

ESPA STOCK RUSSIA

Mutual fund pursuant to the InvFG

Semi-Annual Report 2017

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General Information about the Investment Firm

The company	ERSTE-SPARINVEST Kapitalanlagegesellschaft m. b. H. Am Belvedere 1, A-1100 Vienna Telephone: +43 05 0100-19881, Fax: +43 05 0100-17102
Nominal capital	EUR 4.50 million
Shareholders	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%)
Supervisory Board	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 CEC Regina HABERHAUER Heinrich Hubert REINER, Ing. Peter RIEDERER Manfred ZOUREK, Mag.
Managing directors	Heinz BEDNAR, Mag. Günther MANDL Christian SCHÖN
Prokuristen (proxies)	Achim ARNHOF, Mag. Winfried BUCHBAUER, Mag. Karl FREUDENSCHUSS Dietmar JAROSCH, Dr. Manfred LENTNER Gerold PERMOSER Magdalena REISCHL, Mag. Jürgen SINGER, Mag.
State commissioners	Erwin GRUBER Michael MANHARD, HR Dr.
Auditor	Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.
Custodian bank	Erste Group Bank AG

Dear Shareholder,

We are pleased to present you the following semi-annual report for the ESPA STOCK RUSSIA mutual fund pursuant to the InvFG for the period from 1 June 2017 to 30 November 2017.

Development of the Fund

Market report and portfolio orientation

ESPA STOCK RUSSIA achieved a performance of plus 3.27% in euro terms during the reporting period.

The capital markets were again driven in large part by the expansive monetary policies during the reporting period. Support also came from the fact that the ECB issued signals at its last meeting that it would maintain its expansive monetary policy as well as the fact that the economic data suggest that the economy is delivering solid growth in both the developed and emerging countries and there is no imminent inflationary risk. The ECB left its key rate unchanged. The US dollar started to plummet and lost 3.65% versus the euro. After the OPEC countries promised to cut back their output, the oil price rose by 25% to over USD 63, the highest level seen in the last two years. Metal prices, including copper, enjoyed a very strong market.

As the macroeconomic situation stabilised, Russia was unable to profit and the equity market only rose by 1.84% (as measured by the MSCI Russia 10/40 NetDiv Index in EUR). The price trend was negative at the beginning, as the new US sanctions aggravated the already tense relations with the West. The first solid corporate earnings reports combined with a generally cautious monetary policy approach by the central bank in Moscow then created positive conditions for the exchange in Moscow in August. Especially the declining inflation (to 2.7% yoy at last reckoning) was a positive surprise. The key interest rate was cut to 8.25% in three 100 bp steps. Further rate cuts, as are expected in the coming months, should support the market.

The sector winners on the MICEX in Moscow especially included telecoms (plus 10.88%, EUR, net div), materials producers (including metals and mining plus 9.41%, EUR, net div), and chemicals (plus 4.46%, EUR, net div) because of the relatively high dividend yields and rising commodity prices. Consumer goods, IT, and real estate shares were the losers in the period. The portfolio especially saw a positive contribution from the slight overweighting of materials stocks as well as financials (including Sberbank). IT, consumer goods, and utilities made negative contributions in particular.

The portfolio was broadly diversified and focuses on roughly 30 shares. Derivatives were not used. At the end of the reporting period, the greatest overweightings were in energy stocks (roughly plus 2.05%) and metals and mining (roughly plus 1.69%). The largest underweightings were in utilities (roughly minus 3.05%) and consumer goods (roughly minus 2.90%). The positions in energy shares (including Gazprom, Rosneft, and Lukoil) and materials shares (Norilsk Nickel, MMK, and RusAl) were increased successively over the reporting period. Profits were taken in part with Sberbank, among others. Polyus Gold and Rusal were newly added to the portfolio. The positions in Qiwi, Luxsoft, Acron, and Unipro were sold off entirely. The cash share was also reduced.

Market participants are anxiously awaiting the interest rate lift-off in the USA and its impact on the commodity and FX markets of the emerging economies. High dividend payments and further interest rate cuts by the central bank in Moscow as expected in the coming months should help to support the market.

Asset Allocation

	30 November 2017		31 May 2017	
	EUR millions	%	EUR millions	%
Equities denominated in				
RUB	14.2	44.18	13.2	45.47
USD	17.5	54.58	14.2	48.78
Securities	31.7	98.76	27.4	94.25
Dividend entitlements	-	-	0.1	0.27
Cash in banks	0.4	1.24	1.6	5.48
Other deferred items	-	0.0	-	0.0
Fund assets	32.1	100.00	29.1	100.00

Fund Portfolio as of 30 November 2017

(including changes in securities assets from 1 June 2017 to 30 November 2017)

Security designation	ISIN number	Purch./ additions	Sales/ disposals	Holding	Price	Value in EUR	% share of fund assets
Shares/nominal (nom. in 1,000, rounded)							
Publicly traded securities							
Equities denominated in RUB							
Issue country Russia							
AKTION.KOM.ALROSA RL0.50	RU0007252813	0	110,000	1,150,000	77.870	1,285,728.29	4.00
GAZPROM RL 5	RU0007661625	0	100,000	125,000	132.150	237,169.24	0.74
INTER RAO UES PJSC	RU000A0JPNM1	7,500,000	0	13,966,000	3.686	739,008.85	2.30
MAGNIT PJSC RL-.01	RU000A0JKQU8	4,000	0	15,500	6,359.000	1,415,147.50	4.40
MMC NORILSK NICK.PJSC RL1	RU0007288411	0	0	2,400	9,876.000	340,309.06	1.06
MOBILE TELESYSTEMS RL-.10	RU0007775219	0	0	300,000	284.550	1,225,634.65	3.81
MOSCOW EXCH.MICEX-RTS RL1	RU000A0JR4A1	140,000	0	855,000	124.250	1,525,259.36	4.75
NOVATEK RL 0.10	RU000A0DKVS5	50,000	0	115,000	650.000	1,073,228.96	3.34
ROSNEFT OIL CO. RL-.01	RU000A0J2Q06	50,000	0	140,000	293.600	590,153.89	1.84
ROSTELECOM PJSC RL 0.0025	RU0008943394	0	0	130,000	64.000	119,455.05	0.37
RUSHYDRO PAO RL 1	RU000A0JPKH7	27,000,000	0	75,000,000	0.814	876,530.14	2.73
SBERBANK OF RU. RL 2	RU0009029540	200,000	285,000	715,000	224.350	2,303,102.69	7.17
SBERBANK PFD RL 3	RU0009029557	100,000	70,000	300,000	184.530	794,821.16	2.47
SEVERSTAL RL-.01	RU0009046510	0	0	25,000	924.000	331,660.05	1.03
SURGUTNEFTEGAZ RL 1	RU0008926258	0	0	500,000	27.500	197,416.70	0.61
TMK PAO RL 10	RU000A0B6NK6	0	0	140,000	78.900	158,593.81	0.49
TRANSNEFT PFD RL 1	RU0009091573	0	0	360	178,000.000	920,033.60	2.86
Total issue country Russia						14,133,253.00	43.98
Total equities denominated in RUB translated at a rate of 69.64963						14,133,253.00	43.98

Security designation	ISIN number	Purch./ additions Shares/nominal (nom. in 1,000, rounded)	Sales/ disposals	Holding	Price	Value in EUR	% share of fund assets
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Equities denominated in USD**Issue country Netherlands**

X 5 RETAIL G.GDR REGS 1/4	US98387E2054	0	11,500	9,000	37.100	280,035.22	0.87
Total issue country Netherlands						280,035.22	0.87

Issue country Russia

GAZPROM ADR SP./2 RL 5L 5	US3682872078	280,000	0	655,000	4.470	2,455,254.33	7.64
LUKOIL SP.ADR RL-.025	US69343P1057	10,000	5,000	67,000	55.550	3,121,440.85	9.71
NOVATEK RL 0.10	RU000A0DKVS5	0	0	48,000	11.128	447,956.44	1.39
PHOSAGRO PJSC SP.GDR REGS	US71922G2093	0	0	37,500	15.000	471,757.45	1.47
ROSNEFT OIL GDRREGS RL-01	US67812M2070	30,000	0	220,000	4.933	910,185.77	2.83
SEVERSTAL RL-.01	RU0009046510	0	0	50,000	15.818	663,320.12	2.06
SEVERSTAL GDR S OCT2006 1	US8181503025	15,000	0	37,500	15.540	488,740.72	1.52
SURGUTNEFTEGAZ VZ	RU0009029524	0	0	830,000	0.486	338,317.84	1.05
VTB BK GDR REG.S/1 RL-.01	US46630Q2021	190,000	0	590,000	1.790	885,729.86	2.76
Total issue country Russia						9,782,703.38	30.45
Total equities denominated in USD translated at a rate of 1.19235						10,062,738.60	31.32
Total publicly traded securities						24,195,991.60	75.30

Securities admitted to organised markets**Equities denominated in RUB****Issue country Jersey**

UNITED CO.RUSAL DL -.01	JE00B5BCW814	125,000	0	125,000	35.690	64,052.75	0.20
Total issue country Jersey						64,052.75	0.20
Total equities denominated in RUB translated at a rate of 69.64963						64,052.75	0.20

Equities denominated in USD**Issue country Bermuda**

VEON LTD ADR 1	US91822M1062	0	0	100,000	4.040	338,826.69	1.05
Total issue country Bermuda						338,826.69	1.05

Issue country Jersey

EN+ GROUP PLC GDR REGS	US29355E2081	30,000	0	30,000	12.800	322,053.09	1.00
Total issue country Jersey						322,053.09	1.00

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Security designation	ISIN number	Purch./ additions Shares/nominal (nom. in 1,000, rounded)	Sales/ disposals	Holding	Price	Value in EUR	% share of fund assets
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Issue country Russia

GAZPROM NEFT ADR5/RL-0016	US36829G1076	0	0	32,000	21.300	571,644.23	1.78
LSR GROUP PAO GDR S/5	US50218G2066	0	0	120,000	2.740	275,757.96	0.86
MAGNITOGORSK I+S REGS/13	US5591892048	55,000	0	95,000	10.400	828,615.76	2.58
MEGAFON PJSC RL -.10	US58517T2096	0	0	60,000	9.650	485,595.67	1.51
MMC NOR.NICK.PJSC ADR RL1	US55315J1025	63,000	23,000	87,000	17.365	1,267,039.88	3.94
NOVOLIPETSKIY MET.KO.REGS	US67011E2046	50,000	0	50,000	22.600	947,708.31	2.95
POLYUS PJSC GDR 1/2	US73181M1172	15,000	0	15,000	42.340	532,645.62	1.66
SURGUTNEFTEGAZ ADR/10	US8688612048	0	0	145,000	4.594	558,669.85	1.74
TATNEFT PJSC ADR REG.S 6	US8766292051	0	0	34,000	47.200	1,345,913.53	4.19
Total issue country Russia						6,813,590.81	21.20
Total equities denominated in USD translated at a rate of 1.19235						7,474,470.59	23.26
Total securities admitted to organised markets						7,538,523.34	23.46

Breakdown of fund assets

Securities	31,734,514.94	98.76
Cash in banks	397,977.15	1.24
Other deferred items	-273.38	-0.00
Fund assets	32,132,218.71	100.00

Dividend shares outstanding	AT0000A05S97	shares	1,313,823.955
Share value for dividend share	AT0000A05S97	EUR	5.46
Non-dividend shares outstanding	AT0000A05SA6	shares	2,526,077.692
Share value for non-dividend share	AT0000A05SA6	EUR	6.59
KEST-exempt non-dividend shares outstanding	AT0000A09GQ9	shares	216,867.366
Share value for KEST-exempt non-dividend share	AT0000A09GQ9	HUF	2,081.35
KEST-exempt non-dividend shares outstanding	AT0000A08EG7	shares	783,156.706
Share value for KEST-exempt non-dividend share	AT0000A08EG7	CZK	169.77
KEST-exempt non-dividend shares outstanding	AT0000A08EF9	shares	247,605.348
KEST-exempt non-dividend shares outstanding	AT0000A08EF9	EUR	6.65

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
Publicly traded securities			
Equities denominated in RUB			
Issue country Russia			
ACRON RL 5	RU0009028674	0	5,800
SISTEMA PJSFC	RU000A0DQZE3	0	520,000
UNIPRO PJSC	RU000A0JNGA5	0	4,800,000

Security designation	ISIN number	Purch./ additions Shares/nominal (nom. in 1,000, rounded)	Sales/ disposals
Equities denominated in USD			
Issue country Russia			
MAGNIT PJSC RL-01	RU000A0JKQU8	0	3,700
MMC NORILSK NICK.PJSC RL1	RU0007288411	0	2,200
Issue country British Virgin Islands			
LUXOFT HOLDING INC. A	VGG572791041	0	3,500
Securities admitted to organised markets			
Equities denominated in USD			
Issue country Cyprus			
QIWI B SP.ADRS 1/EO-.0005	US74735M1080	0	8,500

Vienna, December 2017

ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H.
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