

# 1 billion Euros placed temporarily in Austria's savings accounts

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- Erste Bank revises forecasts upwards: 2009 asset growth +6% instead of + 4-5%
- Investment strategy: Added mix of "Emerging Markets" advisable again

The private property of Austria's "rich" dropped by 8.5 percent from 130 to 119 billion Euros in 2008 (Source: Booz&Company). After this bitter setback, the situation is, however, recovering quicker than expected: For this year, experts from the Erste Bank Private Banking division have revised the projected growth upwards from 4-5% to 6%. In 2009, the assets of rich Austrians will thus again increase by 7 billion Euros to 126 billion Euros. "We assume that the losses from 2008 will already be fully recouped by 2010," predicts Wolfgang Traindl, head of the Erste Bank's Private Banking division. If customers focused almost exclusively on cash, gold and guaranteed loans in the first half of 2009, there is now slightly more dynamism to be seen. "Because of the low interest level, investors are already putting their feelers out for higher returns", says the investment expert.



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"Overall," Traindl explains, "around 1 billion Euros are temporarily placed in local savings accounts. People are now looking for investment alternatives." Deposits in Austria rose by 1.3 billion Euros (0.5%) between December 2008 and September 2009. The majority of this increase was shifted from securities to cash. This is also apparent in the portfolios of wealthy Austrians: Before the financial crisis, the ratio of securities to cash was 75:25; during the financial crisis, this was 50:50. Investors are now favouring securities again at a ratio of 66:33. "Investors are, however, still remaining cautious, and are not getting involved with anything they don't know or understand", Traindl observes.

The search for new forms of investment is naturally related to the low interest rates: "The ECB will not raise the interest levels until 2011, so we will still have the low interest rates for another year, meaning the savings book interest will also remain low", explains Paul Severin, investment strategist for ERSTE-SPARINVEST.



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The loan boom predicted for the third quarter has now also come true. Apart from the state and corporate loans, "emerging market securities" are also more in demand again. Pure share investments, however, still need to be treated with caution. "We recommend a varied portfolio distribution," says Traindl. The Erste Bank believes portfolio management is worthwhile for amounts greater than 300,000 Euros.

## **Erste Bank Asset Allocation: conservative**

Erste Bank recommends the following portfolio distribution for conservative investors: Around 15% shares, 70% loans, 5-10% property, 5-10% cash and 5% gold. Compared to asset allocation in the 3<sup>rd</sup> quarter, the mix of emerging markets and the Pacific has risen from 15% to 25% for shares – but the main focus continues to lie on blue-chip securities in developed markets (Europe, USA, Japan). For loans, high

yield products are carrying more weight than the last quarter (10%) at 30%. In this sector, however, most investments are once again being made in state loans, corporate loans and state-guaranteed mortgage loans with good and top credit ratings. The property percentage has increased from 5% to around 10% compared to the 3<sup>rd</sup> quarter of 2009. 5 to 10% cash (cash fund e.g. ESPA CASH EURO) is planned for hedging in the event of share investment setbacks. Gold has a permanent position in the portfolio at around 5%.

**Erste Bank Asset Allocation: dynamic**

Dynamic investors could mix a somewhat higher share percentage (around 25%) into their portfolio, in exchange for a lower loan percentage (around 60%). The Asset Allocation – based on the conservative strategy – is rounded off with property, cash and gold.

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

For those with a freely available capital of 20,000 Euros, investment expert Traindl recommends – in accordance with the individuals' willingness to take risks – investing in widely spread funds which utilise diversification effects and cover all important asset categories: ESPA SELECT MED with a share percentage of 15 to 25% for conservative investors or – for investors more willing to take risks – the ESPA SELECT INVEST, which invests 35 to 50% in shares.

However, Erste Bank also offers the s Kapital Sparen Select product, which is a combination of a 12-month savings book with a fixed interest of 2.50% p.a. and an investment in selected funds, loans and insurances.

The Private Banking division of the Erste Bank und Sparkassen manages assets totalling around 30 billion Euros. This corresponds to a market share of 25 percent, making the Erste Bank a market leader in this top sector.

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