

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

Annual Report 2016/17

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## General Information about the Investment Firm

<b>The company</b>	ERSTE-SPARINVEST Kapitalanlagegesellschaft m. b. H. Am Belvedere 1, A-1100 Vienna Telephone: +43 05 0100-19881, Fax: +43 05 0100-17102
<b>Nominal capital</b>	EUR 4.50 million
<b>Shareholders</b>	Erste Asset Management GmbH (81.48%) DekaBank Deutsche Girozentrale (2.87%) „Die Kärntner“ Trust-Vermögensverwaltungsgesellschaft m.b.H. & Co KG (2.87 %) NÖ-Sparkassen Beteiligungsgesellschaft m. b. H. (1.31%) Salzburger Sparkasse Bank Aktiengesellschaft (2.87%) Sieben Tiroler Sparkassen Beteiligungsgesellschaft m. b. H. (2.87%) Steiermärkische Bank und Sparkassen Aktiengesellschaft (5.73%)
<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 (from 13 October 2016) Klaus BRUGGER, DDr. (until 30 October 2016) Josef PRESCHITZ (from 13 October 2016) Franz PRUCKNER, Dr. MBA Rupert RIEDER, Mag. Thomas SCHAUFLEER, Mag. (FH) Reinhard WALTTL, Mag. Appointed by the Works Council: Martin CECH (from 23 December 2016) Regina HABERHAUER, Mag. (FH) Dieter KERSCHBAUM, Mag. (until 22 December 2016) Gerhard RAMBERGER, Mag. (until 22 December 2016) Heinrich Hubert REINER, Ing. (from 23 December 2016) Peter RIEDERER (from 23 December 2016) Herbert STEINDORFER (until 22 December 2016) Manfred ZOUREK, Mag. (from 23 December 2016)
<b>Managing directors</b>	Heinz BEDNAR, Mag. Markus KALLER, Mag. (until 31 January 2017) Günther MANDL Christian SCHÖN
<b>Prokuristen (proxies)</b>	Achim ARNHOF, Mag. Karl BRANDSTÖTTER, Mag. (until 3 February 2017) Winfried BUCHBAUER, Mag. Karl FREUDENSCHUSS Dietmar JAROSCH, Dr. Manfred LENTNER Gerold PERMOSER, Mag. Magdalena REISCHL, 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

**Information about the remuneration policy:**

Number of employees (including management): 136.

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

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

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

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

## Dear Shareholder,

We are pleased to present you the following annual report for the ERSTE BOND EMERGING MARKETS CORPORATE IG (EUR) mutual fund pursuant to the InvFG for the period from 1 July 2016 to 30 June 2017.

As a so-called feeder fund (§ 93 InvFG), ERSTE BOND EMERGING MARKETS CORPORATE IG (EUR) had 95.90% of its assets invested in ERSTE BOND EMERGING MARKETS CORPORATE IG (the so-called master fund) as of 30 June 2017. Details about ERSTE BOND EMERGING MARKETS CORPORATE IG can be found in the annual report for ERSTE BOND EMERGING MARKETS CORPORATE IG as of 30 June 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 and the TER of the master fund together. The aggregate fees amount to 1.15%.

## Development of the Fund

The global economy continued to develop well. Most emerging markets moved up from their previous slumps and seem to have passed their lows. The commodity-exporting countries had begun adapting to the low prices on the global material markets. The surprising agreement reached by OPEC on output cuts, which Russia also signed, finally opened up new prospects for the oil price at the end of November.

China was growing “as planned” in accordance with the government requirements. Risks arose from a high level of excess debt in the private sector and the targeted restructuring of the Chinese economy.

The developed economies gained momentum. The USA has reached full employment for the most part. Donald Trump’s victory in the presidential elections was a serious blow and caused capital outflows from the developing countries. The in part controversial plans have proven difficult to implement to date, in part because the high budget deficit is substantially limiting the potential for government spending and tax cuts. Investor fears of increasingly protectionist policies also waned, so capital began flowing back into the emerging markets in the first half of 2017.

Companies were very successful in placing new issues, and the high demand for emerging market bonds caused the risk premiums to narrow further.

We feel that the investor fears about the negative impact that Trump’s policies would have on Mexico were exaggerated. On that note, one of our investment focuses was overweighting Mexico. Overall, we profited from the substantial narrowing of the risk premiums. We also maintained our strong overweighting of Indonesia during the past year because we are confident about the domestic policy reforms that have been implemented and about the sustained upswing in the country. This strategy delivered an encouraging return after Indonesia was upgraded from BB+ to BBB- by S&P in May 2017, causing strong demand for the corresponding bonds and therefore rising prices. We are currently overweighted in India. The stable political situation in the country and the implementation of numerous reforms that aim primarily to make the trading market more flexible and to pare down bureaucracy are having a positive effect. India will again be among the most rapidly growing countries in the world this year.

We are underweighted in the Middle East, Malaysia, the Philippines, Thailand, Singapore, and Hong Kong.

We gradually reduced the interest rate sensitivity to prepare our investment strategy for further rate hikes by the Fed.

The fund achieved a positive performance of 0.44% in the reporting period.

## Method of Calculating Overall Risk

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

\* Total nominal values of derivative instruments without taking into account offsetting and hedging (item 8.5. Schedule B InvFG 2011).

\*\* Total derivative risk taking offsetting and hedging into account = total of the equivalent values of the underlying assets as a percentage of the fund assets.

## Asset Allocation

	30 June 2017		30 June 2016	
	EUR millions	%	EUR millions	%
Investment certificates denominated in USD	93.3	95.90	60.3	96.67
Securities	93.3	95.90	60.3	96.67
Forward exchange agreements	1.6	1.68	-	1.0
Cash in banks	2.4	2.43	3.1	4.94
Other deferred items	-	0.0	-	0.0
<b>Fund assets</b>	<b>97.3</b>	<b>100.00</b>	<b>62.4</b>	<b>100.00</b>

## Comparative Overview (in EUR)

Financial year	Fund assets	Value development in per cent 1)
2012/13 2)	42,634,103.34	- 3.04
2013/14	58,967,837.49	+ 8.21 3)
2014/15	78,403,784.84	+ 0.14 3)
2015/16	62,378,857.98	+ 1.61
2016/17	97,280,608.88	+ 0.44

Financial year	Dividend shares		Non-dividend shares			KESt-exempt non-dividend shares	
	Calculated value per share	Disbursement	Calculated value per share	Reinvested earnings	Payment in accordance with § 58 (2) InvFG	Calculated value per share	Reinvested KESt-exempt earnings
2012/13	96.96	2.00	96.96	2.69	0.00	-	-
2013/14	102.79	3.50	104.94	5.77	1.08	104.92	6.90 4)
2014/15	99.40	2.50	103.99	0.00	0.00	105.05	0.00
2015/16	98.40	2.3000	105.66	0.0000	0.0000	106.74	5.0312
2016/17	96.54	1.9000	106.11	0.0000	0.0000	107.20	0.0000

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

2) Partial financial year from 1 October 2012 to 30 June 2013.

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

4) In the reporting period (1 July 2013 to 30 June 2014), KESt-exempt non-dividend shares were issued for the first time on 16 September 2013. The values for non-dividend shares at the beginning of the period were used to calculate the changes in their value.

## Disbursement/Payment

The following disbursement or payment will be made for the financial year from 1 July 2016 to 30 June 2017. The coupon-paying bank is obligated to withhold capital gains tax from this disbursement if the respective investor is not exempt from the payment of this tax.

The disbursement or payment will be effected on or after 2 October 2017 at

Erste Group Bank AG, Vienna,

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

Fund type	ISIN	Currency	Disbursement/ payment		KES with option declaration	KES w/o option declaration	Reinvestment
Dividend shares	AT0000A0WK05	EUR	1.9000		0.0000	0.0000	-
Non-dividend shares	AT0000A0WK13	EUR	0.0000		0.0000	0.0000	0.0000
KES-exempt non- dividend shares	AT0000A0WK21	EUR	-	*	-	-	0.0000

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



## Income Statement and Changes in Fund Assets

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

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

<b>AT0000A0WK05 dividend shares EUR</b>	
Share value at the beginning of the reporting period (402,979.198 shares)	98.40
Disbursement/payment on 29.09.2016 (corresponds to roughly 0.0237 shares at a calculated value of 97.16)	2.3000
Share value at the end of the reporting period (726,405.404 shares)	96.54
Total value including (notional) shares gained through disbursement/payment	98.83
Net earnings per share	0.43
<b>Value development of one share in the period</b>	<b>0.44%</b>

<b>AT0000A0WK13 non-dividend shares EUR</b>	
Share value at the beginning of the reporting period (186,269.682 shares)	105.66
Disbursement/payment on 29.09.2016 (corresponds to roughly 0.0000 shares at a calculated value of 106.80)	0.0000
Share value at the end of the reporting period (227,068.710 shares)	106.11
Total value including (notional) shares gained through disbursement/payment	106.11
Net earnings per share	0.45
<b>Value development of one share in the period</b>	<b>0.43%</b>

<b>AT0000A0WK21 KESSt-exempt non-dividend shares EUR</b>	
Share value at the beginning of the reporting period (28,500.000 shares)	106.74
Disbursement/payment	0.0000
Share value at the end of the reporting period (28,500.000 shares)	107.20
Total value including (notional) shares gained through disbursement/payment	107.20
Net earnings per share	0.46
<b>Value development of one share in the period</b>	<b>0.43%</b>

## 2. Fund Result

### a. Realised fund result

#### Ordinary fund result

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

Interest income (excluding income adjustment)	0.00	
Dividend income	439.77	
Other income 8)	0.00	
Total income (without profit or loss from price changes)		439.77

Interest paid - 4,500.61

##### Expenses

Fees paid to Investment Firm	- 30,923.52	
Costs for the financial auditor and tax consultation	- 1,500.00	
Publication costs	- 18,002.20	
Securities account fees	- 6,763.68	
Custodian bank fees	- 5,021.16	
Costs for the external consultant	0.00	
Total expenses		- 62,210.56
Compensation for management costs from sub-funds 1)		0.00

**Ordinary fund result (excluding income adjustment) - 66,271.40**

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

Realised gains 4)	6,476,283.76	
Realised losses 5)	- 7,312,232.85	

**Realised profit or loss from price changes (excluding income adjustment) - 835,949.09**

**Realised fund result (excluding income adjustment) - 902,220.49**

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

Changes in the unrealised profit or loss from price changes 7) 1,179,118.60

**Result for the reporting period 6) 276,898.11**

### c. Income adjustment

Income adjustment for income in the period	- 593,248.32	
Income adjustment for profit carried forward from dividend shares	2,305,164.14	

**Overall fund result 1,988,813.93**

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

<b>Fund assets at the beginning of the reporting period</b>	<b>62,378,857.98</b>
<b>Disbursement/payment in the financial year</b>	<b>- 1,356,075.56</b>
<b>Issue and return of shares</b>	<b>34,269,012.53</b>
<b>Overall fund result</b>	
(The fund result is shown in detail under item 2.)	<b>1,988,813.93</b>
<b>Fund assets at the end of the reporting period</b>	<b>97,280,608.88</b>

- 1) Reimbursements (in the sense of commissions) paid by third parties are forwarded to the fund after deduction of any associated costs. Erste Bank der oesterreichischen Sparkassen AG receives 25% of the calculated commissions to cover administrative costs.
- 2) Realised profits and losses are not calculated precisely for the specific periods, which means that they, as is the case for the changes in the unrealised profit or loss, are not necessarily congruent with the changes in the value of the fund in the reporting year.
- 3) Total profit or loss from price changes without income adjustment (realised profit or loss from price changes, without income adjustment, plus changes in the unrealised profit or loss): EUR 343,169.51.
- 4) Thereof profits from transactions with derivative financial instruments: EUR 5,662,416.52.
- 5) Thereof losses from transactions with derivative financial instruments: EUR -7,250,901.16.
- 6) The result for the financial year includes explicitly reported transaction costs in the amount of EUR 0.00.
- 7) Thereof changes in unrealised gains EUR 141,545.19 and unrealised losses EUR 1,037,573.41.
- 8) The earnings reported under this item can be attributed to lending fees from securities lending transactions conducted with Erste Group Bank AG in the amount of EUR 0.00, to earnings from real estate funds in the amount of EUR 0.00, and to other earnings in the amount of EUR 0.00.

# Fund Portfolio as of 30 June 2017

(including changes in securities assets from 1 July 2016 to 30 June 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
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## Investment certificates

### Investment certificates denominated in USD

#### Issue country Austria

ERSTE B.E.MKT.C.IG VTI DL	AT0000A0WJZ2	398,051	69,831	951,520	111.820	93,287,419.58	95.90
Total issue country Austria						93,287,419.58	95.90
Total investment certificates denominated in USD translated at a rate of 1.14055						93,287,419.58	95.90
Total investment certificates						93,287,419.58	95.90

## Forward exchange agreements

**Unrealised  
result in EUR**

### Forward exchange agreements denominated in EUR

#### Issue country Austria

FXF SPEST EUR/USD 25.08.2017	FXF_TAX_3434460		90,696,598	1,538,732.56	1.58
FXF SPEST EUR/USD 25.08.2017	FXF_TAX_3434539		1,520,076	33,139.29	0.03
FXF SPEST EUR/USD 25.08.2017	FXF_TAX_3434588		3,030,762	56,883.11	0.06
FXF SPEST EUR/USD 25.08.2017	FXF_TAX_3434620		877,016	2,337.52	0.00
Total issue country Austria				1,631,092.48	1.68
Total forward exchange agreements denominated in EUR				1,631,092.48	1.68
Total forward exchange agreements				1,631,092.48	1.68

## Breakdown of fund assets

Securities	93,287,419.58	95.90
Forward exchange agreements	1,631,092.48	1.68
Cash in banks	2,362,719.58	2.43
Other deferred items	-622.76	- 0.00
Fund assets	97,280,608.88	100.00

Dividend shares outstanding	AT0000A0WK05	shares	726,405.404
Share value for dividend share	AT0000A0WK05	EUR	96.54
Non-dividend shares outstanding	AT0000A0WK13	shares	227,068.710
Share value for non-dividend share	AT0000A0WK13	EUR	106.11
KEST-exempt non-dividend shares outstanding	AT0000A0WK21	shares	28,500.000
Share value for KEST-exempt non-dividend share	AT0000A0WK21	EUR	107.20

**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, 18 September 2017

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

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

## Auditor's Opinion\*

### Statement on the annual report

#### Audit opinion

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

ERSTE BOND EMERGING MARKETS CORPORATE IG (EUR)  
mutual fund pursuant to the InvFG,

consisting of the fund portfolio as of 30 June 2017, the income statement for the financial year ending on this date, and the other information specified in Annex I Scheme B of the Austrian Investment Fund Act 2011 (InvFG 2011).

Based on the findings of our audit, we believe that the annual report satisfies the legal requirements and provides a true and fair view of the assets and financial position as of 30 June 2017 and of the earnings position of the fund for the financial year ending on this date in accordance with Austrian commercial law and the provisions of the InvFG 2011.

#### Basis for the audit opinion

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

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

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

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

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

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

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

#### **In addition:**

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

### **Other information**

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

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

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

Vienna, 18 September 2017

**ERNST & YOUNG**  
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT m.b.H

**Mag. Friedrich O. Hief**  
(Certified Public  
Accountant)

**ppa MMag. Roland Unterweger**  
(Certified Public Accountant)

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



# **Fund Terms and Conditions for ERSTE BOND EMERGING MARKETS CORPORATE IG (EUR)**

## **Mutual fund pursuant to the InvFG**

The Fund Terms and Conditions for ERSTE BOND EMERGING MARKETS CORPORATE IG (EUR), mutual fund pursuant to the Austrian Investment Fund Act (Investmentfondsgesetz; InvFG) 2011 as amended, were approved by the Austrian Financial Market Authority (FMA).

The Fund is a feeder of the master fund ERSTE BOND EMERGING MARKETS CORPORATE IG and is an undertaking for collective investment in transferable securities (UCITS). ERSTE BOND EMERGING MARKETS CORPORATE IG (EUR) and ERSTE BOND EMERGING MARKETS CORPORATE IG are managed by ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H. (the "Management Company" in the following), which is domiciled in Vienna.

### **Article 1 Fund Shares**

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

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

### **Article 2 Custodian Bank (Depositary Bank)**

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

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

### **Article 3 Investment Instruments and Principles**

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

The Fund invests at least 85% of its assets in shares of ERSTE BOND EMERGING MARKETS CORPORATE IG (master fund) on a permanent basis.

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

a) Securities

Does not apply.

b) Money market instruments

Does not apply.

c) Securities and money market instruments

Does not apply.

d) Shares in investment funds

The Fund invests at least 85% of its assets in shares of ERSTE BOND EMERGING MARKETS CORPORATE IG (master fund) on a permanent basis.

e) Derivative financial instruments

Derivative financial instruments may only be used for hedging currency risks and may comprise up to 15% of the fund assets.

f) Risk measurement method(s) of the fund

The Fund applies the following risk measurement methods: Commitment approach

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

Details about the calculation of the overall risk of the Fund in connection with derivative financial instruments based on a combination of the own direct risk and the risk of the master fund in relation to the Fund's holding of shares in the master fund can be found in the fund prospectus.

g) Demand deposits or callable deposits

Demand deposits and callable deposits with a maximum term of 12 months may comprise up to 15% of the fund assets.

There are no minimum deposit requirements.

h) Acceptance of short-term loans

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

i) Repurchase agreements

Does not apply.

j) Securities lending

Does not apply.

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

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

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

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

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

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

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

The issue price shall be made up of the share value plus a premium per share amounting to up to 3.5% to cover the costs incurred by the Management Company in issuing the share, rounded up to the next equivalent sub-unit of the currency unit specified for the respective share class in the prospectus.

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

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

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

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

The return price is the share value rounded down to the next equivalent sub-unit of the currency unit specified for the respective share class in the prospectus. No return fee will be charged.

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

#### **Article 5 Financial Year**

The financial year of the Fund is from 1 July to 30 June.

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

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

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

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

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

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

The amounts shall be paid to the holders of dividend shares on or after 1 October of the following financial year. The remaining amount shall be carried forward.

An amount calculated in accordance with the InvFG must also be paid out on or after 1 October to cover the capital gains tax assessed by the tax authorities on the dividend-equivalent earnings from the fund shares unless the Management Company provides suitable proof from the banks managing the corresponding securities accounts that the share certificates can only be held by Shareholders who are not subject to Austrian personal or corporate income tax or who meet the conditions for exemption from capital gains tax according to § 94 of the Austrian Income Tax Act (Einkommensteuergesetz) at the time of payment.

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

The earnings generated by the Fund during the financial year less all costs will not be paid out. In the case of non-dividend shares, an amount calculated in accordance with the InvFG must be paid out on or after 1 October to cover the capital gains tax assessed by the tax authorities on the dividend-equivalent earnings from the fund shares unless the Management Company provides suitable proof from the banks managing the corresponding securities accounts that the share certificates can only be held by Shareholders who are not subject to Austrian personal or corporate income tax or who meet the conditions for exemption from capital gains tax according to § 94 of the Austrian Income Tax Act (Einkommensteuergesetz) at the time of payment.

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

The earnings generated by the Fund during the financial year less all costs will not be paid out. No payment pursuant to the InvFG will be made. The reference date for the exemption from KESt payment for the profit for the year for the purposes of the InvFG shall be 1 October of the following financial year.

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

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

## **Article 7**

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

The Management Company shall receive an annual fee for its administrative activities amounting to up to 1.0% of the fund assets, which shall be accrued on a daily basis and calculated using the month-end values adjusted for the accrued fees.

The Management Company shall be entitled to compensation for all expenses incurred in the administration of the Fund.

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

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

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

Further information and details about this Fund can be found in the prospectus.

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

### **List of exchanges with official trading and organised markets (As of October 2014)**

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

Every Member State must maintain a current list of the authorised markets within its territory. This list must be submitted to the other Member States and the Commission.

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

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

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

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

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

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

1.2.1 Luxembourg: Euro MTF Luxembourg

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

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

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

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

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

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

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

- |      |              |  |
|------|--------------|--|
| 4.1. | Japan:       | over the counter market  |
| 4.2. | Canada:      | over the counter market  |
| 4.3. | Korea:       | over the counter market  |
| 4.4. | Switzerland: | SWX Swiss Exchange, BX Berne eXchange; over the counter market of the members of the International Capital Market Association (ICMA), Zurich |
| 4.5. | USA:         | over the counter market (under the regulation of an authority such as the SEC, FINRA, etc.)  |

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

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

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

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

**Confirmation regarding securities lending transactions, repurchase transactions, and total return swaps**

No securities lending transactions, repurchase transactions, or total return swaps were executed for ERSTE BOND EMERGING MARKETS CORPORATE IG (EUR), mutual fund pursuant to the InvFG, during the previous reporting period.

**Note regarding the data used**

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

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

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

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