

# **ESPA RESERVE EURO**

**Mutual fund pursuant to the InvFG**

Annual Report 2016/17

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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 SCHAUFLENER, Mag. (FH) Reinhard WALTL, Mag. Appointed by the Works Council: Martin CECH (from 23 December 2016) Regina HABERHAUER, Mag. (FH) Dieter KERSCHBAUM, Mag. (until 22 December 2016) Gerhard RAMBERGER, Mag. (until 22 December 2016) Heinrich Hubert REINER, Ing. (from 23 December 2016) Peter RIEDERER (from 23 December 2016) Herbert STEINDORFER (until 22 December 2016) Manfred ZOUREK, Mag. (from 23 December 2016)
<b>Managing directors</b>	Heinz BEDNAR, Mag. Markus KALLER, Mag. (until 31 January 2017) Günther MANDL Christian SCHÖN
<b>Prokuristen (proxies)</b>	Achim ARNHOF, Mag. Karl BRANDSTÖTTER, Mag. (until 3 February 2017) Winfried BUCHBAUER, Mag. Karl FREUDENSCHUSS Dietmar JAROSCH, Dr. Manfred LENTNER Gerold PERMOSER 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

**Remuneration paid to employees of ERSTE-SPARINVEST KAG in EUR  
(financial year 2016 of ERSTE-SPARINVEST KAG)**

No investment success bonuses are paid, and no other amounts are paid directly from the investment funds.

Number of employees as of 31.12.16	131
Number of risk bearers as of 31.12.16	50
Fixed remuneration	10,429,401
Variable remuneration (bonuses)	2,748,322
<b>Total employee remuneration</b>	<b>13,177,723</b>
Thereof remuneration for managing directors	825,229
Thereof remuneration for managers and risk bearers	874,580
Thereof remuneration for risk bearers with controlling functions*	905,860
Thereof remuneration for other risk bearers	4,345,437
Thereof remuneration for employees at the same pay grade as managers and risk bearers due to the amount of their total remuneration	0
<b>Total remuneration for risk bearers</b>	<b>6,951,106</b>

\* Includes the Head of Compliance

**Principles governing performance-based remuneration components**

The Management Company has adopted remuneration principles to prevent possible conflicts of interest and to ensure compliance with the standard rules of conduct when awarding remuneration to relevant persons.

Fixed salary components make up a large enough share of the total remuneration of all employees of the Management Company that a variable remuneration policy can be applied on an individualised basis.

The total remuneration (fixed and variable components) is governed by the principle of balance and is linked to sustainability so that the acceptance of excessive risks is not rewarded. Therefore, the variable remuneration forms no more than a balanced portion of the total remuneration awarded to an employee.

The performance-based remuneration components serve the short-term and long-term interests of the Management Company and contribute to preventing risky behaviour. The performance-based remuneration components take into account the personal performance as well as the profitability of the Management Company.

The size of the bonus pool is calculated based on the bonus potential that can be applied to the different employee categories. Bonus potential is a percentage of the fixed gross annual remuneration. The bonus potential can be no more than 100% of the fixed annual gross remuneration. The bonus pool is adjusted depending on the success of the Management Company. The personal bonus is linked to personal performance. The total of personal bonuses is limited by the size of the bonus pool after deduction of penalties.

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## ESPA RESERVE EURO

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The performance-based payments are capped at 100% of the gross annual remuneration for all employees, including the material risk bearers (according to the definition in the remuneration policy) and managing directors of the Management Company.

The remuneration system is made up of three components:

- 1) Fixed remuneration
- 2) Variable remuneration
- 3) Fringe benefits

The bonus potential is based on the fixed annual gross remuneration. The target agreements concluded with the employees contain qualitative and/or quantitative objectives. The qualitative objectives must make up at least 25%. The payment of performance-based remuneration components is subject to a minimum profitability level for the Management Company and to performance targets.

Sixty percent of the performance-based remuneration components are paid directly; for employees who are involved directly in fund and portfolio management, 50% of this is paid immediately in cash and 50% is paid one year later in the form of non-cash instruments. The remaining 40% of the performance-based remuneration components are retained and paid out over a period of three years, with 50% of this also being paid in cash and 50% in the form of non-cash instruments for employees who are involved directly in fund and portfolio management. The non-cash instruments can consist of shares in an investment fund that is administered by the Management Company, equivalent holdings or instruments linked to shares, or equivalent non-cash instruments. Based on the principle of proportionality, the Management Company has set a materiality threshold below which there is no incentive to enter into inappropriate risks, for which reason there is no need to make delayed payment or payment in the form of a non-cash instrument. Other non-cash benefits are fringe benefits that are not associated with performance but with a specific position (e.g. company car) or that apply for all employees (e.g. holiday).

The Supervisory Board of the Management Company has set up a Remuneration Committee to ensure that the remuneration policy and its application are independently assessed. This committee consists of the following persons: Wolfgang Traindl (remuneration expert), Franz-Nikolaus Hörmann, and Heinrich Hubert Reiner.

The complete remuneration policy of the Management Company can be viewed at [http://www.erste-am.at/de/private\\_anleger/wer-sind-wir/investmentprozess](http://www.erste-am.at/de/private_anleger/wer-sind-wir/investmentprozess).

The last audit of compliance with the requirements of the remuneration policy by the Supervisory Board on 30 March 2017 revealed no deviations. There were also no material findings during the last audit by the Internal Auditing department in July 2017.

No material changes were made to the remuneration policy during the past financial year.

## Dear Shareholder,

We are pleased to present you the following annual report for the ESPA RESERVE EURO mutual fund pursuant to the InvFG for the period from 1 September 2016 to 31 August 2017.

## Development of the Fund

### Market environment

In global terms, the positive economic conditions improved further and the gap between actual production and the potential product narrowed. This was facilitated by a supportive environment framed by continued accommodative monetary policy for the most part plus low commodity prices (especially oil) and the associated low inflation rates. The downside risks stemming from political developments increased, for example from the initiation of the United Kingdom's exit from the EU, extremely polarising elections in key economic countries, budding trade protectionism, and sometimes surprising moves of the US administration. These factors had no notable negative impact, however. Many emerging markets found solid ground again after their downtrends and seem to have passed their lows. The commodity-exporting countries had begun adapting to the low prices. After an unexpected agreement was reached by OPEC on output cuts at the end of November, which Russia also signed, the oil price was somewhat higher at least until February. China was growing "as planned" in accordance with the government requirements. The high level of private debt rose further at the same time despite the measures taken by the authorities to counter this trend. The developed economies gained momentum. The USA has reached full employment. Donald Trump's victory in the presidential elections on 8 November was a serious blow. However, his sometimes poorly-thought-out announcements have proven difficult to implement to date, in part because the high budget deficit is substantially limiting the potential for government spending and tax cuts. Despite the outcome of the Brexit referendum and the initiated process to exit the EU, the upswing continued in the United Kingdom and was driven by domestic demand and high net exports. A certain degree of slowing was apparent at the end of the period as a result of decreasing consumer spending. The fundamental economic trend in Japan was moderately encouraging thanks to domestic demand and exports.

In the Eurozone, the relatively friendly economic conditions were boosted further by the global upswing. Gross domestic product most recently grew by 2.1% in annual comparison. The low productivity growth was problematic. In foreign trade, the Eurozone profited primarily from increasing demand from Asia while the USA in particular made a negative contribution. Private domestic consumption was again the true solid pillar for the invigoration of the economy. Here, low inflation and increasing investment income boosted disposable real consumer income. Conditions in the investment goods sector have improved. The still high jobless rate of 9.1% at last reckoning has declined steadily since April 2013, but only at a very slow pace. This excess capacity on the labour market headed off wage inflation. Britain leaving the EU has yet to have any major effect on the real Eurozone economy, and the effects that have been felt were only regional in nature. The parliamentary elections that have been held or that will be held in key euro countries such as the Netherlands, France, Italy, and Germany caused political uncertainty. The individual regions continued to develop differently. All in all, the still slightly expansive monetary policy in the currency union in 2016 moved towards a neutral orientation in 2017. However, this is primarily the result of the good development of the interest rate growth differential as opposed to being driven by structural policy measures.

It was problematic that the major euro countries – Italy with its ailing banking sector, Spain, and also France – were making such limited progress in the consolidation of their budgets. By contrast, Germany achieved a slight budget surplus.

Monetary policy remained expansive for the most part around the world, though some major economies began gradually slowing the pace at which the money supply is being increased in response to the strengthening signs that inflation has bottomed out and that disinflationary forces have waned. Consumer price inflation in the Eurozone reached 1.3% according to initial calculations. The fragmentation here made it difficult to apply a uniform monetary policy. The ECB deployed a massive monetary policy arsenal. The main refinancing rate was kept at 0%. It employed a supplementary instrument, targeted longer-term refinancing operations. It again gradually expanded its already enormous balance sheet to over EUR 4.2 trillion in multiple steps. To this end, it executed a massive securities purchasing programme together with the national euro central banks to the tune of around EUR 80 billion per month and with an initially planned duration until March 2017. This programme was then extended until at least December 2017 with a reduced volume of EUR 60 billion. The eligible bonds consisted primarily of government bonds but also include bonds from supranational entities, financing entities for investment projects that are in the public interest, covered bonds, asset backed securities, and corporate bonds from companies other than banks. The interest rate for the extremely short-term deposit facility remained negative at minus 0.40%. The massive monetary policy easing indirectly supported all asset classes. Money market rates were essentially locked into negative territory. For example, the three-month Euribor, which is an important reference value for many forms of variable-rate savings and credit, persisted at minus 0.33% p.a. at the end of the reporting period. The bank deposit rates were negative for the most part above 12 months. The consistently good economic data from the USA and the inflation trend caused the Federal Open Market Committee to lift the key rate corridor from 0.25%–0.50% to 1.00%–1.25% in three 25-basis-point steps in December 2016, March 2017, and June 2017. The Bank of Japan maintained its policy aimed at radically increasing the money supply. It placed its focus on targeted management of the yield curve.

The bond markets were dominated by the low interest rate environment in the Eurozone and Japan, as has been the case for some time. The securities purchasing programme of the ECB and the national euro central banks provided considerable price support. However, the ECB purchases of course pulled liquidity out of the market, which in turn led to higher price volatility. Despite the permanent flood of money from the ECB, the euro government bond market suffered substantial price losses due to the increase in interest rates. Only inflation-protected government bonds were able to buck this trend and even closed the period with a marginal gain overall. Yields on ten-year German government bonds rose from a low of minus 0.2% to as high as plus 0.6%. Risk premiums widened noticeably until April – more substantially for the weaker debtor nations and dramatically for Italy, where attention increasingly shifted to problems in the national financial sector and political instability, and the situation started to look more and more precarious. They fell again afterwards. Yields on ten-year Spanish and Italian government bonds were most recently 1.0 and 1.6 percentage points higher than for Germany, respectively. The AAA euro government bond yield curve turned upward sharply from two years onward in annual comparison, becoming steeper for all maturities. Corporate bonds at all rating levels profited from the direct ECB purchases. Prices were again driven by the search for attractive earnings potential, with investors exhibiting considerable risk affinity. Departing from the earlier standardised terms, issuers began differentiating with regards to creditor rights. In the financial sector, this was due primarily to more complex and in part country-specific regulations. The ECB's purchases stabilised prices but wiped out the liquidity in trading and pushed investors out of the primary market. The data also showed that the targeted longer-term refinancing operations of the ECB withdrew a significant level of issue potential from the market. Political uncertainties also put a damper on market activity. It came as no surprise that the issue volume was well below the expectations. Some issuers floated longer maturities before the summer break so as not to be hit by potentially reduced ECB purchases in the autumn. The lack of market depth gave rise to sustained latent volatility risks, but the extent of the price fluctuations was low compared with government bonds.

### **Investment policy**

The expansive monetary policy of the European Central Bank prevented any broadly diversified investment strategies on the money market. The massive liquidity measures of the ECB caused persistently negative deposit rates on the interbank market, especially the deposit rate for banks of minus 0.4% dictated by the monetary policy strategy. The deposit surplus at banks also depressed the three-month Euribor to an average of around minus 0.31% in the reporting period. The yield (Euribor plus term and rating risk in bp) on investment grade bonds fell continuously due to the good overall economic conditions in the Eurozone and the massive excess demand for bank and corporate bonds. Short-running issues were in high demand in an environment of low market liquidity and were very expensive, which also explains the unusually high level of cash held by the fund. The average rating of the portfolio is A-. Despite the difficult market conditions and negative money market rates, the fund generated a positive performance of 0.11% after costs in the reporting period.

## Method of Calculating Overall Risk

Method of calculating overall risk:		Commitment approach
Reference assets used:		-
Value at risk:	Lowest value:	-
	Average value:	-
	Highest value:	-
Model used:		-
Leverage* when using the value-at-risk calculation method:		-
Leverage** according to § 4 of the 4 <sup>th</sup> Derivatives Risk Measurement and Reporting Regulation:		-

- \* Total nominal values of derivative instruments without taking into account offsetting and hedging (item 8.5. Schedule B InvFG 2011).
- \*\* Total derivative risk taking offsetting and hedging into account = total of the equivalent values of the underlying assets as a percentage of the fund assets.

## Asset Allocation

	31 August 2017		31 August 2016	
	EUR millions	%	EUR millions	%
Bonds denominated in EUR	446.0	83.74	411.5	92.21
Securities	446.0	83.74	411.5	92.21
Cash in banks	86.3	16.21	34.6	7.74
Interest entitlements	0.3	0.05	0.2	0.05
Other deferred items	- 0.0	- 0.01	- 0.0	- 0.00
<b>Fund assets</b>	<b>532.5</b>	<b>100.00</b>	<b>446.2</b>	<b>100.00</b>

## Comparative Overview (in EUR)

Financial year	Fund assets	Value development in per cent 1)
2011/12	416,530,523.34	+ 1.69
2012/13	419,144,089.41	+ 0.49
2013/14	451,947,258.40	+ 0.55
2014/15	434,235,261.04	+ 0.08
2015/16	446,226,686.04	+ 0.17
2016/17	532,547,352.59	+ 0.11

Financial year	Dividend shares		Non-dividend shares			KESt-exempt non-dividend shares	
	Calculated value per share	Disbursement	Calculated value per share	Reinvested earnings	Payment in accordance with § 58 (2) InvFG	Calculated value per share	Reinvested KESt-exempt earnings
2011/12	1,007.85	13.53	1,261.81	14.11	4.22	1,265.67	18.37
2012/13	999.22	4.20	1,263.77	5.67	1.32	1,271.89	8.49
2013/14	1,000.52	4.79	1,269.43	5.28	1.52	1,278.91	6.85
2014/15	996.53	2.03	1,268.92	1.93	0.64	1,279.94	2.58
2015/16	996.23	0.7500	1,270.49	0.0000	0.0000	1,282.17	0.0000
2016/17	996.56	0.5000	1,271.87	0.0000	0.0000	1,283.56	0.0000

1) Assuming the reinvestment of all paid dividends at their nominal value on the day of disbursement.

## Disbursement/Payment

The following disbursement or payment will be made for the financial year from 1 September 2016 to 31 August 2017. The coupon-paying bank is obligated to withhold capital gains tax from this disbursement if the respective investor is not exempt from the payment of this tax.

The disbursement or payment will be effected on or after 15 December 2017 at

Erste Group Bank AG, Vienna,

and the respective bank managing the Shareholder's securities account.

Fund type	ISIN	Currency	Disbursement/ payment		KES with option declaration	KES w/o option declaration	Reinvestment
Dividend shares	AT0000724299	EUR	0.5000		0.0000	0.0000	-
Non-dividend shares	AT0000724307	EUR	0.0000		0.0000	0.0000	0.0000
KES-exempt non- dividend shares	AT0000A0H8D4	EUR	-	*	-	-	0.0000

\* Pursuant to the penultimate sentence of § 58 (2) of the Austrian Investment Fund Act, no capital gains tax will be paid.

## Income Statement and Changes in Fund Assets

### 1. Value Development over the Financial Year (Fund Performance)

Calculation according to the OeKB method per share in the share currency not accounting for an issue premium

<b>AT0000724299 dividend shares EUR</b>	
Share value at the beginning of the reporting period (57,129.150 shares)	996.23
Disbursement/payment on 13.12.2016 (corresponds to roughly 0.0008 shares at a calculated value of 994.65)	0.7500
Share value at the end of the reporting period (75,075.106 shares)	996.56
Total value including (notional) shares gained through disbursement/payment	997.31
Net earnings per share	1.08
<b>Value development of one share in the period</b>	<b>0.11%</b>

<b>AT0000724307 non-dividend shares EUR</b>	
Share value at the beginning of the reporting period (301,967.758 shares)	1,270.49
Disbursement/payment on 13.12.2016 (corresponds to roughly 0.0000 shares at a calculated value of 1,269.44)	0.0000
Share value at the end of the reporting period (357,028.194 shares)	1,271.87
Total value including (notional) shares gained through disbursement/payment	1,271.87
Net earnings per share	1.38
<b>Value development of one share in the period</b>	<b>0.11%</b>

<b>AT0000A0H8D4 KEST-exempt non-dividend shares EUR</b>	
Share value at the beginning of the reporting period (4,417.250 shares)	1,282.17
Disbursement/payment	0.0000
Share value at the end of the reporting period (2,831.956 shares)	1,283.56
Total value including (notional) shares gained through disbursement/payment	1,283.56
Net earnings per share	1.39
<b>Value development of one share in the period</b>	<b>0.11%</b>

## **2. Fund Result**

### **a. Realised fund result**

#### **Ordinary fund result**

##### **Income (without profit or loss from price changes)**

Interest income (excluding income adjustment) 836,025.93

Dividend income 0.00

Other income 8) 4,526.74

Total income (without profit or loss from price changes) 840,552.67

**Interest paid** - 142,063.00

##### **Expenses**

Fees paid to Investment Firm - 613,343.44

Costs for the financial auditor and tax consultation - 8,875.00

Publication costs - 41,169.33

Securities account fees - 117,508.72

Custodian bank fees - 49,492.10

Costs for the external consultant 0.00

Total expenses - 830,388.59

Compensation for management costs from sub-funds 1) 0.00

**Ordinary fund result (excluding income adjustment) - 131,898.92**

#### **Realised profit or loss from price changes 2) 3)**

Realised gains 4) 140,818.97

Realised losses 5) - 553,354.51

**Realised profit or loss from price changes (excluding income adjustment) - 412,535.54**

**Realised fund result (excluding income adjustment) - 544,434.46**

### **b. Unrealised profit or loss from price changes 2) 3)**

Changes in the unrealised profit or loss from price changes 7) 1,107,464.92

**Result for the reporting period 6) 563,030.46**

### **c. Income adjustment**

Income adjustment for income in the period 15,740.65

Income adjustment for profit carried forward from dividend shares 129,032.12

**Overall fund result 707,803.23**

### **3. Changes in Fund Assets**

<b>Fund assets at the beginning of the reporting period</b>	<b>446,226,686.04</b>
<b>Disbursement/payment in the financial year</b>	<b>- 38,171.82</b>
<b>Issue and return of shares</b>	<b>85,651,035.14</b>
<b>Overall fund result</b>	
(The fund result is shown in detail under item 2.)	<b>707,803.23</b>
<b>Fund assets at the end of the reporting period</b>	<b><u>532,547,352.59</u></b>

- 1) Reimbursements (in the sense of commissions) paid by third parties are forwarded to the fund after deduction of any associated costs. Erste Bank der oesterreichischen Sparkassen AG receives 25% of the calculated commissions to cover administrative costs.
- 2) Realised profits and losses are not calculated precisely for the specific periods, which means that they, as is the case for the changes in the unrealised profit or loss, are not necessarily congruent with the changes in the value of the fund in the reporting year.
- 3) Total profit or loss from price changes without income adjustment (realised profit or loss from price changes, without income adjustment, plus changes in the unrealised profit or loss): EUR 694,929.38.
- 4) Thereof profits from transactions with derivative financial instruments: EUR 0.00.
- 5) Thereof losses from transactions with derivative financial instruments: EUR 0.00.
- 6) The result for the financial year includes explicitly reported transaction costs in the amount of EUR 0.00.
- 7) Thereof changes in unrealised gains EUR 1,150,916.04 and unrealised losses EUR -43,451.12.
- 8) The earnings reported under this item can be attributed to lending fees from securities lending transactions conducted with Erste Group Bank AG in the amount of EUR 4,526.74, to earnings from real estate funds in the amount of EUR 0.00, and to other earnings in the amount of EUR 0.00.

## Fund Portfolio as of 31 August 2017

(including changes in securities assets from 1 September 2016 to 31 August 2017)

Security designation	ISIN number	Interest rate	Purch./ additions	Sales/ disposals	Holding Shares/nominal (nom. in 1,000, rounded)	Price	Value in EUR	% share of fund assets
<b>Publicly traded securities</b>								
<b>Bonds denominated in EUR</b>								
<b>Issue country Denmark</b>								
DANSKE BK 14/18 FLR MTN	XS1139303736	0.019	0	0	9,000	100.385	9,034,650.00	1.70
Total issue country Denmark							9,034,650.00	1.70
<b>Issue country France</b>								
BPCE S.A. 17/22 FLR MTN	FR0013241130	0.722	1,500	0	1,500	102.755	1,541,325.00	0.29
Total issue country France							1,541,325.00	0.29
<b>Issue country Great Britain</b>								
COCA-COLA EU.P. 16/17 FLR	XS1415534889	0.000	1,900	0	5,500	100.088	5,504,862.00	1.03
Total issue country Great Britain							5,504,862.00	1.03
<b>Issue country Italy</b>								
INTESA SAN. 17/22 FLR MTN	XS1599167589	0.620	5,000	0	5,000	102.035	5,101,750.00	0.96
Total issue country Italy							5,101,750.00	0.96
<b>Issue country Canada</b>								
DAIMLER CDA FIN.15/18 FLR	DE000A1Z4800	0.000	0	0	1,600	100.038	1,600,608.00	0.30
Total issue country Canada							1,600,608.00	0.30
<b>Issue country Netherlands</b>								
ABN AMRO BANK 16/19 FLR	XS1344520728	0.169	0	0	5,000	100.670	5,033,500.00	0.95
Total issue country Netherlands							5,033,500.00	0.95
<b>Issue country Norway</b>								
DNB BANK 15/20 FLR MTN	XS1165750198	0.000	2,500	0	12,000	100.615	12,073,800.00	2.27
DNB BANK 15/20 FLR MTN	XS1275834395	0.020	10,000	0	10,000	100.780	10,078,000.00	1.89
Total issue country Norway							22,151,800.00	4.16
<b>Issue country Sweden</b>								
NORDEA BK 15/20 FLR MTN	XS1242968979	0.000	500	0	11,000	100.740	11,081,400.00	2.08
SKAND. ENSK. 15/20 FLR MTN	XS1291152624	0.139	3,000	0	8,000	101.185	8,094,800.00	1.52
Total issue country Sweden							19,176,200.00	3.60

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Security designation	ISIN number	Interest rate	Purch./ additions Shares/	Sales/ disposals nominal (nom. in 1,000, rounded)	Holding	Price	Value in EUR	% share of fund assets
<b>Issue country Switzerland</b>								
UBS AG LDN 17/19 FLR MTN	XS1673620107	0.000	8,000	0	8,000	100.780	8,062,400.00	1.51
Total issue country Switzerland							8,062,400.00	1.51
<b>Issue country Spain</b>								
SANTANDER INTL. 15/20 FLR	XS1195284705	0.271	3,000	0	9,900	100.952	9,994,255.43	1.88
Total issue country Spain							9,994,255.43	1.88
Total bonds denominated in EUR							87,201,350.43	16.37
Total publicly traded securities							87,201,350.43	16.37
<b>Securities admitted to organised markets</b>								
<b>Bonds denominated in EUR</b>								
<b>Issue country Belgium</b>								
AB INBEV 14/18 FLR MTN	BE6265140077	0.049	0	0	5,000	100.200	5,010,000.00	0.94
AB INBEV 16/20 FLR MTN	BE6285450449	0.421	0	0	4,000	101.630	4,065,200.00	0.76
Total issue country Belgium							9,075,200.00	1.70
<b>Issue country Denmark</b>								
NYKREDIT 14/19 FLR MTN	LU1105951401	0.220	6,700	0	6,700	100.660	6,744,220.00	1.27
NYKREDIT 13/18 MTN	LU0921853205	1.750	1,500	0	1,500	101.365	1,520,475.00	0.29
NYKREDIT BK 15/17 FLR MTN	XS1242841127	0.000	0	0	1,500	100.108	1,501,615.50	0.28
Total issue country Denmark							9,766,310.50	1.83
<b>Issue country Germany</b>								
COMMERZBANK 17/22 VAR880	DE000CZ40L22	0.421	2,000	0	2,000	101.761	2,035,222.00	0.38
DAIMLER MTN 15/17	DE000A161515	0.000	0	0	4,700	99.980	4,699,060.00	0.88
DAIMLER MTN 16/19	DE000A169GZ7	0.199	1,000	0	1,000	100.465	1,004,650.00	0.19
DEKA MTN IS.16/18	XS1354256643	0.171	0	0	3,000	100.220	3,006,600.00	0.56
DT.BANK MTN 14/19	DE000DB7XHMO	0.219	0	0	7,000	100.380	7,026,600.00	1.32
DT.BANK MTN 14/21	DE000DB7XJC7	0.320	5,000	0	5,000	100.345	5,017,250.00	0.94
DT.BANK MTN 16/18	DE000DL19SS0	0.569	2,000	0	8,000	100.436	8,034,880.00	1.51
DVB BANK IS.17/20	XS1562586955	0.572	1,000	0	1,000	101.290	1,012,900.00	0.19
LBBW MTN.15/17 754	XS1296548214	0.121	5,000	0	10,000	100.003	10,000,300.00	1.88
SAP SE MTN FLR 15/20	DE000A14KJE8	0.000	0	0	2,000	100.475	2,009,500.00	0.38
VOLKSW.FIN.SERV.MTN.15/17	XS1216646825	0.000	1,000	0	2,000	100.020	2,000,400.00	0.38
VOLKSWAGEN LEASING 17/21	XS1642546078	0.121	3,000	0	3,000	99.710	2,991,300.00	0.56
Total issue country Germany							48,838,662.00	9.17
<b>Issue country France</b>								
BNP PARIBAS 13/18 MTN	XS0872705057	1.500	3,000	0	3,000	100.965	3,028,950.00	0.57
BNP PARIBAS 15/19 FLR MTN	XS1280841427	0.171	4,000	0	9,000	100.885	9,079,650.00	1.70
BNP PARIBAS 15/20 FLR MTN	XS1167154654	0.069	2,000	0	7,500	100.780	7,558,500.00	1.42
BQUE F.C.MTL 16/20FLR MTN	XS1426782170	0.141	5,000	0	5,000	101.050	5,052,500.00	0.95

Security designation	ISIN number	Interest rate	Purch./ additions Shares/nominal (nom. in 1,000, rounded)	Sales/ disposals	Holding	Price	Value in EUR	% share of fund assets
DANONE 16/18 FLR MTN	FR0013216884	0.000	1,500	0	1,500	100.305	1,504,575.00	0.28
HSBC FR 15/19 FLR MTN	FR0013062684	0.221	0	0	2,500	101.035	2,525,875.00	0.47
STE GENERALE 15/18FLR MTN	XS1264495000	0.098	3,000	0	3,000	100.375	3,011,250.00	0.57
STE GENERALE 16/18FLR MTN	XS1369605123	0.019	0	0	2,000	100.160	2,003,200.00	0.38
STE GENERALE 17/22FLR MTN	XS1586146851	0.519	5,000	0	5,000	101.645	5,082,250.00	0.95
Total issue country France							38,846,750.00	7.29
<b>Issue country Great Britain</b>								
HSBC HLDGS 17/22 FLR MTN	XS1586214956	0.369	10,000	0	10,000	101.370	10,137,000.00	1.90
LLOYDS BANK 14/19 FLR MTN	XS1109333986	0.120	1,200	0	6,200	100.790	6,248,980.00	1.17
Total issue country Great Britain							16,385,980.00	3.08
<b>Issue country Canada</b>								
DAIMLER CDA FIN.14/17FLR	DE000A1ZE7J5	0.019	6,000	0	8,000	100.015	8,001,200.00	1.50
Total issue country Canada							8,001,200.00	1.50
<b>Issue country Netherlands</b>								
BMW FIN. NV 15/18 FLR MTN	XS1239103465	0.000	0	0	9,000	99.915	8,992,350.00	1.69
BMW FIN. NV 17/19 FLR MTN	XS1618349804	0.000	5,000	0	5,000	100.295	5,014,750.00	0.94
DAIMLER INTL FIN.17/22FLR	DE000A19HBM3	0.000	11,000	0	11,000	99.745	10,971,950.00	2.06
DT. BAHN FIN.14/22FLR MTN	XS1107266782	0.000	0	0	1,000	100.925	1,009,250.00	0.19
DT.TELEK.INTL F.16/20 MTN	XS1382791892	0.019	6,000	0	16,000	100.630	16,100,800.00	3.02
ING BK NV 13/18 MTN	XS0895722071	1.875	2,000	0	2,000	101.075	2,021,500.00	0.38
NED. GASUNIE 15/18FLR MTN	XS1307993292	0.039	0	0	2,000	100.285	2,005,700.00	0.38
RABOBK NEDERLD 07/17 FLR	XS0313145772	0.000	0	0	8,500	100.040	8,503,400.00	1.60
RABOBK NEDERLD 15/20 FLR	XS1239520494	0.000	7,000	0	15,000	100.700	15,105,000.00	2.84
SHELL INTL FIN. 15/19 MTN	XS1292468987	0.069	0	0	5,000	100.715	5,035,750.00	0.95
UNILEVER 15/18 FLR MTN	XS1241577060	0.000	4,500	0	15,500	100.132	15,520,460.00	2.91
VOLKSWAGEN INTL 15/18 FLR	XS1167637294	0.000	600	0	8,900	100.055	8,904,895.00	1.67
VOLKSWAGEN INTL 17/19 FLR	XS1586555515	0.019	10,000	0	10,000	100.080	10,008,000.00	1.88
Total issue country Netherlands							109,193,805.00	20.50
<b>Issue country Austria</b>								
HYPO NOE GRUPPE BK 13/18	XS0921670385	1.625	6,500	0	6,500	101.110	6,572,150.00	1.23
RAIF.BK INT. 13/17 FLR 38	AT000B013149	0.420	2,700	0	2,700	100.102	2,702,757.56	0.51
RAIF.BK INT. 13/18 FLR 39	AT000B013156	0.570	2,000	0	2,000	100.746	2,014,919.20	0.38
RAIF.BK INT. 16/18 FLR	AT000B013719	0.669	8,000	0	8,000	100.500	8,039,994.88	1.51
RAIF.BK INT. 16/18FLR MTN	AT000B013818	0.671	500	0	2,500	100.585	2,514,625.00	0.47
RAIF.LABA NO 15-18 FLR 20	AT000B078100	0.271	3,000	0	3,000	100.694	3,020,827.47	0.57
UNICR.BK AUS. 13/18 MTN	XS0881544281	2.625	6,000	0	6,000	101.155	6,069,300.00	1.14
Total issue country Austria							30,934,574.11	5.81
<b>Issue country Sweden</b>								
SBAB 15/18 FLR MTN	XS1241559910	0.000	4,000	0	15,000	100.265	15,039,765.00	2.82
Total issue country Sweden							15,039,765.00	2.82

## ESPA RESERVE EURO

Security designation	ISIN number	Interest rate	Purch./ additions	Sales/ disposals	Holding Shares/nominal (nom. in 1,000, rounded)	Price	Value in EUR	% share of fund assets
<b>Issue country Switzerland</b>								
CS AG LDN 14/17 FLR MTN	XS1079975808	0.119	0	0	3,000	100.135	3,004,050.00	0.56
CS AG LDN 15/18 FLR MTN	XS1247516088	0.121	2,000	0	10,000	100.345	10,034,500.00	1.88
CS AG LDN 16/18 FLR MTN	XS1366341433	0.119	8,000	0	8,000	100.195	8,015,600.00	1.51
UBS GROUP FDG 17-22 FLR	CH0359915425	0.371	10,000	0	10,000	101.095	10,109,500.00	1.90
Total issue country Switzerland							31,163,650.00	5.85
<b>Issue country USA</b>								
B.A.T. CAP. 17/21 FLR MTN	XS1664643746	0.171	1,500	0	1,500	100.355	1,505,325.00	0.28
BANK AMERI. 16/19 FLRMTN	XS1458405112	0.171	4,000	0	4,000	100.690	4,027,600.00	0.76
BMW US CAP 15/18 FLR MTN	DE000A1ZZ002	0.000	0	0	5,900	100.140	5,908,260.00	1.11
BMW US CAP 15/19 FLR MTN	DE000A1Z6M04	0.051	0	0	3,000	100.360	3,010,800.00	0.57
GOLDMAN S.GRP 17/22 FLR	XS1577427526	0.301	5,000	0	5,000	100.510	5,025,500.00	0.94
MORGAN STANLEY 16/19FLR G	XS1529837947	0.171	2,000	0	2,000	100.360	2,007,200.00	0.38
MORGAN STANLEY 17/22FLR J	XS1603892065	0.371	4,000	0	4,000	100.865	4,034,600.00	0.76
WELLS FARGO 15/20 FLR MTN	XS1240966348	0.091	10,000	0	10,000	100.580	10,058,000.00	1.89
WELLS FARGO 17/22 FLR MTN	XS1558022866	0.171	5,900	0	5,900	100.630	5,937,170.00	1.11
Total issue country USA							41,514,455.00	7.80
Total bonds denominated in EUR							358,760,351.61	67.37
Total securities admitted to organised markets							358,760,351.61	67.37
<b>Breakdown of fund assets</b>								
Securities							445,961,702.04	83.74
Cash in banks							86,345,331.67	16.21
Interest entitlements							271,027.44	0.05
Other deferred items							-30,708.56	-0.01
Fund assets							532,547,352.59	100.00
Dividend shares outstanding	AT0000724299			shares	75,075.106			
Share value for dividend share	AT0000724299			EUR	996.56			
Non-dividend shares outstanding	AT0000724307			shares	357,028.194			
Share value for non-dividend share	AT0000724307			EUR	1,271.87			
KEST-exempt non-dividend shares outstanding	AT0000A0H8D4			shares	2,831.956			
Share value for KEST-exempt non-dividend share	AT0000A0H8D4			EUR	1,283.56			

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	Interest rate	Purch./ additions	Sales/ disposals
Shares/nominal (nom. in 1,000, rounded)				
<b>Publicly traded securities</b>				
<b>Bonds denominated in EUR</b>				
<b>Issue country Belgium</b>				
BELFIUS BK 15/16 FLR MTN	BE6278549306	0.000	0	3,000
<b>Issue country Germany</b>				
DT.BK.LD.MTN.15/17	XS1277082316	0.071	1,500	1,500
DT.HYP.BK.MTN.IS.S.441	DE000DHY4416	0.000	0	5,000
DT.PFBR.BANK PF.R.15219	DE000A1X3LY7	0.000	0	5,000
NORDLB IS.S.1913 VAR	DE000NLB2KK1	0.071	2,000	7,000
<b>Issue country Italy</b>				
INTESA SAN.05/17 FLR MTN	XS0213927667	0.000	0	500
INTESA SAN.06/16 FLR MTN	XS0278803712	0.000	0	10,900
UNICREDIT 13/16 MTN	XS1004918774	2.250	0	2,000
UNICREDIT 14/17 FLR MTN	IT0004988538	0.000	4,500	4,500
UNICREDIT 14/17 FLR MTN	XS1055725730	0.629	1,500	1,500

## ESPA RESERVE EURO

<b>Security designation</b>	<b>ISIN number</b>	<b>Interest rate</b>	<b>Purch./ additions</b>	<b>Sales/ disposals</b>
<b>Shares/nominal (nom. in 1,000, rounded)</b>				
<b>Issue country Netherlands</b>				
ING BK NV 14/16 FLR MTN	XS1132463677	0.000	0	13,800
<b>Issue country Austria</b>				
RAIF.BK INT. 14/17 FLR	AT000B013529	0.521	2,400	2,400
RZB OESTER. 06/16 FLR MTN	XS0266842771	0.000	0	14,000
<b>Issue country Sweden</b>				
SBAB 13/16 FLR MTN	XS0974353244	0.011	0	3,200
<b>Issue country Switzerland</b>				
UBS AG LDN 14/16 FLR MTN	XS1105679366	0.000	0	10,000
UBS AG LDN 15/17 FLR MTN	XS1232125259	0.000	10,000	15,000
<b>Securities admitted to organised markets</b>				
<b>Bonds denominated in EUR</b>				
<b>Issue country Denmark</b>				
NYKREDIT BK 15/17 FLR MTN	XS1241115796		0	12,000
<b>Issue country Germany</b>				
BASF FLR MTN 14/17	XS1043167433	0.000	0	2,500
DAIMLER MTN 13/16	DE000A1TNK78	0.008	0	3,800
DAIMLER MTN 14/17	DE000A1YC3F5	0.000	13,000	23,000
DT.BK.LD.MTN.15/17	XS1280367761	0.040	7,000	7,000
MERCK FIN.SERV. VAR 15/17	XS1284577043	0.000	0	7,500
VOLKSWAGEN BK. 14/17 VAR	XS1098413070	0.071	5,000	5,000
VOLKSWAGEN LEASING 15/17	XS1273542867	0.000	5,000	5,000
<b>Issue country Finland</b>				
BAYER NORDIC 14/17 FLR	XS1051000781	0.000	6,500	11,500
<b>Issue country France</b>				
BNP PARIBAS 15/17 FLR MTN	XS1169537492	0.000	0	3,000
BPCE S.A. 13/17 MTN	FR0011408681	1.625	0	3,000
BQUE F.C.MTL 15/17FLR MTN	XS1206509710	0.000	0	23,000

<b>Security designation</b>	<b>ISIN number</b>	<b>Interest rate</b>	<b>Purch./ additions</b>	<b>Sales/ disposals</b>
			<b>Shares/nominal (nom. in 1,000, rounded)</b>	
<b>Issue country Netherlands</b>				
ABN AMRO BANK 15/17 FLR	XS1165435089	0.000	0	7,000
BMW FIN. NV 15/17 FLR MTN	XS1275477930	0.000	0	1,500
RABOBK NEDERLD 15/17 FLR	XS1166328374	0.000	0	8,500
<b>Issue country Austria</b>				
ERSTE GP BNK AG 12/17 MTN	XS0765299655	3.375	0	7,500
HYPO INVESTMENTBK 05-17 2	AT0000193354	0.411	6,000	6,000
HYPO NOE GRUPP.BK06/17 15	AT0000A03NJ3	3.980	5,000	5,000
OBEROEST.LBK 07/17 MTN	XS0282374643	4.240	2,500	2,500
RAIF.BK INT. 13/16FLR MTN	AT000B013131	0.331	0	3,000
RAIF.BK INT. 14/17 FLR 64	AT000B013347	0.323	0	11,000
RAIF.BK INTL 07/17 MTNFLR	XS0300807939	0.000	12,300	15,300
RLBK OBEROESTERR.07-17FLR	AT0000A05QN3	0.000	10,000	10,000
<b>Issue country Switzerland</b>				
CS AG LDN 14/16 FLR MTN	XS1112847410	0.004	0	7,000
CS AG LDN 15/17 FLR MTN	XS1211053571	0.011	7,500	14,500

Vienna, 17 November 2017

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

Inspection information:  
Note:

The electronic signatures in this document can be inspected at [www.signaturpruefung.gv.at](http://www.signaturpruefung.gv.at).  
This document was signed with two qualified electronic signatures. A qualified electronic signature fulfils the legal requirements of a hand-written signature, and in particular the requirements of the written form as defined in § 886 ABGB (§ 4 [1] Austrian Signature Act [Signaturgesetz]).

## **Auditor's Opinion\***

### **Statement on the annual report**

#### **Audit opinion**

We have audited the annual report prepared by ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H., Vienna, for the fund under its management

ESPA RESERVE EURO  
mutual fund pursuant to the InvFG,

consisting of the fund portfolio as of 31 August 2017, the income statement for the financial year ending on this date, and the other information specified in Annex I Scheme B of the Austrian Investment Fund Act 2011 (InvFG 2011).

Based on the findings of our audit, we believe that the annual report satisfies the legal requirements and provides a true and fair view of the assets and financial position as of 31 August 2017 and of the earnings position of the fund for the financial year ending on this date in accordance with Austrian commercial law and the provisions of the InvFG 2011.

#### **Basis for the audit opinion**

We conducted our audit in accordance with § 49 (5) InvFG 2011 and in accordance with the Austrian principles of good auditing. These principles require the application of the International Standards on Auditing (ISA). Our responsibilities under these regulations and standards are described in the section "Responsibilities of the auditor in auditing the annual report" of our opinion. We are independent from the company as specified by the Austrian commercial and industry regulations and fulfilled our other professional obligations in accordance with these requirements. We feel that the audit evidence that we obtained is sufficient and suitable to serve as a basis for our audit opinion.

#### **Management and supervisory board responsibilities relating to the annual report**

The legal representatives are responsible for preparing the annual report and for ensuring that this report provides a true and fair view of the assets and financial and earnings position of the fund in accordance with Austrian commercial law and the provisions of the InvFG 2011. The legal representatives are also responsible for implementing the internal controls that they deem necessary to facilitate the preparation of an annual report that is free from material misstatements due to error or fraud.

The supervisory board is responsible for monitoring the accounting process of the company as it applies to the fund under its management.

### **Responsibilities of the auditor in auditing the annual report**

Our goals are to ascertain with sufficient certainty whether the annual report contains material misstatements due to error or fraud and to issue a statement that includes our audit opinion. Sufficient certainty is a high degree of certainty but no guarantee that an audit conducted in accordance with the Austrian standards on good auditing, which require the application of the ISA, will always discover material misstatements that may be present. Misstatements can result from fraud or errors and are considered to be material when it can be reasonably expected that individual misstatements or a combination of misstatements can influence economic decisions made by readers on the basis of this annual report.

As part of an audit conducted in accordance with the Austrian standards on good auditing, which require the application of the ISA, we exercise professional judgement and maintain professional scepticism during the entire audit process.

#### **In addition:**

- We identify and assess the risks of material misstatements in the annual report due to error or fraud, plan audit steps in response to these risks, perform the planned audit steps, and collect audit evidence that is sufficient and suitable to form a basis for our audit opinion. The risk that a material misstatement resulting from fraud will remain undiscovered is greater than for misstatements resulting from error because fraudulent activity can include collusion, the falsification of documents, intentional incomplete or misleading representations, and the circumvention of internal controls.
- We familiarise ourselves with the internal control systems that are relevant for the audit to plan audit steps that are appropriate under the specific circumstances, but not so as to state an opinion on the effectiveness of the company's internal control system.
- We assess the appropriateness of the accounting methods applied by the legal representatives and the reasonableness of the estimates made by the legal representatives in the accounts and of the associated information.
- We assess the overall presentation, the structure, and the content of the annual report including the figures as well as whether the annual report depicts the underlying transactions and events in a manner that provides a true and fair view.
- We discuss the planned scope and scheduling of the audit and any material audit findings, including material defects that we discover in the internal control system during our audit, with the supervisory board, among other issues.

**Other information**

The legal representatives are responsible for the other information. The other information includes all information in the annual report except for the fund portfolio, the income statement, the other information specified in Annex I Scheme B of the InvFG 2011, and the auditor's opinion.

Our audit opinion does not cover this other information, and we provide no assurance whatsoever for this other information.

In connection with our audit of the annual report, it is our responsibility to read this other information and to consider whether there are material discrepancies between the other information and the annual report or the information gathered by us during our audit, or if this other information appears materially incorrect in some other manner. If we come to the conclusion on the basis of our audit steps that the other information is materially incorrect, we are obligated to report this. We have nothing to report in this regard.

Vienna, 17 November 2017

**Ernst & Young**

Wirtschaftsprüfungsgesellschaft m.b.H.

**Mag. Andrea Stippl**

(Certified Public Accountant)

**ppa MMag. Roland Unterweger**

(Certified Public Accountant)

\* In the case of the publication or dissemination of the annual report in a form that deviates from the confirmed (unabridged German) version (e.g. an abridged version or translation), reference may not be made to the auditor's opinion or our audit without our approval.

# Fund Terms and Conditions for ESPA RESERVE EURO

## Mutual fund pursuant to the InvFG

The fund terms and conditions for ESPA RESERVE EURO, mutual fund pursuant to the Austrian Investment Fund Act (Investmentfondsgesetz; InvFG) 2011 as amended, were approved by the Austrian Financial Market Authority (FMA).

The Fund conforms with the guidelines for special assets and is managed by ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H. (the "Management Company" in the following), which is domiciled in Vienna.

### Article 1 Fund Shares

The partial ownership of the fund assets is evidenced by certificates having the characteristics of a bearer share.

The share certificates are depicted in global certificates. For this reason, individual share certificates cannot be issued.

### Article 2 Custodian Bank (Depositary Bank)

The custodian bank (depositary bank) appointed for the Fund is Erste Group Bank AG, Vienna.

The payment offices for share certificates are the custodian bank (depositary bank) or other payment offices mentioned in the prospectus.

### Article 3 Investment Instruments and Principles

The following assets may be selected for the Fund in accordance with the InvFG.

The Fund shall invest predominantly in EUR-denominated

- Money market instruments,
- Variable-income bonds that are issued by credit institutions domiciled in Europe and that conform with § 70 (1) 3 InvFG,
- Fixed-income bonds that are issued by credit institutions domiciled in Europe and with short remaining terms to maturity (generally up to roughly 12 months).

In addition, the Fund may invest in euro-denominated corporate bonds issued by entities domiciled in Europe without restrictions on the issuer's sectors of activity, but the bonds must be in the investment grade (or other comparable) segment in terms of ratings assigned by recognised rating agencies.

High yield bonds may not be purchased.

Depending on the Management Company's assessment of market conditions, derivative financial instruments may also be used as part of the investment strategy, particularly for the purposes of managing the investment level and earnings, substituting securities or adjusting the duration of the invested capital (e.g. forward interest rate agreements).

The fund assets are invested in the following investment instruments in accordance with the investment focus described above.

a) Securities

Securities (including securities with embedded derivative financial instruments) may comprise up to 49% of the fund assets.

b) Money market instruments

Money market instruments may comprise up to 100% of the fund assets.

c) Securities and money market instruments

Securities or money market instruments issued or guaranteed by the Federal Republic of Germany and its states: Baden-Württemberg, Bavaria, Berlin, Brandenburg, Bremen, Hamburg, Hesse, Mecklenburg-Vorpommern, Lower Saxony, North Rhine-Westphalia, Rhineland-Palatinate, Saarland, Saxony, Saxony-Anhalt, Schleswig-Holstein, Thuringia; the Republic of France; the Kingdom of the Netherlands; the Republic of Italy; the Republic of Austria and its states: Burgenland, Carinthia, Lower Austria, Upper Austria, Salzburg, Styria, Tyrol, Vorarlberg, and Vienna; the International Bank for Reconstruction and Development; the European Investment Bank; the Asian Development Bank; the European Financial Stability Facility (EFSF); or the European Union (EU) may make up more than 35% of the fund assets in accordance with the fund terms and conditions approved by the Austrian Financial Market Authority provided that the fund assets are invested in at least six different instruments, but an investment in one instrument may not make up more than 30% of the total fund assets.

Securities and money market instruments may only be purchased for the Fund when they meet the criteria regarding listing or trading on a regulated market or a securities exchange pursuant to the InvFG.

Securities and money market instruments that do not meet the criteria described in the previous paragraph may comprise up to 10% of the fund assets in total.

d) Shares in investment funds

Shares in investment funds (UCITS, UCI) may each comprise up to 10% of the fund assets and may comprise up to 10% in aggregate total, provided that the target funds themselves (UCITS or UCI) do not invest more than 10% of their fund assets in shares of other investment funds.

e) Derivative financial instruments

Derivative financial instruments can be used for hedging purposes and as part of the investment strategy, and may comprise up to 35% of the fund assets.

f) Risk measurement method(s) of the fund

The Fund applies the following risk measurement methods: Commitment approach

The commitment value is determined according to § 3 of the 4th FMA Regulation on Risk Calculation and Reporting of Derivative Instruments (4. Derivate-Risikoberechnungs- und MeldeV).

Please refer to the prospectus for detailed information.

g) Demand deposits or callable deposits

Demand deposits and callable deposits with a maximum term of 12 months may comprise up to 49% of the fund assets.

There are no minimum deposit requirements.

However, in the course of the restructuring of the fund portfolio and/or in the case of the justified expectation of impending losses experienced by money market instruments, the Fund can hold a lower proportion of money market instruments and a higher proportion of demand deposits or callable deposits with a maximum term of 12 months.

h) Acceptance of short-term loans

The Management Company may accept short-term loans for the account of the Fund up to an amount of 10% of the total fund assets.

i) Repurchase agreements

Repurchase agreements may comprise up to 30% of the fund assets.

j) Securities lending

Securities lending transactions may comprise up to 30% of the fund assets.

Further information regarding article 3 can be found in the prospectus.

### **Article 4 Issue and Return Procedure**

The share value shall be calculated in EUR.

The share value is calculated at the same time as the issue and return price.

#### **Issue of shares and issue premium**

The issue price will be calculated and shares issued on every exchange trading day.

The issue price shall be made up of the share value plus a premium per share amounting to up to 0.75% to cover the costs incurred by the Management Company in issuing the share, rounded up to the next cent.

There is no limit on the issue of shares in principle. However, the Management Company reserves the right to temporarily or permanently suspend the issue of share certificates.

### **Return of shares and return fee**

The return price will be calculated and shares redeemed on every exchange trading day.

The return price is the share value rounded down to the next cent. No return fee will be charged.

Upon request by the Shareholder, his shares shall be redeemed at the current return price in return for the share certificate.

### **Article 5 Financial Year**

The financial year of the Fund is from 1 September to 31 August.

### **Article 6 Share Classes and Use of Earnings**

The Fund features three different share classes and the corresponding certificates: dividend shares, non-dividend shares with capital gains tax withholding, and non-dividend shares without capital gains tax withholding, with certificates being issued for one share each and also for fractional shares.

#### **Use of earnings for dividend shares**

The earnings generated during the financial year (interest and dividends) less all costs can be distributed as deemed appropriate by the Management Company. Dividend disbursement may be suspended taking the interests of the Shareholders into account. Dividends may also be paid at the discretion of the Management Company from earnings generated by the sale of fund assets, including subscription rights. Fund assets may be paid out in the form of dividends and interim dividends.

The fund assets may in no case be reduced below the legal limit for the cancellation of the Fund through the payment of dividends.

The amounts shall be paid to the holders of dividend shares on or after 15 December of the following financial year. The remaining amount shall be carried forward.

An amount calculated in accordance with the InvFG must also be paid out on or after 15 December to cover the capital gains tax assessed by the tax authorities on the dividend-equivalent earnings from the fund shares unless the Management Company provides suitable proof from the banks managing the corresponding securities accounts that the share certificates can only be held by Shareholders who are not subject to Austrian personal or corporate income tax or who meet the conditions for exemption from capital gains tax according to § 94 of the Austrian Income Tax Act (Einkommensteuergesetz) at the time of payment.

#### **Use of earnings for non-dividend shares with capital gains tax withholding**

The earnings generated by the Fund during the financial year less all costs will not be paid out. In the case of non-dividend shares, an amount calculated in accordance with the InvFG must be paid out on or after 15 December to cover the capital gains tax assessed by the tax authorities on the dividend-equivalent earnings from the fund shares unless the Management Company provides suitable proof from the banks managing the corresponding securities accounts that the share certificates can only be held by Shareholders who are not subject to Austrian personal or corporate income tax or who meet the conditions for exemption from capital gains tax according to § 94 of the Austrian Income Tax Act (Einkommensteuergesetz) at the time of payment.

#### **Use of earnings for non-dividend shares without capital gains tax withholding (KESt-exempt non-dividend domestic and foreign share class)**

The earnings generated by the Fund during the financial year less all costs will not be paid out. No payment pursuant to the InvFG will be made. The reference date for the exemption from KESt payment for the profit for the year for the purposes of the InvFG shall be 15 December of the following financial year.

The Management Company shall provide suitable proof from the banks managing the corresponding securities accounts that the share certificates can only be held by Shareholders who are not subject to Austrian personal or corporate income tax or who meet the conditions for exemption from capital gains tax according to § 94 EStG at the time of payment.

If these requirements are not met at the time of payment, the amount calculated pursuant to the InvFG must be paid out by the bank managing the respective securities account in the form of an account credit.

### **Article 7 Management Fee, Compensation for Expenses, Liquidation Fee**

The Management Company shall receive an annual fee for its administrative activities amounting to up to 0.12% of the fund assets, which shall be accrued on a daily basis and calculated using the month-end values adjusted for the accrued fees.

The Management Company shall be entitled to compensation for all expenses incurred in the administration of the Fund. The custodian bank shall receive a fee in the amount of 0.5% of the fund assets upon liquidation.

Further information can be found in the prospectus.

## **Annex to the Fund Terms and Conditions**

### **List of exchanges with official trading and organised markets (As of July 2012)**

#### **1. Exchanges with official trading and organised markets in the Member States of the EEA**

According to Article 16 of Directive 93/22/EC (Investment Services Directive), every Member State must maintain a current list of the authorised markets within its territory. This list must be submitted to the other Member States and the Commission.

According to this provision, the Commission is required to publish a list of the regulated markets registered with it by the Member States once per year.

Because of lower entry barriers and specialisation in different trading segments, the list of "regulated markets" is subject to significant changes. For this reason, the Commission will publish an up-to-date version of the list on its official web site in addition to the annual publication of a list in the Official Journal of the European Union.

##### **1.1. The currently valid list of regulated markets can be found at**

[http://mifidatabase.esma.europa.eu/Index.aspx?sectionlinks\\_id=23&language=0&pageName=REGULATED\\_MARKETS\\_Display&subsection\\_id=0](http://mifidatabase.esma.europa.eu/Index.aspx?sectionlinks_id=23&language=0&pageName=REGULATED_MARKETS_Display&subsection_id=0) \*)

under "Verzeichnis der Geregelten Märkte (pdf)" (List of Regulated Markets).

##### **1.2. The following exchanges are included in the list of regulated markets:**

1.2.1 Luxembourg: Euro MTF Luxembourg

##### **1.3. Recognised markets in the EEA according to § 67 (2) 2 InvFG:**

Markets in the EEA that have been classified as recognised markets by the respective supervisory authorities.

#### **2. Exchanges in European countries outside of the EEA**

2.1.	Bosnia and Herzegovina:	Sarajevo, Banja Luka
2.2.	Croatia:	Zagreb Stock Exchange
2.3.	Montenegro:	Podgorica
2.4.	Russia:	Moscow (RTS Stock Exchange), Moscow Interbank Currency Exchange (MICEX)
2.5.	Switzerland:	SWX Swiss Exchange
2.6.	Serbia:	Belgrade
2.7.	Turkey:	Istanbul (only "National Market" on the stock market)

#### **3. Exchanges in non-European countries**

3.1.	Australia:	Sydney, Hobart, Melbourne, Perth
3.2.	Argentina:	Buenos Aires
3.3.	Brazil:	Rio de Janeiro, Sao Paulo
3.4.	Chile:	Santiago
3.5.	China:	Shanghai Stock Exchange, Shenzhen Stock Exchange
3.6.	Hong Kong:	Hong Kong Stock Exchange
3.7.	India:	Bombay
3.8.	Indonesia:	Jakarta
3.9.	Israel:	Tel Aviv
3.10.	Japan:	Tokyo, Osaka, Nagoya, Kyoto, Fukuoka, Niigata, Sapporo, Hiroshima
3.11.	Canada:	Toronto, Vancouver, Montreal
3.12.	Colombia:	Bolsa de Valores de Colombia
3.13.	Korea:	Korea Exchange (Seoul, Busan)
3.14.	Malaysia:	Kuala Lumpur, Bursa Malaysia Berhad
3.15.	Mexico:	Mexico City
3.16.	New Zealand:	Wellington, Christchurch/Invercargill, Auckland
3.17.	Peru:	Bolsa de Valores de Lima
3.18.	Philippines:	Manila
3.19.	Singapore:	Singapore Stock Exchange
3.20.	South Africa:	Johannesburg
3.21.	Taiwan:	Taipei
3.22.	Thailand:	Bangkok
3.23.	USA:	New York, American Stock Exchange (AMEX), New York Stock Exchange (NYSE), Los Angeles/Pacific Stock Exchange, San Francisco/Pacific Stock Exchange, Philadelphia, Chicago, Boston, Cincinnati
3.24.	Venezuela:	Caracas

3.25 United Arab Emirates: Abu Dhabi Securities Exchange (ADX)

#### 4. Organised markets in countries outside of the European Community

4.1. Japan: over the counter market  
 4.2. Canada: over the counter market  
 4.3. Korea: over the counter market  
 4.4. Switzerland: SWX Swiss Exchange, BX Berne eXchange; over the counter market of the members of the International Capital Market Association (ICMA), Zurich  
 4.5. USA: over the counter market in the NASDAQ system, over the counter market (markets organised by NASD such as the over the counter equity market, municipal bond market, government securities market, corporate bonds and public direct participation programs), over the counter market for agency mortgage-backed securities

#### 5. Exchanges with futures and options markets

5.1. Argentina: Bolsa de Comercio de Buenos Aires  
 5.2. Australia: Australian Options Market, Australian Securities Exchange (ASX)  
 5.3. Brazil: Bolsa Brasileira de Futuros, Bolsa de Mercadorias & Futuros, Rio de Janeiro Stock Exchange, Sao Paulo Stock Exchange  
 5.4. Hong Kong: Hong Kong Futures Exchange Ltd.  
 5.5. Japan: Osaka Securities Exchange, Tokyo International Financial Futures Exchange, Tokyo Stock Exchange  
 5.6. Canada: Montreal Exchange, Toronto Futures Exchange  
 5.7. Korea: Korea Exchange (KRX)  
 5.8. Mexico: Mercado Mexicano de Derivados  
 5.9. New Zealand: New Zealand Futures & Options Exchange  
 5.10. Philippines: Manila International Futures Exchange  
 5.11. Singapore: The Singapore Exchange Limited (SGX)  
 5.12. Slovakia: RM System Slovakia  
 5.13. South Africa: Johannesburg Stock Exchange (JSE), South African Futures Exchange (SAFEX)  
 5.14. Switzerland: EUREX  
 5.15. Turkey: TurkDEX  
 5.16. USA: American Stock Exchange, Chicago Board Options Exchange, Chicago Board of Trade, Chicago Mercantile Exchange, Comex, FINEX, Mid America Commodity Exchange, ICE Future US Inc. New York, Pacific Stock Exchange, Philadelphia Stock Exchange, New York Stock Exchange, Boston Options Exchange (BOX)

\*) To open the list, click "view all".

[The list can be found on the FMA's web site by going to: <http://www.fma.gv.at/de/unternehmen/boerse-wertpapierhandel/boerse.html> scroll down – link to "Liste der geregelten Märkte (MiFID Database; ESMA)" – "view all"]

**Note regarding the data used**

The sections Income Statement and Changes in Fund Assets, Fund Portfolio, and Tax Treatment in this annual report were prepared on the basis of data from the custodian bank for the Fund.

**The data and information provided by the custodian bank were collected with the greatest possible care and were checked solely for plausibility.**

Unless indicated otherwise, source: ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H. Our languages of communication are German and English. Both the full prospectus and the simplified prospectus as well as the Key Investor Information (and any applicable changes to these documents) were published in Amtsblatt zur Wiener Zeitung in accordance with the provisions of the InvFG 2011 in the currently amended version and are available for free at the domicile of the Investment Firm and at the head office of the custodian bank. The exact date of the most recent publication, the languages in which the simplified prospectus and the Key Investor Information are available, and any additional locations where the documents can be obtained can be viewed on the web site [www.erste-am.at](http://www.erste-am.at).

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