Vienna Stock Exchange Robust in 2009 - ATX Expected on Moderately Positive Trend in 2010

26.11.2009

- ATX in 2009 clear outperformer to date
- Some valuation levels have reached neutral levels
- Economy CEE: 2010 better than the euro zone average
- Slightly double-digit performance expected for next year
- ATX year-end target 2010: 3,000 points
- Top picks Vienna Stock Exchange: Intercell, OMV, RHI, Vienna Insurance Group, voestalpine, A-TEC, BWT, Eco Business, Immoeast, Kapsch, Semperit, S Immo

Today, the ATX is one of the global top performers of the year (+49.2% ytd). The pressure the Vienna Stock Exchange had been exposed to – as a consequence of almost hysterical international assessments – turned out to be exaggerated. Contrary to many opinions, 2009 was quite positive. International investors followed the growth trend of many emerging markets due to lacking alternatives, with CEE also being a strong gainer. This is also revealed in the relative difference in financial flows. Emerging markets profited from this as compared to the major established markets. The Vienna Stock Exchange, like many CEE markets, subsequently succeeded in correcting the exaggerated misjudgments and closed the valuation gaps. Earnings revisions have again pushed the ATX into neutral valuation territory. After a recovery phase, expected for the start of 2010, there may very well be corrections over the course of the year. Overall, Erste Research expects a moderately friendly environment for 2010.

International stock markets and the Vienna Stock Exchange: Volatilities abate significantly. The stock markets were more robust after business climate indices showed improved sentiment. Overall, an analysis of Erste Group Research revealed that price volatility has abated substantially, which points out that nervousness is decreasing and also to the overall more stable financial market constitution. The average trading volumes indicate that emerging markets like the CEE markets and also the Vienna Stock Exchange have profited - also in 2009 - in their relative significance versus major global markets over the long term. "The spread of panic and wrong assessments by rating agencies and noble laureates in March of this year had exactly the opposite effect. Independent markets are not that impressionable by false interpretations. Investors are apparently placing more weight on real facts and the sustainable growth expected than on short-lived temporary recoveries in the long-term stagnating, established markets," said Fritz Mostböck, Head of Group Research.

Based on equity earnings yields (vs. yields on 10-year government bonds), analysts of Erste Group believe the equity markets in Europe and the emerging markets have an advantage.

Asset Allocation Q4 2009

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<thead>
<tr>
<th>Neutral Portfolio</th>
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<tr>
<td>Cash</td>
<td>Overweight</td>
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<tr>
<td>Bonds</td>
<td>Underweight</td>
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<td>Equities</td>
<td>Neutral</td>
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Internationales Aktien-Portfolio

<table>
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<tr>
<th>Region</th>
<th>Position</th>
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<tr>
<td>Europa</td>
<td>Overweight</td>
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<tr>
<td>USA</td>
<td>Underweight</td>
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<tr>
<td>Japan</td>
<td>Neutral</td>
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<tr>
<td>Emerging Markets</td>
<td>Slightly overweight</td>
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CEE: Strongly differentiated view of countries
The situation of the economies of Central and Eastern Europe generally dimmed – just like in the euro zone – in the course of the current year. On the whole, the weighted economic output of the markets covered by Erste Group Research (CEE8 *1)) decreased in 2009 by -4.3% (euro zone -3.9%)

After a long phase of growth, an abrupt need for consolidation was triggered by weakening global demand (lower exports) and reduced growth in investments. “Central and Eastern Europe should not be viewed as a one homogenous mass. The economic development in CEE will weaken in 2009 along with the global economy, but the countries have to be considered in a very differentiated manner,” Mr. Mostböck continued. (Für 2010 erwartet das Erste Group Research wieder ein reales BIP-Wachstum für CEE8 von +1,6% (vs. +0,7% Eurozone) und für 2011e +3,1% (vs. +1,4% Eurozone). For 2010, Erste Group Research expects real GDP growth for CEE8 of +1.6% (vs. +0.7% euro zone) and for 2011e of +3.1% (vs. +1.4% euro zone).

Recommendation: Focus on stock picking
“As an investment strategy in an economically improving but challenging environment, we recommend keeping a selective focus and stock picking,” said Günther Artner, Co-Head of CEE Equity Research.

Artner recommends investments in:
- Attractive stocks that have not yet posted strong uptrends (OMV, voestalpine, A-TEC),
- Growth stocks that are developing independently from the economy (Intercell, Kapsch TrafficCom, BWT),
- Other (cyclical) stocks that have clearly left the trough behind (RHI, Vienna Insurance Group, Semperit),
- Real estate stocks with attractive multiples (Eco Business-Immo, Immoeast, Sparkassen Immo),
- …and generally blue chips, companies with solid fundamentals.

Expectations cautiously optimistic for 2010
The strategy that may be derived from the strong performance of the past months and the overall relatively neutral valuations does not imply any marked upwards drivers. The analysts at Erste Group expect a continued moderate recovery in the year 2010 that should result in a slightly double-digit performance. Interest rates are expected to remain low and the general risk tolerance – due to lacking alternatives – has increased. This means relatively attractive equities considering the yield aspects. “Despite the phase of strength seen up to now, it is quite possible that we will close the year 2010 with the ATX at the mark of 3,000 points,” said Fritz Mostböck.