

ERSTE BOND DANUBIA

Mutual fund pursuant to the InvFG

Annual Report 2016/17

Contents

General Information about the Investment Firm	2
Development of the Fund	4
Method of Calculating Overall Risk	5
Asset Allocation.....	6
Comparative Overview (in EUR).....	6
Disbursement/Payment.....	7
Income Statement and Changes in Fund Assets	8
1. Value Development over the Financial Year (Fund Performance).....	8
2. Fund Result.....	9
3. Changes in Fund Assets.....	10
Fund Portfolio as of 31 May 2017	11
Auditor's Opinion	21
Fund Terms and Conditions.....	24
Annex to the Fund Terms and Conditions	27

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 (81.48%) DekaBank Deutsche Girozentrale (2.87%) „Die Kärntner“ Trust-Vermögensverwaltungsgesellschaft m.b.H. & Co KG (2.87 %) NÖ-Sparkassen Beteiligungsgesellschaft m. b. H. (1.31%) Salzburger Sparkasse Bank Aktiengesellschaft (2.87%) Sieben Tiroler Sparkassen Beteiligungsgesellschaft m. b. H. (2.87%) Steiermärkische Bank und Sparkassen Aktiengesellschaft (5.73%)
Supervisory Board	Wolfgang TRAINDL, Mag. (Chairman) Gerhard FABISCH, Mag. Dr. (Deputy Chairman, First Deputy) (until 9 June 2016) Gabriele SEMMELROCK-WERZER (Deputy Chairwoman, First Deputy from 9 June 2016) Franz-Nikolaus HÖRMANN, Mag. (Deputy Chairman, Second Deputy) Matthias BAUER (from 13 October 2016) Klaus BRUGGER, DDr. (until 30 October 2016) Josef PRESCHITZ (from 13 October 2016) Franz PRUCKNER, Dr. MBA Rupert RIEDER, Mag. Thomas SCHAUFLE, Mag. (FH) Reinhard WALT, Mag. Appointed by the Works Council: Martin CEC (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)
Managing directors	Heinz BEDNAR, Mag. Markus KALLER, Mag. (until 31 January 2017) Günther MANDL Christian SCHÖN
Prokuristen (proxies)	Achim ARNHOF, Mag. Karl BRANDSTÖTTER, Mag. (until 3 February 2017) Winfried BUCHBAUER, Mag. Karl FREUDENSCHUSS Dietmar JAROSCH, Dr. Manfred LENTNER Gerold PERMOSER, Mag. Magdalena REISCHL, Mag. (from 1 July 2016) Jürgen SINGER, Mag.
State commissioners	Erwin GRUBER Michael MANHARD, HR Dr.
Auditor	ERNST & YOUNG WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT MBH
Custodian bank	Erste Group Bank AG

Information about the remuneration policy:

Number of employees (including management): 136.

Total remuneration paid to employees (including management): EUR 13,000,314, thereof fixed remuneration: EUR 10,185,711, thereof variable remuneration: EUR 2,814,603. Total remuneration paid to management, bearers of material risk, employees with control functions, and employees who are at the same pay grade as managers and bearers of material risk due to the amount of their total remuneration: EUR 7,589,300. Thereof remuneration paid to management: EUR 1,051,258, thereof remuneration paid to bearers of material risk: EUR 5,548,098, employees with control functions: EUR 989,943, and employees who are at the same pay grade as managers and bearers of material risk due to the amount of their total remuneration: EUR 0.

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

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

The description of the calculation can be found in the company's remuneration policy at http://www.erste-am.at/de/private_anleger/wer-sind-wir/investmentprozess.

Dear Shareholder,

We are pleased to present you the following annual report for the ERSTE BOND DANUBIA mutual fund pursuant to the InvFG for the period from 1 June 2016 to 31 May 2017.

We would also like to note that the name of the fund was changed from ESPA BOND DANUBIA to ERSTE BOND DANUBIA on 17 October 2016.

Development of the Fund

Market environment

ERSTE BOND DANUBIA achieved a performance of plus 1.41% in the reporting period (1 June 2016 to 31 May 2017).

In global terms, the positive economic conditions improved further and the gap between actual production and the potential product narrowed. 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 decisions of the US administration. These factors had no notable negative impact, however. Many emerging markets recovered from 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 at least somewhat higher. China was growing "as planned" in accordance with the government requirements. The developed economies gained momentum. The USA has reached full employment. Donald Trump's victory in the presidential elections on 8 November 2016 was a serious blow. At the same time, 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.

Turkish assets again exhibited the greatest volatility in the region. An attempted coup in August and the resulting loss of the investment grade rating, fears of a balance of payments crisis at the beginning of the year, and a referendum on a new constitution in April brought Turkish bonds and the lira under pressure repeatedly. The lira lost 20.5% against the euro in the reporting period while the yield on a five-year government bond in TRY gained over 200 bp at times and closed the year 97 bp higher at 10.65%. The Czech central bank abandoned its currency regime in April after massive appreciation pressure had built up due to the fundamental situation (strong growth, rising inflation, trade surplus). After being let loose, the CZK appreciated by 2–3% versus the EUR. The yield on a five-year government bond fell by 32 bp to minus 0.16% in the reporting period despite the continued rise in inflationary pressure. The fundamental conditions in Hungary are similar to those in the Czech Republic. Here, however, the central bank tried to counter the appreciation of the HUF with a looser monetary policy. The HUF changed little versus the EUR; the yield on a five-year government bond fell by 66 bp to 1.84%. Poland experienced a monetary contraction despite the accommodative central bank policy; the PLN gained 4.6% versus the EUR and the yield on a five-year government bond rose by 35 bp to 2.66%.

Russian bonds profited from relatively high oil prices, an improving economy, and an extremely good liquidity situation. Hungary fully regained its investment grade rating in the reporting period thanks to the deleveraging in recent years. Fitch and S&P upgraded Slovenia to A- and A, respectively, while Croatia saw its outlook upped from negative to stable by these two agencies and Moody's. The markets largely ignored political crises in Croatia, Romania, Bulgaria, Macedonia, and the Czech Republic.

Investment policy

The fund focuses on local currency government bonds from Poland, the Czech Republic, Hungary, and Turkey. Roughly one third of the fund's volume is invested in EUR- and USD-denominated government and corporate bonds from Central and Eastern European issuers. Non-European currency risk (USD exposure) is permanently hedged. Interest futures can also be used for duration management.

The fund attempted to achieve relative outperformance with country bets in the reporting period. Turkish bonds were underweighted until January, the height of the balance of payment worries, and then overweighted. Polish local-currency bonds were overweighted primarily due to the inflation expectations while the fund was positioned neutrally in Hungary and underweighted in the Czech Republic. In currency terms, the fund profited from the TRY underweighting and the RUB overweighting while the credit improvements in Hungary and Croatia had been anticipated early on with an overweight position.

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 th 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 May 2017		31 May 2016	
	EUR millions	%	EUR millions	%
Bonds denominated in				
EUR	64.2	18.04	69.2	16.78
PLN	97.1	27.27	100.2	24.30
RUB	1.1	0.31	0.9	0.22
SKK	2.3	0.63	2.4	0.58
CZK	38.3	10.75	44.5	10.80
TRY	59.5	16.71	81.2	19.70
HUF	34.0	9.54	40.1	9.72
USD	48.0	13.49	61.9	15.00
Securities	344.4	96.74	400.4	97.10
Forward exchange agreements	0.6	0.18	-	0.03
Cash in banks	4.7	1.33	4.5	1.10
Interest entitlements	6.2	1.75	7.6	1.83
Other deferred items	-	0.00	-	0.00
Fund assets	356.0	100.00	412.3	100.00

Comparative Overview (in EUR)

Financial year	Fund assets	Value development in per cent 1)
2011/12	514,476,802.95	+ 1.06 2)
2012/13	604,194,170.16	+ 11.56 2)
2013/14	471,346,166.80	+ 0.92 2)
2014/15	427,844,841.31	+ 4.43 2)
2015/16	412,334,097.87	- 0.11 2)
2016/17	356,009,962.06	+ 1.41 2)

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	63.77	3.60	131.10	10.33	1.83	149.95	13.99
2012/13	67.40	3.26	144.31	9.86	1.72	167.22	13.39
2013/14	64.54	2.85	143.79	3.60	1.24	168.73	5.66
2014/15	64.45	2.40	148.87	2.03	0.79	176.20	3.23
2015/16	61.90	2.1000	147.91	3.9777	1.6613	176.07	6.7763
2016/17	60.70	1.6000	148.35	2.8869	1.2833	178.54	4.8222

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

2) The changes in the value of non-dividend shares and KESt-exempt non-dividend shares deviate slightly due to rounding differences.

Disbursement/Payment

The following disbursement or payment will be made for the financial year from 16 June 2016 to 31 May 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 1 September 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	AT0000831409	EUR	1.6000		0.5298	0.5298	-
Non-dividend shares	AT0000812946	EUR	1.2833		1.2833	1.2833	2.8869
KES-exempt non- dividend shares	AT0000639398	CZK	-	*	-	-	132.5971
KES-exempt non- dividend shares	AT0000673199	EUR	-	*	-	-	4.8222
KES-exempt non- dividend shares	AT0000A00GD6	HUF	-	*	-	-	1,562.5557

* 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

AT0000831409 dividend shares EUR	
Share value at the beginning of the reporting period (3,601,888.514 shares)	61.90
Disbursement/payment on 30.08.2016 (corresponds to roughly 0.0341 shares at a calculated value of 61.54)	2.1000
Share value at the end of the reporting period (3,592,329.970 shares)	60.70
Total value including (notional) shares gained through disbursement/payment	62.77
Net earnings per share	0.87
Value development of one share in the period	1.41%

AT0000812946 non-dividend shares EUR	
Share value at the beginning of the reporting period (935,920.729 shares)	147.91
Disbursement/payment on 30.08.2016 (corresponds to roughly 0.0110 shares at a calculated value of 150.41)	1.6600
Share value at the end of the reporting period (731,288.879 shares)	148.35
Total value including (notional) shares gained through disbursement/payment	149.99
Net earnings per share	2.08
Value development of one share in the period	1.41%

AT0000639398 KEST-exempt non-dividend shares CZK	
Share value at the beginning of the reporting period (44,939.018 shares)	4,758.02
Disbursement/payment	0.0000
Share value at the end of the reporting period (41,998.739 shares)	4,705.06
Total value including (notional) shares gained through disbursement/payment	4,705.06
Net earnings per share	-52.96
Value development of one share in the period	-1.11%

AT0000673199 KEST-exempt non-dividend shares EUR	
Share value at the beginning of the reporting period (244,242.430 shares)	176.07
Disbursement/payment	0.0000
Share value at the end of the reporting period (122,818.419 shares)	178.54
Total value including (notional) shares gained through disbursement/payment	178.54
Net earnings per share	2.47
Value development of one share in the period	1.40%

AT0000A00GD6 KEST-exempt non-dividend shares HUF	
Share value at the beginning of the reporting period (48.000 shares)	55,213.80
Disbursement/payment	0.0000
Share value at the end of the reporting period (48.000 shares)	55,041.21
Total value including (notional) shares gained through disbursement/payment	55,041.21
Net earnings per share	-172.59
Value development of one share in the period	-0.31%

2. Fund Result

a. Realised fund result

Ordinary fund result

Income (without profit or loss from price changes)

Interest income (excluding income adjustment)	16,805,559.17	
Dividend income	0.00	
Other income 8)	183,117.38	
Total income (without profit or loss from price changes)		16,988,676.55

Interest paid - 11,765.12

Expenses

Fees paid to Investment Firm	- 2,732,439.40	
Costs for the financial auditor and tax consultation	- 7,833.00	
Publication costs	- 66,260.29	
Securities account fees	- 94,251.41	
Custodian bank fees	- 218,595.15	
Costs for the external consultant	0.00	
Total expenses		- 3,119,379.25
Compensation for management costs from sub-funds 1)		14,020.83

Ordinary fund result (excluding income adjustment) **13,871,553.01**

Realised profit or loss from price changes 2) 3)

Realised gains 4)	13,579,160.24	
Realised losses 5)	- 16,486,391.90	

Realised profit or loss from price changes (excluding income adjustment) **- 2,907,231.66**

Realised fund result (excluding income adjustment) **10,964,321.35**

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

Changes in the unrealised profit or loss from price changes 7) - 4,959,646.58

Result for the reporting period 6) **6,004,674.77**

c. Income adjustment

Income adjustment for income in the period	- 864,206.62	
Income adjustment for profit carried forward from dividend shares	- 1,102,427.66	

Overall fund result **4,038,040.49**

3. Changes in Fund Assets

Fund assets at the beginning of the reporting period	412,334,097.87
Disbursement/payment in the financial year	- 9,191,752.40
Issue and return of shares	- 51,170,423.90
Overall fund result	
(The fund result is shown in detail under item 2.)	4,038,040.49
Fund assets at the end of the reporting period	356,009,962.06

- 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 -7,866,878.24.
- 4) Thereof profits from transactions with derivative financial instruments: EUR 7,867,789.43.
- 5) Thereof losses from transactions with derivative financial instruments: EUR -8,874,708.79.
- 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 46,219.48 and unrealised losses EUR -5,005,866.06.
- 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 183,117.38, 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 May 2017

(including changes in securities assets from 1 June 2016 to 31 May 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
Publicly traded securities								
Bonds denominated in EUR								
Issue country Ireland								
RZD CAPITAL 13/21	XS0919581982	3.374	0	0	3,000	106.450	3,193,499.91	0.90
VEB FINANCE 13/18 MTN	XS0893205186	3.035	0	0	2,000	101.995	2,039,900.00	0.57
Total issue country Ireland							5,233,399.91	1.47
Issue country Turkey								
TURKEY 07/19	XS0285127329	5.875	0	0	3,250	109.500	3,558,750.00	1.00
Total issue country Turkey							3,558,750.00	1.00
Total bonds denominated in EUR							8,792,149.91	2.47
Bonds denominated in PLN								
Issue country Poland								
POLAND 15-17 ZO	PL0000108502	0.000	0	15,000	17,000	99.800	4,054,225.20	1.14
Total issue country Poland							4,054,225.20	1.14
Total bonds denominated in PLN translated at a rate of 4.18477							4,054,225.20	1.14
Bonds denominated in RUB								
Issue country USA								
JPMORGAN CHASE 07/17 MTN	XS0307241603	7.000	0	0	70,000	99.807	1,094,550.74	0.31
Total issue country USA							1,094,550.74	0.31
Total bonds denominated in RUB translated at a rate of 63.82943							1,094,550.74	0.31
Bonds denominated in SKK								
Issue country Italy								
INTESA SAN.03/18 MTN	XS0165096719	5.000	0	0	66,000	103.083	2,258,340.97	0.63
Total issue country Italy							2,258,340.97	0.63
Total bonds denominated in SKK translated at a rate of 30.12600							2,258,340.97	0.63
Bonds denominated in CZK								
Issue country Czech Republic								
PRAGUE 11-21	CZ0001500110	4.250	0	0	30,000	112.980	1,286,153.40	0.36
Total issue country Czech Republic							1,286,153.40	0.36
Total bonds denominated in CZK translated at a rate of 26.35300							1,286,153.40	0.36

ERSTE BOND DANUBIA

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

Bonds denominated in TRL

Issue country Turkey

TURKEY 10/20	TRT150120T16	10.500	0	0	12,600	99.975	3,167,592.46	0.89
TURKEY 12-22	TRT120122T17	9.500	0	0	18,000	96.780	4,380,517.96	1.23
TURKEY 12-22	TRT140922T17	8.500	0	10,000	15,000	92.750	3,498,424.61	0.98
TURKEY 13-18	TRT140218T10	6.300	0	10,000	15,000	96.730	3,648,545.69	1.02
TURKEY 13-18	TRT200618T18	8.300	0	10,000	20,000	97.313	4,894,022.57	1.37
TURKEY 13-23	TRT080323T10	7.100	0	0	17,500	86.300	3,797,660.93	1.07
TURKEY 13-23	TRT270923T11	8.800	1,600	0	12,600	93.200	2,952,934.40	0.83
TURKEY 14-19	TRT270319T13	10.400	0	0	15,000	99.300	3,745,483.17	1.05
TURKEY 14-24	TRT200324T13	10.400	0	0	15,000	100.800	3,802,061.46	1.07
TURKEY 14-24	TRT240724T15	9.000	7,000	14,000	17,000	93.900	4,014,041.48	1.13
TURKEY 15-25	TRT120325T12	8.000	14,500	10,000	21,500	88.130	4,764,634.29	1.34
TURKEY 16-21	TRT170221T12	10.700	0	0	15,000	100.720	3,799,043.95	1.07
TURKEY 16-26	TRT110226T13	10.600	32,000	15,000	32,000	102.000	8,207,624.74	2.31
Total issue country Turkey							54,672,587.71	15.36

Issue country USA

JPMORGAN CHASE 07/17ZOMTN	XS0323757319	0.000	0	0	20,000	95.660	4,810,915.34	1.35
Total issue country USA							4,810,915.34	1.35
Total bonds denominated in TRL translated at a rate of 3.97679							59,483,503.05	16.71

Bonds denominated in HUF

Issue country Hungary

HUNGARY 01-17 17/A	HU0000402037	6.750	0	0	500,000	103.186	1,673,540.39	0.47
HUNGARY 04-20 20/A	HU0000402235	7.500	0	0	675,000	122.214	2,675,911.34	0.75
HUNGARY 07-23 23/A	HU0000402383	6.000	0	0	1,050,000	122.836	4,183,720.50	1.18
HUNGARY 08-19 19/A	HU0000402433	6.500	0	0	750,000	112.974	2,748,438.00	0.77
HUNGARY 11-22	HU0000402524	7.000	0	0	1,050,000	125.655	4,279,740.72	1.20
HUNGARY 13-18 18/A	HU0000402631	5.500	0	0	600,000	108.279	2,107,388.53	0.59
HUNGARY 14-18 18/B	HU0000402730	4.000	550,000	0	1,050,000	103.463	3,523,886.30	0.99
HUNGARY 14-25 25/B	HU0000402748	5.500	0	1,000,000	1,000,000	119.677	3,882,027.24	1.09
HUNGARY 15-24 24/B	HU0000403068	3.000	600,000	0	600,000	103.560	2,015,535.23	0.57
HUNGARY 16-21 21/B	HU0000403100	2.500	0	500,000	500,000	104.487	1,694,643.43	0.48
HUNGARY 16-27 27/A	HU0000403118	3.000	100,000	0	1,100,000	99.638	3,555,198.88	1.00
HUNGARY 17-22 22/B	HU0000403266	1.750	500,000	0	500,000	99.594	1,615,282.62	0.45
Total issue country Hungary							33,955,313.18	9.54
Total bonds denominated in HUF translated at a rate of 308.28506							33,955,313.18	9.54

Bonds denominated in USD

Issue country Ireland

VEB FINANCE 12/22MTN REGS	XS0800817073	6.025	0	0	2,500	108.313	2,408,014.67	0.68
Total issue country Ireland							2,408,014.67	0.68

Security designation	ISIN number	Interest rate	Purch./ additions	Sales/ disposals	Holding	Price	Value in EUR	% share of fund assets
Shares/nominal (nom. in 1,000, rounded)								
Issue country Luxembourg								
GAZ CAPITAL 07/22MTN REGS	XS0290580595	6.510	0	0	2,000	111.938	1,990,884.84	0.56
Total issue country Luxembourg							1,990,884.84	0.56
Total bonds denominated in USD translated at a rate of 1.12450							4,398,899.51	1.24
Total publicly traded securities							115,323,135.96	32.39
Securities admitted to organised markets								
Bonds denominated in EUR								
Issue country Bulgaria								
BULGARIA 14/24	XS1083844503	2.950	0	1,000	4,500	111.250	5,006,250.00	1.41
BULGARIA 15/22 MTN	XS1208855616	2.000	0	0	4,000	106.899	4,275,960.08	1.20
BULGARIA 15/35 MTN	XS1208856341	3.125	2,000	0	3,000	102.750	3,082,500.00	0.87
Total issue country Bulgaria							12,364,710.08	3.47
Issue country Croatia								
CROATIA 14/22	XS1028953989	3.875	1,000	0	1,000	110.450	1,104,500.00	0.31
CROATIA 15/25	XS1117298916	3.000	2,000	0	5,000	103.550	5,177,500.00	1.45
Total issue country Croatia							6,282,000.00	1.76
Issue country Latvia								
LATVIA 14/24 MTN	XS1063399536	2.875	0	160	3,840	116.350	4,467,839.92	1.25
LATVIA 16/36 MTN	XS1409726731	1.375	0	0	1,000	96.375	963,750.00	0.27
Total issue country Latvia							5,431,589.92	1.53
Issue country Lithuania								
LITHUANIA 14-24 MTN	XS1020300288	3.375	0	0	1,000	119.450	1,194,500.00	0.34
LITHUANIA 15-35 MTN	XS1310032260	2.125	0	0	1,000	108.250	1,082,500.00	0.30
LITHUANIA 17/27 MTN	XS1619567677	0.950	1,000	0	1,000	98.370	983,700.00	0.28
Total issue country Lithuania							3,260,700.00	0.92
Issue country Poland								
BK GOSPOD.KRAJ. 16/26 MTN	XS1403619411	1.750	0	0	1,300	102.625	1,334,125.00	0.37
POLAND 10/25 MTN	XS0479333311	5.250	0	1,000	2,000	130.650	2,612,999.88	0.73
POLAND 12/24 MTN	XS0841073793	3.375	0	0	2,500	117.137	2,928,429.98	0.82
POLAND 15/27 MTN	XS1209947271	0.875	0	0	1,000	96.750	967,500.00	0.27
POLAND 16/26 MTN	XS1346201616	1.500	0	0	2,000	104.875	2,097,500.00	0.59
POLAND 16/36 MTN	XS1346201889	2.375	0	0	1,000	106.500	1,065,000.00	0.30
Total issue country Poland							11,005,554.86	3.09
Issue country Romania								
ROMANIA 08/18	XS0371163600	6.500	0	0	1,000	106.887	1,068,871.99	0.30

ERSTE BOND DANUBIA

Security designation	ISIN number	Interest rate	Purch./ additions	Sales/ disposals	Holding	Price	Value in EUR	% share of fund assets
Shares/nominal (nom. in 1,000, rounded)								
ROMANIA 12/19 MTN	XS0852474336	4.875	0	0	2,000	111.555	2,231,107.94	0.63
ROMANIA 13/20 MTN	XS0972758741	4.625	0	700	2,000	114.550	2,291,000.00	0.64
ROMANIA 14/24 MTN	XS1060842975	3.625	0	1,000	2,000	113.750	2,275,000.00	0.64
ROMANIA 15/25 MTN REGS	XS1312891549	2.750	0	0	1,000	106.550	1,065,500.00	0.30
ROMANIA 15/35 MTN REGS	XS1313004928	3.875	3,625	2,625	3,000	105.500	3,165,000.00	0.89
ROMANIA 16/28 MTN REGS	XS1420357318	2.875	4,500	3,500	1,000	103.445	1,034,450.00	0.29
Total issue country Romania							13,130,929.93	3.69
Issue country Turkey								
TURKEY 14/23 INTL	XS1057340009	4.125	1,000	0	1,000	108.063	1,080,625.00	0.30
Total issue country Turkey							1,080,625.00	0.30
Issue country Hungary								
MFB MAGYAR F.BK 15/21	XS1330975977	2.375	0	300	2,700	106.816	2,884,021.20	0.81
Total issue country Hungary							2,884,021.20	0.81
Total bonds denominated in EUR							55,440,130.99	15.57
Bonds denominated in PLN								
Issue country Poland								
POLAND 02/22 0922	PL0000102646	5.750	0	0	28,200	115.015	7,750,540.65	2.18
POLAND 06/17	PL0000104543	5.250	0	8,000	16,000	101.520	3,881,503.64	1.09
POLAND 08-19	PL0000105441	5.500	0	0	30,000	108.120	7,750,963.61	2.18
POLAND 08-29	PL0000105391	5.750	4,000	0	27,000	124.782	8,050,894.08	2.26
POLAND 10-20	PL0000106126	5.250	0	10,000	25,200	109.650	6,602,943.53	1.85
POLAND 11-21	PL0000106670	5.750	0	29,500	15,000	113.335	4,062,409.64	1.14
POLAND 12-18	PL0000107314	3.750	0	7,000	23,000	101.990	5,605,493.25	1.57
POLAND 12-23	PL0000107264	4.000	0	0	31,000	106.810	7,912,286.70	2.22
POLAND 13/18 0718	PL0000107595	2.500	0	0	31,700	100.955	7,647,429.85	2.15
POLAND 13-28	PL0000107611	2.750	7,500	0	7,500	95.814	1,717,182.19	0.48
POLAND 14-25	PL0000108197	3.250	16,000	8,000	33,000	101.565	8,009,149.85	2.25
POLAND 15-20	PL0000108510	1.500	0	0	14,500	98.235	3,403,789.22	0.96
POLAND 15-21	PL0000108916	2.000	0	0	28,000	98.325	6,578,856.19	1.85
POLAND 15-26	PL0000108866	2.500	0	10,000	23,000	95.040	5,223,512.88	1.47
POLAND 16-22	PL0000109492	2.250	10,000	0	10,000	98.205	2,346,723.95	0.66
POLAND 16-27	PL0000109427	2.500	29,000	0	29,000	93.805	6,500,584.26	1.83
Total issue country Poland							93,044,263.49	26.14
Total bonds denominated in PLN translated at a rate of 4.18477							93,044,263.49	26.14
Bonds denominated in CZK								
Issue country Czech Republic								
CZECH REP. 2017 FLR 67	CZ0001003438	1.200	0	0	65,000	100.302	2,473,948.89	0.69
CZECH REP. 2018	CZ0001000822	4.600	0	0	100,000	106.232	4,031,116.00	1.13
CZECH REP. 2019 56	CZ0001002471	5.000	0	0	130,000	110.051	5,428,818.35	1.52
CZECH REP. 2019 76	CZ0001003834	1.500	0	0	100,000	104.300	3,957,803.67	1.11

Security designation	ISIN number	Interest rate	Purch./ additions	Sales/ disposals	Holding	Price	Value in EUR	% share of fund assets
Shares/nominal (nom. in 1,000, rounded)								
CZECH REP. 2020 46	CZ0001001317	3.750	0	0	110,000	113.587	4,741,232.50	1.33
CZECH REP. 2021 61	CZ0001002851	3.850	0	50,000	76,000	117.951	3,401,600.58	0.96
CZECH REP. 2022 52	CZ0001001945	4.700	0	0	60,000	126.107	2,871,179.75	0.81
CZECH REP. 2024 58	CZ0001002547	5.700	0	0	30,000	139.609	1,589,289.64	0.45
CZECH REP. 2025 89	CZ0001004253	2.400	40,000	0	40,000	116.551	1,769,066.14	0.50
CZECH REP. 2036 49	CZ0001001796	4.200	0	0	120,000	147.502	6,716,593.94	1.89
Total issue country Czech Republic							36,980,649.46	10.39
Total bonds denominated in CZK translated at a rate of 26.35300							36,980,649.46	10.39
Bonds denominated in USD								
Issue country Lithuania								
LITHUANIA 10/20 REGS	XS0485991417	7.375	0	0	1,500	113.688	1,516,507.34	0.43
Total issue country Lithuania							1,516,507.34	0.43
Issue country Luxembourg								
SB CAPITAL 11/21 MTN	XS0638572973	5.717	0	0	5,000	108.360	4,818,141.44	1.35
Total issue country Luxembourg							4,818,141.44	1.35
Issue country Netherlands								
LUKOIL INTL FIN. 07/17	XS0304273948	6.356	0	500	1,500	100.070	1,334,859.94	0.37
LUKOIL INTL FIN. 07/22	XS0304274599	6.656	0	0	1,750	112.875	1,756,614.05	0.49
Total issue country Netherlands							3,091,473.99	0.87
Issue country Russia								
RUSSIAN FED. 00/30 REGS	XS0114288789	7.500	0	0	4,000	120.595	2,166,313.03	0.61
RUSSIAN FED. 10/20 REGS	XS0504954347	5.000	0	0	7,000	106.875	6,652,956.87	1.87
RUSSIAN FED. 12/22 REGS	XS0767472458	4.500	0	0	10,000	106.725	9,490,884.84	2.67
RUSSIAN FED. 12/42 REGS	XS0767473852	5.625	0	0	2,000	112.813	2,006,447.31	0.56
RUSSIAN FED. 13/23 REGS	XS0971721450	4.875	0	0	6,400	108.625	6,182,303.25	1.74
Total issue country Russia							26,498,905.30	7.44
Issue country Turkey								
TURKEY 09/17	US900123BE97	7.500	0	1,000	1,000	100.735	895,820.36	0.25
TURKEY 10/21	US900123BH29	5.625	0	0	2,500	106.438	2,366,329.48	0.66
TURKEY 13/43	US900123CB40	4.875	2,000	0	2,000	90.625	1,611,827.48	0.45
Total issue country Turkey							4,873,977.32	1.37
Issue country Hungary								
HUN.EXP.-IMP.BK 2018 MTN	XS0864511588	5.500	0	0	2,000	102.690	1,826,410.85	0.51
HUNGARY 11/21	US445545AE60	6.375	0	0	1,000	113.188	1,006,558.47	0.28
Total issue country Hungary							2,832,969.32	0.80
Total bonds denominated in USD translated at a rate of 1.12450							43,631,974.71	12.26
Total securities admitted to organised markets							229,097,018.65	64.35

ERSTE BOND DANUBIA

Security designation	ISIN number	Holding	Unrealised result in EUR	% share of fund assets
Forward exchange agreements				
Forward exchange agreements denominated in EUR				
Issue country Austria				
FXF SPEST EUR/RUB 28.06.2017	FXF_TAX_3434208	1,162,462	10,946.76	0.00
FXF SPEST EUR/USD 21.06.2017	FXF_TAX_3434147	49,046,076	618,343.79	0.17
Total issue country Austria			629,290.55	0.18
Total forward exchange agreements denominated in EUR			629,290.55	0.18
Total forward exchange agreements			629,290.55	0.18

Breakdown of fund assets

Securities	344,420,154.61	96.74
Forward exchange agreements	629,290.55	0.18
Cash in banks	4,735,140.46	1.33
Interest entitlements	6,227,441.06	1.75
Other deferred items	-2,064.62	- 0.00
Fund assets	356,009,962.06	100.00

Dividend shares outstanding	shares	3,592,329.970
Share value for dividend share	EUR	60.70
Non-dividend shares outstanding	shares	731,288.879
Share value for non-dividend share	EUR	148.35
KEST-exempt non-dividend shares outstanding	shares	122,818.419
Share value for KEST-exempt non-dividend share	EUR	178.54
KEST-exempt non-dividend shares outstanding	shares	41,998.739
Share value for KEST-exempt non-dividend share	CZK	4,705.06
KEST-exempt non-dividend shares outstanding	shares	48.000
Share value for KEST-exempt non-dividend share	HUF	55,041.21

As of 31 May 2017, the following securities were registered as lent in the following amounts and at the following fees in the securities lending system of Erste Group Bank AG:

Security designation	ISIN number	Lent amount Shares/nominal (nom. in 1,000, rounded)	Fee rate in %
REPUBLIC OF POLAND	PL0000104543	5,000	0.25
REPUBLIC OF POLAND	PL0000108866	15,000	0.15
HUNGARY	HU0000403118	1,100,000	0.15

The following collateral has been provided for these lending transactions:

Code	Security designation	Nominal
XS0282701514	POLAND 07/22 MTN	3,100,000.00
ES00000123Q7	Kingdom of Spain 4.5% 1/2018	3,590,000.00
ES00000126V0	SPAIN 14-17	1,190,000.00

Information pursuant to Article 13 of Regulation (EU) 2015/2365 on transparency of securities financing transactions and of reuse

Global data:

Amount of securities on loan	
Securities on loan:	8,352,437.01
as a percentage of the fund assets (less cash and cash equivalents):	2.43%
Amount of assets engaged (excluding securities lending):	
(for the relevant type of securities financing transaction):	8,352,437.01
as a percentage of the fund assets:	2.35%

Concentration data:

Ten largest collateral issuers:		Value in EUR
- Volume of collateral received and name of issuer		
Republic of Poland	XS0282701514	3,712,429.74
Kingdom of Spain	ES00000126V0	1,197,918.38
Kingdom of Spain	ES00000123Q7	3,707,213.50
		<u>8,617,561.62</u>

Top ten counterparties for each type of securities financing transaction (excluding securities lending):

Name of the counterparties:	exclusively Erste Group Bank AG
Gross volume of outstanding transactions:	8,352,437.01

Aggregate transaction data for each type of securities financing transaction and total return swap:

	ISIN	Type of collateral	Maturity/Days	Rating	Currency	Value in EUR
Republic of Poland	XS0282701514	government-guaran	unlimited	A-	EUR	3,712,429.74
Kingdom of Spain	ES00000126V0	government-guaran	unlimited	BBB	EUR	1,197,918.38
Kingdom of Spain	ES00000123Q7	government-guaran	unlimited	BBB	EUR	3,707,213.50
						<u>8,617,561.62</u>

Securities lending broken down by maturity:

Maturity of 7–30 days	0
Maturity of 30–90 days	3,618,838.61
Maturity of 90–360 days	4,733,598.40
Maturity of > 360 days	0

ERSTE BOND DANUBIA

Country of the counterparty:	Austria
Settlement (bilateral/central, etc.):	bilateral

Data on reuse of collateral:

- Share of collateral received that is reused (as a percentage):	0.00%
- Cash collateral reinvestment returns to the fund:	0.00%

Custodians of the collateral received:

Number:	1
Name of the custodians of the collateral:	Erste Group Bank AG
Amount of collateral safe-kept:	8,617,561.62

Safekeeping of collateral granted by the fund:

	None
Share of collateral held in segregated accounts:	None

Return and cost for the individual financing transactions as a percentage of overall returns generated by financing transactions:

100%

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 Shares/nominal (nom. in 1,000, rounded)	Sales/ disposals
----------------------	----------------	------------------	---	---------------------

Publicly traded securities

Bonds denominated in EUR

Issue country Turkey

TURKEY 05/17	XS0212694920	5.500	0	930
--------------	--------------	-------	---	-----

Security designation	ISIN number	Interest rate	Purch./ additions Shares/nominal (nom. in 1,000, rounded)	Sales/ disposals
Bonds denominated in TRL				
Issue country Turkey				
TURKEY 13-18	TRT141118T19	8.800	0	12,000
Bonds denominated in HUF				
Issue country Hungary				
HUNGARY 06-17 17/B	HU0000402375	6.750	0	1,100,000
HUNGARY 13-16 16/D	HU0000402623	5.500	0	1,150,000
Bonds denominated in USD				
Issuer International Finance Corporation				
BSTDB 16/21 MTN REGS	XS1405888576	4.875	0	1,500
Issue country Ireland				
VEB FINANCE 12/17MTN REGS	XS0719009754	5.375	0	2,000
Issue country Luxembourg				
GAZ CAPITAL 06/16 MTN	XS0276456315	6.212	0	2,000
Securities admitted to organised markets				
Bonds denominated in EUR				
Issue country Germany				
COBA LOAN PART.06/16	XS0271772559	5.064	0	1,400
Issue country Croatia				
CROAT.DEV.BANK 06/16	XS0260606560	4.807	0	2,450
CROATIA 17/27	XS1428088626	3.000	2,250	2,250
Issue country Lithuania				
LITHUANIA 07/18	XS0327304001	4.850	0	2,000
Issue country Romania				
ROMANIA 11/16	XS0638742485	5.250	0	2,000

ERSTE BOND DANUBIA

Security designation	ISIN number	Interest rate	Purch./ additions Shares/nominal (nom. in 1,000, rounded)	Sales/ disposals
Issue country Hungary				
HUNGARY 11/19	XS0625388136	6.000	0	3,000
Bonds denominated in CZK				
Issue country Czech Republic				
CZECH REP. 2017 51	CZ0001001903	4.000	0	149,000
CZECH REP. 2028	CZ0001003859	2.500	30,000	30,000
Bonds denominated in TRL				
Issuer European Investment Bank				
EIB EUR.INV.BK 06/16 MTN	XS0258970051	14.000	0	2,750
Bonds denominated in USD				
Issue country Kazakhstan				
KAZAKHSTAN 14/44 REGS	XS1120709826	4.875	1,000	2,000
Issue country Croatia				
CROATIA 11/21 REGS	XS0607904264	6.375	0	4,000
Issue country Poland				
POLAND 09/19	US731011AR30	6.375	0	2,000
Issue country Turkey				
TURKEY 06/36	US900123AY60	6.875	0	2,000
TURKEY 14/45	US900123CG37	6.625	2,000	2,000
TURKEY 17/27	US900123CL22	6.000	700	700

Vienna, 18 August 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.
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

ERSTE BOND DANUBIA
mutual fund pursuant to the InvFG,

consisting of the fund portfolio as of 31 May 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 May 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, 18 August 2017

ERNST & YOUNG
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT m.b.H

Mag. Friedrich O. Hief
(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 ERSTE BOND DANUBIA

Mutual fund pursuant to the InvFG

The Fund Terms and Conditions for ERSTE BOND DANUBIA, 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 is an undertaking for the collective investment of transferable securities (UCITS) 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 each share class. 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.

ERSTE BOND DANUBIA is a bond fund.

The Fund invests predominantly, in other words at least 51% of its assets, in government bonds issued or guaranteed primarily by issuers from the EU accession and euro-convergence countries; these bonds must be purchased directly, in other words not indirectly or directly through investment funds or through derivatives.

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) comprise at least 51% of the fund assets.

b) Money market instruments

Money market instruments may comprise up to 49% of the fund assets.

c) Securities and money market instruments

Securities or money market instruments issued or guaranteed by the Republic of Poland or the Republic of Turkey may make up more than 35% of the fund assets 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.

The Fund may purchase securities and money market instruments that are not fully paid up as well as subscription rights for these types of instruments and other financial instruments that are not fully paid up.

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 49% 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).

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 securities, the Fund can hold a lower proportion of securities 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

Does not apply.

j) Securities lending

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

Investment instruments may only be purchased for the entire Fund and not for individual share classes or groups of share classes.

This does not apply to currency hedging transactions, however. Such transactions can also be concluded solely for a single share class. Expenses and income resulting from currency hedging transactions shall be allocated solely to the respective share class.

Article 4 Issue and Return Procedure

The share value shall be calculated in the currency of the respective share class.

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 3.5% to cover the costs incurred by the Management Company in issuing the share, rounded up to the next equivalent sub-unit of the currency unit specified for the respective share class in the prospectus.

The Management Company shall be entitled to apply a sliding issue premium scale at its own discretion.

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 equivalent sub-unit of the currency unit specified for the respective share class in the prospectus. 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 June to 31 May.

Article 6 Share Classes and Use of Earnings

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

Various share classes may be issued for this Fund. The creation of share classes and the issue of shares of a specific class shall be decided at the discretion of the Management Company.

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 1 September 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 1 September 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 1 September 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 tranche)

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 1 September of the following financial year.

The Management Company shall provide suitable proof from the banks managing the corresponding securities accounts that the share certificates could only be held by Shareholders who are not subject to Austrian personal or corporate income tax or who met the conditions for exemption from capital gains tax according to § 94 of the Austrian Income Tax Act (Einkommensteuergesetz) 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 0.72% 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 Management Company shall be entitled to apply a sliding management fee scale at its own discretion.

The costs for the introduction of new share classes for existing investment funds shall be assessed against the share price of the new share classes.

The custodian bank shall receive a fee in the amount of 0.5% of the fund assets upon liquidation.

Annex to the Fund Terms and Conditions

List of exchanges with official trading and organised markets (As of March 2016)

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

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://registers.esma.europa.eu/publication/searchRegister?core=esma_registers_mifid_rma*

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.	Montenegro:	Podgorica
2.3.	Russia:	Moscow (RTS Stock Exchange) Moscow Interbank Currency Exchange (MICEX)
2.4.	Switzerland:	SWX Swiss Exchange
2.5.	Serbia:	Belgrade
2.6.	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:	Mumbai
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 (under the regulation of an authority such as the SEC, FINRA, etc.)

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 "Show table columns".

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

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.

www.erste-am.com

www.erste-am.at