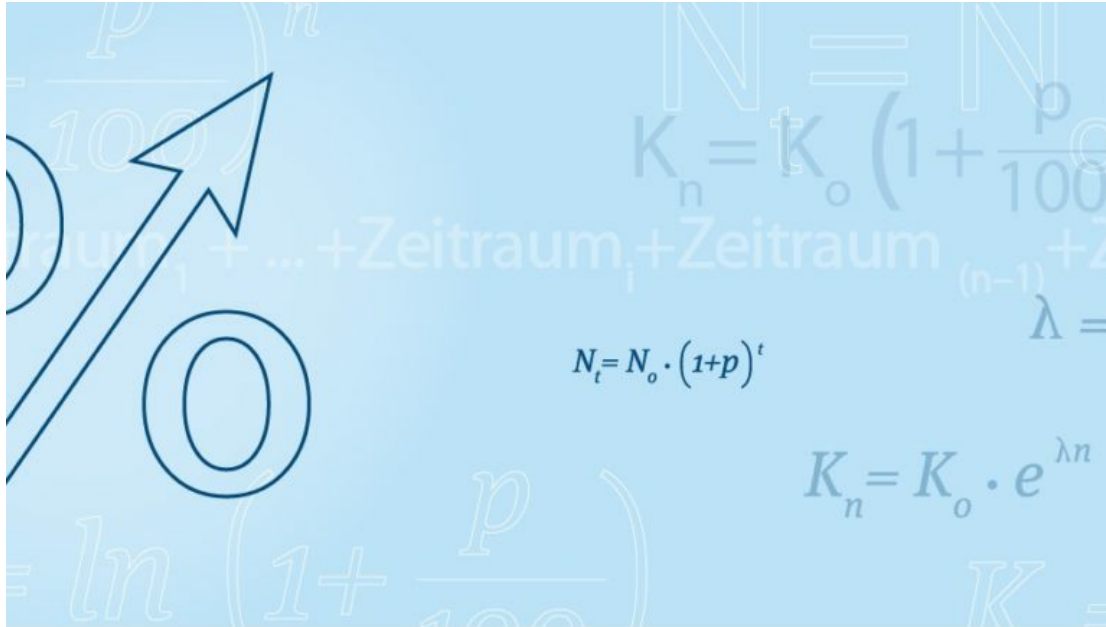


<https://blog.en.erste-am.com/yield-opportunities-on-the-bond-markets-january-2019/>

Yield opportunities on the bond markets: January 2019

Paul Severin



In the past year 2018 performance of all fixed income asset classes, except Euro-government bonds, ended in negative territory. Euro-government-bonds benefited from the latest turmoils in equity markets, Brexit and if compared on a global basis the weaker outlook on economic growth, inflation rates and monetary policy of ECB. The risk of further interest rate hikes in the USA as well as in Europe is relatively low at the moment. The consequence: lower yields in most bond asset classes.

Overall, market participants expect global growth to weaken, with very heterogenous growth trends worldwide. Inflation rates should remain low on a global scale, supported by significantly lower energy prices. From a Euro-Investor point of view European corporate bonds in the different rating classes seem to be most attractive, as hedging costs for US-Dollar-denominated bonds are relatively high.

	Yield per 28 December 2018	Reference funds	SRRI
Euro Base Rate	0.00%	ECB Euro Base Rate	
Euro Money Market	0.54%	ESPA RESERVE EURO PLUS	2
US Federal Funds Rate	2.25%	Federal Reserve Base Rate (lower bandwidth)	
Euro Government Bonds	1.10%	ESPA BOND COMBIRENT	3
Euro Bonds Responsible	1.24%	ERSTE RESPONSIBLE BOND	3
Euro Corporate Bonds Responsible	1.73%	ERSTE RESPONSIBLE BOND EURO CORPORATE	3
European Corporate Bonds	1.83%	ESPA BOND EURO CORPORATE	3
US Mortgage Bonds	3.28%	ESPA MORTGAGE	3
Corporate Hybrid Bonds	3.43%	ERSTE BOND CORPORATE PLUS	3
US Corporate Bonds	4.63%	ESPA BOND USA CORPORATE	3
CEE sovereigns	3.51%	ERSTE BOND DANUBIA	4
Corporate Bonds Rating BB	4.21%	ESPA BOND CORPORATE BB	3
European High Yield	4.91%	ESPA BOND EUROPE HIGH YIELD	3
Emerging Corporate Bonds Responsible	5.16%	ERSTE RESPONSIBLE BOND EMERGING CORPORATE	3
Emerging Sovereigns Hard Currency	5.79%	ERSTE BOND EMERGING MARKETS	3
Emerging Corporate Bonds	6.05%	ERSTE BOND EMERGING MARKETS CORPORATE	3
Emerging Sovereigns Local Currency	7.44%	ERSTE BOND LOCAL EMERGING	4

- Money market and short term maturities
- Bonds with good and very good ratings
- High interest rate bonds and mixed ratings

Source: Erste Asset Management GmbH; www.erste-am.at; Data as of 30 December 2019; Fund-Ratio: Yield - see footnote 1)

1) NB: the fund ratio "yield" equals the average yield of the securities held by a fund prior to costs for forex hedging; please bear in mind that this ratio is not equivalent to the fund performance. For the fund performance (i.e. the development of the value) of the aforementioned funds, please refer to the overview table on page three. The above-cited table does also not account for any fees reducing return such as the management fee or individual account or depositary fees.

2) The risk classification of investment funds is based on the SRRI-indicator. The calculation is based on European regulatory requirements and forms an integral part of the Key Investor Document and gives the historical volatility of the fund unit price on a scale from 1 to 7, with 7 being the highest risk. More information about the calculation of the indicator: fundglossary.erste-am.com/srri/

Development of bond yields of US- and EUR-Government-Bonds and EUR-Corporate-Bonds Investment-Grade (12/2013-12/2018)



Quelle: Thomson Reuters Datastream

Development of bond yields of European High-Yield-Bonds compared with global High-YieldBonds and Emerging-Markets-Corporate-Bonds (12/2013-12/2018)



Quelle: Thomson Reuters Datastream

Please note:

The development of historic yields is not a reliable indicator for future developments of a specific asset category or asset class. The charts above do not include any fees or costs.

Ratio-Overview (more information can be found at www.erste-am.com)

Fund-Name (Performance in %)	Since 1.1.	2017	2016	2015	2014	2013	Front-Load-Fee	Mgmt-Fee	Fund-Volume in EUR Mio.	Risk-classification acc. KID	Volatility	Warning notice
ESPA RESERVE EURO PLUS	-1,4	0,1	0,2	0,4	2,3	1,1	0,75%	0,24%	369	2	0,9%	A, B
ERSTE RESPONSIBLE BOND	-1,3	0,7	3,2	0,8	0,4	10,6	3,50%	0,60%	105	3	2,0%	none
ESPA BOND COMBIRENT	-0,1	-0,9	1,9	2,4	1,8	10,4	2,50%	0,50%	247	3	3,6%	B
ERSTE RESPONSIBLE BOND EURO-CORPORATE *	-2,1	1,8	4,1	0,0	1,5	12,9	3,50%	0,60%	149	3	2,3%	none
ESPA BOND EURO CORPORATE	-2,0	2,0	3,3	0,3	8,1	1,5	3,50%	0,60%	593	3	2,3%	none
ERSTE BOND DANUBIA	-5,9	1,7	-0,5	2,0	6,9	-4,4	3,50%	0,72%	240	4	5,5%	B
ESPA BOND EUROPE HIGH YIELD	-5,0	5,1	6,1	3,1	2,0	7,2	3,50%	1,20%	238	3	4,0%	none
ERSTE BOND EMERGING MARKETS	-7,2	6,7	5,4	0,2	6,1	-6,4	3,50%	1,20%	242	3	5,1%	none
ERSTE RESPONSIBLE BOND EMERGING CORPORATE **	-5,5	3,8	3,8	2,0	7,1	n.v.	3,50%	0,96%	85	3	2,8%	none
ESPA BOND EMERGING MARKETS CORPORATE	-4,3	6,4	8,4	2,2	3,7	-0,2	3,50%	0,96%	370	3	3,9%	none
ERSTE BOND LOCAL EMERGING	-4,8	-0,7	8,1	-0,4	7,8	-14,1	3,50%	0,96%	187	4	8,1%	none
ESPA BOND CORPORATE BB	-4,6	4,5	6,9	0,8	5,3	6,0	3,50%	1,20%	148	3	3,8%	none
ERSTE BOND CORPORATE PLUS	-4,8	8,5	-	-	-	-	3,50%	0,60%	268	3	n.v.	none
ESPA BOND USA CORPORATE	-6,0	2,8	3,1	-2,1	5,0	-2,9	3,50%	0,72%	153	3	3,4%	B

Data as of 30 December 2018.

The performance is calculated in accordance with the OeKB method. The management fee as well as any performance-related remuneration is already included. The issue premium of up to 3.50 % which might be applicable on purchase and as well as any individual transaction specific costs or ongoing costs that reduce earnings (e.g. account- and deposit fees) have not been taken into account in this presentation. Past performance is not a reliable indicator of the future performance of a fund.

1) Risk notes according to 2011 Austrian Investment Fund Act

A ESPA RESERVE EURO PLUS may make significant investments in demand deposits or time deposits with a maximum maturity of 12 months pursuant to section 72 of the 2011 Austrian Investment Fund Act.

B In accordance with the fund provisions approved by the Austrian Financial Market Authority (FMA), ESPA RESERVE EURO PLUS, ESPA BOND COMBIRENT, ESPA BOND USA CORPORATE and ERSTE BOND DANUBIA intend to invest more than 35% of their assets in securities and/or money market instruments of public issuers. A detailed list of these issuers can be found in the prospectus, para. II, point 12.

Legal note:

Prognoses are no reliable indicator for future performance.

Legal disclaimer

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Paul Severin

Paul Severin has worked at Erste Asset Management since April 2008. Until 2012 he was responsible for the company's product management; he has directed communications and PR activities since April 2012. From 1992 to 2008, he was director of equity fund management and deputy director for institutional funds at Pioneer Investments Austria in Vienna.

His career in the securities business began in 1992 at Constantia Privatbank as a portfolio manager and analyst. He worked as primary analyst at Creditanstalt Investmentbank in Vienna from 1994 to 1999.

He studied international business at Innsbruck University and Marquette University in Milwaukee, WI, USA. Before his university studies, he worked at Dornbirner Sparkasse in letters of credit and export financing.

Paul Severin is a member of the board at ÖVFA (Austrian Association for Financial Analysis and Asset Management) and a CEFA charter holder.