Institutional Investors and Austrian Stocks in 2008

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The leading investors in the ATX prime are still internationally established institutional investors. However, those investors with a strong focus on CEE have cut their positions quite substantially and are among the biggest sellers – this is the core message of the updated study „Institutional Ownership of the ATX prime“ (as of 31 December 2008) conducted by the market intelligence company, Ipreo, on behalf of the Vienna Stock Exchange. The content of the survey is very informative, as it identified almost 100% of Austrian free float and was able to allocate it by region.

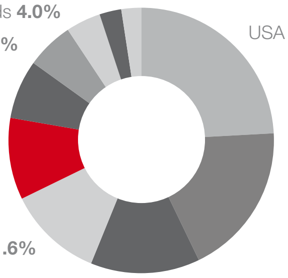
The detailed findings of the study on the ATX prime updated as of 31 December 2008 are set out below:

Negative price effect diminishes free float: private buyers are net investors in 2008

Amidst the plunging prices caused by the global financial crisis, the volume of Austrian free float shrunk to USD 37.9bn. USD 7.7bn or 20.4% are owned by Austrian private investors. USD 30.2bn or 79.6% are held by institutional investors. Remarkable is the fact that Austrian private investors were the only net investors – albeit to a minor proportion, but still – in the difficult stock market year 2008. In contrast to institutional investors, not only did they exhibit an above average tendency to hold on to stocks even in times of turbulence, but low stock prices even seem to have motivated them to a market entry or some slight additional purchases.

Institutional investors in the ATX prime market by country as of 31 December 2008

The USD 30.2bn held by institutional investors breaks down as follows: USD 27.2bn or 89.9 % are held by international investors and around USD 3bn or 10.1% by Austrian institutionals (funds, banks and insurance companies).



[1] Includes Norway, Sweden, Belgium, Italy
Source: IPREO, December 2008

The shift in the holdings of institutional investors by country in 2008
Compared to 2007 (15.2%), Austrian institutional investors slipped from third place to fourth place in the country ranking. First and second place are still taken by the US (24.1%) and the UK (18.8%). While the UK's share remained relatively unchanged in 2008, the US posted a slight increase versus year-end 2007 (21.9%). There were also some significant shifts in structure in favor of Germany, which moved up to third place with 11.6% in the country ranking versus 7.9% in 2007, and Switzerland ranked fifth (2008: 7% vs. 3% in 2007).

US–investors are clearly underrepresented in the ATX prime compared to their investments in Europe
An interesting comparison to note is the percentage of investments by international investors in the rest of Europe, that is, exclusive of home markets. In this case, investors from Europe (UK, Germany, Switzerland, and Netherlands) are in some cases clearly overrepresented as investors in the ATX prime in comparison to their investments in other European stock markets. By contrast, US-investors – despite their leading share of 24.1% in the ATX prime – hold a much smaller percentage as measured by their investment share of 48.8% in the rest of Europe.

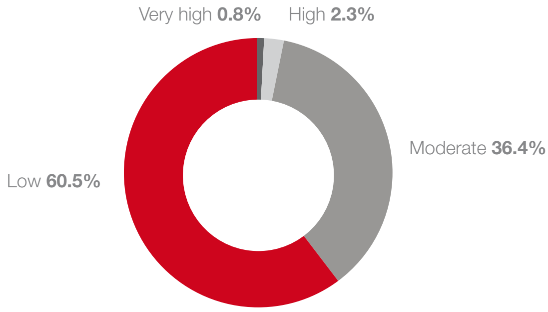
Analysis of investment style
As regards investment style, it is remarkable that growth-oriented investors („growth") still are predominant with a share of 49.2% or nearly half despite the exit of many CEE-focused institutional investors and have even widened their share significantly versus 2007 (31.5%) [1]. This means that investors are still following the growth strategy. Value investors („value") account for only 25.7% by contrast. However, the robust increase in growth investors must be viewed before a backdrop of sharply declining GARP (growth-at-a-reasonable-price) investors, which slipped from 17.8% in 2007 to 8.5% at year-end 2008. GARP investors pursue both a growth and value oriented investment style and combine elements of the two strategies mentioned. Nonetheless, there has been a clear overall rise in value-oriented investors. Other patterns worth mentioning versus 2007 are the declining but still relatively large share of index investors with 11.1% and the steep drop of hedge funds (especially long funds) and other active investor groups.

1) This is due partly to the reclassification of funds, and partly to specific additional purchases.

Portfolio turnover ratio on a decline

The portfolio turnover ratio indicates how often institutional investors switch securities in their general portfolios on the average every year [2]. The levels identified in the study for the year 2007 were already very low. Only 10.5% of investors reported a high or very high portfolio turnover ratio and 89.5% a low to very low one. This permits one to deduce a general tendency among institutionals to invest for the long term in the Austrian stock market. In 2008, this ratio shifted even more towards long-term investors and is now around 96.9% versus 3.1%. This can be explained by the switching within the portfolios and the temporary retreat of the more active investors such as hedge funds.

Portfolio turnover ratio of institutional investors in 2008



Base: ATX prime
Source: IPREO, December 2008

General Market Feedback

According to Ipreo, most investors still believe in the long-term potential of the CEE region, even if insecurity currently prevails and it is precisely this traditional growth driver of the ATX that has reversed its trend temporarily. Companies are still fundamentally well positioned according to investor opinion and their communication is expected to concentrate on the facts. On the other hand, the issue of corporate governance is viewed critically due to incidents at just a few companies listed on the Vienna Stock Exchange and is being closely monitored.

2) This makes it possible to derive general conclusion on a company's behavior; but the portfolio turnovers of some investment funds (e.g. CEE funds) may still exhibit a higher turnover frequency.

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