

# **ESPA STOCK EUROPE-EMERGING**

**Mutual fund pursuant to the InvFG**

Annual Report 2011/12

# Contents

<b>General Information about the Investment Firm .....</b>	<b>2</b>
<b>Development of the Fund .....</b>	<b>3</b>
<b>Method of Calculating Overall Risk .....</b>	<b>4</b>
<b>Asset Allocation .....</b>	<b>4</b>
<b>Comparative Overview (in EUR) .....</b>	<b>5</b>
<b>Dividend Disbursement/Payment .....</b>	<b>5</b>
<b>Income Statement and Changes in Fund Assets .....</b>	<b>6</b>
1. Value Development over the Financial Year (Fund Performance).....	6
2. Fund Result.....	6
3. Changes in Fund Assets.....	7
4. Source of the Fund Result .....	8
5. Use of the Fund Result.....	8
<b>Fund Portfolio as of 31 May 2012 .....</b>	<b>9</b>
<b>Unqualified Auditor's Opinion .....</b>	<b>18</b>
<b>Fund Terms and Conditions.....</b>	<b>20</b>
General Terms and Conditions .....	20
Special Fund Terms and Conditions.....	22
Annex to the Special Fund Terms and Conditions.....	27

The Austrian Investment Fund Act (Investmentfondsgesetz [InvFG]) 2011 has been in effect since 1 September 2011. Some of the provisions and legal references in the annual report still refer to the InvFG 1993.

This also applies to the fund terms and conditions, which were approved on the basis of the legal conditions valid at the time of authorisation.

## General Information about the Investment Firm

<b>The company</b>	ERSTE-SPARINVEST Kapitalanlagegesellschaft m. b. H. Habsburgergasse 1a, A-1010 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 (81.42%) DekaBank Deutsche Girozentrale (2.87%) Kärntner Sparkasse Aktiengesellschaft (2.87%) NÖ-Sparkassen Beteiligungsgesellschaft m. b. H. (1.37%) Salzburger Sparkasse Bank Aktiengesellschaft (2.87%) Sieben Tiroler Sparkassen Beteiligungsgesellschaft m. b. H. (2.87%) Steiermärkische Bank und Sparkassen Aktiengesellschaft (5.73%)
<b>Supervisory Board</b>	Wolfgang TRAINDL, Mag. (Chairman) Gerhard FABISCH, Mag. Dr. (Deputy Chairman) Wilhelm SCHULTZE, DI (Deputy Chairman) Christian AICHINGER, Dr. Birte QUITT, Dipl. BW. (FH) Franz RATZ Gabriele SEMMELROCK-WERZER Reinhard WALTTL, Mag. Appointed by the Works Council: Regina HABERHAUER, Mag. (FH) Dieter KERSCHBAUM, Mag. Gerhard RAMBERGER, Mag. Herbert STEINDORFER
<b>Managing directors</b>	Heinz BEDNAR, Mag. Harald GASSER, Mag. Franz GSCHIEGL, Dr.
<b>Prokuristen (proxies)</b>	Achim ARNHOF, Mag. Winfried BUCHBAUER, Mag. Harald EGGER, Mag. Oskar ENTMAYR Dietmar JAROSCH, Dr. Günther MANDL Christian SCHÖN Paul A. SEVERIN, Mag. Jürgen SINGER, Mag.
<b>State commissioners</b>	Erwin GRUBER Michael MANHARD, HR Dr.
<b>Auditor</b>	ERNST & YOUNG WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT MBH
<b>Custodian bank</b>	Erste Group Bank AG

## Dear Shareholder,

We are pleased to present you the following annual report for the ESPA STOCK EUROPE-EMERGING mutual fund pursuant to the InvFG for the period from 1 June 2011 to 31 May 2012.

## Development of the Fund

The European debt crisis brought high volatility to the stock markets, and the CEE countries were not immune to this effect. Over the past 12 months, the MSCI 10/40 Emerging Europe Index lost 21.73%. The slowing growth rates in Western Europe give cause to believe that we will see low growth rates in the CEE region for some time. Investors continued to reduce the shares of stocks in their portfolios. This trend caused a strong decline on the CEE exchanges (WIG20 Index minus 35.8%, BUX Index minus 38.63%, PX Index minus 34.4%). Turkey is the only market that outperformed the MSCI Index (XU 030 Index minus 13.26%). The ECB's LTROs programme (in December 2011 and February 2012) brought an additional EUR 1 billion into the financial system, resulting in a brief improvement in sentiment. Among the currencies, particularly the Hungarian forint and the Polish zloty saw hard times. The other currencies were stable. The Hungarian forint fell 13.61% against the euro, and the Polish zloty lost 10.4% of its value versus the euro. Inflation was consistent in most countries, ranging from 2% to 4%. Turkey and Serbia were the only countries that struggled with larger price increases. Among the CEE countries, political and economic developments in Hungary were particularly negative. On one hand, the country turned to multilateral institutions to secure external financing, while on the other, it took an unorthodox economic policy stance. At the turn of 2011/12, a series of laws were passed, the most important of which limits the independence of the central bank. These laws are standing in the way of international negotiations, and it will be a long and bumpy road before an agreement is reached. For the capital market, this means that high premiums are currently being demanded for Hungarian assets. With the exception of Hungary and Croatia, all of the CEE countries were able to keep their debt level below 60% of GDP. At an estimated 77%, Hungary's debt level is still below that of the Eurozone, at 88%. The strongest sectors over the past twelve months were the telecom and industrial sectors. The banking sector was weaker than the market as a whole. In general, the persistently negative sentiment and the risk aversion on the financial markets led to a bad year for equities. Risk premiums remained at a high level. ESPA STOCK EUROPE-EMERGING registered a loss of roughly 22.56% in EUR terms in the reporting period.

The fund was fully invested for most of the past 12 months. Transactions were also conducted with derivative financial instruments in the reporting period.

The fund achieved a negative performance of 22.55% in the reporting period.

## Method of Calculating Overall Risk <sup>1)</sup>

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:		-

1) For the period from 1 September 2011 to the end of the financial year.

\* 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 2012		31 May 2011	
	EUR millions	%	EUR millions	%
Equities denominated in				
GBP	0.9	0.85	1.0	0.64
BGN	1.1	1.03	-	-
EUR	-	-	0.1	0.06
PLN	12.4	12.15	12.3	8.08
RON	0.5	0.51	3.2	2.12
RUB	1.3	1.26	1.8	1.20
CZK	2.4	2.31	3.1	2.03
TRY	16.5	16.23	18.9	12.45
USD	61.4	60.38	91.1	59.82
HUF	2.1	2.09	6.4	4.23
Investment certificates denominated in				
EUR	1.3	1.24	1.5	0.97
Securities	99.8	98.06	140.4	92.21
Financial futures	- 0.0	- 0.01	0.1	0.05
Dividend entitlements	0.8	0.74	1.0	0.67
Cash in banks	1.2	1.18	10.7	7.05
Interest entitlements	0.0	0.03	0.0	0.01
Other deferred items	- 0.0	- 0.01	- 0.0	- 0.00
<b>Fund assets</b>	<b>101.7</b>	<b>100.00</b>	<b>152.3</b>	<b>100.00</b>

## Comparative Overview (in EUR)

Financial year	Fund assets	Value change in per cent 1)
2006/07	474,561,976.19	+ 35.09
2007/08	373,856,896.70	- 1.41 2)
2008/09	111,466,155.45	- 59.23
2009/10	138,520,440.48	+ 26.30 2)
2010/11	152,256,835.25	+ 13.61 2)
2011/12	101,739,593.08	- 22.55 2)

Financial year	Dividend shares		Non-dividend shares			KESt-exempt non-dividend shares	
	Calculated value per share	Dividend disbursement	Calculated value per share	Reinvested earnings	Payment in accordance with § 58 paragraph 2 InvFG	Calculated value per share	Reinvested KESt-exempt earnings
2006/07	198.24	2.40	209.07	2.14	0.39	215.26	2.61
2007/08	193.06	3.80	205.73	3.30	0.75	212.05	4.17
2008/09	76.48	2.80	83.44	2.88	0.17	86.45	3.16
2009/10	93.08	1.60	105.16	1.80	0.01	109.17	1.88
2010/11	103.97	2.00	119.49	52.90	0.08	124.07	55.01
2011/12	78.63	2.50	92.46	15.17	0.03	96.09	15.79

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 vary slightly from those of dividend shares because of rounding effects.

## Disbursement/Payment

A dividend of EUR 2.50 per share was paid for the **dividend shares** for the financial year 2011/12 (2010/11: EUR 2.00), or a total of EUR 765,221.13 for 306,088 dividend shares.

The coupon-paying bank is obligated to withhold capital gains tax in the amount of EUR 0.03 per share if the respective investor is not exempt from the payment of this tax. This dividend payment will be effected and credited on Monday, 3 September 2012, at

Erste Group Bank AG, Vienna,

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

An amount of EUR 15.17 per share will be reinvested for the **non-dividend shares** for the financial year 2011/12, which represents a total of EUR 9,348,904.89 for 616,208 non-dividend shares.

Pursuant to § 58 paragraph 2 of the Austrian Investment Fund Act (InvFG), the applicable capital gains tax on the profit for the non-dividend shares in the amount of EUR 0.03 per share must be paid out. This amounts to a total of EUR 18,486.23 for 616,208 non-dividend shares. This payment will also be effected on Monday, 3 September 2012.

Pursuant to the penultimate sentence of § 58 paragraph 2 of the Austrian Investment Fund Act, no capital gains tax will be paid for **KESt-exempt non-dividend shares**. An amount of EUR 15.79 per share will be reinvested for the KESt-exempt non-dividend shares for the financial year 2011/12, which represents a total of EUR 3,400,935.24 for 215,372 KESt-exempt non-dividend shares.

## Income Statement and Changes in Fund Assets

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

Calculated according to the OeKB method: per share in the fund currency (EUR) not including the issue premium	Dividend shares	Non-dividend shares	KES-t-exempt non-dividend shares
Share value at the beginning of the reporting period	103.97	119.49	124.07
Disbursement on 01.09.2011 (corresponds to roughly 0.0240 shares) 1)	2.00		
Payment on 01.09.2011 (corresponds to roughly 0.0008 shares) 1)		0.08	
Share value at the end of the reporting period	78.63	92.46	96.09
Total value including (notional) shares gained through dividend disbursement/payment	80.52	92.53	96.09
Net earnings per share	- 23.45	- 26.96	- 27.98
Value development of one share in the period 2)	- 22.55 %	- 22.56 %	- 22.55 %

### 2. Fund Result

#### a. Realised fund result

##### Ordinary fund result

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

Interest income (excluding income adjustment) 320,087.21

Dividend income 2,109,327.96

Other income 3) 4,884.66

Total income (without profit or loss from price changes) 2,434,299.83

Interest paid - 83,320.57

##### Expenses

Fees paid to Investment Firm - 2,151,318.85

Costs for the financial auditor and tax consultation - 12,699.87

Publication costs - 41,925.64

Securities account fees - 14,557.72

Custodian bank fees - 172,297.51

Costs for the external consultant 0.00

Total expenses - 2,392,799.59

Compensation for management costs from sub-funds 4) 0.00

**Ordinary fund result (excluding income adjustment) - 41,820.33**

##### Realised profit or loss from price changes 5) 6)

Realised gains 7) 17,988,922.71

Realised losses 8) - 21,146,594.79

**Realised profit or loss from price changes (excluding income adjustment) - 3,157,672.08**

**Realised fund result (excluding income adjustment) - 3,199,492.41**

<b>Carryover: Realised fund result (excluding income adjustment)</b>	<b>- 3,199,492.41</b>
<b>b. Unrealised profit or loss from price changes 5) 6)</b>	
Changes in the unrealised profit or loss from price changes	<b>- 29,495,978.02</b>
<b>Result for the reporting period</b>	<b>- 32,695,470.43</b>
<b>c. Income adjustment</b>	
Income adjustment for income in the period	- 1,190,159.79
Income adjustment for profit carried forward from dividend shares	- 1,195,770.37
<b>Overall fund result</b>	<b>- 35,081,400.59</b>

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

<b>Fund assets at the beginning of the reporting period 9)</b>	<b>152,256,835.25</b>
<b>Disbursement/payment</b>	
Disbursement (for dividend shares) on 01.09.2011	- 660,620.36
Payment (for non-dividend shares) on 01.09.2011	- 53,970.72
	<b>- 714,591.08</b>
<b>Issue and return of shares</b>	<b>- 14,721,250.50</b>
<b>Overall fund result</b>	
(The fund result is shown in detail under 2)	<b>- 35,081,400.59</b>
<b>Fund assets at the end of the reporting period 10)</b>	<b>101,739,593.08</b>

#### **4. Source of the Fund Result**

Realised fund result	- 3,199,492.41
Income adjustment for income in the period	- 1,190,159.79
Income adjustment for profit carried forward from dividend shares	- 1,195,770.37
Profit carried forward from prior year	14,664,706.68
Costs and losses covered by fund assets	21,146,594.79
<b>Distributable/retainable fund result</b>	<b><u>30,225,878.90</u></b>

#### **5. Use of the Fund Result**

Disbursement on 03.09.2012 for 306,088 dividend shares at EUR 2.50 each	765,221.13
Payment on 03.09.2012 for 616,208 non-dividend shares at EUR 0.03 each	18,486.23
Reinvestment for 616,208 non-dividend shares at EUR 15.17 each	9,348,904.89
Reinvestment for 215,372 KEST-exempt non-dividend shares at EUR 15.79 each	3,400,935.24
Profit carried forward for dividend shares	16,692,331.41
<b>Total use</b>	<b><u>30,225,878.90</u></b>

The way in which interest income is recognised was changed due to amendments to the tax regulations that went into force on 1.4.2012. This has no effect on the calculated value of the fund.

- 1) Calculated value on 30.08.2011 (ex-date): One dividend share EUR 83.49, one non-dividend share EUR 98.19.
- 2) The development of the value of non-dividend shares varies slightly from that of dividend shares because of rounding effects.
- 3) The earnings reported under this item can be attributed entirely to lending fees from securities lending transactions.
- 4) Reimbursements (in the sense of commissions) paid by third parties are forwarded to the Investment Fund after deduction of any associated costs. Erste Bank der oesterreichischen Sparkassen AG receives 20% of the calculated commissions to cover administrative costs.
- 5) 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 period.
- 6) 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 -32,653,650.08.
- 7) Thereof profits from transactions with derivative financial instruments: EUR 2,016,554.72.
- 8) Thereof losses from transactions with derivative financial instruments: EUR -6,255,527.89.
- 9) Shares outstanding at the beginning of the reporting period: 342,057 dividend shares, 707,657 non-dividend shares, 259,031 KEST-exempt non-dividend shares.
- 10) Shares outstanding at the end of the reporting period: 306,088 dividend shares, 616,208 non-dividend shares, 215,372 KEST-exempt non-dividend shares.

## Fund Portfolio as of 31 May 2012

(including changes in securities assets from 1 June 2011 to 31 May 2012)

Security designation	ISIN number	Purch./ additions Shares/nominal (nom. in 1,000, rounded)	Sales/ disposals	Holding	Price	Value in EUR	% share of fund assets	
<b>Publicly traded securities</b>								
<b>Equities denominated in GBP</b>								
<b>Issue country Jersey</b>								
POLYMETAL INTL PLC	JE00B6T5S470	110,000	20,000	90,000	7.715000	864,334.31	0.85	
						Total	864,334.31	0.85
Total equities denominated in GBP translated at a rate of 0.803335						864,334.31	0.85	
<b>Equities denominated in BGN</b>								
<b>Issue country Bulgaria</b>								
SOPHARMA AD BW 1	BG11SOS0BT18	900,000	0	900,000	2.285000	1,051,272.88	1.03	
						Total	1,051,272.88	1.03
Total equities denominated in BGN translated at a rate of 1.956200						1,051,272.88	1.03	
<b>Equities denominated in PLN</b>								
<b>Issue country Poland</b>								
BANK MILLENNIUM ZY 1	PLBIG0000016	200,000	0	200,000	3.400000	154,399.13	0.15	
CYFROWY POLSAT SA ZY	PLCFRPT00013	97,000	0	97,000	13.600000	299,534.30	0.29	
ENEA S.A. ZY 1	PLENEA000013	54,000	0	54,000	16.000000	196,177.71	0.19	
						Total	650,111.14	0.64
Total equities denominated in PLN translated at a rate of 4.404170						650,111.14	0.64	
<b>Equities denominated in ROL</b>								
<b>Issue country Romania</b>								
BUCHAREST ST. EXCH.	ROBVBAACNORO	0	151,667	56,586	23.930000	301,917.49	0.30	
FONDUL PROPRIETAT.	ROFPTAACNOR5	2,000,000	10,000,000	2,000,000	0.492000	219,397.50	0.22	
						Total	521,314.99	0.51
Total equities denominated in ROL translated at a rate of 4.485010						521,314.99	0.51	
<b>Equities denominated in RUB</b>								
<b>Issue country Russia</b>								
JSC MMC NORIL.NICKEL	RU0007288411	6,500	710	5,790	4,924.000000	688,773.98	0.68	
SBER.BK ROSS. RL 3	RU0009029540	0	0	300,000	81.760000	592,573.55	0.58	
						Total	1,281,347.53	1.26
Total equities denominated in RUB translated at a rate of 41.392330						1,281,347.53	1.26	

## ESPA STOCK EUROPE-EMERGING

Security designation	ISIN number	Purch./ additions Shares/nominal (nom. in 1,000, rounded)	Sales/ disposals	Holding	Price	Value in EUR	% share of fund assets
<b>Equities denominated in TRL</b>							
<b>Issue country Turkey</b>							
ASYA KATILIM BANK N. TN 1	TREAYKB00014	0	0	150,000	1.600000	104,154.01	0.10
BIM BIRLESIK MAG.	TREBIMM00018	20,000	10,000	40,000	75.500000	1,310,604.61	1.29
COCA COLA ICECEK C	TRECOLA00011	25,000	0	29,907	24.600000	319,280.73	0.31
EMLAK KONUT GAYR.YAT.	TREEGY000017	1,000,000	700,000	300,000	2.050000	266,894.65	0.26
KOZA ALTIN ISLETMEL.	TREKOAL00014	100,000	70,000	30,000	31.500000	410,106.41	0.40
TAV HAVALIMAN.HLDG	TRETAVH00018	76,000	0	76,000	9.020000	297,498.57	0.29
TUERKIYE HALK BANK.	TRETHAL00019	286,000	316,000	130,000	11.450000	645,971.84	0.63
TURK TELEKOMUNIKASY	TRETLK00013	235,000	200,000	251,000	6.380000	694,958.95	0.68
						<b>Total</b>	<b>3.98</b>
						4,049,469.77	3.98
Total equities denominated in TRL translated at a rate of 2.304280						4,049,469.77	3.98
<b>Equities denominated in USD</b>							
<b>Issue country Jersey</b>							
UNITED CO.RUSAL RDR	RU000A0JR5Z5	0	0	55,000	5.771600	256,733.39	0.25
						<b>Total</b>	<b>0.25</b>
						256,733.39	0.25
<b>Issue country Russia</b>							
ALROSA RL 0:50	RU0007252813	740,120	20	740,100	0.679700	406,847.00	0.40
DIXY GROUP OJSC RL -.01	RU000A0JP7H1	0	20,000	30,000	9.156900	222,173.97	0.22
FED.SET.KO.E.ENER.50	RU000A0JPNN9	100,000,000	100,000,000	130,000,000	0.005100	536,212.54	0.53
MAGNIT RL -.01	RU000A0JKQU8	32,000	10,000	22,000	99.229000	1,765,569.17	1.74
MECHEL OAO PFD RL 10	RU000A0JPV70	25,000	0	25,000	4.724600	95,527.52	0.09
MOSTOTRESTRL 0.14	RU0009177331	0	0	50,000	5.305100	214,529.50	0.21
MRSK HOLDING RL 1	RU000A0JPVJ0	13,750,000	7,750,000	6,000,000	0.045100	218,852.36	0.22
OAO INTER RAO UES	RU000A0JPNM1	290,000,000	300,000,000	170,000,000	0.000800	109,992.32	0.11
PHARMSTANDARD RL 1	RU000A0JP7F5	3,683	0	3,683	43.547700	129,715.06	0.13
ROSTELEKOM RL 0.0025	RU0008943394	560,000	400,000	360,000	3.171500	923,401.67	0.91
RUSGIDRO OAO RL 1	RU000A0JPKH7	0	0	63,000,000	0.023800	1,212,665.29	1.19
SBER.BK ROSS.RL 3	RU0009029540	300,000	1,560,000	3,840,000	2.438700	7,573,786.24	7.44
SBER.BK ROSS. PFD RL 3	RU0009029557	0	0	230,000	1.811400	336,950.14	0.33
SURGUTNEFTEGAZ VZ	RU0009029524	3,000,000	0	3,000,000	0.476800	1,156,860.37	1.14
TRANSNEFT' PFD RL 1	RU0009091573	1,000	1,500	500	1,323.431100	535,173.72	0.53
						<b>Total</b>	<b>15.17</b>
						15,438,256.87	15.17
Total equities denominated in USD translated at a rate of 1.236450						15,694,990.26	15.43
<b>Equities denominated in HUF</b>							
<b>Issue country Hungary</b>							
MOL NYRT. NA A UF 1000	HU0000068952	11,200	29,700	6,000	15,000.000000	297,545.21	0.29
ORSZAGOS TAKAR. KER	HU0000061726	572,000	620,000	102,000	3,338.000000	1,125,633.37	1.11
RICHTER GEDEON.NA UF	HU0000067624	0	0	6,000	35,700.000000	708,157.61	0.70
						<b>Total</b>	<b>2.09</b>
						2,131,336.19	2.09
Total equities denominated in HUF translated at a rate of 302.475040						2,131,336.19	2.09
Total publicly traded securities						26,244,177.07	25.80

Security designation	ISIN number	Purch./ additions Shares/nominal (nom. in 1,000, rounded)	Sales/ disposals	Holding	Price	Value in EUR	% share of fund assets	
<b>Investment certificates</b>								
<b>Investment certificates denominated in EUR</b>								
<b>Issue country Austria</b>								
ESPA STOCK RISING MKTS T	AT0000A0NUL8	200,000	62,000	138,000	9.130000	1,259,940.00	1.24	
						Total	1,259,940.00 1.24	
						Total investment certificates denominated in EUR	1,259,940.00 1.24	
						Total investment certificates	1,259,940.00 1.24	
<b>Securities admitted to organised markets</b>								
<b>Equities denominated in PLN</b>								
<b>Issue country Luxembourg</b>								
KERNEL HLDG S.A.	LU0327357389	0	10,000	11,000	56.000000	139,867.44	0.14	
						Total	139,867.44 0.14	
<b>Issue country Poland</b>								
ASSECO POLAND S.A.	PLSOFTB00016	31,000	0	31,000	48.900000	344,196.52	0.34	
BK HANDLOWY W WARS.	PLBH00000012	15,300	19,200	15,300	72.200000	250,821.38	0.25	
BK PEKAO SA ZY 1	PLPEKA000016	129,000	104,000	55,000	141.000000	1,760,831.21	1.73	
BRE BANK ZY 4	PLBRE0000012	5,500	5,080	5,500	270.700000	338,054.62	0.33	
GRUPA LOTOS S.A.ZY 1	PLLOTOS00025	30,000	0	30,000	23.300000	158,713.22	0.16	
JASTRZEBSKA SPOL.	PLJSW0000015	20,000	0	20,000	90.000000	408,703.57	0.40	
KGHM POLSKA MIEDZ	PLKGHM000017	190,000	180,000	50,000	128.000000	1,453,168.25	1.43	
PKN ORLEN S.A.ZY 1.25	PLPKN0000018	250,000	220,000	110,000	33.250000	830,462.95	0.82	
PKO BANK POLSKI S.A.	PLPK00000016	460,000	467,000	260,000	32.000000	1,889,118.72	1.86	
PL.GR.ENERGETYCZNA	PLPGER000010	50,000	177,000	150,000	18.500000	630,084.67	0.62	
POLSKIE GO.NAF. A ZY 1	PLPGNIG00014	200,000	690,000	500,000	3.850000	437,085.76	0.43	
POWSZECHNY ZAKLAD	PLPZU0000011	20,000	0	20,000	296.000000	1,344,180.63	1.32	
SYNTHOS S.A. ZY 0.03	PLDWORY00019	268,000	0	268,000	5.350000	325,555.10	0.32	
TAURON POLSKA E.	PLTAURN00011	100,000	0	400,000	4.290000	389,630.74	0.38	
TPSA - TELEKOMUN. P.	PLTLKPL00017	250,000	0	250,000	16.050000	911,068.37	0.90	
						Total	11,471,675.71 11.28	
						Total equities denominated in PLN translated at a rate of 4.404170	11,611,543.15 11.41	
<b>Equities denominated in CZK</b>								
<b>Issue country Czech Republic</b>								
CEZ AS BEARER	KC 100	CZ0005112300	75,000	80,000	45,000	735.000000	1,281,331.61	1.26
KOMERCNI BANKA BEARER		CZ0008019106	15,000	18,000	5,000	3,100.000000	600,472.86	0.59
TELEFONICA CZECH		CZ0009093209	32,000	70,000	32,000	380.000000	471,080.65	0.46
						Total	2,352,885.12 2.31	
						Total equities denominated in CZK translated at a rate of 25.812990	2,352,885.12 2.31	

## ESPA STOCK EUROPE-EMERGING

Security designation	ISIN number	Purch./ additions Shares/nominal (nom. in 1,000, rounded)	Sales/ disposals	Holding	Price	Value in EUR	% share of fund assets
<b>Equities denominated in TRL</b>							
<b>Issue country Turkey</b>							
AKBANK TUERK TN 1	TRAAKBNK91N6	700,000	806,666	600,000	5.700000	1,484,194.63	1.46
ANADOLU E.BIR.M.G.TN 1	TAAEFES91A9	40,000	0	90,000	21.500000	839,741.70	0.83
ARCELIK A.S. REG. TN 1	TRAARCLK91H5	96,000	0	96,000	7.820000	325,793.74	0.32
ENKA INSAAT VE SAN.TN 1	TREENKA00011	99,280	127,280	172,000	4.020000	300,067.70	0.29
EREGLI DEM.CEL. REG.	TRAEREGL91G3	0	0	311,414	2.150000	290,563.69	0.29
FORD OTOMOTIV SANAYI	TRAOTOSN91H6	50,000	0	50,000	16.150000	350,434.84	0.34
HACI OMER SABANCI TN 1	TRASAHOL91Q5	550,000	700,000	250,000	7.360000	798,514.07	0.78
KOC HLDG NA TN 1	TRAKCHOL91Q8	0	0	300,000	5.840000	760,324.27	0.75
TUERKIYE GAR.BANK.	TRAGARAN91N1	2,440,000	2,600,000	1,040,000	5.980000	2,698,977.55	2.65
TUPRAS TURKIYE P.R.	TRATUPRS91E8	15,000	29,000	60,000	34.700000	903,536.03	0.89
TURK HAVA YOLLARI AS	TRATHYAO91M5	170,000	140,000	230,000	2.520000	251,531.93	0.25
TURK SISE CAM REG.	TRASISEW91Q3	186,000	0	186,000	2.550000	205,834.36	0.20
TURKCELL ILETISIM	TRATCELL91M1	100,000	200,000	300,000	8.140000	1,059,767.04	1.04
TURKIYE IS BANKASI	TRAISTR91N2	560,000	800,000	760,000	3.760000	1,240,127.07	1.22
TURKIYE VAKIFLAR BANK.	TREVKFB00019	100,000	0	350,000	2.970000	451,117.05	0.44
YAPI VE KREDI B.NA	TRAYKBNK91N6	1,240,000	1,430,000	400,000	2.910000	505,146.94	0.50
Total						12,465,672.61	12.25
Total equities denominated in TRL translated at a rate of 2.304280						12,465,672.61	12.25
<b>Equities denominated in USD</b>							
<b>Issue country Netherlands</b>							
NORD GOLD NV SP.GDR S	US65557T2050	334,800	256,474	78,326	4.800000	304,067.94	0.30
Total						304,067.94	0.30
<b>Issue country Russia</b>							
JSC MMC NOR.NICK.ADR	US46626D1081	600,000	740,000	140,000	14.820000	1,678,029.84	1.65
LSR GROUP GDR S/5	US50218G2066	200,000	292,863	150,000	4.100000	497,391.73	0.49
LUKOIL N.K.SP.ADR	US6778621044	195,000	195,000	235,000	51.900000	9,864,127.14	9.70
MAGNIT GDR REG. S	US55953Q2021	141,000	295,000	16,000	24.600000	318,330.70	0.31
MECHEL OAO ADR RL 10	US5838401033	570,000	640,000	70,000	5.310000	300,618.71	0.30
MOBILNIYE TEL. ADR/5	US6074091090	150,000	100,000	300,000	16.640000	4,037,365.04	3.97
NK ROSNEFT GDR REGS	US67812M2070	1,775,000	1,765,000	840,000	6.150000	4,178,090.50	4.11
NOVATEK GDR REG.S	US6698881090	199,600	236,600	30,000	95.000000	2,304,986.05	2.27
NOVOLIPETSKIY MET.	US67011E2046	255,000	280,000	30,000	15.780000	382,870.31	0.38
NOVOROSS.MORSK. GDR	US67011U2087	85,000	20,000	242,248	6.550000	1,283,290.39	1.26
OAO GAZP.ADR SP.	US3682872078	2,130,000	2,015,000	1,115,000	8.765000	7,904,060.01	7.77
SEVERSTAL GDR S	US8181503025	685,000	675,000	110,000	10.930000	972,380.61	0.96
SISTEMA,AFK GDR	US48122U2042	40,000	153,261	40,000	17.080000	552,549.64	0.54
SURGUTNEFTEGAZ	US8688612048	101,210	350,000	351,210	7.515000	2,134,613.73	2.10

Security designation	ISIN number	Purch./ additions Shares/nominal (nom. in 1,000, rounded)	Sales/ disposals	Holding	Price	Value in EUR	% share of fund assets
TATNEFT' GDR REG.S 20	US6708312052	50,000	55,000	117,000	30.470000	2,883,246.39	2.83
TRUB.MET.KO.GDRS	US87260R2013	50,000	100,000	30,000	12.390000	300,618.71	0.30
URALKALI GDR S/5 RL	US91688E2063	270,000	250,000	150,000	34.600000	4,197,500.91	4.13
VTB BANK GDR REG. S	US46630Q2021	2,280,000	2,138,000	600,000	3.140000	1,523,717.09	1.50
Total						45,313,787.50	44.54
Total equities denominated in USD translated at a rate of 1.236450						45,617,855.44	44.84
Total securities admitted to organised markets						72,047,956.32	70.82

**Unlisted securities****Equities denominated in EUR****Issue country Slovakia**

SLOVENSKE LODENICE	CS0005050954	0	0	1,266	0.000000	0.00	0.00
Total						0.00	0.00
Total equities denominated in EUR						0.00	0.00

**Equities denominated in PLN****Issue country Poland**

GLOBE TRADE CENTRE ZY	PLGTC0000037	75,000	0	75,000	5.780000	98,429.44	0.10
Total						98,429.44	0.10
Total equities denominated in PLN translated at a rate of 4.404170						98,429.44	0.10

**Equities denominated in USD****Issue country Russia**

KHOLD.KOMP.SIB.TSE.RL	RU000A0JP3C1	0	0	10,000	14.750000	119,293.14	0.12
Total						119,293.14	0.12
Total equities denominated in USD translated at a rate of 1.236450						119,293.14	0.12
Total unlisted securities						119,293.14	0.12

**Derivatives****Unrealised result in EUR****Financial futures denominated in PLN****Issue country Poland**

WIG20 INDEX FUT Jun12				700		-7,188.64	-0.01
Total						-7,188.64	-0.01
Total financial futures denominated in PLN translated at a rate of 4.404170						-7,188.64	-0.01
Total derivatives						-7,188.64	-0.01

## ESPA STOCK EUROPE-EMERGING

### Breakdown of fund assets

Securities		99,769,795.97	98.06
Financial futures		-7,188.64	-0.01
Dividend entitlements		752,737.73	0.74
Cash in banks		1,196,621.60	1.18
Interest entitlements		33,141.77	0.03
Other deferred items		-5,515.35	-0.01
<b>Fund assets</b>		<b>101,739,593.08</b>	<b>100.00</b>

Dividend shares outstanding	shares	306,088
Non-dividend shares outstanding	shares	616,208
KEST-exempt non-dividend shares outstanding	shares	215,372
Share value for dividend share	EUR	78.63
Share value for non-dividend share	EUR	92.46
Share value for KEST-exempt non-dividend share	EUR	96.09

\* As of 31 May 2012, the securities marked with "lent" in the fund portfolio and 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:

<b>Security designation</b>	<b>ISIN number</b>	<b>Lent amount</b> <b>Shares/nominal (nom. in 1,000, rounded)</b>	<b>Fee rate in %</b>
KOMERCNI BANKA BEARER KC500	CZ0008019106	2,000	0.20

### 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

<b>Security designation</b>	<b>ISIN number</b>	<b>Purch./ additions</b> <b>Shares/nominal (nom. in 1,000, rounded)</b>	<b>Sales/ disposals</b>
-----------------------------	--------------------	--	-------------------------

#### Publicly traded securities

#### Equities denominated in GBP

#### Issue country Great Britain

EURASIAN NAT.RES. DL -.20	GB00B29BCK10	0	100,000
KAZAKHMYS PLC LS -.20	GB00B0HZPV38	50,000	50,000
PETROPAVLOVSK LS -.01	GB0031544546	220,000	220,000

Security designation	ISIN number	Purch./ additions	Sales/ disposals
Shares/nominal (nom. in 1,000, rounded)			
<b>Equities denominated in EUR</b>			
<b>Issue country Austria</b>			
AMAG AUTRIA METALL BEARER	AT00000AMAG3	0	5,500
ERSTE GROUP BANK AG	AT0000652011	130,000	130,000
OMV AG	AT0000743059	50,000	50,000
RAIFFEISEN INTL BK-HO.BEARER	AT0000606306	30,000	30,000
<b>Equities denominated in PLN</b>			
<b>Issue country Poland</b>			
GETIN HLDG ZY 1	PLGSPR000014	0	50,000
PBG S.A. ZY 1	PLPBG0000029	0	5,200
<b>Equities denominated in RUB</b>			
<b>Issue country Russia</b>			
E.ON RUSSIYA JSC	RU000A0JNGA5	4,000,000	12,000,000
OA0 INTER RAO UES	RU000A0JPNM1	0	290,000,000
RASPADSKAYA RL 0.004	RU000A0B90N8	30,964	30,964
<b>Equities denominated in TRL</b>			
<b>Issue country Turkey</b>			
EREGLI DEM.CEL. EM.04/12	TREERGL00041	136,153	136,153
TEKNOSA IC V.DI.TI.AS TN1	TRETKN000010	446,000	446,000
TURKIYE SINAI KAL.B. TN 1	TRATSKBW91N0	700,000	700,000
<b>Equities denominated in USD</b>			
<b>Issue country Luxembourg</b>			
EVRAZ GROUP GDR REG. S/3	US30050A2024	220,000	220,000
<b>Issue country Russia</b>			
AKRON RL 5	RU0009028674	0	20,000
E.ON RUSSIYA JSC	RU000A0JNGA5	8,000,000	8,000,000
ENEL O GK-5 JSC RL 1	RU000A0F5UN3	0	10,000,000
JSC MMC NORIL.NICKEL RL 1	RU0007288411	0	6,500
MOBIL'NIYE TELESIST RL-10	RU0007775219	250,000	250,000
POLYMETAL GDR REGS RL-.20	US7317892021	150,000	150,000
POLYUS ZOLOTO RL 1	RU000A0JNAA8	0	35,000
POLYUS ZOLOTO OJSC ADR /2	US6781291074	40,000	40,000
RASPADSKAYA RL 0.004	RU000A0B90N8	510,964	510,964

## ESPA STOCK EUROPE-EMERGING

<b>Security designation</b>	<b>ISIN number</b>	<b>Purch./ additions</b>	<b>Sales/ disposals</b>
		<b>Shares/nominal (nom. in 1,000, rounded)</b>	
<b>Equities denominated in HUF</b>			
<b>Issue country Hungary</b>			
MAGYAR TELEK.T.NA A UF100	HU0000073507	250,000	250,000
<b>Securities admitted to organised markets</b>			
<b>Equities denominated in CAD</b>			
<b>Issue country Canada</b>			
URANIUM ONE INC.	CA91701P1053	400,000	400,000
<b>Equities denominated in SEK</b>			
<b>Issue country Bermuda</b>			
ALLIANCE OIL SDR	SE0000739286	50,000	50,000
<b>Equities denominated in USD</b>			
<b>Issue country Netherlands</b>			
X 5 RETAIL GR. GDR S 0.25	US98387E2054	80,000	110,000
<b>Issue country Russia</b>			
AKRON GDR REG S RL 5	US00501T2096	50,000	57,000
PHOSAGRO OFSC S.GDR REGS	US71922G2093	74,000	74,000
SBERBK RO.S.ADR REGS 4/1	US80585Y3080	1,580,000	1,580,000
<b>Index certificates denominated in EUR</b>			
<b>Issue country Germany</b>			
UC-HVB ZT 12 ECE	DE000HV5CPD2	0	5,997
<b>Issuer European Investment Bank</b>			
UC-HVB ZT 13 EASTCAP	DE000HV5LS97	5,997	5,997
<b>Investment certificates</b>			
<b>Investment certificates denominated in EUR</b>			
<b>Issue country Croatia</b>			
ERSTE TOTAL EAST	HRRSIUTOTE0	0	39,619

Security designation	ISIN number	Purch./ additions	Sales/ disposals
Shares/nominal (nom. in 1,000, rounded)			

**Investment certificates denominated in HRK**

**Issue country Croatia**

ERSTE TOTAL EAST	HRERSIUTOTE0	39,619	39,619
------------------	--------------	--------	--------

**Unlisted securities**

**Equities denominated in USD**

**Issue country Russia**

MAGNIT RL -.01	RU000A0JRW44	7,000	7,000
----------------	--------------	-------	-------

Vienna, June 2012

ERSTE-SPARINVEST  
Kapitalanlagegesellschaft m.b.H.

Bednar

Gasser

Gschiegl

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

We have audited the attached annual report as of 31 May 2012 prepared by ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H. for the fund under its management designated ESPA STOCK EUROPE-EMERGING, mutual fund pursuant to the InvFG, for the financial year from 1 June 2011 to 31 May 2012, including the accounting records for the fund.

### **Management responsibility for the annual report, managing the fund assets and accounting**

The legal representatives of the Management Company and the custodian bank are responsible for maintaining the fund's accounting records, valuing the fund assets, calculating withholding taxes, preparing the annual report and managing the fund assets, all in accordance with the provisions of the InvFG, the supplementary provisions in the fund terms and conditions, and the tax regulations. This responsibility includes: designing, implementing and maintaining an internal control system as needed for documenting and valuing the fund assets and for preparing the annual report in such a way that ensures that the report is free of material misstatements resulting from intentional or unintentional errors; the selection and application of suitable valuation methods; and the completion of estimates deemed appropriate in accordance with the prevailing conditions.

### **Auditor responsibility and description of the type and scope of the mandatory audit of the annual report**

It is our responsibility to state an opinion on this report on the basis of our audit.

We conducted our audit in accordance with § 49 paragraph 5 InvFG 2011, in accordance with the legal requirements that apply in Austria, and in accordance with Austrian generally accepted accounting principles. These principles obligate us to follow the standards of our profession and to plan and conduct our audit in a way that enables us to ascertain with a reasonable degree of certainty whether or not the annual report is free of material misstatements.

An audit includes the completion of audit steps to obtain evidence of the amounts and other information disclosed in the annual report. These steps must be selected by the auditor at his or her own discretion and taking into account the auditor's expectations of the risk of material misstatements resulting from intentional or unintentional errors. In assessing this risk, the auditor considers the internal control system as it is relevant for the preparation of the annual report and the valuation of the fund assets so as to be able to select audit steps that are appropriate for the specific situation. An ascertainment of the effectiveness of the Management Company's or custodian bank's internal control system is not part of the audit. The audit also includes an assessment of the appropriateness of the applied valuation methods and material estimates made by management, as well as evaluating the overall presentation of the annual report.

We believe that we have collected sufficient and suitable evidence over the course of our audit, and that our audit provides a sufficient basis for our opinion.

### **Audit opinion**

Our audit revealed no cause for objection. Based on the information obtained during the audit, we believe that the annual report as of 31 May 2012 for ESPA STOCK EUROPE-EMERGING, mutual fund pursuant to the InvFG, complies with the legal requirements.

### **Statements regarding compliance with the Austrian Investment Fund Act and the fund terms and conditions**

In accordance with § 49 paragraph 5 InvFG 2011, the audit must also include a determination of whether the provisions of the Austrian Investment Fund Act (Investmentfondsgesetz, InvFG) and the fund terms and conditions were complied with. We conducted our audit according to the aforementioned principles in such a way that we are able to form an opinion with sufficient certainty as to whether the provisions of the InvFG and the fund terms and conditions were complied with in general.

According to the information obtained during the audit, the provisions of the Austrian Investment Fund Act and the fund terms and conditions were complied with.

### **Statements regarding the report on activities in the reporting period**

The descriptions included in the annual report by the management of the Management Company about the activities in the reporting period were examined critically by us, but were not subject to special audit steps according to the aforementioned principles. Therefore, our audit opinion is not based on this information. Overall, the descriptions regarding the reporting period are in line with the figures indicated in the annual report.

Vienna, 20 August 2012

**ERNST & YOUNG**  
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

**Mag. Ernst Schönhuber**  
(Certified Public  
Accountant)

**Dr. Robert Wauschek**  
(Certified Public  
Accountant)

\* In the case of the publication or dissemination of the annual report with our auditor's opinion 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 STOCK EUROPE-EMERGING

Mutual fund pursuant to the InvFG

## General Terms and Conditions

governing the contractual relationship between the Shareholders and ERSTE-SPARINVEST KAG (hereinafter the "Investment Firm") for the mutual funds administered by the Investment Firm, which are only valid in combination with the Special Fund Terms and Conditions issued for each individual fund:

### **§ 1 Basic Terms**

The Investment Firm is subject to the provisions of the 1993 Austrian Investment Fund Act as amended (hereinafter "InvFG").

### **§ 2 Fund Shares**

1. Ownership in the assets held by the Investment Fund is divided into equal shares.

The number of shares is unlimited.

2. The partial ownership of the fund assets is evidenced by certificates having the characteristics of a security.

Fund shares may be issued as different classes of shares in accordance with the Special Fund Terms and Conditions.

The shares are depicted as global certificates (§ 24 Austrian Securities Deposit Act [Depotgesetz] as amended) and/or as effective individual shares.

3. Every purchaser of a share acquires proportionate ownership of all assets contained in the Investment Fund in accordance with the share of ownership assigned to the share. Every purchaser of a fraction of a global certificate acquires proportionate ownership of all assets contained in the Investment Fund in accordance with his fractional ownership of the global certificate.
4. The Investment Firm shall be permitted to split the shares in the fund with the approval of its Supervisory Board and issue additional share certificates to the Shareholders or replace the old share certificates with new ones when the Investment Firm deems that such a split would be in the interests of the Shareholders on the basis of the calculated share value (§ 6).

### **§ 3 Share Certificates and Global Certificates**

1. The share certificates are bearer shares.
2. The global certificates bear the original signature of a managing director or a duly authorised employee of the custodian bank and the original or facsimile signature of two managing directors of the Investment Firm.
3. The individual share certificates bear the original signature of a managing director or a duly authorised employee of the custodian bank and the original or facsimile signature of two managing directors of the Investment Firm.

### **§ 4 Administration of the Investment Fund**

1. The Investment Firm shall be authorised to dispose of the assets in the Investment Fund and to exercise the rights associated with ownership of these assets. In this, it shall act in its own name for the account of the Shareholders. It shall protect the interests of the Shareholders and the integrity of the market, shall exercise the prudence of an ordinary and conscientious businessman as defined by § 84 paragraph 1 Austrian Stock Corporation Act (Aktiengesetz), and shall comply with the provisions of the InvFG and the fund terms and conditions.

The Investment Firm shall be authorised to employ third parties in the management of the Investment Fund and shall be authorised to permit such third parties to dispose of the fund assets in the name of the Investment Firm or in their own name for the account of the Shareholders.

2. The Investment Firm shall not be permitted to grant loans or enter into guarantee commitments of any kind for the account of the Investment Fund.
3. Assets in the Investment Fund may not be pledged or subject to liens of any kind, provided as collateral or transferred to another party except in those cases explicitly permitted in the Special Fund Terms and Conditions.
4. The Investment Firm shall not be permitted to sell securities, money market instruments or other financial investments pursuant to § 20 InvFG that are not fund assets at the time of sale for the account of the Investment Fund.

### **§ 5 Custodian Bank**

The custodian bank (§ 13) appointed pursuant to § 23 InvFG shall manage the deposit and other accounts of the Investment Fund and shall exercise all other functions specified for it in the InvFG and in the fund terms and conditions.

### **§ 6 Issue and Share Value**

1. The custodian bank shall calculate the value (share value) of a single share for every class of share certificate and publish the issue and return price (§ 7) every time that a share is issued or returned, but in any case at least twice per month.

The value of a share shall be determined by dividing the total value of the Investment Fund including earnings by the number of shares. The custodian bank shall determine the total value of the Investment Fund on the basis of the prices of the securities and subscription rights contained in the Investment Fund plus the value of the money market instruments and financial investments, cash and cash equivalents, account balances, claims and other rights held by the Investment Fund, less any liabilities.

The prices of the securities shall be based on the last-known exchange or other set prices as per § 7 paragraph 1 InvFG.

2. The issue price shall be made up of the share value plus a premium per share to cover the costs incurred by the Investment Firm in issuing the share. The resulting price shall be rounded up. The amount of this premium and the rules for rounding are specified in the Special Fund Terms and Conditions (§ 23).
3. In accordance with § 18 InvFG in connection with § 10 paragraph 3 Austrian Capital Market Act (Kapitalmarktgesetz, KMG), the issue and return prices for every class of share certificate will be published in a business or daily newspaper that is published within Austria and has sufficient circulation and/or in electronic form on the web site of the issuing Investment Firm.

### **§ 7 Return**

1. Upon request by the Shareholder, his shares shall be redeemed at the current return price. In this event, the share certificate, outstanding coupons and the renewal certificate shall also be collected if necessary.
2. The return price shall be the value of one share less a discount and/or rounded down as specified in the Special Fund Terms and Conditions (§ 23). The payment of the return price and the calculation and publication of the return price as specified in § 6 may be suspended temporarily when the Austrian Financial Market Authority is informed of this fact and a corresponding notice published as per § 10 and made dependent on the sale of assets in the Investment Fund and the receipt of the proceeds from the sale of assets by the Investment Firm under extraordinary conditions and when this is deemed necessary to protect justified Shareholder interests. Investors shall also be informed when the Investment Firm resumes accepting returned shares as specified in § 10.

This shall especially apply when the Investment Fund has invested 5% or more of its total value in assets whose valuations clearly do not correspond to their actual values as a result of political or economic conditions, and not only in individual cases.

### **§ 8 Accounting**

1. The Investment Firm shall publish an annual report pursuant to § 12 InvFG within four months after the end of the Investment Fund's financial year.
2. The Investment Firm shall publish a semi-annual report pursuant to § 12 InvFG within two months after the end of the first six months of the Investment Fund's financial year.
3. The annual report and the semi-annual report shall be made available for viewing at the offices of the Investment Firm and at the custodian bank.

### **§ 9 Forfeiture of Earnings**

Shareholder entitlements to the payment of their proportionate earnings shall expire after five years. After the lapse of this period, the earnings shall be treated as earnings generated by the Investment Fund.

### **§ 10 Publication**

All notices pertaining to the share certificates, except for the notices pertaining to the calculated share values under § 6, are governed by § 10 paragraph 3 and paragraph 4 of the Austrian Capital Market Act (Kapitalmarktgesetz, KMG). The notices may be published

- by full printing in *Amtsblatt zur Wiener Zeitung*, or
- by making a sufficient number of copies of the notice available at the Investment Firm and the payment offices free of charge and printing the date of publication and the locations where the notice can be obtained in *Amtsblatt zur Wiener Zeitung*, or
- in electronic form on the web site of the issuing Investment Firm pursuant to § 10 paragraph 3 item 3 KMG.

The notice pursuant to § 10 paragraph 4 KMG shall be published in *Amtsblatt zur Wiener Zeitung* or in another newspaper that is distributed throughout Austria. For changes to the prospectus pursuant to § 6 paragraph 2 InvFG, notice according to § 10 paragraph 4 KMG may also be made in electronic form only on the web site of the issuing Investment Firm.

### **§ 11 Amendment of the Fund Terms and Conditions**

The Investment Firm shall be authorised to amend the fund terms and conditions with the approval of the Supervisory Board and the approval of the custodian bank. The amendments must also be approved by the Austrian Financial Market Authority. The amendments must be published. Such amendments shall take effect on the date indicated in the published notice, but in any case no earlier than three months after publication.

### **§ 12 Termination and Liquidation**

1. The Investment Firm shall be authorised to terminate the administration of the Investment Fund after obtaining approval from the Financial Market Authority with a period of notice of at least six months (§ 14 paragraph 1 InvFG), or immediately upon publication of a corresponding public notice (§ 10) if the fund assets fall below EUR 1,150,000 (§ 14 paragraph 2 InvFG). The termination of the fund pursuant to § 14 paragraph 2 InvFG is not permitted during the period of notice for termination pursuant to § 14 paragraph 1 InvFG.
2. If the Investment Firm loses its right to administer the Investment Fund, the administration or liquidation of the fund shall be handled in accordance with the provisions of the InvFG.

### **§ 12a Merger or Transfer of Fund Assets**

The Investment Firm shall, in compliance with § 3 paragraph 2 and § 14 paragraph 4 InvFG, be authorised to merge the assets of the Investment Fund with the assets of other investment funds, to transfer the assets of the Investment Fund to another investment fund, or to incorporate assets from other investment funds into the portfolio of the Investment Fund.

## **Special Fund Terms and Conditions**

for ESPA STOCK EUROPE-EMERGING, mutual fund pursuant to § 20 InvFG (the "Investment Fund" in the following).

The Investment Fund is compliant with Directive 85/611/EEC.

### **§ 13 Custodian Bank**

The custodian bank is Erste Group Bank AG, Vienna.

### **§ 14 Payment and Submission Offices, Share Certificates**

1. The payment and submission office for the share certificates and coupons is Erste Group Bank AG, Vienna.
2. The Investment 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. A fractional share can be one tenth (0.10), one hundredth (0.01) or one thousandth (0.001) of a share certificate.

Non-dividend shares without capital gains tax deduction are not sold in Austria.

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

3. As the share certificates are depicted in global certificates, the dividend payments according to § 26 and the payouts according to § 27 are made by the bank managing the Shareholder's securities account.

### **§ 15 Investment Instruments and Principles**

1. The Investment Firm shall be authorised as defined by §§ 4, 20 and 21 InvFG and §§ 16ff of the fund terms and conditions to purchase all types of securities, money market instruments and other liquid financial investments for the Investment Fund, provided that the principle of risk diversification is maintained and no justified Shareholder interests are violated.
2. ESPA STOCK EUROPE-EMERGING is an equity fund. The fund assets are invested according to the following investment policy principles:
  - a) the securities that are selected must predominantly be
    - equities issued by companies domiciled in the Baltic states, Central and Eastern Europe (including Austria), Southeastern Europe, the countries comprising the Commonwealth of Independent States and Turkey;
    - or equities issued by companies that have considerable business interests in these regions and countries.

Equities issued by companies that are domiciled in or have considerable business interests in Egypt, Israel and South Africa may also be purchased to a limited extent.

- b) in order to demarcate the investment universe (in part), shares in investment funds according to § 17 of these fund terms and conditions, regardless of the country in which the respective management company is domiciled, may make up no more than 10% of the fund assets of ESPA STOCK EUROPE-EMERGING.

- c) bank deposits in the form of demand deposits or callable deposits with a maximum term of 12 months may make up a significant portion of the portfolio.
  - d) the Investment Firm reserves the right to invest in other assets as per item 1 to a limited extent in addition to those specified in letters a) through c).
  - e) derivative instruments in accordance with § 19 and § 19a of these fund terms and conditions (including swaps and OTC derivatives) may be purchased for risk mitigation (hedging) purposes and also for speculative purposes. Derivatives may play a major role relative to the total net value of the fund assets, both for hedging and non-hedging purposes.
3. If securities and money market instruments containing an embedded derivative are purchased for the Investment Fund, the Investment Firm must take this into account in compliance with §§ 19 and 19a. Investments in index-based derivatives are not taken into account in the investment limits in § 20 paragraph 3 items 5, 6, 7 and 8d InvFG.
  4. The Investment Fund may purchase equities 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 amounting to a maximum of 10% of the Investment Fund assets.

### **§ 15a Securities and Money Market Instruments**

Securities are

- a) equities and other equivalent securities,
- b) bonds and other debt that is evidenced by certificates,
- c) all other fungible financial instruments (such as stock rights) that entitle the holder to purchase financial instruments as defined by the InvFG by means of subscription or exchange, with the exception of the techniques and instruments specified in § 21 InvFG.

The criteria in § 1a paragraph 3 InvFG must be met for an instrument to be considered a security.

Securities also include the following pursuant to § 1a paragraph 4 InvFG:

1. Shares in closed funds in the form of an investment company or investment fund,
2. Shares in closed funds in contractual form,
3. Financial instruments pursuant to § 1a paragraph 4 item 3 InvFG.

Money market instruments are instruments that are customarily traded on the money market, that are liquid, whose value can be determined exactly at any time, and that meet the requirements of § 1a paragraph 5 to 7 InvFG.

### **§ 16 Exchanges and Organised Markets**

1. Securities and money market instruments may only be purchased for the Investment Fund when they
  - are listed or traded on a regulated market pursuant to § 2 item 37 of the Austrian Banking Act (BWG), or
  - are traded on another recognised, regulated securities market in a Member State that is open to the public and that is functioning properly, or
  - are officially listed on one of the non-Member State exchanges listed in the Annex, or
  - are traded on another recognised, regulated securities market in a non-Member State as listed in the Annex that is open to the public and that is functioning properly, or
  - when the issue terms include the obligation to apply for public listing or admission for trading on one of the above-named exchanges or admission for trading on one of the above-mentioned other markets, and approval is granted by no later than one year after the issue of the security.
2. Freely transferable money market instruments that are not traded on a regulated market and that are customarily traded on the money market, that are liquid and whose value can be determined exactly at any time, for which sufficient information is available, including information that allows the suitably accurate assessment of the credit risks associated with an investment in the instrument, may be purchased for the Investment Fund if the instrument or the issuer itself is subject to the legal deposit and investor protection regulations and the instrument
  - was issued or is guaranteed by a national, regional or municipal political entity or the central bank of a Member State, the European Central Bank, the European Union, or the European Investment Bank, a non-Member State, or, if it is a federal state, a member state of the federation, or an international organisation with public sector character and of which at least one Member State is a member, or

- was issued by a company whose securities are traded on one of the regulated markets listed under item 1, with the exception of new issues, or
  - was issued or is guaranteed by an institution that is subject to supervisory regulations according to the criteria set forth in Community law, or that was issued or is guaranteed by an institution that is subject to and complies with supervisory regulations that in the opinion of the Financial Market Authority are at least as strict as those laid down in Community law, or
  - was issued by another party belonging to a category approved by the Financial Market Authority, provided that equivalent investor protection regulations apply to investments in these instruments, and provided that the issuer is either a business entity with capital stock of at least EUR 10 million that prepares and publishes its annual financial statements in accordance with the regulations of Directive 78/660/EEC, or is another legal entity that is responsible for finance management in a group of one or more listed companies, or is a legal entity that finances the collateralisation of debt in company or contractual form by using a line of credit granted by a bank that meets the criteria listed in item 2, sub-item 3.
3. A total of 10% of the fund assets may be invested in securities and money market instruments not meeting the requirements of items 1 and 2.

### **§ 17 Shares in Investment Funds**

1. Shares in investment funds (investment funds and open investment companies) pursuant to § 20 paragraph 3 item 8b InvFG that fulfil the requirements of Directive 85/611/EEC (UCITS) may together with the investment funds specified in the following item 2 make up no more than 10% of the Investment Fund assets in total, provided that the target funds themselves do not invest more than 10% of their fund assets in shares of other investment funds.
2. Shares in investment funds pursuant to § 20 paragraph 3 item 8c InvFG which do not meet the requirements of Directive 85/611/EEC (UCITS) and whose sole purpose is
  - to invest money contributed by a group of investors for their joint account in securities and other liquid financial investments under the principles of risk diversification, and
  - whose shares can be redeemed or paid out directly or indirectly from the assets of the investment fund upon request by the shareholder,

may make up a maximum of 10% of the Investment Fund assets in total together with the investment funds described in the previous item 1, provided that

- a) these target funds do not invest more than 10% of their fund assets in shares in other investment funds, and
- b) these are approved under legal regulations that place them under regulatory supervision that in the opinion of the Financial Market Authority is equivalent to that proscribed by Community law and there is sufficient certainty of collaboration between the authorities, and
- c) the protection afforded to the Shareholders is equivalent to that afforded to shareholders of investment funds that meet the requirements of Directive 85/611/EEC (UCITS), and that are in particular equivalent to the requirements of Directive 85/611/EEC in terms of regulations for the separate management of special assets, the acceptance of loans, the granting of loans, and the short selling of securities and money market instruments, and
- d) semi-annual and annual reports are published on the activities of the fund, and these reports provide a clear picture of the assets, liabilities, earnings and transactions in the reporting period.

The criteria specified in § 3 of the Information and Equivalency Determination Ordinance (Informationen- und Gleichwertigkeitsfestlegungsverordnung [IG-FestV]) must be applied to assess the equivalency of the protection afforded to the Shareholder pursuant to c).

3. The Investment Firm may also purchase for the Investment Fund shares in other investment funds that are directly or indirectly administered by the Investment Firm or by a firm that is associated with the Investment Firm by way of joint administration or control or through a direct or indirect material equity interest.
4. The Investment Fund may hold shares in any single fund up to an amount of 10% of the Investment Fund assets.

### **§ 18 Demand Deposits or Callable Deposits**

1. The Investment Fund may hold bank deposits in the form of demand deposits or callable deposits for a maximum term of 12 months. No minimum or maximum limits apply to bank deposits.
2. The provisions in item 1 are general in nature. The Investment Fund may purchase assets outlined in item 1 in accordance with the investment principles in § 15.

### **§ 19 Derivative Financial Instruments**

1. Derivative financial instruments, including equivalent instruments settled in cash, may be purchased for the Investment Fund when they are traded on one of the regulated markets specified in § 16, and when the underlying instruments are instruments as defined in

§ 15a or financial indices, interest rates, exchange rates or currencies in which the Investment Fund is permitted to invest according to its investment principles (§ 15). This also includes instruments designed to transfer the credit risk of one of the above-mentioned instruments.

2. The overall risk associated with the derivative instruments may not exceed the total net value of the Investment Fund assets. In calculating the risk, the fair values of the underlying instruments, the default risk, future market fluctuations, and the time available to liquidate the positions must be taken into account.
3. The Investment Fund may hold derivative financial instruments within the limits specified by § 20 paragraph 3 items 5, 6, 7, 8a and 8d InvFG as part of its investment strategy, provided that the overall risk of the underlying instruments does not exceed these investment limits.
4. The provisions in items 1 to 3 are general in nature. The Investment Fund may purchase financial instruments outlined in item 1 in accordance with the investment principles in § 15.

#### **§ 19a OTC Derivatives**

1. The Investment Fund may purchase derivative financial instruments that are not traded on an exchange (OTC derivatives) provided that
  - a) the underlying instruments are among those described in § 19 item 1,
  - b) the counterparties are banks subject to supervision and from a category approved by ordinances enacted by the Financial Market Authority,
  - c) the OTC derivatives are subject to reliable and transparent daily valuation and can be sold, liquidated, or settled by means of an offsetting transaction at a reasonable fair value at any time at the initiative of the Investment Fund,
  - d) they are held within the limits specified in § 20 paragraph 3 items 5, 6, 7, 8a and 8d InvFG and the overall risk of the underlying instruments does not exceed these investment limits.
2. The default risk for OTC derivative transactions by the Investment Fund may not exceed the following levels:
  - a) 10% of the Investment Fund assets when the counterparty is a bank,
  - b) otherwise 5% of the fund assets.
3. The provisions in items 1 and 2 are general in nature. The Investment Fund may purchase financial instruments outlined in item 1 in accordance with the investment principles in § 15.

#### **§ 19b Value at Risk**

Does not apply.

#### **§ 20 Loans**

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

#### **§ 21 Repurchase Agreements**

The Investment Firm is authorised within the investment limits laid down in the InvFG to purchase assets for the account of the Investment Fund containing an obligation on the part of the seller to purchase the assets back at a specific time in the future and at a specific price.

#### **§ 22 Securities Lending**

The Investment Firm is authorised within the investment limits laid down in the InvFG to sell securities up to an amount of 30% of the total Investment Fund assets to another party through a recognised securities lending system for a limited time under the condition that the third party is obligated to return the securities after an agreed period of time.

#### **§ 23 Issue and Return Procedure**

The share value shall be calculated in EUR in accordance with § 6.

The issue premium to cover the costs incurred by the Investment Firm in issuing the share shall be 5.0%; the resulting amount will be rounded up to the next cent to determine the final issue price. The return price is the share value.

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

#### **§ 24 Financial Year**

The financial year of the Investment Fund is from 1 June to 31 May of the following calendar year.

**§25 Administration Fee, Compensation for Expenses**

The Investment Firm shall receive a monthly fee for its management activities amounting to up to 0.15% of the fund assets as calculated using the month-end values.

The Investment Firm shall also be entitled to compensation for all expenses incurred in the administration of the Investment Fund, especially costs for mandatory publications, custodial fees, fees charged by the custodian bank, auditing and consulting costs, and costs for the preparation of period-end financial statements.

If the Investment Firm exercises its right pursuant to § 3 (3) InvFG, monthly remuneration for the services of an external fund manager or advisor may also be deducted from the fund assets, but this remuneration together with the monthly remuneration to which the Investment Firm is entitled may not exceed 0.18% of the fund assets at the end of the respective month.

**§ 26 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 Investment Firm. Dividends may also be paid at the discretion of the Investment Firm from earnings generated by the sale of Investment Fund assets, including subscription rights. Fund assets may be paid out. The fund assets may not fall below EUR 1,150,000 after dividend payments in any case. The amounts shall be paid to the holders of dividend shares on or after 1 September of the following financial year, against collection of a coupon if necessary. The remaining amount shall be carried forward.

An amount calculated in accordance with § 13 sentence 3 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 Investment Fund shares.

**§ 27 Use of Earnings for Non-Dividend Shares with Capital Gains Tax Withholding (non-dividend tranche)**

The earnings generated by the Investment Fund during the financial year less all costs will not be paid out. Unless the preconditions specified in § 13 InvFG for the exemption of payment apply to all Shareholders, an amount calculated in accordance with § 13 sentence 3 InvFG must also be paid out on or after 1 September of the following financial year to cover the capital gains tax assessed by the tax authorities on the dividend-equivalent earnings from the Investment Fund shares.

**§ 27a Use of Earnings for Non-Dividend Shares without Capital Gains Tax Withholding (KESt-exempt non-dividend foreign tranche)**

The earnings generated by the Investment Fund during the financial year less all costs will not be paid out. No payment pursuant to § 13 sentence 3 InvFG will be made.

The Investment Firm shall provide suitable proof to 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.

**§ 28 Liquidation**

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

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

### **List of exchanges with official trading and organised markets**

**(As of July 2008)**

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

According to Article 16 of Directive 93/22/EEC (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://www.fma.gv.at/cms/site//attachments/2/0/2/CH0230/CMS1140105592256/listegeregmaerkte.pdf> \*)

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

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

1.2.1	Finland:	OMX Nordic Exchange Helsinki
1.2.2	Sweden:	OMX Nordic Exchange Stockholm AB
1.2.3	Luxembourg:	Euro MTF Luxembourg

##### **1.3. Recognised markets in the EU according to § 20 paragraph 3 item 1 lit. b InvFG:**

1.3.1	Great Britain:	London Stock Exchange Alternative Investment Market (AIM)
-------	----------------	---

#### **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	Switzerland:	SWX Swiss Exchange
2.4	Serbia and Montenegro:	Belgrade
2.5	Turkey:	Istanbul (only "National Market" on the stock market)
2.6	Russia:	Moscow (RTS Stock Exchange)

#### **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	Korea:	Seoul
3.13	Malaysia:	Kuala Lumpur
3.14	Mexico:	Mexico City
3.15	New Zealand:	Wellington, Christchurch/Invercargill, Auckland
3.16	Philippines:	Manila
3.17	Singapore:	Singapore Stock Exchange
3.18	South Africa:	Johannesburg
3.19	Taiwan:	Taipei
3.20	Thailand:	Bangkok
3.21	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
3.22	Venezuela:	Caracas
3.23	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 Securities Market Association (ISMA), 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 Futures Exchange
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:	Singapore International Monetary Exchange
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, New York Futures Exchange, Pacific Stock Exchange, Philadelphia Stock Exchange, New York Stock Exchange, Boston Options Exchange (BOX)

\*) The link can be changed by the Austrian Financial Market Authority (FMA) at any time. You can find the current link on the web site of the FMA: [www.fma.gv.at](http://www.fma.gv.at), Anbieter, "Informationen zu Anbietern am österreichischen Finanzmarkt", Börse, Übersicht, Downloads, Verzeichnis der Geregeltten Märkte.

**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 Investment 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.sparinvest.com](http://www.sparinvest.com).

[www.sparinvest.com](http://www.sparinvest.com)

[www.erstesparinvest.at](http://www.erstesparinvest.at)