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Outlook 2022: Erste Asset Management optimistic – recovery continues despite Covid, inflation, and supply bottlenecks

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Erste Asset Management (Erste AM) is optimistic about the economic recovery in the wake of the global pandemic continuing in 2022. While the economy will not grow at the same speed any more as in 2021, the expected growth rate of 5% is still clearly above potential, as Erste AM Chief Investment Officer Gerold Permoser explains at the press conference for the capital market outlook 2022.

Recovery carried by private sector

"In comparison with earlier recessions, we have managed to exit the crisis rather quickly this time. The crucial factor for this to happen was the monetary and fiscal policy of the central banks and governments, which had been supporting the strong recovery of the economy and the labour market throughout 2021", stresses Permoser.

The recovery would continue in 2022 and was driven by the private sector, as Permoser stated at the press conference. Consumer demand would remain high. The stocking-up of inventories, which were empty after the pandemic, would have a positive impact on demand in 2022.

While there was the risk of setbacks caused by further covid waves, it was less significant than in the past. Another risk associated with the optimistic forecast was based on the sustainably high inflation rates, which in turn put pressure on the central banks to tighten the monetary policy sooner than currently expected.

The strong increase in prices was mainly due the special situation caused by shortages in commodities, semiconductors, and transport costs. This situation should be resolved in the first half of 2022.

□ ***"In comparison with earlier recessions, we have managed to exit this crisis rather quickly this time."***

Gerold Permoser, Chief Investment Officer

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China with new growth strategy

China is a lynchpin to the continued economic recovery. The tightly managed economic power is restructuring its economy, focusing on the strengthening of its domestic economy and of its independence.

This is to be achieved by concentrating on key industries, financial and real estate market stability, mega investments in decarbonisation, and the levelling of the high-income inequality. While this re-orientation will eat into China's growth rates in the short run, it will be positive for its long-term growth prospects.

Thus, China can remain the engine of the global economy, but only those sectors will benefit that are linked to consumption (as opposed to the real estate or the export sector).

Change of monetary course

As the recovery progresses and the private sector will start assuming a more important role, the central banks will be gradually tapering the extremely supportive monetary policy they have been pursuing over the past two years.

The currently high inflation rates, in particular, have put accelerated pressure on the central banks, much more so than at the beginning of the year. In the emerging markets, where inflation expectations are less solidly anchored and central banks are often less politically independent, many central banks have been forced to tighten the monetary reins.

Share price increases 2021 mainly due to earnings growth

In 2021, company earnings have recovered more quickly and significantly than in comparable phases in the recent past. As a result, company valuations have not changed much year-on-year despite the increase in share prices.

Equities will therefore continue to play an important part in the Erste AM portfolios. Permoser: *"We expect earnings to continue rising in 2022, but at a lower momentum than we have seen this year."* He envisages growth rates around nominal economic growth (i.e. 5 to 10% in the developed world).

This means equity investors should be able to expect gains to that extent, not the least as there are very few alternatives to equities. Government bonds remain unattractive due to interest rate risk. *"And we expect yields to increase in a recovery scenario."*

□ ***"Funds that provide full-scale asset management even at low initial investment amounts, sustainable funds, and a mainstay of our portfolio, real estate funds, have contributed significantly to this growth."***

Heinz Bednar, CEO

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Assets under management of Erste Asset Management have recorded strong growth in 2021

The upward trend of the volume of assets managed by Erste Asset Management has remained intact in 2021. At the end of October, total assets under management amounted to EUR 74.7bn, i.e. they were up 9.5% relative to 2020.

The volumes in the various investment segments are relatively balanced: mixed funds account for the largest share (EUR 20.5bn), followed by fixed income funds (EUR 19.7bn), and equity funds (EUR 16.5bn). *"Funds that provide full-scale asset management even at low initial investment amounts, sustainable funds, and a mainstay of our portfolio, real estate funds, have contributed significantly to this growth,"* says Heinz Bednar, CEO Erste AM.

Net assets under management have increased by EUR 3.3bn in the year to date. Erste AM recorded the biggest increases in Austria, the Czech Republic, and Slovakia. Sustainable investment funds, at EUR 14.3bn of asset under management, have become even more important.

The EU Regulation on sustainability-related disclosures in the financial services sector has accelerated this process. In the long run, investments in climate and environmental protection will be growing on the back of the CO₂ reduction targets stipulated in the climate conference (e.g. exit from coal), the aggressive plans by the new German government towards decarbonisation, and the eco-social tax reform in Austria. *"We expect these examples to form precedents across Europe".*

Bednar continues to regard sustainable funds as those with good opportunities. Among them are the global equity fund [ERSTE RESPONSIBLE STOCK GLOBAL](#), the green themed equity fund [ERSTE GREEN INVEST](#), the fund geared towards inflation protection, [ERSTE REAL ASSETS](#), and the umbrella fund for long-term capital building, [YOU INVEST advanced](#), with a mix of different asset classes that can be switched dynamically.

For further information, please visit www.erste-am.com

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Der ERSTE RESPONSIBLE STOCK GLOBAL kann aufgrund der Zusammensetzung des Portfolios eine erhöhte Volatilität aufweisen, d.h. die Anteilswerte können auch innerhalb kurzer Zeiträume großen Schwankungen nach oben und nach unten ausgesetzt sein.

▲ Warnhinweise gemäß InvFG 2011

Der ERSTE GREEN INVEST kann aufgrund der Zusammensetzung des Portfolios eine erhöhte Volatilität aufweisen, d.h. die Anteilswerte können auch innerhalb kurzer Zeiträume großen Schwankungen nach oben und nach unten ausgesetzt sein.

▲ Warnhinweise gemäß InvFG 2011

Der ERSTE REAL ASSETS kann zu wesentlichen Teilen in Anteile an Investmentfonds (OGAW, OGA) iSd § 71 InvFG 2011 investieren.

▲ Warnhinweise gemäß InvFG 2011

Der YOU INVEST advanced kann zu wesentlichen Teilen in Anteile an Investmentfonds (OGAW, OGA) iSd § 71 InvFG 2011 investieren.

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