

# **ESPA STOCK ISTANBUL**

**Mutual fund pursuant to the InvFG**

Semi-Annual Report 2017

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## General Information about the Investment Firm

<b>The company</b>	ERSTE-SPARINVEST Kapitalanlagegesellschaft m. b. H. Am Belvedere 1, A-1100 Vienna Telephone: +43 05 0100-19881, Fax: +43 05 0100-17102
<b>Nominal capital</b>	EUR 4.50 million
<b>Shareholders</b>	Erste Asset Management GmbH (roughly 79.09%) DekaBank Deutsche Girozentrale (roughly 2.78%) „Die Kärntner“ Trust-Vermögensverwaltungsgesellschaft m.b.H. & Co KG (roughly 2.78%) NÖ-Sparkassen Beteiligungsgesellschaft m. b. H. (roughly 1.27%) Salzburger Sparkasse Bank Aktiengesellschaft (roughly 2.78%) Sieben Tiroler Sparkassen Beteiligungsgesellschaft m. b. H. (roughly 2.78%) Steiermärkische Bank und Sparkassen Aktiengesellschaft (roughly 5.57%) Tiroler Sparkasse Bankaktiengesellschaft Innsbruck (roughly 2.94%)
<b>Supervisory Board</b>	Wolfgang TRAINDL, Mag. (Chairman) Gabriele SEMMELROCK-WERZER (Deputy Chairwoman, First Deputy) Franz-Nikolaus HÖRMANN, Mag. (Deputy Chairman, Second Deputy) Matthias BAUER Josef PRESCHITZ Franz PRUCKNER, Dr. MBA Rupert RIEDER, Mag. Thomas SCHAUFLE, Mag. (FH) Reinhard WALT, Mag. Appointed by the Works Council: Martin CECH Regina HABERHAUER, Mag. (FH) Heinrich Hubert REINER, Ing. Peter RIEDERER Manfred ZOUREK, Mag.
<b>Managing directors</b>	Heinz BEDNAR, Mag. Günther MANDL Christian SCHÖN
<b>Prokuristen (proxies)</b>	Achim ARNHOF, Mag. Winfried BUCHBAUER, Mag. Karl FREUDENSCHUSS Dietmar JAROSCH, Dr. Manfred LENTNER Gerold PERMOSER, Mag. Magdalena REISCHL, Mag. Jürgen SINGER, Mag.
<b>State commissioners</b>	Erwin GRUBER Michael MANHARD, HR Dr.
<b>Auditor</b>	Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.
<b>Custodian bank</b>	Erste Group Bank AG

## Dear Shareholder,

We are pleased to present you the following semi-annual report for the ESPA STOCK ISTANBUL mutual fund pursuant to the InvFG for the period from 1 May 2017 to 31 October 2017.

## Development of the Fund

### Investment strategy

ESPA STOCK ISTANBUL is an actively managed equity fund that invests in Turkey. Companies with a significant exposure to Turkey may also be included in the portfolio. The investment universe is the MSCI Turkey. The fund management assembles the portfolio from this investment universe based on ecological criteria. Along with the current stock valuations, the most important criteria for the selection of assets are the companies' long-term growth prospects, margin and earnings dynamics, the sustainability of their market position, and the quality of their balance sheets and financial ratios in general.

### Market report and portfolio orientation

The ECB's decision to extend its asset purchasing programme until September 2018, the new progress of the US tax reform in the Senate, and the robust macro indicators continued to provide support for the global equity markets. The Turkish economy improved consistently, delivering surprisingly strong growth of 5% in the first and second quarters of 2017. The previous economic forecasts of 3.2% for the year as a whole were revised significantly upward (Fitch, IMF). Turkey's economy is receiving support primarily from the expansive financial policy and the upturn in exports. In addition, the credit guarantee fund proved to be the most effective driver of growth. The credit guarantee fund is a special instrument aimed at making it easier for small and medium-sized enterprises (SMEs) to obtain financing.

The Turkish equity market generated a moderately positive performance (MSCI Turkey 10/40 Index up 0.9% in EUR terms), although currency developments played a significant role here (EUR/TRY: minus 16%). Following the strong performance in the first three months of the year, the stock exchange in Istanbul suffered a 9% correction in September after President Erdogan sharply criticised banks' interest rate policies and called for lower interest rates. The uncertainty regarding the ramifications of the independence referendum for the Kurds in northern Iraq put additional pressure on the market. Furthermore, diplomatic tensions between Turkey and the USA caused the Turkish lira to fall to a record low versus the euro in October. After an employee of the US consulate in Turkey was arrested, the issue of visas for Turkish citizens to enter the USA was suspended until further notice. Turkey countered by enacting the same measures for US citizens.

ESPA STOCK ISTANBUL delivered a performance of 2.68% in EUR terms in the reporting period. The fund was fully invested for the past six months.

The portfolio is concentrated in 25 to 30 assets. In terms of sectors, the fund is allocated as follows: financials (29%) followed by consumer goods (24%) and industrials (19%). The sectors of telecoms (7%), materials (around 9.5%), and energy (6%) play a smaller role.

Since May 2017, performance figures for individual stocks have ranged between plus 105% and minus 20% (in EUR terms). The top performers were YATAS YATAK, PEGASUS HAVA TASIMACILIGI AS, TURK HAVA YOLLARI, HURRIYET GAZETECILIK VE, and ULUSOY ELEKTRIK. The losers included EMLAK KONUT GAYRIMENKUL YATI, TURKIYE HALK BANKASI, TURK TRAKTOR VE ZIRAAT MAKIN, ULKER BISKUVI SANAYI, and HACI OMER SABANCI HOLDING.

At the sector level, financials were among the losers, while industrials were among the winners. In the period from May to June, we increased the weighting of the financial sector (TURKIYE IS BANKASI, TURKIYE VAKIFLAR BANKASI), and in turn reduced the allocation to the consumer goods sector (sold ARCELIK and took profits on GOODYEAR LASTIKLERI TURK AS). The positions in YAPI VE KREDI BANKASI and HACI OMER SABANCI HOLDING were increased over the course of August. In turn, we further reduced our positions in ARCELIK AS, GOODYEAR LASTIKLERI TURK, and PETKIM PETROKIMYA HOLDING. Profits were taken on companies including KARDEMIR KARABUK DEMIR, AKBANK T.A.S., TURKCELL ILETISIM HIZMET AS, and YATAS YATAK VE YORGAN SAN in September and October. The off-benchmark ratio remained constant at roughly 20% of the fund volume.

The number of issued share certificates contracted slightly from May to the end of August (roughly minus 1.5% of the fund volume per month). The fund saw an increase in the number of share certificates in October (plus 1.1%).

## Asset Allocation

	31 October 2017		30 April 2017	
	EUR millions	%	EUR millions	%
Equities denominated in TRY	34.1	98.23	35.8	99.54
Securities	34.1	98.23	35.8	99.54
Cash in banks	0.6	1.78	0.2	0.46
Interest entitlements	0.0	0.00	0.0	0.00
Other deferred items	- 0.0	- 0.01	- 0.0	- 0.01
<b>Fund assets</b>	<b>34.7</b>	<b>100.00</b>	<b>36.0</b>	<b>100.00</b>

## Fund Portfolio as of 31 October 2017

(including changes in securities assets from 1 May 2017 to 31 October 2017)

Security designation	ISIN number	Purch./ additions Shares/nominal (nom. in 1,000, rounded)	Sales/ disposals	Holding	Price	Value in EUR	% share of fund assets
<b>Publicly traded securities</b>							
<b>Equities denominated in TRL</b>							
<b>Issue country Turkey</b>							
BIM BIRLESİK MAGAZALAR AS	TREBIMM00018	70,000	0	160,000	79.900	2,879,467.35	8.29
DOĞTAS KELEBE.M.S.V.T.TN1	TRAKLBM091C0	500,000	0	500,000	4.310	485,392.06	1.40
EMLAK KONUT GAYR.YAT.ORT.	TREEGY000017	0	1,100,000	800,000	2.690	484,716.34	1.40
LOGO YAZILIM SANAYİ TN 1	TRALOGOW91U2	0	0	26,000	59.400	347,860.56	1.00
MAVİ GİYİM SAN.V.TIC.TN 1	TREMAVIO0037	20,000	0	20,000	57.700	259,926.89	0.75
PEGASUS HAVA TASIMACI.TN 1	TREPEGS00016	80,000	0	80,000	30.840	555,711.97	1.60
PETKİM PETROKİMYA REG.TN1	TRAPETKM91E0	220,000	755,000	920,000	6.690	1,386,306.76	3.99
TAV HAVALİMANI.HLDG TN 1	TRETAVH00018	0	0	260,000	19.420	1,137,281.49	3.28
TÜRKİYE HALK BANKASI TN1	TRETHALO0019	0	50,000	400,000	11.250	1,013,579.72	2.92
TÜRK TELEKOMÜNİKASY. TN 1	TRETTLK00013	0	330,000	720,000	6.570	1,065,475.00	3.07
TÜRK TRA.VE Z.M.NA TN 1	TRETRRK00010	0	0	30,000	76.000	513,547.06	1.48
ULUSOY ELEK.İM.TA.V.Tİ.AS	TREULETO0014	0	0	70,000	18.300	288,532.36	0.83
USAĞ SERAMİK SANAYİİ TN 1	TRAUSAkW91F6	300,000	0	300,000	2.880	194,607.31	0.56
YATAK VE YORGAN SANAYİ	TRAYATAS91B4	0	40,000	160,000	24.140	869,966.73	2.51
Total issue country Turkey						11,482,371.60	33.08
Total equities denominated in TRL translated at a rate of 4.43971						11,482,371.60	33.08
Total publicly traded securities						11,482,371.60	33.08

### Securities admitted to organised markets

#### Equities denominated in TRL

##### Issue country Turkey

AKBANK T.A.S. TN 1	TRAAKBNK91N6	0	220,000	700,000	10.400	1,639,746.74	4.72
EREĞLİ DEM.CEL. REG. TN 1	TRAEREGL91G3	0	0	900,000	9.220	1,869,041.00	5.38
FORD OTOMOTİV SANAYİ TN 1	TRAOTOSN91H6	0	0	90,000	54.350	1,101,761.15	3.17
HACI ÖMER SABANCI TN 1	TRASAHOL91Q5	260,000	300,000	360,000	10.780	874,111.15	2.52
HURRIYET GA.VE MAT. TN 1	TRAHURGZ91D9	3,000,000	0	3,000,000	1.340	905,464.55	2.61
NORTEL NTWKS NETAS TN 1	TRANETAS91H6	100,000	0	100,000	16.850	379,529.29	1.09
TÜRK OTOMOBİL E TN 1	TRATOASO91H3	40,000	75,000	165,000	31.360	1,165,481.53	3.36
TÜRKİYE GAR.BANK.NAM.TN1	TRAGARAN91N1	180,000	220,000	1,280,000	10.840	3,125,249.17	9.00
TÜRKİYE SİSE REG. TN 1	TRASISEW91Q3	31,579	1	355,261	4.510	360,885.53	1.04
TUPRAS TÜRKİYE P.R. TN 1	TRATUPRS91E8	7,000	0	67,000	137.100	2,068,986.49	5.96
TÜRK HAVA YOLLARI AS	TRATHYA091M5	350,000	250,000	950,000	10.510	2,248,908.15	6.48
TÜRKCELL İLETİŞİM TN 1	TRATCELL91M1	600,000	100,000	500,000	14.910	1,679,163.73	4.84
TÜRKİYE İS BANKASI C TN 1	TRAISTR91N2	400,000	900,000	550,000	7.410	917,965.36	2.64

## ESPA STOCK ISTANBUL

Security designation	ISIN number	Purch./ additions Shares/nominal (nom. in 1,000, rounded)	Sales/ disposals	Holding	Price	Value in EUR	% share of fund assets
TURKIYE VAKIFLAR BANK.	TREVKFB00019	550,000	1,635,000	950,000	6.550	1,401,555.51	4.04
ULKER BISKUVI SANAYI TN 1	TREULKR00015	60,000	100,000	220,000	20.160	998,984.17	2.88
VESTEL ELEK. SAN.NA TN 1	TRAVESTL91H6	0	0	190,000	11.020	471,607.38	1.36
YAPI VE KREDI B.NA TN 1	TRAYKBNK91N6	700,000	0	700,000	4.720	744,192.75	2.14
YAZICILAR HLDG AS TN 1	TRAYAZIC91Q6	0	0	125,000	23.560	663,331.61	1.91
Total issue country Turkey						22,615,965.26	65.15
Total equities denominated in TRL translated at a rate of 4.43971						22,615,965.26	65.15
Total securities admitted to organised markets						22,615,965.26	65.15

### Breakdown of fund assets

Securities	34,098,336.86	98.23
Cash in banks	617,846.53	1.78
Interest entitlements	130.69	0.00
Other deferred items	-2,178.69	- 0.01
Fund assets	34,714,135.39	100.00

Dividend shares outstanding	AT0000704333	shares	16,243.451
Share value for dividend share	AT0000704333	EUR	259.37
Non-dividend shares outstanding	AT0000704341	shares	58,356.859
Share value for non-dividend share	AT0000704341	EUR	329.32
KEST-exempt non-dividend shares outstanding	AT0000494893	shares	9,094.211
Share value for KEST-exempt non-dividend share	AT0000494893	EUR	343.41
KEST-exempt non-dividend shares outstanding	AT0000494885	shares	21,794.797
Share value for KEST-exempt non-dividend share	AT0000494885	CZK	8,782.19
KEST-exempt non-dividend shares outstanding	AT0000A09GS5	shares	1,850.871
KEST-exempt non-dividend shares outstanding	AT0000A09GS5	HUF	106,776.48
KEST-exempt non-dividend shares outstanding	AT0000A015E2	shares	113.502
Share value for KEST-exempt non-dividend share	AT0000A015E2	USD	398.92

Repurchase agreements and total return swaps are not used for the fund. If securities lending agreements are in effect on the reporting date, they are reported separately below.

**Explanation on disclosure pursuant to the Delegated Regulation (EU) No. 2016/2251 supplementing Regulation (EU) No. 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories with regard to regulatory technical standards for risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty:**

All OTC derivatives are traded through Erste Group Bank AG.

Collateral in the form of cash or bonds is pledged to Erste Group Bank AG in the amount of the negative exposure of the derivatives.

EUR-denominated government bonds from the Republic of Austria and/or the Federal Republic of Germany are pledged by Erste Group Bank AG to the fund in the amount of the positive exposure of the derivatives. A one-time discount of 4% is agreed with the counterparty for this collateral. Collateral that would require a higher discount pursuant to Annex II to the Delegated Regulation (EU) No. 2016/2251 is not accepted.

**Investor note:**

**The values of assets in illiquid markets may deviate from their actual selling prices.**

**Purchases and sales of securities in the reporting period not listed in the fund portfolio**

Security designation	ISIN number	Purch./ additions Shares/nominal (nom. in 1,000, rounded)	Sales/ disposals
<b>Publicly traded securities</b>			
<b>Equities denominated in TRL</b>			
<b>Issue country Turkey</b>			
ALKIM ALKALI KIMYA TN 1	TRAALKIM91E0	25,000	25,000
COCA COLA ICECEK C TN 1	TRECOLA00011	0	58,000
GOOD YEAR LASTIK. TN 1	TRAGOODY91E9	0	650,000
LOKMAN HEKIM ENG.S.T.	TRELKMH00013	0	300,000
TORUNLAR GAYR.YAT.ORT.TN1	TRETRGY00018	0	300,000
<b>Securities admitted to organised markets</b>			
<b>Equities denominated in TRL</b>			
<b>Issue country Turkey</b>			
ANADOLU E.BIR.M.G. TN 1	TRAEFES91A9	0	60,000
ARCELIK A.S. REG. TN 1	TRAARCLK91H5	100,000	210,000
KARDEMIR KARABUK DEMIR D	TRAKRDMR91G7	500,000	500,000
KOC HLDG NA TN 1	TRAKCHOL91Q8	0	250,000

Vienna, November 2017

ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H.  
Electronically signed

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