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PRESS RELEASE

The dilemma for savers in the eurozone – why structural trends are more important than economic cycles

- **Savers must take action: medium-term threat of an economic slowdown in Europe**
- **MainFirst expert recommends a more global and long-term approach to portfolio construction**
- **Structural trends such as e-commerce, mobile internet, industry 4.0 and global brands can provide long-term, relatively economic cycle independent opportunities for growth**

Frankfurt am Main, 11 June 2018 – European savers will have to adjust their investment behaviour in order to generate positive medium-term returns. This is the view of Adrian Daniel, fund manager of MAINFIRST - ABSOLUTE RETURN MULTI ASSET, launched five years ago. Growth momentum in the eurozone is slowing and the low interest rate environment will continue. "A look at leading indicators suggests it is not advisable to rely purely on the positive economic situation at the moment", according to the fund manager. He advises investors to invest on a more global basis and generally to focus their portfolios to a greater extent on long-term structural trends rather than economic cycles.

European equity markets have showed gains overall recently, but in global terms have been significant relative underperformers. As an example, excluding currency factors, the MSCI EMU Index (European Economic and Monetary Union) generated 50 percent lower returns than the MSCI USA over the last six years. So it would already have paid off to take a more global approach in the past. But in the future this is likely to be even more important, as leading indicators appear to have hit temporary highs at the start of the year indicating a potential slowdown in growth momentum in the eurozone. As an example, the ifo Business Climate Index was at a long-term high of around 105.2 points in November, and has since fallen. "The DAX is currently enjoying its longest upswing of the post-war era, and at the same time we remain in a low interest rate environment", according to Daniel. Against this backdrop, the challenge for eurozone savers is to find other sources of return.

For it is highly likely according to Daniel that the ECB will miss the window for interest rate hikes – although after a planned changeover in mid-2019 the European Central Bank will have to start by taking stock. And should the economic upturn in the US falter and the Federal Reserve end its policy of normalising interest rates, it is questionable whether the ECB will be able to raise rates. The opportunities for returns in fixed-income investments should remain relatively low, while the trend in European equity markets seems to have run a long way.

The only solution to this tricky situation is to permanently expand one's investment horizons, according to Daniel, who is banking on a mixture of bonds and equities. He believes in selecting securities for the long term and, most importantly, concentrating on investment themes with structural growth. "Structural trends are significantly more important for us than economic cycles. Their influence on portfolio performance is much longer lasting", explains Daniel, whose fund follows an absolute return strategy independent of any benchmark.

For example, Daniel is currently backing groups generating major parts of their earnings with e-commerce, such as Amazon and Alibaba. Other investment themes are mobile internet, Industry 4.0 and global brands. The team uses both technical indicators and bottom-up and top-down fundamental research as the basis for stock selection and allocation decisions in the fund. With an annualised return of 5.5 percent since its launch on 29 April 2013, MAINFIRST - ABSOLUTE RETURN MULTI ASSET has exceeded its targeted long-term return of 5% p.a.[1]

[1] As at 30 April 2018, ISIN LU0864714935.