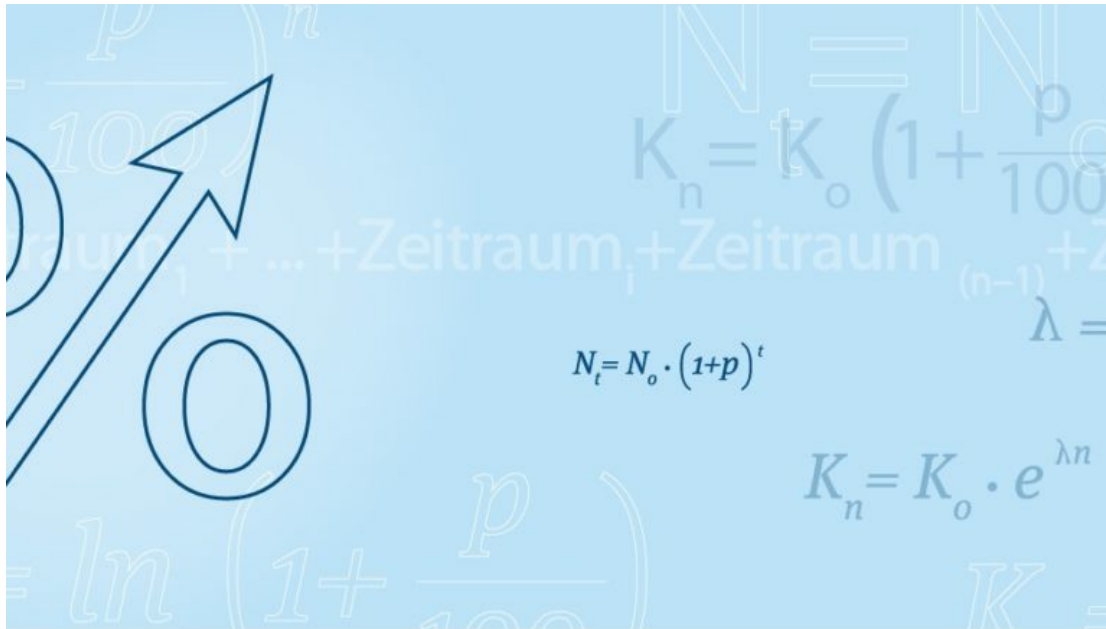


<https://blog.en.erste-am.com/yield-radar-dec-2018/>

## Yield opportunities on the bond markets: December 2018

Paul Severin



Real global GDP-growth has already fallen to 2.8% in Q3 2018. A number of economic indicators are suggesting that this trend will continue. For example the flattening yield curve in the US indicates that market participants expect a slowdown in economic activity. Furthermore their credit growth in China is falling. If the change in credit volume is below nominal economic growth, the momentum produced by credit is negative. This means that the credit environment in China is depressing economic activity. On the positive side: it is expected that the US central bank is turning more cautious. At this point, less than a full hike is priced in for 2019.

The suspension of further tariff increases by the USA on Chinese imports, the cautious statements from the US Fed, and the expansive fiscal policies are supporting the economy and the markets. Risks like a further escalation of the trade conflict, a further weakening of global economic growth (especially in China), and drastic rate hikes by the Fed due to higher inflation are dampening the upward potential of risky asset classes.

	Yield per 30 November 2018	Reference funds	SRRI
Euro Base Rate	0.00%	ECB Euro Base Rate	
Euro Money Market	0.60%	ESPA RESERVE EURO PLUS	2
US Federal Funds Rate	2.00%	Federal Reserve Base Rate (lower bandwidth)	
Euro Bonds Responsible	1.28%	ERSTE RESPONSIBLE BOND	3
Euro Government Bonds	1.30%	ESPA BOND COMBIRENT	3
Euro Corporate Bonds Responsible	1.73%	ERSTE RESPONSIBLE BOND EURO CORPORATE	3
European Corporate Bonds	1.89%	ESPA BOND EURO CORPORATE	3
Corporate Hybrid Bonds	3.42%	ERSTE BOND CORPORATE PLUS	3
US Mortgage Bonds	3.60%	ESPA MORTGAGE	3
US Corporate Bonds	4.73%	ESPA BOND USA CORPORATE	3
CEE sovereigns	3.75%	ERSTE BOND DANUBIA	4
Corporate Bonds Rating BB	4.00%	ESPA BOND CORPORATE BB	3
European High Yield	4.69%	ESPA BOND EUROPE HIGH YIELD	3
Emerging Corporate Bonds Responsible	5.17%	ERSTE RESPONSIBLE BOND EMERGING CORPORATE	3
Emerging Sovereigns Hard Currency	6.00%	ERSTE BOND EMERGING MARKETS	3
Emerging Corporate Bonds	6.19%	ERSTE BOND EMERGING MARKETS CORPORATE	3
Emerging Sovereigns Local Currency	7.56%	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

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/](http://fundglossary.erste-am.com/srri/)

### Development of bond yields of US- and EUR-Government-Bonds and EUR-Corporate-Bonds Investment-Grade (11/2013-11/2018)



Quelle: Thomson Reuters Datastream

### Development of bond yields of European High-Yield-Bonds compared with global High-Yield-Bonds and Emerging-Markets-Corporate-Bonds (11/2013-11/2018)



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 at [www.erste-am.com](http://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%	381	2	0,9%	A, B
ERSTE RESPONSIBLE BOND	-1,5	0,7	3,2	0,8	0,4	10,6	3,50%	0,60%	105	3	2,1%	none
ESPA BOND COMBIRENT	-1,1	-0,9	1,9	2,4	1,8	10,4	2,50%	0,50%	247	3	3,6%	B
ERSTE RESPONSIBLE BOND EURO-CORPORATE *	-2,2	1,8	4,1	0,0	1,5	12,9	3,50%	0,60%	149	3	2,4%	none
ESPA BOND EURO CORPORATE	-2,2	2,0	3,3	0,3	8,1	1,5	3,50%	0,60%	614	3	2,4%	none
ERSTE BOND DANUBIA	-6,3	1,7	-0,5	2,0	6,9	-4,4	3,50%	0,72%	239	4	5,5%	B
ESPA BOND EUROPE HIGH YIELD	-4,1	5,1	6,1	3,1	2,0	7,2	3,50%	1,20%	233	3	4,1%	none
ERSTE BOND EMERGING MARKETS	-8,2	6,7	5,4	0,2	6,1	-6,4	3,50%	1,20%	240	3	5,1%	none
ERSTE RESPONSIBLE BOND EMERGING CORPORATE **	-5,9	3,8	3,8	2,0	7,1	n.v.	3,50%	0,96%	85	3	3,0%	none
ESPA BOND EMERGING MARKETS CORPORATE	-5,1	6,4	8,4	2,2	3,7	-0,2	3,50%	0,96%	376	3	4,3%	none
ERSTE BOND LOCAL EMERGING	-4,5	-0,7	8,1	-0,4	7,8	-14,1	3,50%	0,96%	192	4	8,8%	none
ESPA BOND CORPORATE BB	-3,9	4,5	6,9	0,8	5,3	6,0	3,50%	1,20%	157	3	4,1%	none
ERSTE BOND CORPORATE PLUS	-4,6	8,5	-	-	-	-	3,50%	0,60%	270	3	n.v.	none
ESPA BOND USA CORPORATE	-6,6	2,8	3,1	-2,1	5,0	-2,9	3,50%	0,72%	156	3	3,4%	B

Data as of 30 November 2018.

The performance and volatility (3 years) is calculated in accordance with the OeKB method. It already includes the management fee. However, the illustration is net of the one-off load of up to 3.50%, which falls due at the time of purchase, and of other fees that reduce the return as well as of the individual account and deposit fees. 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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The prospectus for UCITS (including any amendments) is published in Amtsblatt zur Wiener Zeitung in accordance with the provisions of the InvFG 2011 in the currently amended version. Information for Investors pursuant to § 21 AIFMG is prepared for the alternative investment funds (AIF) administered by Erste Asset Management GmbH pursuant to the provisions of the AIFMG in connection with the InvFG 2011. The fund prospectus, Information for Investors pursuant to § 21 AIFMG, and the key investor document/KID can be viewed in their latest versions at the web site [www.erste-am.com](http://www.erste-am.com) or obtained in their latest versions free of charge from the domicile of the management company and the domicile of the custodian bank. The exact date of the most recent publication of the fund prospectus, the languages in which the key investor document is available, and any additional locations where the documents can be obtained can be viewed on the web site [www.erste-am.com](http://www.erste-am.com).

This document serves as additional information for our investors and is based on the knowledge of the staff responsible for preparing it at the time of preparation. Our analyses and conclusions are general in nature and do not take into account the individual needs of our investors in terms of earnings, taxation, and risk appetite. Past performance is not a reliable indicator of the future performance of a fund.



## 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.