued growth of the global economy, falling key-lending rates, and stimuli from countries such as China. On the equity markets, the investors' attention will be focused on dividends, real earnings, inflation, and valuations. "If companies continue to report profit growth and pay dividends, prices are going to reflect this." Please note: forecasts are no reliable indicator of future performance.

"The chances of solid investment returns in 2025 are intact."

Gerold Permoser, Chief Investment Officer Erste Asset Management

This results in the following fund topics for Erste AM for the year 2025: in terms of equity funds, we are looking at **ERSTE RESPONSIBLE STOCK GLOBAL** (ISIN: AT0000646799), a global equity fund with a focus on sustainably oriented companies that is suitable as a basic investment. In the bond fund segment, Erste AM is putting forward **ERSTE BOND CORPORATE PLUS** (ISIN: AT0000A1PKM0), a corporate bond fund that invests in subordinated bonds with investment-grade ratings. Other funds in focus include the newly launched **ERSTE OPPORTUNITIES MIX** (ISIN: AT0000A3BMJ8), a global multi-asset fund that invests in long-term trends while also taking advantage of short- and medium-term opportunities; and **ERSTE REAL ASSETS** (ISIN: AT0000A1PKM0), which invests in equities as well as commodities and precious metals such as gold.

Please note that investing in securities involves risks as well as opportunities.

Erste AM funds: good performance and record volume

Despite the subdued economic development outside the USA and geopolitical uncertainties, 2024 was an above-average year for investment fund investors. The best performance in the year to date came from equity funds focusing on US and technology shares. **ERSTE EQUITY RESEARCH** came in at the top of the list; the fund is based on the recommendations of Erste Group Research and gained about 25% (source: selected mutual funds of Erste Asset Management, data as of 26 November 2024). Bond funds generated return rates of up to almost 10%, with both corporate bond funds and **ERSTE BOND CHINA** performing impressively. The performance of many mixed funds was also well above the long-term average: **ERSTE REAL ASSETS**, which is geared towards real assets (with about a third invested in gold), has even generated a plus of almost 20% in the year to date.

Please note that investing in securities involves risks as well as the aforementioned opportunities.

Erste AM volumes setting new records due to positive performance and capital inflows

As a result of the positive performance of the funds, but also thanks to net inflows of about EUR 2bn across the entire group, the assets managed by Erste Asset Management rose by 7.8% to a new record of EUR 84bn (source: own data, data as of 30 October 2020). At a share of about 40% of total assets, mixed funds are the most important asset class at Erste AM, followed by bonds at about 30%, equities at about 22% and real estate at about 6%. The number of fund-based savings plans also experienced dynamic growth and was up by 17.4% to 1.55 million across the entire group.

The company with the second-highest volume after Erste AM in Austria (EUR 55.2bn) is the Czech subsidiary with EUR 18.5bn in assets under management. It managed to expand assets under management by 12.5%. The companies in Croatia and Romania also recorded strong growth, with the volume in Croatia rising by 69% from a comparatively low level and the volume in Romania increasing by 20%. Erste AM is the market leader in Austria, Romania, and the Czech Republic.

30% of Erste AM's fund volume is sustainable

Ethical, social, and sustainable criteria are becoming increasingly important for mutual fund, institutional, and special fund investors. The volume of sustainable funds classified under Articles 6, 8 and 9 of the EU Disclosure Regulation has increased by EUR 7.8bn to EUR 25.2bn in the year to date, which corresponds to an increase of almost 45%. Sustainable investments account for 30% of Erste AM's total assets under management (own data, as of 30 October 2024).

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Heinz Bednar, CEO of Erste AM, taking stock: "Demand for investment funds and asset management solutions remained encouragingly high, although the economic environment was and remains challenging. Those who did not allow themselves to be unsettled by the sentiment and the news and seized the opportunities were rewarded with returns that do not materialise every year."

About us

Erste Asset Management GmbH (Erste AM) is an international asset management company with a strong position in Central and Eastern Europe. Erste Asset Management is backed by the financial strength of Erste Group Bank AG (Erste Group). At its locations in Austria, Germany, Croatia, Romania, Slovakia, the Czech Republic, and Hungary, Erste AM manages assets of EUR 84.0bn (as of 30 October 2024).

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Important legal notes

This document is an advertisement. Please refer to the prospectus of the UCITS or to the Information for Investors pursuant to Art 21 AIFMG of the alternative investment fund and the Key Information Document before making any final investment decisions. Unless indicated otherwise, source: Erste Asset Management GmbH. Our languages of communication are German and English.

The prospectus for UCITS (including any amendments) is published in accordance with the provisions of the InvFG 2011 in the currently amended version. Information for Investors pursuant to Art 21 AIFMG is prepared for the alternative investment funds (AIF) administered by Erste Asset Management GmbH pursuant to the provisions of the AIFMG in connection with the InvFG 2011. The fund prospectus, Information for Investors pursuant to Art 21 AIFMG, and the Key Information Document can be viewed in their latest versions at the web site www.erste-am.com within the section mandatory publications or obtained in their latest versions free of charge from the domicile of the management company and the domicile of the custodian bank. The exact date of the most recent publication of the fund prospectus, the languages in which the Key Information Document is available, and any additional locations where the documents can be obtained can be viewed on the web site www.erste-am.com. A summary of investor rights is available in German and English on the website www.erste-am.com/investor-rights as well as at the domicile of the management company.

The management company can decide to revoke the arrangements it has made for the distribution of unit certificates abroad, taking into account the regulatory requirements.

Detailed information on the risks potentially associated with the investment can be found in the fund prospectus or Information for investors pursuant to Art 21 AIFMG of the respective fund. If the fund currency is a currency other than the investor's home currency, changes in the corresponding exchange rate may have a positive or negative impact on the value of his investment and the amount of the costs incurred in the fund - converted into his home currency.

Our analyses and conclusions are general in nature and do not take into account the individual needs of our investors in terms of earnings, taxation, and risk appetite. Past performance is not a reliable indicator of the future performance of a fund.

Risk notices**ERSTE RESPONSIBLE STOCK GLOBAL**

The fund pursues an active investment policy and does not follow a benchmark. The assets are selected at our discretion, without any constraints to the latitude of judgement on the investment company's part. For further details on the sustainable strategy of ERSTE RESPONSIBLE STOCK GLOBAL and on the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector and the Taxonomy Regulation (Regulation (EU) 2020/852) please refer to the current prospectus, point 12 and the appendix, "Sustainability principles". When deciding to invest in ERSTE RESPONSIBLE STOCK GLOBAL, please take into account all features and goals of ERSTE RESPONSIBLE STOCK GLOBAL as described in the fund documents.

ERSTE BOND CORPORATE PLUS

The fund pursues an active investment policy and does not follow a benchmark. The assets are selected at our discretion, without any constraints to the latitude of judgement on the investment company's part. For further details on the sustainable strategy of ERSTE BOND CORPORATE PLUS and on the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector and the Taxonomy Regulation (Regulation (EU) 2020/852) please refer to the current prospectus, point 12 and the appendix, "Sustainability principles". When deciding to invest in ERSTE BOND CORPORATE PLUS, please take into account all features and goals of ERSTE BOND CORPORATE PLUS as described in the fund documents.

ERSTE OPPORTUNITIES MIX

The fund pursues an active investment policy and does not follow a benchmark. The assets are selected at our discretion, without any constraints to the latitude of judgement on the investment company's part. For further details on the sustainable strategy of ERSTE OPPORTUNITIES MIX and on the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector and the Taxonomy Regulation (Regulation (EU) 2020/852) please refer to the current prospectus, point 12 and the appendix, "Sustainability principles". When deciding to invest in ERSTE OPPORTUNITIES MIX, please take into account all features and goals of ERSTE OPPORTUNITIES MIX as described in the fund documents.

Warning notices according to the Austrian Investment Fund Act of 2011

In accordance with the fund terms and conditions approved by the Austrian Financial Market Authority, ERSTE OPPORTUNITIES MIX intends to invest more than 35% of assets under management in securities and/or money market instruments from public issuers. For a detailed statement on these issuers, please refer to the prospectus, section II, sub-section 12.

ERSTE REAL ASSETS

The fund pursues an active investment policy and does not follow a benchmark. The assets are selected at our discretion, without any constraints to the latitude of judgement on the investment company's part.

Warning notices according to the Austrian Investment Fund Act of 2011

ERSTE REAL ASSETS may invest a significant portion of its assets under management in shares of investment funds (UCITS, UCI) as defined by sec 71 of the Austrian Investment Fund Act of 2011.

ERSTE EQUITY RESEARCH

The fund pursues an active investment policy and does not follow a benchmark. The assets are selected at our discretion, without any constraints to the latitude of judgement on the investment company's part.

ERSTE BOND CHINA

The fund pursues an active investment policy. The assets are selected at our discretion. The fund follows a benchmark index (N.B. for licensing reasons, the index used is specifically named in the prospectus, point 12, or in the key information document, "Objectives"). The composition and performance of the fund may deviate materially, up to completely, positively or negatively, in the short and long term, from that of the benchmark. The management company's discretion is not restricted.

Warning notices according to the Austrian Investment Fund Act of 2011

In accordance with the fund terms and conditions approved by the Austrian Financial Market Authority, ERSTE BOND CHINA intends to invest more than 35% of assets under management in securities and/or money market instruments from public issuers. For a detailed statement on these issuers, please refer to the prospectus, section II, sub-section 12.