

## Erste Bank expects assets to grow again in 2009

[Back](#)

**23.07.2009**

- Financial assets of Austrians shrunk by 8.5% or EUR 11bn to EUR 119bn in 2008
- Erste Bank Private Banking expects assets to grow by 3% to 5% for 2010
- Investment trend: On-shore instead of off-shore; patriotic and haptic investment behaviour



[Download \[jpg; 268.6 KB\]](#)

The private assets of Europe's rich decreased in 2008 after the financial crisis broke out from EUR 7,600,000,000,000 (EUR 7.6 trillion) by 22 percent or EUR 1.7 trillion. In Austria, the assets of the wealthy shrunk by only 8.5% to EUR 119bn according to a survey by Booz&Company. Austria's wealthy citizens are therefore poorer by around EUR 11bn. Less money was lost in Austria because of the traditionally conservative investment strategy pursued in the Alpine republic. Wolfgang Traindl, Head of Private Banking at Erste Bank, expects a recovery already in 2HY 2009. In his opinion, assets should grow in 2010 again by 3% to 5%. An interesting investment trend: Wealthy customers are currently investing almost only according to the categories "home market" and "well-known".

"Investors are more tolerant than just three months ago, but they are still very cautious. The motto is to preserve capital rather than increase returns," according to Traindl. What is over in any case is the gold rush of the first quarter. Even though he does not perceive any gold sell-off, the strong buy trend of the past few months is gradually abating. Since April, there has been a clear trend to buy corporate bonds. The corporate bonds of OMV, Voest, Verbund, Bewag were oversubscribed within just a few hours. Erste Bank expects this trend to be sustained this year: Traindl:

"Investors are relying mainly on well-known Austrian brands. Companies one knows and can visit and touch." The Head of Private Banking at Erste Bank expects interest rates to remain low in the coming months, which will trigger the search for investment alternatives. "Global and off-shore are clearly out," said Wolfgang Traindl.

A well-diversified portfolio at an ECB key lending rate of 1.00% should be able to earn between three and four percent in the second half of the year 2009. Equities should be treated with caution.

### **Erste Bank Asset Allocation: Conservative**

Erste Bank recommends conservative investors to allocate their portfolios as follows: around 15% equities with a focus on blue chips from developed markets (Europe, US, Japan), around 70% bonds with a focus on those with credit ratings ranging from good to the best (government bonds, corporate bonds and state-guaranteed mortgage bonds), around 5% in real estate with a focus on open-ended real estate funds (or as an alternative for more risk tolerant investors, real estate stocks) and 5% to 10% cash (cash funds like ESPA CASH EURO), which may be supplemented by gold investments.

In the view of Erste Bank, portfolio management would be reasonable as of an amount EUR 300,000.

### **Erste Bank Asset Allocation: Dynamic**

Dynamic investors could increase the portion of equities (around 25%) in their portfolios and keep a smaller share of

bonds (around 60%). The asset allocation is rounded off – analogously to the conservative strategy – by real estate and cash (as an option it may also be supplemented by investments in gold).

### Investment tip for everyone: What to do with EUR 20,000?

The “financial base camp” should be around three months’ salary. This money, which should be available at all times – especially for emergencies – is kept best on a savings account. People that have already set up their base camp could think about supplementing it by adding a building society savings account and a life insurance to hedge against risks. Old age provisioning is the next step of any investment (see Chart “Retirement Provisioning Pyramid”).



The investment expert Wolfgang Traindl advises people with freely disposable capital of EUR 20,000 to invest – in accordance with their individual risk tolerance – in broadly diversified funds that take advantage of the diversification effects and cover all major asset classes: ESPA SELECT MED with an equity share of 15% to 25% for conservative investors or – for more risk tolerance investors – the ESPA SELECT INVEST, which invests 35% to 50% in shares.

Private Banking of Erste Bank und Sparkassen has a volume of assets under management of around EUR 30bn. This corresponds to a market share of 25 percent. This makes Erste Bank the market leader in this top segment.

[Presentation \(german\) \[pdf; 1.6 MB\]](#)

[Back](#)