

ERSTE BOND EMERGING MARKETS CORPORATE IG (EUR)

Jointly owned fund pursuant to the InvFG

Semi-Annual Report 2018

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General Information about the Investment Firm

The company	Erste Asset Management GmbH Am Belvedere 1, A-1100 Vienna Telephone: +43 05 0100-19777, Fax: +43 05 0100-919777
Registered capital	EUR 2.50 million
Unit-holders	Erste Group Bank AG (64.67%) VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe (0.76%) Erste Bank der österreichischen Sparkassen AG (22.17%) DekaBank Deutsche Girozentrale, Frankfurt (1.65 %) NÖ-Sparkassen Beteiligungsgesellschaft m. b. H. (0.76%) Salzburger Sparkasse Bank Aktiengesellschaft (1.65%) Sieben Tiroler Sparkassen Beteiligungsgesellschaft m. b. H. (1.65%) Steiermärkische Bank und Sparkassen Aktiengesellschaft (3.30%) „Die Kärntner“ Trust-Vermögensverwaltungsgesellschaft m. b. H. & Co KG (1.65%) Tiroler Sparkasse Bankaktiengesellschaft Innsbruck (1.74 %)
Supervisory Board	Rudolf SAGMEISTER (Chairman) Thomas SCHAUFLER (Deputy Chairman) Ingo BLEIER Harald GASSER Gerhard GRABNER Oswald HUBER Radovan JELASITY Robert LASSHOFER Martin SIMHANDL Appointed by the Works Council: Martin CECH Heinrich Hubert REINER Peter RIEDERER Nicole WEINHENGST Manfred ZOUREK
Managing directors	Heinz BEDNAR Winfried BUCHBAUER Peter KARL Wolfgang TRAINDL
Prokuristen (proxies)	Karl FREUDENSCHUSS Manfred LENTNER Günther MANDL Gerold PERMOSER Magdalena REISCHL
State commissioners	Caroline HABERFELLNER Philipp VISKI-HANKA
Auditor	Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.
Depositary bank	Erste Group Bank AG

Dear Unit-holder,

We are pleased to present you the following semi-annual report for the ERSTE BOND EMERGING MARKETS CORPORATE IG (EUR) jointly owned fund pursuant to the InvFG for the period from 1 July 2018 to 31 December 2018.

The former management company, ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H., was merged into Erste Asset Management GmbH effective 31 December 2017 and with entry of this merger in the trade register of Vienna Commercial Court on 3 November 2018. Erste Asset Management GmbH became the Management Company of ERSTE BOND EMERGING MARKETS CORPORATE IG (EUR) as of the effective date of the merger.

As a so-called feeder fund (§ 93 InvFG), ERSTE BOND EMERGING MARKETS CORPORATE IG (EUR) had 97.42% of its assets invested in ERSTE BOND EMERGING MARKETS CORPORATE IG (the so-called master fund) as of 31 December 2018. 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 2018, which is available at the website www.erste-am.at.

The aggregated fees are made up of the TER of the feeder fund and the TER of the master fund together. The aggregated fees amount to 1.12%.

Development of the Fund

Key drivers during the reporting period were the “trade war” between the USA and China and the weakening of real economic growth.

The USA sees China’s expansion in IT, trade, and general international terms (belt and road, loans to commodity-rich African countries) and military terms (South China Sea, Taiwan) as more and more of a threat to its economic and political dominance. To prevent a further shift in the balance of power, President Trump intended to apply import tariffs of 25% on goods from China worth over USD 200 billion starting in January 2019. As an aside to the G20 summit in Buenos Aires in December 2018, President Trump and Xi Jinping agreed to not enact any further tariff increases and to negotiate new trade relations. The chances of such a new agreement being worked out are not great, however. Because the US trade deficit with China will remain significant, and China will continue its widely criticised practices such as forced know-how transfer and government subsidies. The structural rise of China in economic, political, and military terms will also bring a shift from a unipolar to a multipolar system. China is striving to overcome the containment attempts by the USA.

Real economic growth has already slowed from 3.8% (annualised quarter-on-quarter growth) in Q3 2017 to 2.8% in Q3 2018. A number of economic indicators are pointing to a continuation of the economic cooling. Two political factors are countering these negative effects. 1) The US Fed is becoming more cautious: Statements by a number of central bankers in the USA have reduced the likelihood of future interest rate hikes. At present, not even a complete hike in 2019 is priced in any more after the widely expected 25 basis point increase to 2.25%–2.50% in December 2018. 2) Expansive fiscal policies: The budget deficits are widening, especially in the USA and China. This is having a mildly supportive effect on global economic growth.

Despite the additional widening of spreads, the fund achieved a positive performance during the reporting period, especially thanks to the lower yields on US Treasuries. Our defensive positioning in higher-risk sectors and countries in Asia such as India, Indonesia, and the real estate sector in China also contributed to the positive performance.

The fund is a feeder instrument and invests solely in the master fund (ERSTE BOND EMERGING MARKETS CORPORATE IG). All currency risks versus the euro are hedged.

Asset Allocation

	31 December 2018		30 June 2018	
	EUR millions	%	EUR millions	%
Investment certificates denominated in USD	68.2	97.42	76.4	98.70
Securities	68.2	97.42	76.4	98.70
Forward exchange agreements	- 0.5	- 0.69	- 1.3	- 1.72
Bank balances	2.3	3.27	2.3	3.02
Interest entitlements	0.0	0.00	0.0	0.00
Other deferred items	- 0.0	- 0.00	- 0.0	- 0.00
Fund assets	70.0	100.00	77.4	100.00

Statement of Assets and Liabilities as of 31 December 2018

(including changes in securities assets from 1 July 2018 to 31 December 2018)

Security designation	ISIN number	Purch./ additions	Sales/ disposals	Holding Units/nominal (nom. in 1,000, rounded)	Price	Value in EUR	% share of fund assets
Investment certificates							
Investment certificates denominated in USD							
Issue country Austria							
ERSTE B.EM. USDR01VTIDL	AT0000AOWJZ2	35,000	146,000	699,621	111.410	68,184,206.46	97.42
Total issue country Austria						68,184,206.46	97.42
Total investment certificates denominated in USD translated at a rate of 1.14315						68,184,206.46	97.42
Total investment certificates						68,184,206.46	97.42
Forward exchange agreements							
Forward exchange agreements denominated in EUR							
Issue country Austria							
FXF SPEST EUR/USD 14.03.2019	FXF_TAX_3442848			31,423,172		-752,761.43	-1.08
FXF SPEST EUR/USD 18.01.2019	FXF_TAX_3443911			37,897,410		262,978.11	0.38
FXF SPEST EUR/USD 18.01.2019	FXF_TAX_3443986			-1,740,733		6,584.79	0.01
Total issue country Austria						-483,198.53	-0.69
Total forward exchange agreements denominated in EUR						-483,198.53	-0.69
Total forward exchange agreements						-483,198.53	-0.69

Breakdown of fund assets

Transferable securities			68,184,206.46	97.42
Forward exchange agreements			-483,198.53	-0.69
Bank balances			2,290,689.72	3.27
Interest entitlements			37.03	0.00
Other deferred items			-67.12	-0.00
Fund assets			69,991,667.56	100.00

Dividend-bearing units outstanding	AT0000A0WK05	units	590,559.998
Value of dividend-bearing unit	AT0000A0WK05	EUR	89.23
Dividend-bearing units outstanding	AT0000A1YWM7	units	0.000
Value of dividend-bearing unit	AT0000A1YWM7	EUR	95.65
Dividend-bearing units outstanding	AT0000A1YWN5	units	0.000
Value of dividend-bearing unit	AT0000A1YWN5	EUR	95.56
Non-dividend-bearing units outstanding	AT0000A0WK13	units	170,211.723
Value of non-dividend-bearing unit	AT0000A0WK13	EUR	101.60
Non-dividend-bearing units outstanding	AT0000A1YWPO	units	0.000
Value of non-dividend-bearing unit	AT0000A1YWPO	EUR	95.56
KEST-exempt non-dividend-bearing units outstanding	AT0000A0WK21	units	0.000
Value of KEST-exempt non-dividend-bearing unit	AT0000A0WK21	EUR	102.65
KEST-exempt non-dividend-bearing units outstanding	AT0000A1YWQ8	units	0.000
Value of KEST-exempt non-dividend-bearing unit	AT0000A1YWQ8	EUR	95.65
KEST-exempt non-dividend-bearing units outstanding	AT0000A1YWR6	units	0.000
KEST-exempt non-dividend-bearing units outstanding	AT0000A1YWR6	EUR	95.64

The fund is not permitted to engage in securities lending agreements pursuant to Regulation (EU) No. 2015/2365 (Regulation on Transparency of Securities Financing Transactions and of Reuse). For this reason, securities lending agreements were not employed.

The fund is not permitted to engage in repurchase agreements pursuant to Regulation (EU) No. 2015/2365 (Regulation on Transparency of Securities Financing Transactions and of Reuse). For this reason, repurchase agreements were not employed.

The fund is not permitted to engage in total return swaps pursuant to Regulation (EU) No. 2015/2365 (Regulation on Transparency of Securities Financing Transactions and of Reuse). For this reason, total return swaps were not employed.

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 2019

Erste Asset Management GmbH
Electronically signed

Inspection information: The electronic signatures in this document can be inspected at 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]).