

# **ERSTE BOND EMERGING MARKETS CORPORATE IG (EUR)**

**Mutual fund pursuant to the InvFG**

Semi-Annual Report 2017

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## General Information about the Investment Firm

<b>The company</b>	ERSTE-SPARINVEST Kapitalanlagegesellschaft m. b. H. Am Belvedere 1, A-1100 Vienna Telephone: +43 05 0100-19881, Fax: +43 05 0100-17102
<b>Nominal capital</b>	EUR 4.50 million
<b>Shareholders</b>	Erste Asset Management GmbH (roughly 79.09%) DekaBank Deutsche Girozentrale (roughly 2.78%) „Die Kärntner“ Trust-Vermögensverwaltungsgesellschaft m.b.H. & Co KG (roughly 2.78 %) NÖ-Sparkassen Beteiligungsgesellschaft m. b. H. (roughly 1.27%) Salzburger Sparkasse Bank Aktiengesellschaft (roughly 2.78%) Sieben Tiroler Sparkassen Beteiligungsgesellschaft m. b. H. (roughly 2.78%) Steiermärkische Bank und Sparkassen Aktiengesellschaft (roughly 5.57%) Tiroler Sparkasse Bankaktiengesellschaft Innsbruck (roughly 2.94%)
<b>Supervisory Board</b>	Wolfgang TRAINDL, Mag. (Chairman) Gabriele SEMMELROCK-WERZER (Deputy Chairwoman, First Deputy) Franz-Nikolaus HÖRMANN, Mag. (Deputy Chairman, Second Deputy) Matthias BAUER Josef PRESCHITZ Franz PRUCKNER, Dr. MBA Rupert RIEDER, Mag. Thomas SCHAUFLER, Mag. (FH) Reinhard WALTL, Mag. Appointed by the Works Council: Martin CECH Regina HABERHAUER Heinrich Hubert REINER, Ing. Peter RIEDERER Manfred ZOUREK
<b>Managing directors</b>	Heinz BEDNAR, Mag. Günther MANDL Christian SCHÖN
<b>Prokuristen (proxies)</b>	Achim ARNHOF, Mag. Winfried BUCHBAUER, Mag. Karl FREUDENSCHUSS Dietmar JAROSCH, Dr. Manfred LENTNER Gerold PERMOSER Magdalena REISCHL, Mag. Jürgen SINGER, Mag.
<b>State commissioners</b>	Erwin GRUBER Michael MANHARD, HR Dr.
<b>Auditor</b>	Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.
<b>Custodian bank</b>	Erste Group Bank AG

## Dear Shareholder,

We are pleased to present you the following semi-annual report for the ERSTE BOND EMERGING MARKETS CORPORATE IG (EUR) mutual fund pursuant to the InvFG for the period from 1 July 2017 to 31 December 2017.

As a so-called feeder fund (§ 93 InvFG), ERSTE BOND EMERGING MARKETS CORPORATE IG (EUR) had 96.34% of its assets invested in ERSTE BOND EMERGING MARKETS CORPORATE IG (the so-called master fund) as of 31 December 2017. Details about ERSTE BOND EMERGING MARKETS CORPORATE IG can be found in the semi-annual report for ERSTE BOND EMERGING MARKETS CORPORATE IG as of 31 December 2017, which is available at the web site [www.erste-am.at](http://www.erste-am.at).

The aggregate fees are made up of the TER of the feeder fund and the TER of the master fund together. The aggregate fees amount to 1.16%.

## Development of the Fund

Roughly ten years after the start of the great recession, the global economy is expanding strongly from a broad base, the developed economies have low inflation rates, inflation is falling in key emerging economies, and the monetary policies are either very supportive or cautious and predictable. At the same time, corporate earnings have grown substantially and the volatility of many securities prices is low. These are generally positive conditions for risky asset classes, and therefore for most emerging countries. Spreads on investment grade emerging market corporate bonds narrowed by a further 10 basis points from 191 bp to 181 bp in the reporting period.

Real GDP growth in the developed economies has been strong and broadly based since 2017. The data surprises are also positive, meaning that the economic growth projections are steadily being revised upwards.

This trend could continue for several months because the early indicators such as the global purchasing managers' index for the manufacturing sector are rising. However, the current growth is higher than the long-term expectations as expressed by the potential growth rate. Credit growth is also stabilising in the emerging economies aside from China after weakening for years. The focus is now on China, where economic policy is aimed at reducing excess capacity and gradually slowing lending growth. Interest rates have risen and the regulatory regime for the financial sector has become stricter. This will in turn cause real economic growth to slow gradually. In this, it will be important to ensure that nominal economic growth, in other words real growth plus inflation, does not weaken too much. Because the most important metric is the credit-to-GDP ratio.

The investment environment is supportive for the capital market overall at the beginning of 2018. However, this is also already being reflected in the increased valuations (low credit risk premiums, above-average P/E ratios, generally low bond yields). In addition to rising interest rates and more restrictive monetary policies, geopolitical tensions will remain one of the largest risk factors in 2018. A possible trade war between the USA and China is foremost in this. The international organisations and institutions are being weakened in general from the UN and EU (Brexit) to the climate accord. And the tensions in the Middle East and North Korea could escalate. Important elections are also coming in Italy, Brazil, Russia, and Mexico.

## Asset Allocation

	31 December 2017		30 June 2017	
	EUR millions	%	EUR millions	%
Investment certificates denominated in USD	81.6	96.34	93.3	95.90
Securities	81.6	96.34	93.3	95.90
Forward exchange agreements	1.4	1.64	1.6	1.68
Cash in banks	1.7	2.02	2.4	2.43
Other deferred items	-	0.0	-	0.0
<b>Fund assets</b>	<b>84.7</b>	<b>100.00</b>	<b>97.3</b>	<b>100.00</b>

## Fund Portfolio as of 31 December 2017

(including changes in securities assets from 1 July 2017 to 31 December 2017)

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>Investment certificates</b>							
<b>Investment certificates denominated in USD</b>							
<b>Issue country Austria</b>							
ERSTE B.EM. USDR01VTIDL	AT0000A0WJZ2	159,963	256,216	864,184	113.380	81,596,587.21	96.34
Total issue country Austria						81,596,587.21	96.34
Total investment certificates denominated in USD translated at a rate of 1.20080						81,596,587.21	96.34
Total investment certificates						81,596,587.21	96.34
<b>Forward exchange agreements</b>						<b>Unrealised result in EUR</b>	
<b>Forward exchange agreements denominated in EUR</b>							
<b>Issue country Austria</b>							
FXF SPEST EUR/USD 19.01.2018	FXF_TAX_3438129			95,419,544		1,599,450.33	1.89
FXF SPEST EUR/USD 19.01.2018	FXF_TAX_3438197			-12,676,681		-196,507.84	-0.23
FXF SPEST EUR/USD 19.01.2018	FXF_TAX_3438326			-1,675,940		-11,914.03	-0.01
Total issue country Austria						1,391,028.46	1.64
Total forward exchange agreements denominated in EUR						1,391,028.46	1.64
Total forward exchange agreements						1,391,028.46	1.64

**Breakdown of fund assets**

Securities	81,596,587.21	96.34
Forward exchange agreements	1,391,028.46	1.64
Cash in banks	1,711,175.40	2.02
Other deferred items	-104.18	- 0.00
Fund assets	84,698,686.89	100.00

Dividend shares outstanding	AT0000A0WK05	shares	627,349.440
Share value for dividend share	AT0000A0WK05	EUR	94.85
Dividend shares outstanding	AT0000A1YWM7	shares	0
Share value for dividend share	AT0000A1YWM7	EUR	99.85
Dividend shares outstanding	AT0000A1YWN5	shares	0
Share value for dividend share	AT0000A1YWN5	EUR	99.83
Non-dividend shares outstanding	AT0000A0WK13	shares	236,907.853
Share value for non-dividend share	AT0000A0WK13	EUR	106.33
Non-dividend shares outstanding	AT0000A1YWP0	shares	0
Share value for non-dividend share	AT0000A1YWP0	EUR	99.83
KEST-exempt non-dividend shares outstanding	AT0000A0WK21	shares	0
Share value for KEST-exempt non-dividend share	AT0000A0WK21	EUR	107.43
KEST-exempt non-dividend shares outstanding	AT0000A1YWQ8	shares	0
Share value for KEST-exempt non-dividend share	AT0000A1YWQ8	EUR	99.85
KEST-exempt non-dividend shares outstanding	AT0000A1YWR6	shares	0
KEST-exempt non-dividend shares outstanding	AT0000A1YWR6	EUR	99.86

Repurchase agreements and total return swaps are not used for the fund. If securities lending agreements are in effect on the reporting date, they are reported separately below.

**Explanation on disclosure pursuant to the Delegated Regulation (EU) No. 2016/2251 supplementing Regulation (EU) No. 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories with regard to regulatory technical standards for risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty:**

All OTC derivatives are traded through Erste Group Bank AG.

Collateral in the form of cash or bonds is pledged to Erste Group Bank AG in the amount of the negative exposure of the derivatives.

EUR-denominated government bonds from the Republic of Austria and/or the Federal Republic of Germany are pledged by Erste Group Bank AG to the fund in the amount of the positive exposure of the derivatives. A one-time discount of 4% is agreed with the counterparty for this collateral. Collateral that would require a higher discount pursuant to Annex II to the Delegated Regulation (EU) No. 2016/2251 is not accepted.

**Investor note:**

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

Vienna, January 2018

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

Inspection information:  
Note:

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