

# **ESPA STOCK RUSSIA**

**Mutual fund pursuant to the InvFG**

Annual Report 2011/12

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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 WALT, 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 RUSSIA mutual fund pursuant to the InvFG for the period from 1 June 2011 to 31 May 2012.

## **Development of the Fund**

In the reporting period from 1 June 2011 to 31 May 2012, the value of ESPA STOCK RUSSIA fell by 29.57%. Prices in Russia declined substantially in the summer of 2011 and May 2012.

The causes are primarily to be found in the problems of the Eurozone. This is causing expectations for global economic growth and demand for commodities to fall.

The barrel price of crude oil was also highly volatile during the period. At the beginning of the reporting period, the price was at USD 72, rose to USD 110, and then fell back to close to USD 80.

The Russian currency followed a similar path, as the Russian economy is highly dependent on energy exports.

Inflation fell substantially during the year, and economic growth came in at around 4%.

In May 2012, Vladimir Putin was sworn in as the new president and Dmitry Medvedev as the new prime minister, meaning that the “old” leadership duo is still in power.

The strongest sectors over the past twelve months were energy, artificial fertiliser and retail.

Utilities and the steel sector delivered below-average performance.

## 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	0.2	1.03	-	-
CAD	-	-	1.2	3.54
RUB	2.2	9.42	1.4	4.14
USD	17.0	72.69	30.3	92.31
Securities	19.4	83.14	32.9	99.99
Financial futures	-	0.1	-	0.0
Forward exchange agreements	0.0	0.09	0.3	0.96
Dividend entitlements	0.2	0.72	0.2	0.68
Cash in banks/bank liabilities	3.8	16.42	-	0.5
Interest entitlements	0.0	0.07	0.0	0.03
Other deferred items	-	0.0	-	0.0
<b>Fund assets</b>	<b>23.3</b>	<b>100.00</b>	<b>32.9</b>	<b>100.00</b>

## Comparative Overview (in EUR)

Financial year	Fund assets	Value change in per cent 1)
2007/08 2)	40,204,045.48	+ 11.40
2008/09	17,072,089.48	- 48.48 3)
2009/10	26,099,479.79	+ 28.57
2010/11	32,863,492.66	+ 18.22 3)
2011/12	23,341,225.34	- 29.57 3)

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
2007/08	11.14	0.14	11.14	0.12	0.02	11.14	0.14
2008/09	5.63	0.11	5.72	0.10	0.01	5.74	0.11
2009/10	7.08	0.10	7.34	0.10	0.00	7.38	0.10
2010/11	8.25	0.12	8.68	6.42	0.00	8.72	6.47
2011/12	5.71	0.10	6.12	1.39	0.00	6.15	1.40

- 1) Assuming the reinvestment of all paid dividends at their nominal value on the day of disbursement.
- 2) Partial financial year from 1 August 2007 to 31 May 2008.
- 3) The changes in the value of non-dividend shares and KESt-exempt non-dividend shares vary slightly from those of dividend shares because of rounding effects.

## Disbursement/Payment

A dividend of EUR 0.10 per share was paid for the **dividend shares** for the financial year 2011/12, or a total of EUR 49,881.57 for 498,816 dividend shares.

The coupon-paying bank is obligated to withhold capital gains tax if the respective investor is not exempt from the payment of this tax, but this amounts to EUR 0.00 per share.

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 1.39 per share will be reinvested for the **non-dividend shares** for the financial year 2011/12, which represents a total of EUR 3,442,600.27 for 2,480,419 non-dividend shares.

The applicable capital gains tax must be paid on the profit for the non-dividend shares, but this profit is EUR 0.00 for the period.

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 1.40 per share will be reinvested for the KESt-exempt non-dividend shares for the financial year 2011/12, which represents a total of EUR 1,224,442.46 for 876,005 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	KEST-exempt non-dividend shares
Share value at the beginning of the reporting period	8.25	8.68	8.72
Disbursement on 01.09.2011 (corresponds to roughly 0.0175 shares) 1)	0.12		
Payment on 01.09.2011 (corresponds to roughly 0.0000 shares) 1)		0.00	
Share value at the end of the reporting period	5.71	6.12	6.15
Total value including (notional) shares gained through dividend disbursement/payment	5.81	6.12	6.15
Net earnings per share	- 2.44	- 2.56	- 2.57
Value development of one share in the period 2)	<b>- 29.57 %</b>	<b>- 29.49 %</b>	<b>- 29.47 %</b>

### 2. Fund Result

#### a. Realised fund result

##### Ordinary fund result

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

Interest income (excluding income adjustment) 25,876.02

Dividend income 389,647.48

Other income 3) 9.09

Total income (without profit or loss from price changes) 415,532.59

Interest paid - 51,279.97

##### Expenses

Fees paid to Investment Firm - 496,686.98

Costs for the financial auditor and tax consultation - 11,771.67

Publication costs - 8,482.21

Securities account fees - 27,483.35

Custodian bank fees - 39,734.96

Costs for the external consultant 0.00

Total expenses - 584,159.17

Compensation for management costs from sub-funds 4) 0.00

**Ordinary fund result (excluding income adjustment) - 219,906.55**

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

Realised gains 7) 5,464,319.84

Realised losses 8) - 10,885,166.01

**Realised profit or loss from price changes (excluding income adjustment) - 5,420,846.17**

**Realised fund result (excluding income adjustment) - 5,640,752.72**

<b>Carryover: Realised fund result (excluding income adjustment)</b>	<b>- 5,640,752.72</b>
<b>b. Unrealised profit or loss from price changes 5) 6)</b>	
Changes in the unrealised profit or loss from price changes	<u>- 4,338,126.13</u>
<b>Result for the reporting period</b>	<b>- 9,978,878.85</b>
<b>c. Income adjustment</b>	
Income adjustment for income in the period	72,145.57
Income adjustment for profit carried forward from dividend shares	<u>105,671.47</u>
<b>Overall fund result</b>	<b><u>- 9,801,061.81</u></b>

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

<b>Fund assets at the beginning of the reporting period 9)</b>	<b>32,863,492.66</b>
<b>Disbursement/payment</b>	
Disbursement (for dividend shares) on 01.09.2011	- 57,857.63
Payment (for non-dividend shares) on 01.09.2011	<u>0.01</u>
<b>Issue and return of shares</b>	<b>336,652.11</b>
<b>Overall fund result</b>	
(The fund result is shown in detail under 2)	<u>- 9,801,061.81</u>
<b>Fund assets at the end of the reporting period 10)</b>	<b><u>23,341,225.34</u></b>



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

Realised fund result	- 5,640,752.72
Income adjustment for income in the period	72,145.57
Income adjustment for profit carried forward from dividend shares	105,671.47
Profit carried forward from prior year	3,033,995.84
Costs and losses covered by fund assets	<u>10,885,166.01</u>
<b>Distributable/retainable fund result</b>	<b><u>8,456,226.17</u></b>

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

Disbursement on 03.09.2012 for 498,816 dividend shares at EUR 0.10 each	49,881.57
Payment on 03.09.2012 for 2,480,419 non-dividend shares at EUR 0.00 each	0.00
Reinvestment for 2,480,419 non-dividend shares at EUR 1.39 each	3,442,600.27
Reinvestment for 876,005 KEST-exempt non-dividend shares at EUR 1.40 each	1,224,442.46
Profit carried forward for dividend shares	<u>3,739,301.87</u>
<b>Total use</b>	<b><u>8,456,226.17</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 6.84, one non-dividend share EUR 7.33.
- 2) The changes in the value of non-dividend shares and KEST-exempt non-dividend shares vary slightly from those 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 year.
- 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 - 9,758,972.29.
- 7) Thereof profits from transactions with derivative financial instruments: EUR 926,931.23.
- 8) Thereof losses from transactions with derivative financial instruments: EUR - 2,008,572.68.
- 9) Shares outstanding at the beginning of the reporting period: 492,222 dividend shares, 2,323,954 non-dividend shares, 990,473 KEST-exempt non-dividend shares.
- 10) Shares outstanding at the end of the reporting period: 498,816 dividend shares, 2,480,419 non-dividend shares, 876,005 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	Sales/ disposals	Holding Shares/nominal (nom. in 1,000, rounded)	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	99,000	74,000	25,000	7.715000	240,092.86	1.03	
						Total	240,092.86	1.03
Total equities denominated in GBP translated at a rate of 0.803335						240,092.86	1.03	
<b>Equities denominated in RUB</b>								
<b>Issue country Russia</b>								
AKTION.FIN.KORP. SISTEMA	RU000A0DQZE3	550,000	250,000	300,000	23.991000	173,880.04	0.74	
FED.SET.KO.E.ENER. RL-.50	RU000A0JPNN9	20,000,000	0	25,000,000	0.171910	103,829.62	0.44	
MAGNIT RL -.01	RU000A0JKQU8	4,000	0	4,000	3,326.800000	321,489.51	1.38	
OA0 GAZPROM RL 5	RU0007661625	120,000	0	180,000	147.230000	640,249.05	2.74	
OA0 INTER RAO UES	RU000A0JPNM1	250,000,000	50,000,000	280,000,000	0.027640	186,971.84	0.80	
SBER.BK ROSS. RL 3	RU0009029540	0	0	120,000	81.760000	237,029.42	1.02	
TRANSNEFT' PFD RL 1	RU0009091573	500	0	500	44,370.000000	535,968.86	2.30	
						Total	2,199,418.34	9.42
Total equities denominated in RUB translated at a rate of 41.392330						2,199,418.34	9.42	
<b>Equities denominated in USD</b>								
<b>Issue country Russia</b>								
FED.SET.KO.E.ENER. RL-.50	RU000A0JPNN9	260,000,000	203,000,000	111,641,789	0.005100	460,490.21	1.97	
JSC MMC NORIL.NICKEL RL 1	RU0007288411	0	0	5,000	146.868900	593,913.62	2.54	
MAGNIT RL -.01	RU000A0JKQU8	3,000	0	3,000	99.229000	240,759.43	1.03	
MOBIL'NIYE TELESIST RL-10	RU0007775219	60,000	0	60,000	6.729300	326,546.16	1.40	
MRSK HOLDING RL 1	RU000A0JPVJ0	23,000,000	21,000,000	2,000,000	0.045100	72,950.79	0.31	
NOVATEK RL 0.10	RU000A0DKVS5	35,000	0	35,000	8.677000	245,618.50	1.05	
OA0 GAZPROM RL 5	RU0007661625	200,000	100,000	100,000	4.391500	355,170.04	1.52	
OA0 INTER RAO UES	RU000A0JPNM1	250,000,000	450,000,000	200,000,000	0.000800	129,402.73	0.55	
ROSTELEKOM RL 0.0025	RU0008943394	900,000	750,000	150,000	3.171500	384,750.70	1.65	
RUSGIDRO OA0 RL 1	RU000A0JPKH7	20,000,000	10,000,000	30,000,000	0.023800	577,459.66	2.47	
SBER.BK ROSS. RL 3	RU0009029540	1,770,000	2,220,000	469,142	2.438700	925,307.61	3.96	
SBER.BK ROSS. PFD RL 3	RU0009029557	0	100,000	160,000	1.811400	234,400.10	1.00	
SINERGIYA, MOSCOW RL 100	RU000A0HL5M1	6,035	3,835	2,200	14.910600	26,530.24	0.11	
TERRITORIAL'NAYA GEN. 5	RU000A0JKZFO	0	0	3,621,452	0.000140	410.04	0.00	
TRANSNEFT' PFD RL 1	RU0009091573	770	1,400	170	1,323.431100	181,959.07	0.78	
						Total	4,755,668.90	20.37
Total equities denominated in USD translated at a rate of 1.236450						4,755,668.90	20.37	
Total publicly traded securities						7,195,180.10	30.83	

## ESPA STOCK RUSSIA

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>Securities admitted to organised markets</b>							
<b>Equities denominated in USD</b>							
<b>Issue country Luxembourg</b>							
MHP S.A. GDR S 2	US55302T2042	13,076	3,000	10,076	10.800000	88,010.68	0.38
						Total	88,010.68 0.38
<b>Issue country Russia</b>							
JSC MMC NOR.NICK.ADR RL 1	US46626D1081	367,000	410,200	15,000	14.820000	179,788.91	0.77
LSR GROUP GDR S/5	US50218G2066	210,000	120,000	90,000	4.100000	298,435.04	1.28
LUKOIL N.K.SP.ADR RL-025	US6778621044	149,000	159,600	43,748	51.900000	1,836,322.70	7.87
MAGNIT GDR REG. S RL -.01	US55953Q2021	107,000	179,000	23,000	24.600000	457,600.39	1.96
MECHEL OAO ADR RL 10	US5838401033	580,000	581,810	80,000	5.310000	343,564.24	1.47
MOBILNIYE TEL. ADR/5	US6074091090	221,000	165,000	81,000	16.640000	1,090,088.56	4.67
NK ROSNEFT GDR REGS RL-01	US67812M2070	945,000	885,000	200,000	6.150000	994,783.45	4.26
NOVATEK GDR REG.S 10/1	US6698881090	58,000	64,300	10,256	95.000000	787,997.90	3.38
NOVOLIPETSKIY MET.KO.REGS	US67011E2046	234,000	231,500	36,494	15.780000	465,748.97	2.00
OAO GAZP.ADR SP. 2/RL 5	US3682872078	450,000	430,158	150,000	8.765000	1,063,326.46	4.56
RUSHYDRO OAO ADR 100	US4662941057	170,000	200,000	96,000	2.350000	182,457.84	0.78
SEVERSTAL GDR S OCT2006	US8181503025	415,000	380,000	100,000	10.930000	883,982.37	3.79
SURGUTNEFTEGAZ ADR/10	US8688612048	365,000	375,000	80,000	7.515000	486,230.74	2.08
TATNEFT' GDR REG.S 20	US6708312052	50,000	57,000	44,731	30.470000	1,102,311.92	4.72
TRUB.MET.KO.GDRS RL10	US87260R2013	105,000	126,221	6,516	12.390000	65,294.38	0.28
URALKALI GDR S/5 RL -.50	US91688E2063	300,000	332,000	41,000	34.600000	1,147,316.92	4.92
VTB BANK GDR REG. S	US46630Q2021	1,770,000	1,910,000	150,000	3.140000	380,929.27	1.63
						Total	11,766,180.06 50.41
<b>Issue country Cyprus</b>							
HMS HYDR.MA+SYSGDR REGS	US40425X2099	50,000	0	50,000	4.960000	200,574.22	0.86
ROS AGRO PLC GDR REG S	US7496552057	30,000	0	30,000	6.400000	155,283.27	0.67
						Total	355,857.49 1.52
Total equities denominated in USD translated at a rate of 1.236450						12,210,048.23	52.31
Total securities admitted to organised markets						12,210,048.23	52.31
<b>Forward exchange agreements</b>							
<b>Forward exchange agreements denominated in EUR</b>							
<b>Issue country Austria</b>							
FXF NSPEST EUR/USD 200912	FXF_NTX_3555583			5,303,754		-1,027.85	0.00
FXF NSPEST EUR/USD 200912	FXF_NTX_3555583			965		65.17	0.00
FXF NSPEST EUR/USD 260712	FXF_NTX_3555339			5,311,400		22,585.17	0.10
FXF NSPEST EUR/USD 260712	FXF_NTX_3554966			21,283		-1,313.94	-0.01
						Total	20,308.55 0.09
Total forward exchange agreements denominated in EUR						20,308.55	0.09
Total forward exchange agreements						20,308.55	0.09

Security designation	Holding	Unrealised result in EUR	% share of fund assets
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**Derivatives**

**Financial futures denominated in EUR**

**Issue country Austria**

RDxEUR INDEX FUT Jun12	210	-96,600.00	-0.41
		<u>Total</u>	<u>-96,600.00</u>
			<u>-0.41</u>
		Total financial futures denominated in EUR	-96,600.00
			-0.41
		Total derivatives	<u>-96,600.00</u>
			<u>-0.41</u>

**Breakdown of fund assets**

Securities		19,405,228.33	83.14
Forward exchange agreements		20,308.55	0.09
Financial futures		-96,600.00	-0.41
Dividend entitlements		167,563.63	0.72
Cash in banks		3,832,992.57	16.42
Interest entitlements		16,258.61	0.07
Other deferred items		-4,526.35	-0.02
Fund assets		<u>23,341,225.34</u>	<u>100.00</u>

Dividend shares outstanding	shares	498,816
Non-dividend shares outstanding	shares	2,480,419
KEST-exempt non-dividend shares outstanding	shares	876,005
Share value for dividend share	EUR	5.71
Share value for non-dividend share	EUR	6.12
Share value for KEST-exempt non-dividend share	EUR	6.15

**Investor note:**

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

## ESPA STOCK RUSSIA

### **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>Sales/ disposals</b>
		<b>Shares/nominal (nom. in 1,000, rounded)</b>	
<b>Publicly traded securities</b>			
<b>Equities denominated in GBP</b>			
<b>Issue country Great Britain</b>			
EVRAZ PLC DL 1	GB00B71N6K86	325,000	325,000
FERREXPO PLC	GB00B1XH2C03	340,000	340,000
KAZAKHMYS PLC LS -.20	GB00B0HZPV38	346,500	346,500
PETROPAVLOVSK LS -.01	GB0031544546	305,000	305,000
<b>Issue country Ireland</b>			
DRAGON OIL PLC EO-.10	IE0000590798	80,000	80,000
<b>Equities denominated in EUR</b>			
<b>Issue country Austria</b>			
RAIFFEISEN INTL BK-HO.BEARER	AT0000606306	36,000	36,000
<b>Equities denominated in RUB</b>			
<b>Issue country Russia</b>			
E.ON RUSSIYA JSC	RU000A0JNGA5	0	4,000,000
MRSK HOLDING RL 1	RU000A0JPVJO	4,000,000	4,000,000
RASPADSKAYA RL 0.004	RU000A0B90N8	85,418	85,418
ROSTELEKOM RL 0.0025	RU0008943394	0	60,000
SEVERSTAL RL-.01	RU0009046510	0	30,000
<b>Equities denominated in USD</b>			
<b>Issue country Great Britain</b>			
EVRAZ PLC DL 1	GB00B71N6K86	75,000	75,000
<b>Issue country Jersey</b>			
POLYUS GOLD INTL GDR REGS	US73180Y1047	151,617	151,617
UNITED CO.RUSAL RDR 10	RU000A0JR5Z5	50,000	50,000
<b>Issue country Luxembourg</b>			
EVRAZ GROUP GDR REG. S/3	US30050A2024	185,000	185,000
<b>Issue country Netherlands</b>			
YANDEX N.V. CL.A DL -.01	NL0009805522	48,000	48,000

<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>Issue country Russia</b>			
E.ON RUSSIYA JSC	RU000A0JNGA5	8,000,000	12,000,000
GRUPPA LSR RL -.25	RU000A0JPPF0	0	15,200
POLYMETAL RL -.20	RU000A0JP195	20,000	20,000
POLYMETAL GDR REGS RL-.20	US7317892021	63,153	139,153
POLYUS ZOLOTO RL 1	RU000A0JNAA8	23,000	31,000
POLYUS ZOLOTO OJSC ADR /2	US6781291074	8,000	44,500
PROTEK RL -.01	RU000A0JQU47	200,000	200,000
RASPADSKAYA RL 0.004	RU000A0B90N8	465,418	465,418
SEVERSTAL RL-.01	RU0009046510	85,000	85,000
SURGUTNEFTEGAZ VZ	RU0009029524	0	674,444
URALKALI JSC RL 0.50	RU0007661302	120,000	120,000
VSMPO-AVISMA RL 1	RU0009100291	2,800	2,800
<b>Issue country Ukraine</b>			
AVANGARDCO INV.PUB.S.GDRS	US05349V2097	20,000	20,000
<b>Securities admitted to organised markets</b>			
<b>Equities denominated in GBP</b>			
<b>Issue country Ireland</b>			
PETRONEFT RES PLC EO-.01	IE00B0Q82B24	400,000	400,000
<b>Equities denominated in CAD</b>			
<b>Issue country Canada</b>			
CENTERRA GOLD INC.	CA1520061021	92,000	122,000
HIGH RIVER GOLD MINES	CA42979J1075	0	500,000
URANIUM ONE INC.	CA91701P1053	1,015,000	1,155,000
<b>Equities denominated in SEK</b>			
<b>Issue country Bermuda</b>			
ALLIANCE OIL SDR	SE0000739286	115,000	115,000
<b>Equities denominated in USD</b>			
<b>Issue country Jersey</b>			
POLYUS GOLD INT.GDR LEV.1	US73180Y2037	331,617	331,617
<b>Issue country Kazakhstan</b>			
KAZMUNAIGAS GDRS KT 250	US48666V2043	25,000	25,000

## ESPA STOCK RUSSIA

<b>Security designation</b>	<b>ISIN number</b>	<b>Purch./ additions Shares/nominal (nom. in 1,000, rounded)</b>	<b>Sales/ disposals</b>
<b>Issue country Netherlands</b>			
X 5 RETAIL GR. GDR S 0.25	US98387E2054	92,000	103,000
<b>Issue country Russia</b>			
GLOBALTRANS INV.GDR REG S	US37949E2046	25,000	25,000
MAGNITOGO.METALL.REGS/13	US5591892048	165,000	165,000
OA0 GAZPROM ADR5/RL-.0016	US36829G1076	50,000	62,500
PHOSAGRO OFSC S.GDR REGS	US71922G2093	16,000	16,000
SBERBK RO.S.ADR REGS 4/1	US80585Y3080	66,000	66,000
SISTEMA,AFK GDR REGS/50	US48122U2042	15,000	71,000
<b>Issue country USA</b>			
CENTRAL EU.DISTR. DL-.01	US1534351028	50,000	50,000
CTC MEDIA INC. DL -.01	US12642X1063	80,000	80,000
<b>Unlisted securities</b>			
<b>Equities denominated in USD</b>			
<b>Issue country Jersey</b>			
POLYUS GOLD INTL GDR REGS	US48667H1059	0	1,617

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 RUSSIA, 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 RUSSIA, 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 RUSSIA

## 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 RUSSIA, 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. The fund assets are invested according to the following investment policy principles:
  - a) the assets selected must predominantly be equities issued by companies that are domiciled in or do business in Russia. In addition, equities issued by companies that are domiciled in or do business in the countries that made up the former Union of Soviet Socialist Republics (USSR) may be purchased.

These can be denominated in euros or other currencies.

- 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 RUSSIA.

- c) investments in assets according to § 18 of these fund terms and conditions play a minor role. However, in the course of the restructuring of the fund portfolio or in order to reduce the influence of possible price losses experienced by securities, the Investment Fund can hold a higher proportion of demand deposits or callable deposits with a maximum term of 12 months.
  - 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. Securities or money market instruments issued or guaranteed by a Member State including its political subdivisions, by a non-Member State or by international organisations with a public sector character in which one or more Member States are members may make up more than 35% of the Investment Fund provided that the Investment 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 Investment Fund assets.
  5. 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 4%; 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 an annual fee for its administrative activities amounting to up to 1.8% 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.

#### **§ 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)
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#### **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).

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