

ESPA BOND INTERNATIONAL

Mutual fund pursuant to the InvFG

Semi-Annual Report 2016/17

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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) Gabriele SEMMELROCK-WERZER (Deputy Chair, 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 SCHAUFLER, Mag. (FH) Reinhard WALTL, 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)
Managing directors	Heinz BEDNAR, Mag. Markus KALLER, Mag. (until 31 January 2017) Günther MANDL Christian SCHÖN
Prokuristen (proxies)	Magdalena ARNEZEDER, Mag. Achim ARNHOF, Mag. Karl BRANDSTÖTTER, Mag. Winfried BUCHBAUER, Mag. Karl FREUDENSCHUSS Dietmar JAROSCH, Dr. Manfred LENTNER Gerold PERMOSER, Mag. Jürgen SINGER, Mag.
State commissioners	Erwin GRUBER Michael MANHARD, HR Dr.
Auditor	ERNST & YOUNG WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT MBH
Custodian bank	Erste Group Bank AG

Dear Shareholder,

We are pleased to present you the following semi-annual report for the ESPA BOND INTERNATIONAL mutual fund pursuant to the InvFG for the period from 1 August 2016 to 31 January 2017.

Development of the Fund

Market report

Global economic growth continued to improve at a moderate pace. Government spending, which reached the highest levels since 2009 in the OECD countries, was a source of stimulus. The prolonged phase of low commodity and energy prices caused a shift in revenue from the net exporters to the net importers of these goods, especially in the case of oil, which had a corresponding stimulating or dampening effect on the national economies in question. Although geopolitical risks (Syria, Ukraine, migrant flows), the outcome of the Brexit referendum in Great Britain, and burgeoning protectionism increased the downside risks, these factors have not had any major impact on the economy thus far. The economies of the developed countries started to gain momentum again after a sluggish phase, and some regions even approached full employment (USA). The victory of Donald Trump in the November presidential elections came as a shock. The confidence indicators released thereafter provided reason for optimism – despite some of his highly questionable campaign promises. The Eurozone economy persistently picked up steam, even if it did not necessarily turn in the most impressive results in the process. Gross domestic product most recently grew by 1.8% in annual comparison. The trade balance dragged on development due to weak exports. By contrast, domestic private consumption provided solid support.

The central banks in some major economies started to gradually scale back their expansive monetary policy in response to the emergence of initial signs that the inflation rate has bottomed out. The low costs of energy and raw materials continued to inhibit inflation. The oil price rose somewhat, but remained far below its highs. The ECB employed a massive monetary policy arsenal. The main refinancing rate was kept at 0%. 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 to the tune of around EUR 80 billion per month and with a planned duration until March 2017 initially. This programme was then extended until at least December 2017 with a reduced volume of EUR 60 billion. Money market rates were essentially locked into negative territory. For example, the three-month Euribor, which is an important reference value for many forms of variable-rate savings and credit, persisted at minus 0.33% p.a. at the end of the reporting period. The Federal Open Market Committee raised the key interest rate corridor by 25 basis points to 0.50% to 0.75%.

The bond markets were dominated by the low interest rate environment, particularly in the Eurozone. The securities purchasing programme of the ECB and the national central banks provided considerable price support. However, the ECB purchases of course pulled liquidity out of the market, which in turn led to higher price volatility. Despite the permanent flood of money from the ECB, the euro government bond market suffered substantial price losses starting in October. Yields on ten-year German Bunds rose from minus 0.2% to levels above the zero mark, and were listed at up to plus 0.5% in December. Risk premiums widened further, especially for Italy, where attention increasingly shifted to problems in the national financial sector and political instability, and the situation started to look more and more serious. US Treasuries consistently posted yields well above those for high-quality euro government bonds; the assets did not decouple until November as yields on US Treasuries rose substantially, for example from 1.7 to 2.1 percentage points higher than Germany for ten-year maturities.

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.

Because of its orientation, the fund is heavily invested in foreign currencies. The appreciation of the US dollar, Canadian dollar, and Australian dollar had a positive impact on the fund's performance. By contrast, the depreciation of the Japanese yen against the euro had a negative effect on performance.

The fund posted a performance of minus 1.79%.

Asset Allocation

	31 January 2017		31 July 2016	
	EUR millions	%	EUR millions	%
Bonds denominated in				
AUD	0.9	2.07	0.9	1.96
GBP	2.9	6.58	3.1	6.35
JPY	9.3	20.89	10.4	21.54
CAD	0.9	1.94	0.9	1.84
NOK	0.1	0.28	0.1	0.25
USD	18.0	40.64	18.7	38.74
Investment certificates denominated in				
EUR	11.9	26.82	12.9	26.76
Securities	44.0	99.22	47.1	97.44
Financial futures	0.0	0.00	-	0.0
Forward exchange agreements	-	0.0	-	0.0
Cash in banks	0.2	0.38	1.1	2.30
Interest entitlements	0.2	0.44	0.2	0.38
Other deferred items	-	0.0	-	0.0
Fund assets	44.4	100.00	48.3	100.00

Fund Portfolio as of 31 January 2017

(including changes in securities assets from 1 August 2016 to 31 January 2017)

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	104.869000	1,206,779.89	2.72
JAPAN 2017 285	JP1102851738	1.700000	0	0	30,000	100.250000	247,205.73	0.56
JAPAN 2017 289	JP11028917C2	1.500000	0	0	260,000	101.580000	2,170,873.21	4.89
JAPAN 2020 123	JP1051231F37	0.100000	0	0	90,000	100.785000	745,574.96	1.68
JAPAN 2021 320	JP1103201C19	1.000000	15,000	0	95,000	105.342000	822,579.85	1.85
JAPAN 2025 341	JP1103411FC6	0.300000	5,000	0	120,000	102.164000	1,007,701.80	2.27
JAPAN 2040 32	JP1300321A34	2.300000	0	0	193,000	133.574000	2,119,005.78	4.77
JAPAN 2050 3	JP1400031A58	2.200000	0	16,000	64,000	139.212000	732,334.59	1.65
JAPAN 2052 5	JP1400051C51	2.000000	0	5,000	5,000	134.565000	55,303.81	0.12
Total							9,107,359.62	20.52
Total bonds denominated in JPY translated at a rate of 121.659800							9,107,359.62	20.52
Bonds denominated in CAD								
Issue country Canada								
CDA 2041	CA135087YQ12	4.000000	0	0	250	128.288000	227,628.89	0.51
Total							227,628.89	0.51
Total bonds denominated in CAD translated at a rate of 1.408960							227,628.89	0.51
Bonds denominated in USD								
Issue country USA								
US TREASURY 2024	US912828B253	0.625000	0	0	800	102.180000	769,022.65	1.73
Total							769,022.65	1.73
Total bonds denominated in USD translated at a rate of 1.080700							769,022.65	1.73
Total publicly traded securities							10,104,011.16	22.77

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Security designation	ISIN number	Interest rate	Purch./ additions Shares/nominal (nom. in 1,000, rounded)	Sales/ disposals	Holding	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		263	320	2,824	55.790000	157,550.96	0.35
ESPA ALPHA 2 T	AT0000A05F50		1,530	2,791	20,879	79.550000	1,660,924.45	3.74
ESPA BOND DOLLAR CORP.TEO	AT0000724265		1,895	4,900	57,600	152.720000	8,796,672.00	19.82
ESPA MORTGAGE T	AT0000700786		0	2,770	9,055	142.120000	1,286,896.60	2.90
Total							11,902,044.01	26.82
Total investment certificates denominated in EUR							11,902,044.01	26.82
Total investment certificates							11,902,044.01	26.82

Securities admitted to organised markets

Bonds denominated in AUD

Issue country Australia

AUSTRALIA 2018 141	AU3TB0000176	3.250000	0	0	300	102.517000	216,042.06	0.49
AUSTRALIA 2022 128 15.07	AU3TB0000051	5.750000	0	0	300	118.026000	248,725.39	0.56
AUSTRALIA 2025 139	AU3TB0000168	3.250000	0	0	400	104.815000	294,513.09	0.66
AUSTRALIA 2035 145	AU000XCLWAM0	2.750000	0	0	250	91.425000	160,555.86	0.36
Total							919,836.40	2.07
Total bonds denominated in AUD translated at a rate of 1.423570							919,836.40	2.07

Bonds denominated in GBP

Issue country Great Britain

LCR FINANCE 99/28 REGS	XS0094804126	4.500000	0	0	300	126.030899	440,159.61	0.99
TREASURY STK 2021	GB00B4RMG977	3.750000	130	100	230	114.194000	305,761.65	0.69
TREASURY STK 2022	GB00B3KJDQ49	4.000000	150	0	200	116.585000	271,446.70	0.61
TREASURY STK 2024	GB00BHBFBH458	2.750000	0	0	350	111.838000	455,689.82	1.03
TREASURY STK 2025	GB00BTHH2R79	2.000000	200	100	100	105.930000	123,319.25	0.28
TREASURY STK 2040	GB00B6460505	4.250000	0	150	800	142.100000	1,323,414.71	2.98
Total							2,919,791.74	6.58
Total bonds denominated in GBP translated at a rate of 0.858990							2,919,791.74	6.58

Bonds denominated in JPY

Issue country Netherlands

RABOBK NEDERLD 07/17 MTN	XS0295495245	1.850000	0	0	20,000	100.124000	164,596.69	0.37
Total							164,596.69	0.37
Total bonds denominated in JPY translated at a rate of 121.659800							164,596.69	0.37

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	0	0	250	100.855000	178,952.92	0.40
CDA 2021	CA135087ZJ69	3.250000	0	0	250	109.101000	193,584.27	0.44
CDA 2025	CA135087D507	2.250000	0	0	350	104.590000	259,812.20	0.59
						Total	632,349.39	1.42
						Total bonds denominated in CAD translated at a rate of 1.408960	632,349.39	1.42
Bonds denominated in NOK								
Issue country Norway								
NORWAY 10-21	NO0010572878	3.750000	0	0	1,000	111.332000	125,208.48	0.28
						Total	125,208.48	0.28
						Total bonds denominated in NOK translated at a rate of 8.891730	125,208.48	0.28
Bonds denominated in USD								
Issue country USA								
US TREASURY 2017	US912828SJ05	0.875000	0	0	100	100.030000	92,560.38	0.21
US TREASURY 2017	US912828D986	1.000000	0	2,700	1,100	100.185000	1,019,741.83	2.30
US TREASURY 2018	US912828RE27	1.500000	200	0	900	100.658000	838,273.34	1.89
US TREASURY 2019	US912828F395	1.750000	0	0	4,400	100.909000	4,108,444.53	9.26
US TREASURY 2021	US912828WN60	2.000000	0	0	1,800	100.734000	1,677,812.53	3.78
US TREASURY 2021	US912828B907	2.000000	0	0	2,000	100.933000	1,867,918.94	4.21
US TREASURY 2023	US912828VS66	2.500000	2,500	0	2,900	101.827000	2,732,472.47	6.16
US TREASURY 2024	US912828D564	2.375000	0	100	900	100.499000	836,949.20	1.89
US TREASURY 2024	US912828B667	2.750000	0	800	100	103.290000	95,576.94	0.22
US TREASURY 2026	US912828S505	0.125000	800	0	800	97.840000	727,476.64	1.64
US TREASURY 2042	US912810QU51	3.125000	0	300	600	101.712000	564,700.66	1.27
US TREASURY 2046	US912810RR14	1.000000	700	0	700	101.895000	670,998.42	1.51
						Total	15,232,925.88	34.32
Issuer World Bank								
WORLD BK 14/21	US459058DT78	2.250000	0	0	700	100.934000	653,778.11	1.47
WORLD BK 14/24	US459058DX80	2.500000	0	0	500	99.704000	461,293.61	1.04
WORLD BK 15/18	US459058ER04	1.000000	0	0	1,000	99.472000	920,440.46	2.07
						Total	2,035,512.18	4.59
						Total bonds denominated in USD translated at a rate of 1.080700	17,268,438.06	38.91
						Total securities admitted to organised markets	22,030,220.76	49.64

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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 05.04.2017	FXF_TAX_3432048	400,000	-9,946.70	-0.02
			Total	-9,946.70 -0.02
Total forward exchange agreements denominated in GBP translated at a rate of 0.858990			-9,946.70	-0.02

Forward exchange agreements denominated in EUR

Issue country Austria

FXF SPEST EUR/AUD 05.04.2017	FXF_TAX_3431987	406,942	871.02	0.00
FXF SPEST EUR/CAD 05.04.2017	FXF_TAX_3431988	271,543	2,451.51	0.01
FXF SPEST EUR/CHF 05.04.2017	FXF_TAX_3431991	93,736	437.30	0.00
FXF SPEST EUR/CHF 05.04.2017	FXF_TAX_3432205	93,098	-320.86	0.00
FXF SPEST EUR/GBP 05.04.2017	FXF_TAX_3431993	79,484	1,912.01	0.00
FXF SPEST EUR/JPY 05.04.2017	FXF_TAX_3431995	1,403,815	7,346.25	0.02
FXF SPEST EUR/MXN 05.04.2017	FXF_TAX_3431997	256,739	7,336.53	0.02
FXF SPEST EUR/NOK 05.04.2017	FXF_TAX_3431999	66,179	-1,200.61	0.00
FXF SPEST EUR/PLN 05.04.2017	FXF_TAX_3432000	159,435	1,902.37	0.00
FXF SPEST EUR/SEK 05.04.2017	FXF_TAX_3432003	168,243	1,199.18	0.00
FXF SPEST EUR/SEK 05.04.2017	FXF_TAX_3432204	105,223	44.21	0.00
FXF SPEST EUR/SGD 05.04.2017	FXF_TAX_3432005	131,256	-160.52	0.00
FXF SPEST EUR/USD 05.04.2017	FXF_TAX_3432006	4,260,123	-30,787.29	-0.07
FXF SPEST EUR/USD 05.04.2017	FXF_TAX_3432202	92,717	-290.41	0.00
			Total	-9,259.31 -0.02
Total forward exchange agreements denominated in EUR			-9,259.31	-0.02
Total forward exchange agreements			-19,206.01	-0.04

Derivatives

Financial futures denominated in USD

Issue country USA

US 2YR NOTE (CBT) Mar17		-8	115.66	0.00
			Total	115.66 0.00
Total financial futures denominated in USD translated at a rate of 1.080700			115.66	0.00
Total derivatives			115.66	0.00

Breakdown of fund assets

Securities		44,036,275.93	99.22
Forward exchange agreements		-19,206.01	- 0.04
Financial futures		115.66	0.00
Cash in banks		170,231.58	0.38
Interest entitlements		193,217.60	0.44
Other deferred items		-22.90	- 0.00
Fund assets		44,380,611.86	100.00

Dividend shares outstanding	shares	3,063,399
Non-dividend shares outstanding	shares	293,755
KEST-exempt non-dividend shares outstanding	shares	27,302
Share value for dividend share	EUR	11.97
Share value for non-dividend share	EUR	23.83
Share value for KEST-exempt non-dividend share	EUR	25.31

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 Shares/nominal (nom. in 1,000, rounded)	Sales/ disposals
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Securities admitted to organised markets**Bonds denominated in USD****Issue country USA**

US TREASURY 2044	US912810RH32	3.125000	0	900
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Vienna, February 2017

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]).