

ESPA BOND INTERNATIONAL

Mutual fund pursuant to the InvFG

Annual Report 2015/16

Contents

General Information about the Investment Firm	2
Development of the Fund	4
Method of Calculating Overall Risk	5
Asset Allocation	6
Comparative Overview (in EUR)	6
Dividend Disbursement/Payment	7
Income Statement and Changes in Fund Assets	8
1. Value Development over the Financial Year (Fund Performance).....	8
2. Fund Result.....	9
3. Changes in Fund Assets.....	10
Fund Portfolio as of 31 July 2016	11
Auditor's Opinion	16
Fund Terms and Conditions.....	18
Annex to the Fund Terms and Conditions	21

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

The company	ERSTE-SPARINVEST Kapitalanlagegesellschaft m. b. H. Am Belvedere 1, A-1100 Vienna Telephone: +43 05 0100-19881, Fax: +43 05 0100-17102
Nominal capital	EUR 4.50 million
Shareholders	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%)
Supervisory Board	Wolfgang TRAINDL, Mag. (Chairman) Gerhard FABISCH, Mag. Dr. (Deputy Chairman, First Deputy)(until 9 June 2016) Gabriele SEMMELROCK-WERZER (Deputy Chair, First Deputy from 9 June 2016) Wilhelm SCHULTZE, DI (Deputy Chairman) (until 16 September 2015) Franz-Nikolaus HÖRMANN, Mag. (Deputy Chairman, Second Deputy) (from 16 September 2015) Klaus Brugger, DDr. (from 9 June 2016) Franz PRUCKNER, Dr. MBA Birte QUITT, Dipl. BW. (FH) (until 9 February 2016) Rupert RIEDER, Mag. Thomas Schaufler, Mag. (FH) (from 10 February 2016) Gabriele SEMMELROCK-WERZER Reinhard WALTTL, Mag. Appointed by the Works Council: Regina HABERHAUER, Mag. (FH) Dieter KERSCHBAUM, Mag. Gerhard RAMBERGER, Mag. Herbert STEINDORFER
Managing directors	Heinz BEDNAR, Mag. Franz GSCHIEGL, Dr. (until 31 December 2015) Markus KALLER, Mag. (from 1 April 2016) Günther MANDL Christian SCHÖN (from 1 January 2016)
Prokuristen (proxies)	Magdalena, mag. ARNEZEDER (from 1 July 2016) Achim ARNHOF, Mag. Karl BRANDSTÖTTER, Mag. Winfried BUCHBAUER, Mag. Karl FREUDENSCHUSS Dietmar JAROSCH, Dr. Manfred LENTNER Gerold Permoser, Mag. Christian SCHÖN (until 31 December 2015) Jürgen SINGER, Mag.
State commissioners	Erwin GRUBER Michael MANHARD, HR Dr.
Auditor	ERNST & YOUNG WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT MBH
Custodian bank	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.

Dear Shareholder,

We are pleased to present you the following annual report for the ESPA BOND INTERNATIONAL mutual fund pursuant to the InvFG for the period from 1 August 2015 to 31 July 2016.

Development of the Fund

Market report

After slowing at the beginning of 2016, the global economy returned to a path of sustainable moderate growth. However, geopolitical risks (Syria, Ukraine, Venezuela) and, recently, also the outcome of the Brexit referendum in Great Britain increased the downside risks. The USA was largely resistant to foreign trade influences and remained on a solid path, though the pace of economic expansion slowed recently. Drivers here were private consumption, which was supported by a very robust labour market, low inflation, the stabilisation of household borrowing, and positive effects from financial and real estate assets. The upswing continued in Great Britain and was primarily driven by domestic demand. The outcome of the referendum on exiting the EU on 23 June then cast a looming shadow. The sentiment indicators sent warnings and the investment climate became icy. After a minor recession, Japan's gross domestic product increased again.

The economic recovery in the Eurozone solidified, but at a lower level than hoped for. Gross domestic product most recently grew by 1.6% in annual comparison. The main driver here was domestic private consumption. The low inflation had a positive effect on real incomes. The delays in necessary structural reforms in many countries were also not helpful. The consolidation of public budgets that began in recent years has largely come to a standstill, and the general fiscal policy orientation is presently neutral overall. Especially Italy, Belgium, and France were lagging in their budget reforms. These countries also only achieved weak economic growth. Greece was teetering on the brink of disaster. Aside from in the USA, monetary policy remained expansive in most major economies as inflation persisted at low levels.

Consumer inflation in the Eurozone was marginally positive at 0.1% yoy according to initial calculations. This was far from the ECB's stability target of 2.0%. The fragmentation of the euro region made it difficult to apply a uniform monetary policy. The main refinancing rate was cut from 0.05% to 0% in March 2016. It employed a supplementary instrument, targeted longer term refinancing operations. It gradually expanded its balance sheet. To this end, it executed a massive securities purchasing programme together with the national euro central banks that was expanded in December and March in terms of the reinvestment of coupons and redemptions, its duration until March 2017, its volume of EUR 80 billion per month, and the eligible debtor groups.

The Federal Open Market Committee raised the key interest rate corridor by 0.25% to 0.25% to 0.50% in December. The Bank of Japan maintained its policy aimed at radically increasing the money supply. It also surprised the markets at the end of January by setting a deposit rate of negative 0.10%.

The exchange rate trend was driven by the market's assessment of public finances, the economy, political uncertainty, and the expected yield gaps compared with other currency areas. Expectations for future monetary policy played a major role. The euro was trading in a narrow range of 1.05 to 1.17 against the US dollar. The British pound fell steadily due to the looming referendum on exiting the EU and fell by a further 10% when the result was announced. The Japanese yen gained strength. The Norwegian krone weakened slightly.

Investment policy

A key focus in the management of the fund's portfolio (in terms of orientation) is ensuring the highest possible issuer ratings when selecting assets.

Interest rate derivatives were used within the prescribed limits to actively manage the fund's duration during the reporting period.

Investment-grade corporate bonds were overweighted to the detriment of government bonds. The overweighting of corporate bonds made a positive performance contribution. US MBS were again underweighted because of the impending US key interest rate hikes. The underweighting made a positive performance contribution compared with government bonds.

UK government bonds were overweighted and made a positive contribution, especially after the Brexit vote.

Because of its orientation, the fund is heavily invested in foreign currencies. The appreciation of the Japanese yen versus the euro had a positive effect on the fund's performance.

The fund delivered a performance of 7.00% for the year.

Method of Calculating Overall Risk

Method of calculating overall risk:		Relative value at risk
Reference assets used:		Citigroup WorldBIG EUR Index
Value at risk:	Lowest value:	100.910
	Average value:	126.312
	Highest value:	181.250
Model used:	Calculation model:	Historical simulation
	Confidence interval:	99%
	Holding period:	20 days
	Length of data history:	1 year
Leverage* when using the value-at-risk calculation method:		59.653
Leverage** according to § 4 of the 4 th Derivatives Risk Measurement and Reporting Regulation:		34.064

* 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 July 2016		31 July 2015	
	EUR millions	%	EUR millions	%
Bonds denominated in				
AUD	0.9	1.96	-	-
GBP	3.1	6.35	4.0	8.05
JPY	10.4	21.54	11.8	24.01
CAD	0.9	1.84	0.5	0.97
NOK	0.1	0.25	0.1	0.26
SEK	-	-	0.2	0.33
USD	18.7	38.74	16.7	33.83
Investment certificates denominated in				
EUR	12.9	26.76	14.2	28.82
Securities	47.1	97.44	47.4	96.28
Financial futures	-	0.0	-	0.0
Forward exchange agreements	-	0.0	-	0.0
Cash in banks	1.1	2.30	1.6	3.32
Interest entitlements	0.2	0.38	0.2	0.38
Other deferred items	-	0.0	-	0.0
Fund assets	48.3	100.00	49.2	100.00

Comparative Overview (in EUR)

Financial year	Fund assets	Value development in per cent 1)
2010/11	69,141,093.30	- 2.66 2)
2011/12	70,390,239.64	+ 18.24 2)
2012/13	53,490,162.27	- 14.22 2)
2013/14	47,109,155.58	+ 1.21 2)
2014/15	49,242,232.72	+ 17.71 2)
2015/16	48,289,377.09	+ 7.00 2)

Financial year	Dividend shares		Non-dividend shares			KESt-exempt non-dividend shares	
	Calculated value per share	Dividend disbursement	Calculated value per share	Reinvested earnings	Payment in accordance with § 58 (2) InvFG	Calculated value per share	Reinvested KESt-exempt earnings
2010/11	10.85	0.40	19.27	6.53	0.12	20.03	6.91
2011/12	12.38	0.30	22.64	2.64	0.06	23.68	2.82
2012/13	10.35	0.25	19.37	1.05	0.10	20.31	1.20
2013/14	10.22	0.20	19.52	0.14	0.05	20.57	0.20
2014/15	11.80	0.20	22.93	0.16	0.06	24.20	0.23
2015/16	12.41	0.1600	24.47	0.2209	0.0862	25.90	0.3252

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

2) The changes in the value of non-dividend shares and KESt-exempt non-dividend shares vary slightly from those of dividend shares because of rounding effects.

Disbursement/payment

The following disbursement or payment will be made for the financial year from 1 August 2015 to 31 July 2016. 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 3 October 2016 at

Erste Group Bank AG, Vienna,

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

Fund type	ISIN	Currency	Disbursement/ payment		KES ^t with option declaration	KES ^t w/o option declaration	Reinvestment
Dividend shares	AT0000858048	EUR	0.1600		0.0438	0.0438	-
Non-dividend shares	AT0000812920	EUR	0.0862		0.0862	0.0862	0.2209
KES ^t -exempt non- dividend shares	AT0000673322	EUR	-	*	-	-	0.3252
KES ^t -exempt non- dividend shares	AT0000A00GA2	HUF	-	*	-	-	101.6695

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

AT0000858048 dividend shares EUR	
Share value at the beginning of the reporting period (3,465,970.00 shares)	11.80
Disbursement/payment on 29.09.2015 (corresponds to roughly 0.0174 shares at a calculated value of 11.49)	0.20
Share value at the end of the reporting period (3,190,768.54 shares)	12.41
Total value including (notional) shares gained through dividend disbursement/payment	12.63
Net earnings per share	0.83
Value development of one share in the period	7.00%

AT0000812920 non-dividend shares EUR	
Share value at the beginning of the reporting period (343,090.92 shares)	22.93
Disbursement/payment on 29.09.2015 (corresponds to roughly 0.0026 shares at a calculated value of 22.66)	0.06
Share value at the end of the reporting period (314,119.84 shares)	24.47
Total value including (notional) shares gained through dividend disbursement/payment	24.53
Net earnings per share	1.60
Value development of one share in the period	7.00%

AT0000673322 KEST-exempt non-dividend shares EUR	
Share value at the beginning of the reporting period (983.82 shares)	24.20
Disbursement/Payment	0.00
Share value at the end of the reporting period (983.82 shares)	25.90
Total value including (notional) shares gained through dividend disbursement/payment	25.90
Net earnings per share	1.70
Value development of one share in the period	7.02%

AT0000A00GA2 KEST-exempt non-dividend shares HUF	
Share value at the beginning of the reporting period (17,967.54 shares)	7,445.49
Disbursement/Payment	0.00
Share value at the end of the reporting period (36,894.71 shares)	8,055.54
Total value including (notional) shares gained through dividend disbursement/payment	8,055.54
Net earnings per share	610.05
Value development of one share in the period	8.19%

2. Fund Result

a. Realised fund result

Ordinary fund result

Income (without profit or loss from price changes)

Interest income (excluding income adjustment)	882,425.54
Dividend income	- 140.30
Other income 8)	0.00

Total income (without profit or loss from price changes) 882,285.24

Interest paid - 242.47

Expenses

Fees paid to Investment Firm	- 207,339.57
Costs for the financial auditor and tax consultation	- 5,019.00
Publication costs	- 9,505.95
Securities account fees	- 10,949.85
Custodian bank fees	- 16,587.17
Costs for the external consultant	0.00

Total expenses - 249,401.54

Compensation for management costs from sub-funds 1) 0.00

Ordinary fund result (excluding income adjustment) 632,641.23

Realised profit or loss from price changes 2) 3)

Realised gains 4)	2,319,692.70
Realised losses 5)	- 1,764,662.16

Realised profit or loss from price changes (excluding income adjustment) 555,030.54

Realised fund result (excluding income adjustment) 1,187,671.77

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

Changes in the unrealised profit or loss from price changes 7) 2,017,491.31

Result for the reporting period 6) 3,205,163.08

c. Income adjustment

Income adjustment for income in the period - 36,430.55

Income adjustment for profit carried forward from dividend shares - 1,572,877.47

Overall fund result 1,595,855.06

3. Changes in Fund Assets

Fund assets at the beginning of the reporting period	49,242,232.72
Disbursement/payment in the financial year	- 703,696.65
Issue and return of shares	- 1,845,014.04
Overall fund result	
(The fund result is shown in detail under item 2.)	1,595,855.06
Fund assets at the end of the reporting period	<u>48,289,377.09</u>

- 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 2,572,521.85.
- 4) Thereof profits from transactions with derivative financial instruments: EUR 1,220,039.04.
- 5) Thereof losses from transactions with derivative financial instruments: EUR -1,493,492.89.
- 6) The result for the financial year includes explicitly reported transaction costs in the amount of EUR 1,342.00.
- 7) Thereof changes in unrealised gains EUR 1,529,399.99 and unrealised losses EUR 488,091.32.
- 8) The earnings reported under this item can be attributed entirely to lending fees from securities lending transactions conducted with Erste Group Bank AG.

Fund Portfolio as of 31 July 2016

(including changes in securities assets from 1 August 2015 to 31 July 2016)

Security designation	ISIN number	Interest rate	Purch./ additions	Sales/ disposals	Holding Shares/nominal (nom. in 1,000, rounded)	Price	Value in EUR	% share of fund assets
Publicly traded securities								
Bonds denominated in JPY								
Issue country Japan								
JAPAN 2020 308	JP1103081A65	1.300000	0	0	140,000	106.076000	1,295,823.83	2.68
JAPAN 2017 285	JP1102851738	1.700000	0	0	30,000	101.265000	265,082.72	0.55
JAPAN 2017 289	JP11028917C2	1.500000	30,000	135,000	260,000	102.450000	2,324,267.47	4.81
JAPAN 2020 123	JP1051231F37	0.100000	0	90,000	90,000	101.319000	795,672.22	1.65
JAPAN 2021 320	JP1103201C19	1.000000	0	20,000	80,000	106.879000	746,076.16	1.55
JAPAN 2025 341	JP1103411FC6	0.300000	130,000	15,000	115,000	104.831000	1,051,933.68	2.18
JAPAN 2040 32	JP1300321A34	2.300000	33,000	0	193,000	147.717000	2,487,646.01	5.15
JAPAN 2050 3	JP1400031A58	2.200000	0	20,000	80,000	160.742000	1,122,070.51	2.32
JAPAN 2052 5	JP1400051C51	2.000000	0	15,000	10,000	156.996000	136,990.16	0.28
Total							10,225,562.76	21.18
Total bonds denominated in JPY translated at a rate of 114.603850							10,225,562.76	21.18
Bonds denominated in CAD								
Issue country Canada								
CDA 2041	CA135087YQ12	4.000000	0	250	250	147.523000	252,911.02	0.52
Total							252,911.02	0.52
Total bonds denominated in CAD translated at a rate of 1.458250							252,911.02	0.52
Bonds denominated in USD								
Issue country USA								
US TREASURY 2024	US912828B253	0.625000	800	0	800	104.900390	762,779.39	1.58
Total							762,779.39	1.58
Total bonds denominated in USD translated at a rate of 1.118250							762,779.39	1.58
Total publicly traded securities							11,241,253.17	23.28

ESPA BOND INTERNATIONAL

Security designation	ISIN number	Interest rate	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 EUR

Issue country Austria

ESPA ALPHA 1 T	AT0000A03DF2		596	461	2,881	59.120000	170,324.72	0.35
ESPA ALPHA 2 T	AT0000A05F50		3,969	5,228	22,140	80.280000	1,777,399.20	3.68
ESPA BOND DOLLAR CORP.TEO	AT0000724265		650	1,045	60,605	152.570000	9,246,504.85	19.15
ESPA BOND MORTGAGE T	AT0000700786		0	9,475	11,825	146.060000	1,727,159.50	3.58
Total							<u>12,921,388.27</u>	<u>26.76</u>
Total investment certificates denominated in EUR							<u>12,921,388.27</u>	<u>26.76</u>
Total investment certificates							<u>12,921,388.27</u>	<u>26.76</u>

Securities admitted to organised markets

Bonds denominated in AUD

Issue country Australia

AUSTRALIA 2018 141	AU3TB0000176	3.250000	300	0	300	103.760000	211,570.88	0.44
AUSTRALIA 2022 128 15.07	AU3TB0000051	5.750000	300	0	300	123.154000	251,116.04	0.52
AUSTRALIA 2025 139	AU3TB0000168	3.250000	400	0	400	111.263000	302,493.07	0.63
AUSTRALIA 2035 145	AU000XCLWAM0	2.750000	250	0	250	105.678000	179,568.13	0.37
Total							<u>944,748.12</u>	<u>1.96</u>
Total bonds denominated in AUD translated at a rate of 1.471280							<u>944,748.12</u>	<u>1.96</u>

Bonds denominated in GBP

Issue country Great Britain

LCR FINANCE 99/28 REGS	XS0094804126	4.500000	0	1,150	300	135.265198	481,799.45	1.00
TREASURY STK 2017	GB00B3Z3K594	1.750000	200	0	300	100.775000	358,949.24	0.74
TREASURY STK 2021	GB00B4RMG977	3.750000	0	0	400	117.592000	558,466.01	1.16
TREASURY STK 2022	GB00B3KJDQ49	4.000000	0	250	50	120.535000	71,555.36	0.15
TREASURY STK 2024	GB00BHFH458	2.750000	350	200	150	117.063000	208,482.64	0.43
TREASURY STK 2040	GB00B6460505	4.250000	750	100	750	155.733000	1,386,758.68	2.87
Total							<u>3,066,011.38</u>	<u>6.35</u>
Total bonds denominated in GBP translated at a rate of 0.842250							<u>3,066,011.38</u>	<u>6.35</u>

Bonds denominated in JPY

Issue country Netherlands

RABOBK NEDERLD 07/17 MTN	XS0295495245	1.850000	0	0	20,000	100.976000	176,217.47	0.36
Total							<u>176,217.47</u>	<u>0.36</u>
Total bonds denominated in JPY translated at a rate of 114.603850							<u>176,217.47</u>	<u>0.36</u>

Security designation	ISIN number	Interest rate	Purch./ additions	Sales/ disposals	Holding Shares/nominal (nom. in 1,000, rounded)	Price	Value in EUR	% share of fund assets
Bonds denominated in CAD								
Issue country Canada								
CDA 2018 01.09	CA135087B378	1.250000	250	0	250	101.541000	174,080.23	0.36
CDA 2021	CA135087ZJ69	3.250000	250	0	250	112.553000	192,959.03	0.40
CDA 2025	CA135087D507	2.250000	350	0	350	111.248000	267,010.46	0.55
Total							634,049.72	1.31
Total bonds denominated in CAD translated at a rate of 1.458250							634,049.72	1.31
Bonds denominated in NOK								
Issue country Norway								
NORWAY 10-21	N00010572878	3.750000	0	0	1,000	115.133000	122,236.01	0.25
Total							122,236.01	0.25
Total bonds denominated in NOK translated at a rate of 9.418910							122,236.01	0.25
Bonds denominated in USD								
Issue country USA								
US TREASURY 2017	US912828D986	1.000000	0	0	3,800	100.424000	3,412,575.01	7.07
US TREASURY 2017	US912828SJ05	0.875000	0	0	100	100.238281	89,638.52	0.19
US TREASURY 2018	US912828RE27	1.500000	0	400	700	101.698000	636,607.20	1.32
US TREASURY 2019	US912828F395	1.750000	500	0	4,400	102.953000	4,050,911.69	8.39
US TREASURY 2021	US912828WN60	2.000000	0	500	1,800	104.533000	1,682,623.74	3.48
US TREASURY 2021	US912828B907	2.000000	0	0	2,000	104.411000	1,867,399.96	3.87
US TREASURY 2023	US912828VS66	2.500000	0	0	400	108.330000	387,498.32	0.80
US TREASURY 2024	US912828B667	2.750000	1,000	800	900	110.362000	888,225.35	1.84
US TREASURY 2024	US912828D564	2.375000	0	1,000	1,000	107.745000	963,514.42	2.00
US TREASURY 2042	US912810QU51	3.125000	0	0	900	120.543000	970,164.99	2.01
US TREASURY 2044	US912810RH32	3.125000	0	0	900	120.341000	968,539.24	2.01
Total							15,917,698.44	32.96
Issuer World Bank								
WORLD BK 14/21	US459058DT78	2.250000	700	0	700	104.650000	655,086.07	1.36
WORLD BK 14/24	US459058DX80	2.500000	500	0	500	106.672000	476,959.53	0.99
WORLD BK 15/18	US459058ER04	1.000000	1,000	0	1,000	100.245000	896,445.34	1.86
Total							2,028,490.94	4.20
Total bonds denominated in USD translated at a rate of 1.118250							17,946,189.38	37.16
Total securities admitted to organised markets							22,889,452.08	47.40

ESPA BOND INTERNATIONAL

Security designation	ISIN number	Holding	Unrealised result in EUR	% share of fund assets
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Forward exchange agreements

Forward exchange agreements denominated in GBP

Issue country Austria

FXF SPEST GBP/USD 19.08.2016	FXF_TAX_3427638	600,000	-15,778.15	-0.03
FXF SPEST GBP/USD 19.08.2016	FXF_TAX_3428110	400,000	-6,341.19	-0.01
Total			-22,119.34	-0.05
Total forward exchange agreements denominated in GBP translated at a rate of 0.842250			-22,119.34	-0.05

Forward exchange agreements denominated in EUR

Issue country Austria

FXF SPEST EUR/AUD 19.08.2016	FXF_TAX_3426871	371,045	-21,448.43	-0.04
FXF SPEST EUR/AUD 19.08.2016	FXF_TAX_3427252	65,394	-1,281.78	0.00
FXF SPEST EUR/CAD 19.08.2016	FXF_TAX_3426873	259,235	-1,181.72	0.00
FXF SPEST EUR/CHF 19.08.2016	FXF_TAX_3426875	180,637	4,458.67	0.01
FXF SPEST EUR/GBP 19.08.2016	FXF_TAX_3427253	100,417	-1,588.91	0.00
FXF SPEST EUR/GBP 19.08.2016	FXF_TAX_3426877	91,069	-6,406.15	-0.01
FXF SPEST EUR/JPY 19.08.2016	FXF_TAX_3426879	1,051,677	-38,842.13	-0.08
FXF SPEST EUR/MXN 19.08.2016	FXF_TAX_3426880	285,592	-85.38	0.00
FXF SPEST EUR/NOK 19.08.2016	FXF_TAX_3426882	64,550	884.44	0.00
FXF SPEST EUR/NZD 19.08.2016	FXF_TAX_3427255	59,680	-2,818.57	-0.01
FXF SPEST EUR/NZD 19.08.2016	FXF_TAX_3427255	2,730	88.00	0.00
FXF SPEST EUR/PLN 19.08.2016	FXF_TAX_3426886	158,576	1,984.05	0.00
FXF SPEST EUR/SEK 19.08.2016	FXF_TAX_3426889	107,132	-2,325.42	0.00
FXF SPEST EUR/SGD 19.08.2016	FXF_TAX_3426853	128,390	4,705.52	0.01
FXF SPEST EUR/USD 19.08.2016	FXF_TAX_3426842	5,209,861	46,892.81	0.10
FXF SPEST EUR/USD 19.08.2016	FXF_TAX_3426999	176,347	-838.89	0.00
Total			-17,803.89	-0.04
Total forward exchange agreements denominated in EUR			-17,803.89	-0.04
Total forward exchange agreements			-39,923.23	-0.08

Derivatives

Financial futures denominated in USD

Issue country USA

US 2YR NOTE (CBT) Sep16		-15	-16,138.48	-0.03
Total			-16,138.48	-0.03
Total financial futures denominated in USD translated at a rate of 1.118250			-16,138.48	-0.03
Total derivatives			-16,138.48	-0.03

Breakdown of fund assets

Securities	47,052,093.52	97.44
Forward exchange agreements	-39,923.23	- 0.08
Financial futures	-16,138.48	- 0.03
Cash in banks	1,110,321.43	2.30
Interest entitlements	183,085.32	0.38
Other deferred items	-61.47	- 0.00
Fund assets	48,289,377.09	100.00

Dividend shares outstanding	shares	3,190,769
Non-dividend shares outstanding	shares	314,120
KEST-exempt non-dividend shares outstanding	shares	37,879
Share value for dividend share	EUR	12.41
Share value for non-dividend share	EUR	24.47
Share value for KEST-exempt non-dividend share	EUR	25.90

Investor note:

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

Purchases and sales of securities in the reporting period not listed in the fund portfolio

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

Publicly traded securities**Bonds denominated in JPY****Issue country Japan**

JAPAN 2016 341	JP1023411E62	0.100000	0	80,000
JAPAN 2019 300	JP1103001952	1.500000	0	130,000
JAPAN 2022 326	JP1103261CC2	0.700000	0	70,000
JAPAN 2023 62	JP1200621363	0.800000	0	120,000

Securities admitted to organised markets**Bonds denominated in SEK****Issue country Sweden**

SWEDEN 05-16 1050	SE0001517699	3.000000	0	1,500
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Vienna, 22 September 2016

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. 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*

We have audited the attached annual report as of 31 July 2016 prepared by ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H. for the fund under its management designated ESPA BOND INTERNATIONAL, mutual fund pursuant to the InvFG, for the financial year from 1 August 2015 to 31 July 2016, including the accounting records for the fund.

Management responsibility for the annual report

The legal representatives of the Company are responsible for the preparation of this annual report and the correct presentation of the facts in this report in accordance with Austrian commercial law and the provisions of the Austrian Investment Fund Act, and for the internal controls that the legal representatives deem necessary to facilitate the preparation of an annual report that is free of material intentional or unintentional misrepresentations.

Responsibility of the bank auditor

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

We conducted our audit in accordance with § 49 (5) InvFG and in accordance with the Austrian principles of good auditing. These principles require the application of the International Standards on Auditing (ISA). According to these principles, we must comply with the relevant ethical requirements and plan and conduct the audit in such a manner that it can be ascertained with reasonable certainty whether the annual report is free of material misrepresentations.

An audit includes the performance of audit steps to obtain evidence of the values and other information presented 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 misrepresentations. When assessing these risks, the bank auditor takes into account the Company's internal control systems that are relevant for the preparation and accuracy of the annual report so as 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. An audit also includes an assessment of the appropriateness of the applied accounting principles and the appropriateness of the values estimated by the legal representatives in the accounts, as well as an assessment of the overall presentation of the annual report.

We feel that the audit evidence that we obtained is sufficient and suitable to serve as a basis for our audit opinion.

Audit opinion

Our audit revealed no cause for objection. Based on our evaluation, we believe that the annual report as of 31 July 2016 for ESPA BOND INTERNATIONAL, mutual fund pursuant to the InvFG, complies with the legal requirements.

Statements regarding the report on activities in the reporting period

The descriptions included in the annual report by the management of the 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 are in line with the other information provided in the annual report.

Vienna, 22 September 2016

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 ESPA BOND INTERNATIONAL, mutual fund pursuant to the InvFG

The Fund Terms and Conditions for ESPA BOND INTERNATIONAL, 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 conforms with the guidelines for special assets and is 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 this reason, individual share certificates cannot be issued.

Article 2 Custodian Bank (Depositary Bank)

The custodian bank (depositary) appointed for the Fund is Erste Group Bank AG, 1010 Vienna.

The payment offices for share certificates are the custodian bank (depositary) 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.

Government bonds, bank bonds, and corporate bonds in the investment grade (or other comparable) segment in terms of ratings assigned by recognised rating agencies will be purchased according to the possibilities on the market.

The Fund will purchase shares in investment funds that, according to their terms and conditions, invest predominantly in bonds or comparable assets or that are categorised as a bond fund or as comparable to a bond fund by at least one internationally recognised organisation (such as the classification according to Bloomberg, Datastream, software-systems.at Börsensoftware & Datenbankservice GmbH, etc.), regardless of the country in which the respective management company is domiciled.

Derivative financial instruments may also be used for speculative purposes, and these consist mainly of forward financial agreements on stock indices.

The fund assets are invested in the following investment instruments in compliance with the description above.

a) Securities

Securities (including securities with embedded derivative financial instruments) may comprise up to 100% of the fund assets.

b) Money market instruments

Money market instruments may comprise up to 49% of the fund assets.

c) Securities and money market instruments

Securities or money market instruments issued or guaranteed by the Republic of Austria or its states: Burgenland, Carinthia, Lower Austria, Upper Austria, Salzburg, Styria, Tyrol, Vorarlberg, Vienna; the Federal Republic of Germany or its states: Baden-Württemberg, Bavaria, Berlin, Brandenburg, Bremen, Hamburg, Hesse, Mecklenburg-Vorpommern, Lower Saxony, North Rhine-Westphalia, Rhineland-Palatinate, Saarland, Saxony, Saxony-Anhalt, Schleswig-Holstein, Thuringia; the United States of America; the European Financial Stability Facility (EFSF); and the European Union (EU) may make up more than 35% of the fund assets provided that the 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 fund assets.

Securities and money market instruments may only be purchased for the Fund when they meet the criteria regarding listing or trading on a regulated market or a securities exchange pursuant to the InvFG.

Securities and money market instruments that do not meet the criteria described in the previous paragraph may comprise up to 10% of the fund assets in total.

d) Shares in investment funds

Shares in investment funds (UCITS, UCI) may each comprise up to 20% of the fund assets and may comprise up to 100% in aggregate total, provided that the target funds themselves (UCITS or UCI) do not invest more than 10% of their fund assets in shares of other investment funds.

Shares in UCI may make up no more than 30% of the fund assets.

e) Derivative financial instruments

Derivative financial instruments can be used for hedging purposes and as part of the investment strategy, and may comprise up to 100% of the fund assets.

f) Risk measurement method(s) of the Fund

The Fund applies the following risk measurement methods: Relative value at risk

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

The allocable value at risk resulting from the investments held by the fund is limited to two times the value at risk of the associated derivative-free benchmark Citigroup WorldBIG EUR Index (relative VaR).

Please refer to the prospectus for detailed information.

g) Demand deposits or callable deposits

Demand deposits and callable deposits with a maximum term of 12 months may be held in the amount of no more than 49% of the fund assets.

There are no minimum deposit requirements.

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 Fund can hold a higher proportion of demand deposits or callable deposits with a maximum term of 12 months.

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

Repurchase agreements may comprise up to 30% of the fund assets.

j) Securities lending

Securities lending transactions may comprise up to 30% of the fund assets.

Further information regarding article 3 can be found in the prospectus.

Article 4 Issue and Return Procedure

The share value shall be calculated in EUR.

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 cent.

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 cent.

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 August to 31 July.

Article 6 Share Classes and Use of Earnings

The 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.

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 not fall below the legally stipulated minimum volume for termination after dividend payments in any case.

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 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 EStG 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 a monthly fee for its administrative activities amounting to up to 0.06% 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 custodian bank shall receive a fee in the amount of 0.5% of the fund assets upon liquidation.

Further information can be found in the prospectus.

Annex to the Fund Terms and Conditions

List of exchanges with official trading and organised markets (As of February 2012)

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

According to Article 16 of Directive 93/22/EC (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://mifidatabase.esma.europa.eu/Index.aspx?sectionlinks_id=23&language=0&pageName=REGULATED_MARKETS_Display&subsection_id=0 *)

under "Verzeichnis der Geregeltten 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.	Croatia:	Zagreb Stock Exchange
2.3.	Russia:	Moscow (RTS Stock Exchange), Moscow Interbank Currency Exchange (MICEX)
2.4.	Switzerland:	SWX Swiss Exchange
2.5.	Serbia and Montenegro:	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:	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.	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.	Philippines:	Manila
3.18.	Singapore:	Singapore Stock Exchange
3.19.	South Africa:	Johannesburg
3.20.	Taiwan:	Taipei
3.21.	Thailand:	Bangkok
3.22.	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
3.23.	Venezuela:	Caracas
3.24.	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 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 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: <http://www.fma.gv.at/de/unternehmen/boerse-wertpapierhandel/boerse.html>
- scroll down - link to "Liste der geregelten Märkte (MiFID Database; ESMA)" - "view all"]

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.

www.erste-am.com

www.erste-am.at