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Dividend shares with new momentum

Gast-AutorIn / Guest Author



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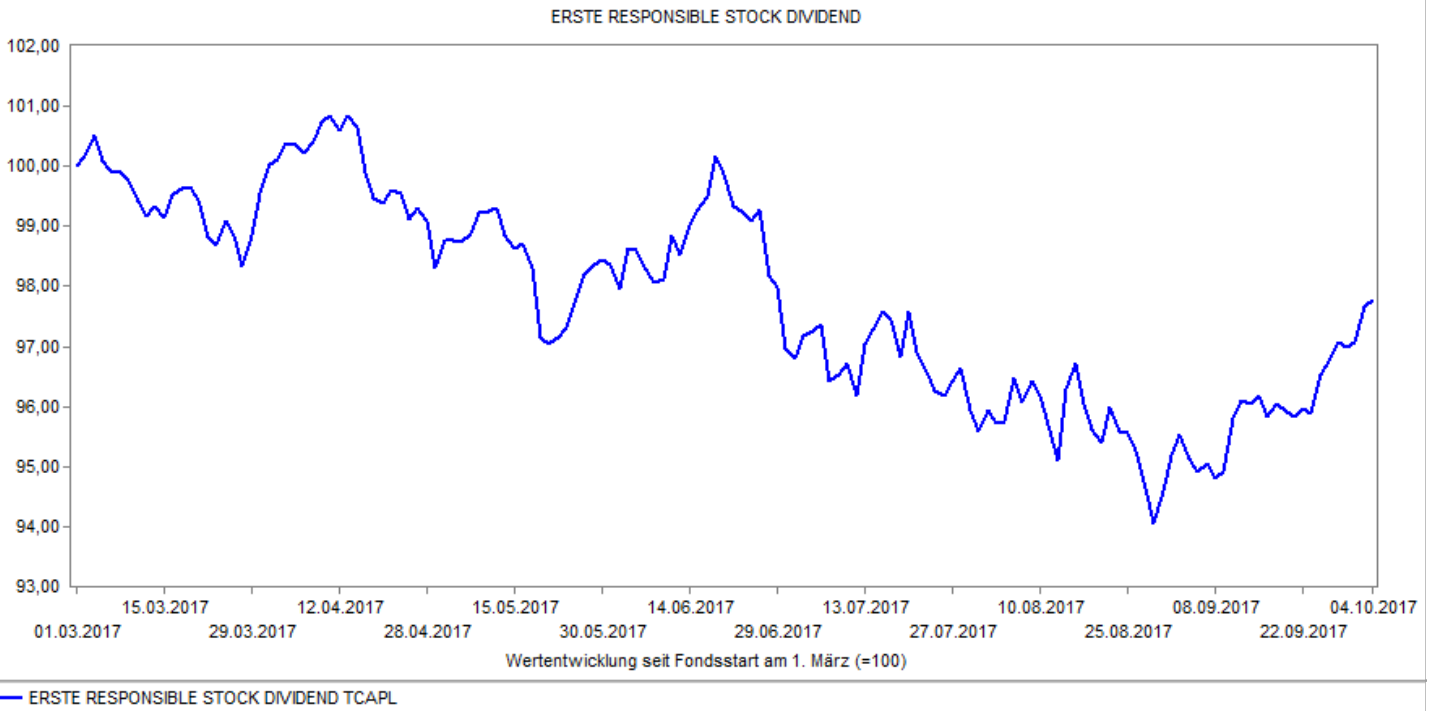
Half a year ago we launched a new equity fund, which offers an investment opportunity in global equities with a stable dividend yield above market average. At the same time, we take into account criteria of sustainability as well as social and ethical criteria in the stock picking process. We spoke with **Alexander Sikora-Sickl**, who is responsible for the investment process, about the performance since the launch of the fund and about the environment for dividend shares.

How has the fund been doing since its launch?

The fund has delivered a good performance in comparison with other defensive market segments, at lower risk than other equity investments. We are now past a market phase where growth shares were at an advantage due to the positive economic environment. But that is normal. The accelerating economic upswing caused growth shares to perform decidedly better. In addition, the weakness of some currencies such as the US dollar, the Swiss franc, and the Canadian dollar relative to the euro affected the performance. Equities denominated in these currencies play a significant role in the portfolio of ERSTE RESPONSIBLE STOCK DIVIDEND. That being said, we managed to catch up quite a bit in September and are now only slightly below the issue price (as of 5 October 2017; source: www.erste-am.at), as the chart below illustrates.

Performance ERSTE RESPONSIBLE STOCK DIVIDEND since launch of fund

(1 March 2017 = 100; as of 4 October 2017)



Past performance is not indicative of future developments.

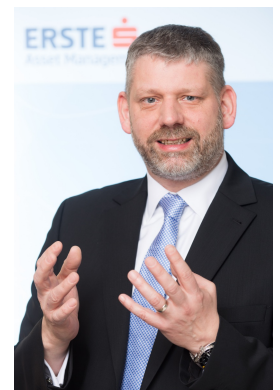
Is the asset allocation of the portfolio the same as at the launch of the fund?

No. In September we implemented the semi-annual re-balancing as scheduled and laid down by the investment process. We swapped all but two of the 15 titles due to the fact that they did not pass our selection process any longer and thus failed to comply with our criteria of admission to the fund.

Among them are for example MAN, which has recently had to deal with claims for damages, or Group Bruxelles, where the sustainable criteria have recently deteriorated. These decisions ensure the high quality of shares in the fund. A new member of our portfolio is the biggest America mobile telephony operator, Verizon. The company does a lot for the protection of minors and engage in responsible marketing, which has convinced us.

“***The fund does not emulate every upswing in the market, but in difficult phases it should outperform it on the back of its defensive positioning.***”

Alexander Sikora-Sickl, responsible for the investment process



Alexander Sikora-Sickl

Please briefly describe the investment process

With ERSTE RESPONSIBLE STOCK DIVIDEND, the investment process is largely quantitative and completely structured. We can choose from a universe of 600 sustainable companies. The portfolio consists of the 50 best shares that have been carefully selected from the perspective of sustainability, dividend yield, and volatility (i.e. price fluctuations). The average dividend yield of the fund across all companies is about 4%. And the company valuations, as measured by the P/E ratio, are substantially lower. Thus, the fund perfectly complies with the requirements that it was created for.

How important is the aspect of sustainability?

Sustainable investment is a core competence of Erste Asset Management. For the portfolio of ERSTE RESPONSIBLE STOCK DIVIDEND, we systematically filter all companies according to the criteria of sustainability by Erste AM. This process is ensured by an in-house research team that consists of four analysts. Every single share is checked for its compliance with ethical standards and for its sustainability with regard to ecological and social aspects and the quality of corporate governance. The results of this process are binding for the selection of the shares for the portfolio.

What is the current positioning of ERSTE RESPONSIBLE STOCK DIVIDEND?

The rebalancing resulted in the overweighting of financials, telecoms, and companies from the healthcare sector. The weighting of industrials and utilities, on the other hand, decreased. In terms of countries, dividend shares from Switzerland and Canada play an important role; as well as Spain and France from the EU. We are currently underweighted in the USA and Japan (source: fact sheet, www.erste-am.at).

What is the outlook for dividend shares?

The equity market remains well supported by the recent global economic data. The gradual interest rate increases in some countries were communicated transparently and are not burdening the stock exchanges. While the valuations are not as attractive as they used to be a few years ago, weaker phases should be used to build positions. Our goal is a stable performance: the fund does not emulate every upswing in the market, but not every downswing either.

ERSTE RESPONSIBLE STOCK DIVIDEND - short profile

ISIN:

AT0000A1QA61 - Distributing

AT0000A1QA79 - Accumulating

AT0000A1QA87 - Fully accumulating

Benefits of the fund

- Broadly diversified, global investment in the shares of ethically and sustainably operating companies
- Chance of sustainable, attractive ongoing returns and capital gains

Risks of the fund

- The fund price may fluctuate (high volatility)
- Due to the investment in foreign currencies, the share price of the fund (in euro) may be burdened by currency fluctuations
- Capital loss is possible

Please note:

Prognoses are not a reliable indicator for future developments.

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