



Erste Group Rising Markets Indices cover high-opportunity countries worldwide

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Erste Group launches Rising Markets Indices for bonds (in hard currency with foreign currency hedge) and equities focusing on high-opportunity countries

Country selection based on criteria such as GDP growth, population growth, anti-corruption measures and standard of living

Investors can now invest in two new rising markets funds of ERSTE-SPARINVEST

Erste Group Bank AG ('Erste Group') has taken a completely new approach to country selection with the "Rising Markets Indices": the indices consider economic indicators and population growth as well as minimum criteria regarding anti-corruption measures and living standards. The result is an index with a mix of 25 countries[1] at most that have an above average growth potential in international comparison and are therefore assessed as excellent investment opportunities. The Rising Markets Indices will be published on the Vienna Stock Exchange as of 1 June 2011 and shall serve as benchmark for two new bond and equity funds of Erste-Sparinvest.



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"We have developed a completely new concept for country selection with the Rising Markets Indices. The selection is not rigid, but is reviewed regularly by the Index Committee and adjusted as needed. The Index Committee is made up of economic analysts, research and investment experts as well as risk managers of Erste Group and Erste-Sparinvest and meets on a quarterly basis. This guarantees that changing market conditions are taken into account in the indices," explained **Franz Hochstrasser**, Deputy CEO of Erste Group.

"Indices are important instruments for tracking the developments of stock markets or of individual sectors and regions, and they make it possible for investors to participate in these developments. The Vienna Stock Exchange currently computes 54 indices with a clear focus on Eastern European indices for which we have an international reputation as index experts. Furthermore, we offer customized indices such as the Rising Markets Indices. In this case, our task



consists of publishing the indices,” explained **Heinrich Schaller**, Member of the Management Board of the Vienna Stock Exchange and of the CEE Stock Exchange Group.

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“The growth opportunities in many emerging markets such as Poland, South Africa, Brazil and Indonesia are enormous, because demand for consumer goods, infrastructure and education is far from saturated. A massive backlog still exists. However, in our view not all emerging markets can be lumped together, because they differ widely due to the political and social situation of each country. A differentiated approach must be taken in order to benefit from the potentials of each of the countries,” explained **Rainer Münz**, Head of Research and Development at Erste Group.

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“The Rising Markets Indices serve as benchmark for our new funds that cover the two major asset categories (equities and bonds). The equity fund is slightly more volatile and its performance should be better over the long term,” stressed **Heinz Bednar**, CEO of Erste-Sparinvest. “We believe it is our core task to select the most promising medium to long-term investment opportunities for our customers. The rising markets constitute one of these opportunities,” added Heinz Bednar.

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Rising Markets Indices focus on growth potential

The two indices “Erste Group Rising Markets Bond Index” and “Erste Group Rising Markets Equity Index” are based on the new country selection procedure and differ by asset class and risk. The weighting of the countries selected is determined based on growth potential. Growth markets are weighted higher than other markets. The bond index invests in sovereign bonds and bonds issued by state-owned enterprises, while the equity index includes stocks issued by companies that either have their headquarters in the countries selected or do most of their business there. The bond index may be viewed as low-risk due to the foreign currency hedging



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while the equity index is more dynamic and profitable – though with the corresponding risk exposure.

ESPA funds with two different investment classes

Based on the two indices, ERSTE-SPARINVEST offers two kinds of funds to help diversify an investment in the rising markets. The actively managed bond fund, ESPA BOND RISING MARKETS, concentrates on government bonds and bonds issued by state-owned enterprises in the selected growth markets. The equity fund, ESPA STOCK RISING MARKETS, was designed for the more risk-tolerant investors. The portfolio comprises equities from the rising markets countries or exchanged listed companies of other countries that are active in the region. The subscription period for the two ESPA funds opens on 2 May 2011 and runs until the close of 31 May 2011. Fund shares will be on offer during the subscription phase for EUR 10 per share (plus front-end charge). On the inception of the fund on 1 June 2011, the initial net asset value will be determined based on the development of prices on the rising markets.

Multi-phase selection process – 25 high-opportunity countries worldwide

The country selection follows a multi-phase process. In a first step, 20% of the richest countries are excluded, as these are already saturated and therefore have hardly any growth potential, then 20% of the poorest countries are excluded, because these do not have a sufficient degree of political and economic stability. Additionally, all countries assessed as risky by Transparency International with respect to corruption (Corruption Perception Index) and classified by the United Nations as having a low level of education, healthcare, nutrition, hygiene and standard of living (Human Development Index) are excluded. Finally, the remaining countries are evaluated according to forecasts for economic and population growth. The result is a group of 25 countries assessed as having above average opportunities but that also meet a certain minimum level of social criteria.

[1] Ranked by growth potential: China, India, Brazil, Mexico, Indonesia, Russia, Turkey, Saudi Arabia, Egypt, Thailand, Malaysia, Argentina, South Africa, Columbia, Poland, Vietnam, Philippines, Peru, Algeria, Chile, Kazakhstan, Ukraine, Romania, Morocco (status 4 Feb. 2011)

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