

Erste Bank Asset Allocation Q2/2011: Solid growth favours equity investments

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Investment experts add cash to portfolios again

Corporates bonds heavily weighted in bond portfolios

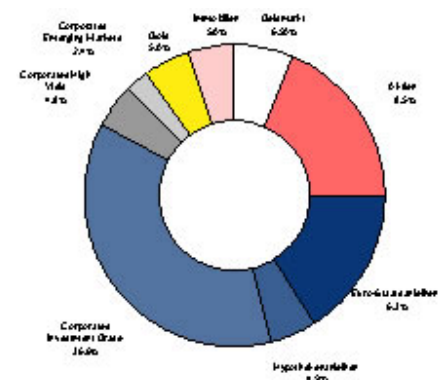
The investment experts of Erste Bank recommend conservative and risk tolerant investors to keep around 6.5% cash on their portfolios in order to be able to respond flexibly to buy opportunities in equities. But holding a higher cash position is at the expense of equities – in conservative portfolios the share is around 18.5% and in the dynamic portfolio 43.5%. “Equities are always a good choice,” explained Wolfgang Traindl, Head of Private Banking & Asset Management at Erste Bank. But even though the fundamentals have deteriorated slightly because higher commodity prices are eroding profit margins, capital markets are still attractive. In the bond segment, analysts recommend investment grade corporate bonds for the coming quarters. The share of euro government bonds has been substantially reduced. Mortgage and high-yield corporate bonds are recommended as a source of additional returns. “With this mix, which ensures sufficient creditworthiness, broad diversification and attractively higher returns, our bond portfolios will be able to cope well with any potential phase of rising interest rates,” explained Traindl. The sure bets of gold and real estate should be included with 5% each, as they afford good protection against rising inflation.



The recommendations of Erste Bank in detail:

Erste Bank Asset Allocation: Conservative

Erste Bank’s current recommendation for conservative investors: 18.5% equities, 6.5% money market investments, 65.0% bonds, 5.0% real estate and 5.0% gold. The equity portion should focus on blue chips with high dividend yields from the developed markets of North America and Europe. The stock markets in Central and Eastern Europe are considered especially attractive at present. By contrast, equities from Great Britain and many emerging markets in Asia and South America should be underweighted. In the bond portfolio, the weighting of euro government bonds was cut back to 16.3%. The heaviest weighting is on investment-grade corporate bonds with 36.6%. The share of high-yield bonds is 7.2%. Moreover, an allocation of 6.5% in money market investments and 5.0% each in gold and real estate products is recommended.



Erste Bank Asset Allocation: dynamic

Erste Bank experts recommend dynamic investors to weight their portfolios with 43.5% in equities. Similar to the conservative strategy, the focus is on equity investments in “safe assets” and “dividend equities” in the developed markets. In the 40% bond portion, corporate bonds (investment-grade rating) play a dominant role with 22.5%. Furthermore, 10.0% in euro government bonds, 3.0% in mortgage securities and 4.5% in high yield bonds are also included. The asset allocation is rounded out by a share of 5.0% each in real estate and gold, and a cash reserve of 6.5%.

