

Raiffeisen European SmallCap

(Original German name:

Raiffeisen-Europa-SmallCap)

Annual fund report

Financial year 2011-2012

The 2011 Austrian Investment Fund Act (InvFG) came into force on 1 September 2011. The terms used in this report comply with InvFG 2011 while the statutory references in the fund regulations relate to InvFG 1993 since the fund regulations were approved on the basis of the legal situation applicable at the time of the fund's licensing. From 1 September 2011 these references will be treated as references to corresponding provisions of InvFG 2011.

Note:

The audit opinion issued by KPMG Austria AG only applies for the full German-language version.

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Report for the financial year from 1 August 2011 to 31 July 2012

Raiffeisen European SmallCap is an equity fund whose investment goal is long-term capital growth subject to higher (short-term) risks. It mainly invests (at least 51 per cent of its fund assets) in equities or equity-equivalent securities issued by small cap companies which have a market capitalization (price (market price) multiplied by a company's total number of issued shares) of up to EUR 5 billion and which are headquartered or mainly active in Europe.

General fund information

Tranche	Launch date	ISIN
ISIN income-distributing (R) (A)	25/7/2003	AT0000638986
ISIN income-retaining (R) (T)	25/7/2003	AT0000638994
ISIN full income-retaining (outside Austria) (R) (VTA)	28/10/2003	AT0000639000
ISIN full income-retaining (outside Austria) (I) (VTA)	1/2/2011	AT0000A0LQ44
ISIN savings fund income-distributing (R) (A)	25/7/2003	AT0000639018
ISIN savings fund income-retaining (R) (T)	25/7/2003	AT0000639026

Fund characteristics

Fund currency:	EUR
Financial year:	1 August – 31 July
Distribution/payment/reinvestment date:	15 October
EU directive compliance:	EU directive-compliant investment fund pursuant to InvFG (UCITS)
Fund type:	Target fund (up to 10 % subfunds)
Max. management fee for the fund:	R tranche: 2.00 % (excluding any performance-related fee) I tranche: 1.00 % (excluding any performance-related fee)
Target group:	Public fund
Custodian bank:	Raiffeisen Bank International AG
Management company:	Raiffeisen Kapitalanlage-Gesellschaft m.b.H. Schwarzenbergplatz 3, A-1010 Vienna Tel. +43 1 71170-0, Fax +43 1 71170-1092 www.rcm.at Companies register number: 83517 w
Fund management:	Raiffeisen Kapitalanlage-Gesellschaft m.b.H.
Auditor:	KPMG Austria AG

Legal notice

All data and information has been compiled and checked with the greatest care. No liability or guarantee can be assumed for the recentness, correctness and completeness of the information provided. We consider the sources used to be reliable. The software used performs calculations on the basis of more than the two decimal places displayed. Minor discrepancies cannot be ruled out due to further calculations using published results.

The value of a unit is calculated by dividing the entire value of the investment fund inclusive of its income by the number of units. The total value of the investment fund is calculated on the basis of the current market prices of the securities, money market instruments and subscription rights in the fund plus the value of the fund's financial investments, cash holdings, credit balances, receivables and other rights net of its payables. That value will be calculated by the custodian bank.

The net assets are calculated in accordance with the following principles:

- a) In principle, the value of assets quoted or traded on a stock market or on another regulated market will be determined on the basis of the most recently available price.
- b) Where an asset is not quoted or traded on a stock market or another regulated market or where the price for an asset quoted or traded on a stock market or another regulated market does not appropriately reflect its actual market value, the prices provided by reliable data providers or, alternatively, market prices for equivalent securities or other recognized valuation methods shall be used.

Dear unitholder,

Raiffeisen Kapitalanlage-Gesellschaft m.b.H. is pleased to present its annual fund report for Raiffeisen European SmallCap for the financial year from 1 August 2011 to 31 July 2012.

Fund details in EUR

	31/7/2011	31/7/2012
Fund assets	70,170,501.72	58,715,359.45
Net asset value/unit (R) (A)	162.56	144.57
Issue price/unit (R) (A)	170.69	151.80
Net asset value/unit (R) (T)	167.33	150.45
Issue price/unit (R) (T)	175.70	157.97
Net asset value/unit (R) (VTA)	171.65	154.50
Issue price/unit (R) (VTA)	180.23	162.23
Net asset value/unit (I) (VTA)	172.50	156.81
Issue price/unit (I) (VTA))	181.13	164.65

	17/10/2011	15/10/2012
Distribution/unit (R) (A)	1.63	1.45
Outpayment/unit (R) (T)	0.15	0.19
Reinvestment/unit (R) (T)	0.00	0.00
Reinvestment/unit (R) (VTA)	0.00	0.00
Reinvestment/unit (I) (VTA)	4.23	0.00

The distribution will occur free-of-charge at the fund's paying agents. Payment will be made by the custodian banks,

Units in circulation

	(R) A	(R) T	(R) VTA	(I) VTA
Units in circulation on 31/7/2011	32,623.732	281,867.763	103,099.930	10.000
Sales	1,364.489	20,803.430	9,402.606	0.000
Repurchases	- 3,546.106	- 34,191.573	- 22,417.823	0.000
Units in circulation	30,442.115	268,479.620	90,084.713	10.000
Total units in circulation on 31/7/2012				389,016.448

Fund details in EUR for last 3 financial years

Distributing units (R)	31/7/2010	31/7/2011	31/7/2012
Total fund assets	70,533,125.82	70,170,501.72	58,715,359.45
Net asset value/unit	148.26	162.56	144.57
Reinvested units (R)	31/7/2010	31/7/2011	31/7/2012
Total fund assets	70,533,125.82	70,170,501.72	58,715,359.45
Net asset value/unit	151.19	167.33	150.45
Fully reinvested units (R)	31/7/2010	31/7/2011	31/7/2012
Total fund assets	70,533,125.82	70,170,501.72	58,715,359.45
Net asset value/unit	155.11	171.65	154.50
Fully reinvested units (I)		31/7/2011	31/7/2012
Total fund assets		70,170,501.72	58,715,359.45
Net asset value/unit		172.50	156.81

Development of the fund assets and income statement in EUR

Performance in financial year (fund performance)

Distributing units (R)	
Net asset value per unit at start of financial year	162.56
Distribution on 17/10/2011 (net asset value: EUR 137.17) of EUR 1.63, corresponds to 0.0119 units	
Net asset value per unit at end of financial year	144.57
Total value incl. units purchased through distribution (1.0119 x 144.57)	146.29
Net income/net reduction per unit	- 16.27
Reinvested units (R)	
Net asset value per unit at start of financial year	167.33
Outpayment on 17/10/2011 (net asset value: EUR 142.74) of EUR 0.15, corresponds to 0.0011 units	
Net asset value per unit at end of financial year	150.45
Total value incl. units purchased through outpayment (1.0011 x 150.45)	150.61
Net income/net reduction per unit	- 16.72
Fully reinvested units (R)	
Net asset value per unit at start of financial year	171.65
Net asset value per unit at end of financial year	154.50
Net income/net reduction per unit	- 17.15
Performance of one unit during the financial year as %	- 9.99
Fully reinvested units (I)	
Net asset value per unit at start of financial year	172.50
Net asset value per unit at end of financial year	156.81
Net income/net reduction per unit	- 15.69
Performance of one unit during the financial year as %	- 9.10

The performance is calculated assuming wholesale reinvestment of distributed/paid-out amounts at their net asset value on the distribution/payment date.

The performance is calculated by Raiffeisen Kapitalanlage-Gesellschaft m. b. H. using the method developed by OeKB (Österreichische Kontrollbank AG), on the basis of data supplied by the custodian bank (where outpayment of the redemption price is suspended, with use of indicative values). Some costs – the subscription fee (not exceeding 5.00 % of the invested amount) and any redemption fee (not exceeding 0.00 % of the sold amount) – are not included in the performance calculation. The follows applies for units sold outside of Austria: Some costs – the subscription fee (not exceeding 5.00 % of the invested amount) and any redemption fee (not exceeding 5.00 % of the sold amount) or a combination of the subscription fee and the redemption fee (not exceeding 5.00 % overall) – are not included in the performance calculation. Where included in any calculation, they will accordingly result in a lower performance. Past results do not permit any reliable inferences as to the future performance of the fund.

Development of fund assets

Fund assets on 31/7/2011 (417,601.425 units)		70,170,501.72
Distribution on 17/10/2011 (EUR 1.63 x 32,197.063 distributing units (R))		- 52,481.21
Outpayment on 17/10/2011 (EUR 0.15 x 276,997.403 reinvested units (R))		- 41,549.61
Issuance of units	4,598,191.49	
Redemption of units	- 8,874,294.87	
Pro rata income adjustment	10,739.49	- 4,265,363.89
Overall fund result		- 7,095,747.56
Fund assets on 31/7/2012 (389,016.448 units)		58,715,359.45

Fund result in EUR

A. Realized fund result

Ordinary fund result		
Income (excl. closing price)		
Interest income ¹	15,210.99	
Interest expenses	- 438.78	
Dividend income (incl. dividend equivalent)	1,582,125.41	1,596,897.62
Expenses		
Management fees	- 1,179,820.52	
Custodian bank fees	- 52,167.87	
Auditing expenses	- 5,640.00	
Tax consulting fees	- 2,400.00	
Custodian fee	- 21,753.80	
Statutory/publication expenses	- 10,248.80	- 1,272,030.99
Ordinary fund result (excl. income adjustment)		324,866.63
Realized closing price		
Profits realized from securities	1,962,006.91	
Losses realized from securities	- 7,511,721.56	
Realized closing price (excl. income adjustment)		- 5,549,714.65
Realized fund result (excl. income adjustment)		- 5,224,848.02

B. Unrealized closing price

Change in unrealized closing price		- 1,860,160.05
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C. Income adjustment

Income adjustment for income during financial year	91,075.73	
Income adjustment during financial year for profit carryovers	- 101,815.22	- 10,739.49
Overall fund result		- 7,095,747.56

In accordance with the procedure agreed with the Association of Austrian Investment Companies (*Vereinigung österreichischer Investmentgesellschaften, VÖIG*), transaction costs will be reported for financial years beginning since the 2011 Austrian Investment Fund Act came into force (from 1 September 2011).

¹ The fund's reporting of interest income has been amended on account of tax regulations revised as of April 1, 2012. This has not affected the fund's net asset value.

Appropriation of fund result in EUR

Distribution (EUR 1.45 x 30,442.115 distributing units (R))		44,141.07
Outpayment pursuant to § 58 (2) InvFG (EUR 0.19 x 268,479.620 reinvested units (R))		51,011.13
Reinvested amount (R) (reinvestment)		0.00
Reinvested amount (R) (full reinvestment)		0.00
Reinvested amount (I) (full reinvestment)		0.00
Total		95,152.20
Realized fund result (incl. income adjustment)		- 5,235,587.51
Asset-based loss and expense allowance		4,799,275.12
Profit carryover from previous year	1,522,536.98	
Profit carryover into following period	991,072.39	531,464.59
Total		95,152.20

Capital market report

Huge concerns reappeared over the Eurozone at the start of the 2nd half of 2012. This time investors focused on Spain, especially due to the problems in its lending sector. This triggered discussions over the size of the bailouts and even the possible breakup of the Eurozone. In this environment, top-quality Eurozone government bonds reached new lows and in the short-term segment they were even negative in some cases. The emerging panic was only calmed, for the time being, when the ECB's president, Mr. Draghi, indicated that its common monetary policy would also focus on preventing yields on government bonds from drifting too far apart. The euro suffered in this environment of heightened insecurity and fell to 1.22 against the US dollar. Many stock markets – particularly in Spain and Italy – came under huge short-term selling pressure.

However, due to the positive outcome in the 1st half of 2012 the stock markets realized a favorable performance in the first seven months of the year. In particular, stock markets in core Europe and the USA and many of the smaller emerging markets stock markets realized significant overall gains. In contrast, stock markets on the Eurozone's periphery and in the major emerging markets lagged and in some cases performed negatively in relation to the previous year. The 1st quarter of 2012 was characterized by an enormous injection of liquidity by the European Central Bank (ECB) at the start of the year and was the best-performing quarter. Accordingly, in March 2012 the DAX regained the peak level which it had achieved in the previous year, while the key American stock indexes reached their highest levels since 2008. Several Eastern European stock markets also figured among the front-runners, particularly Russia. However, the 1st quarter of 2012 was also characterized by the haircut on Greek government bonds and by the widening of the bailouts in the Eurozone. Bonds thus also realized price gains. In general, yields fell and corporate bonds in all credit rating classes met with strong demand. Emerging markets bonds were also sought after. Besides positive price trends, euro investors generally also realized currency gains.

The investment environment was more difficult in April and May 2012. Government bonds in the "safe havens" benefited here in particular, while yield markups rose on Italian and Spanish bonds. Corporate bonds also recorded widening yield markups. This was triggered by resurgent fears within the Eurozone as well as uncertainty over the future economic trend. Equities also came under selling pressure and only embarked upon a slow recovery in June 2012. Gold met with a surprisingly low level of interest in this scenario. It moved sideways around the USD 1,600 range. In contrast, the Swiss franc remained strongly in demand and was only held at 1.20 versus the euro through interventions by the Swiss National Bank.

Fund investment policy report

In the year under review European small cap stocks underwent a correction of more than 12 %. By comparison, the fund was subject to a correction of almost 8 %. This correction was due to rising uncertainty regarding sovereign debt in southern European countries such as Greece, Italy, Spain and Portugal. In this environment, financial equities were weak performers. At a regional level, the countries of southern Europe and France fared worst. The United Kingdom, Switzerland and the Netherlands were regional outperformers.

The fund benefited from almost all of its top positions. The outperformers in the past year were Vopak, TGS Nopec, Grenkeleasing, MTU, Gerry Weber, Nutreco and Prosegur. The fund also profited from the takeover offer for Rhoen Klinikum. Wood Group and Micro Focus International were also outperformers in the portfolio. Various industries yielded outperformers. These included the industry, energy, finance, healthcare and consumer sectors. The companies Bekaert, Securitas and SBM Offshore provided negative contributions. The market favored companies with more stable profit trends. Strongly cyclical companies underwent slightly stronger corrections in the past year. Valuation levels were a less significant factor in companies' performance. Market participants were prepared to pay a premium for security. Value stocks were underperformers.

Makeup of fund assets in EUR

Securities	Market value	%
Equities:		
EUR	46,292,279.90	78.84
GBP	2,672,432.82	4.55
CHF	1,799,933.39	3.07
NOK	1,617,006.06	2.76
SEK	1,182,040.02	2.01
Total equities	53,563,692.19	91.23
Subscription rights:		
EUR	49.00	0.00
Warrants:		
EUR	8,550.00	0.01
Real estate investment trusts:		
EUR	223,404.48	0.38
Total securities	53,795,695.67	91.62
Bank balances		
Bank balances in fund currency	4,920,800.33	8.38
Bank liabilities in foreign currency	- 14,635.42	- 0.02
Total bank balances	4,906,164.91	8.36
Accruals and deferrals		
Interest claims (on securities and bank balances)	761.62	0.00
Dividends receivable	12,737.25	0.02
Total accruals and deferrals	13,498.87	0.02
Total fund assets	58,715,359.45	100.00

Portfolio of investments in EUR

Dates indicated for securities refer to the issue and redemption dates. An issuer's right of premature redemption (where applicable) is not specified. The securities marked with a "Y" have an open-ended maturity.

ISIN	SECURITY TITLE	VOLUME 31/7/2012	PURCHASES ADDITIONS IN PERIOD UNDER REVIEW	SALES DISPOSALS	PRICE	MARKET VALUE IN EUR	% SHARE OF FUND ASSETS
EQUITIES IN SWISS FRANCS							
CH0038388911	SULZER NAM.	9,000			127.400000	954,624.93	1.63
CH0012453913	TEMENOS GROUP AG NA	40,000	40,000		13.000000	432,936.47	0.74
CH0002088976	VALORA HLDG NA	3,000			165.100000	412,371.99	0.70
EQUITIES IN EURO							
NL0000852564	AALBERTS IND. NV	44,943			12.630000	567,630.09	0.97
DE0005408116	AAREAL BANK AG	40,600			13.595000	551,957.00	0.94
AT0000603709	AGRANA BET.AG STAMM.O.N.	5,000			90.000000	450,000.00	0.77
FI000900285	AMER SPORTS CORP. A	50,000	50,000		9.490000	474,500.00	0.81
EE3100034653	ARCO VARA AS	10,000			2.370000	23,700.00	0.04
NL0000334118	ASM INTL N.V.	30,000			31.080000	932,400.00	1.59
IT0003261069	ASTALDI S.P.A.	121,211			4.810000	583,024.91	0.99
AT0000969985	AT+S AUST. TECH.SYS.O.N.	52,277			6.410000	335,095.57	0.57
BE0974258874	BEKAERT P.S.	10,000		5,000	21.550000	215,500.00	0.37
AT00000BENE6	BENE INH. AKT. O.N.	65,400		90,000	1.158000	75,733.20	0.13
NL0000339703	BETER BED HLDG	28,000			15.000000	420,000.00	0.72
NL0000335578	BINCKBANK N.V.	83,750			5.490000	459,787.50	0.78
IT0001050910	BREMBO S.P.A.	57,000			8.285000	472,245.00	0.80
NL0000343432	BRUNEL INTL NV	17,000			30.820000	523,940.00	0.89
IT0001347308	BUZZI UNICEM	52,000			8.175000	425,100.00	0.72
AT0000641352	CA IMMO.ANLAG AKT. O.N.	40,000	40,000		7.930000	317,200.00	0.54
FI0009013429	CARGOTEC CORP. B	17,000			18.240000	310,080.00	0.53
DE0005407100	CENIT AG O.N.	35,000			6.590000	230,650.00	0.39
IT0000080447	CIR ORD.	260,000			0.818000	212,680.00	0.36
ES0117160111	CORP. FIN. ALBA INH.	15,700			26.710000	419,347.00	0.71
IT0003849244	DAVIDE CAMPARI-MIL.	100,000			5.610000	561,000.00	0.96
NL0009294552	DELTA LLOYD N.V.	55,000			10.695000	588,225.00	1.00
DE0007480204	DEUTSCHE EUROSHP AG O.N.	9,186			30.135000	276,820.11	0.47
IT0003492391	DIASORIN S.P.A.	7,000	7,000		21.990000	153,930.00	0.26
GRS294003009	DUTY FREE SHOPS	78,668			5.240000	412,220.32	0.70
ES0112501012	EBRO FOODS NOM.	40,000	10,000		12.985000	519,400.00	0.88
GRS191213008	ELLAKTOR S.A.NAM.	78,824		40,000	1.080000	85,129.92	0.14
ES0130960018	ENAGAS INH.	24,000			14.140000	339,360.00	0.58
ES0130625512	ENCE ENERGIA+CELUL.	133,442	4,942		1.640000	218,844.88	0.37
GRS359353000	EYDAP S.A. INH	48,495			2.880000	139,665.60	0.24
AT0000911805	FLUGHAFEN WIEN AKT. O.N.	10,500			31.890000	334,845.00	0.57
DE000A0Z2Z25	FREENET AG NA	80,000		70,000	12.000000	960,000.00	1.64
GRS346153000	FRIGOGLASS NA	47,437	9,488	1	3.570000	169,350.09	0.29
NL0000352565	FUGRO NV CVA NAM.	21,058			53.410000	1,124,707.78	1.92
ES0143416115	GAMESA CORP.TEC.I.	18,161			1.190000	21,611.59	0.04
GRS145003000	GEK TERNA S.A.	35,000			0.870000	30,450.00	0.05
DE0003304101	GERRY WEBER INTERNAT.O.N.	38,552		7,000	33.790000	1,302,672.08	2.22
IE00B00MZ448	GRAFTON GROUP PLC UTS	152,300			2.820000	429,486.00	0.73
DE0005865901	GRENKELEASING AG O.N.	23,710		7,000	48.000000	1,138,080.00	1.94
FR0000072910	GROUPE STERIA SCA INH.	32,478		10,000	10.820000	351,411.96	0.60
DE000A0S8488	HAMBURG.HAFEN U.LOG.A-SP	14,000			18.435000	258,090.00	0.44
DE0008402215	HANN.RUECKVER.AG NA O.N.	21,000			49.020000	1,029,420.00	1.75
FR0000066755	HAULOTTE GROUP INH.	12,627		26,353	5.370000	67,806.99	0.12
IT0001250932	HERA S.P.A.	210,000			0.990000	207,900.00	0.35
FR0000120859	IMERYS SA INH.	18,240			40.385000	736,622.40	1.25
IT0000076197	INDESIT COMPANY	60,800			2.956000	179,724.80	0.31
DE000KSAG888	K+S AG NA O.N.	12,000	12,000		40.555000	486,660.00	0.83
NL0009432491	KON. VOPAK NV	33,862		5,000	51.980000	1,760,146.76	3.00
FI0009005870	KONECRANES OYJ O.N.	37,950			21.580000	818,961.00	1.39
NL0000337319	KONINK.BAM GP TOON.	100,064			2.139000	214,036.90	0.36
AT0000644505	LENZING AG AKT.O.N.	3,000	3,000		71.000000	213,000.00	0.36
FR0000050353	LISI SA INH.	14,500			50.800000	736,600.00	1.25
IT0004251689	MAIRE TECNIMONT SPA	50,000			0.572000	28,600.00	0.05
FR0000051070	MAUREL ET PROM INH.	45,000	15,000		12.420000	558,900.00	0.95
FR0000039620	MERSEN S.A. INH.	14,852		16,000	19.890000	295,406.28	0.50
GRS426003000	MOTOR OIL (HELL.)	26,700			4.760000	127,092.00	0.22
DE000A0D9PT0	MTU AERO ENGINES NA O.N.	21,000		4,000	62.100000	1,304,100.00	2.22

ISIN	SECURITY TITLE	VOLUME 31/7/2012	PURCHASES ADDITIONS IN PERIOD UNDER REVIEW	SALES DISPOSALS	PRICE	MARKET VALUE IN EUR	% SHARE OF FUND ASSETS
EQUITIES IN EURO							
DE0006452907	NEMETSCHKE AG O.N.	50,500			27.500000	1,388,750.00	2.37
FR0000044448	NEXANS INH.	20,934			36.625000	766,707.75	1.31
FI0009005318	NOKIAN RENKAAT OYJ	20,000			33.000000	660,000.00	1.12
NL0000375400	NUTRECO N.V.	24,975			57.940000	1,447,051.50	2.46
BE0003876936	NYRSTAR	59,500			4.060000	241,570.00	0.41
ES0142090317	OBRASCON INH.	30,000			16.070000	482,100.00	0.82
FR0000124570	PLASTIC OMNIUM INH.	18,540			22.030000	408,436.20	0.70
FI0009003222	POHJOLA BK A	43,500			9.735000	423,472.50	0.72
AT0000APOST4	POST AG AKT.O.N.	10,000			25.885000	258,850.00	0.44
ES0175438003	PROSEGUR NOM.	269,000	269,000		4.050000	1,089,450.00	1.86
GRS434003000	PUBL.POWER GR.INH.	32,200			2.300000	74,060.00	0.13
DE0006969603	PUMA SE	1,760			228.300000	401,808.00	0.68
IT0003828271	RECORDATI SPA	58,948			5.490000	323,624.52	0.55
PTRELOAM0008	REN-REDES ENERGET.	70,000			2.006000	140,420.00	0.24
DE0007030009	RHEINMETALL AG	10,800			41.175000	444,690.00	0.76
AT0000676903	RHI AG AKTIEN O.N.	54,257			18.145000	984,493.27	1.68
NL0006055329	ROYAL IMTECH N.V.	65,205	1,975		19.895000	1,297,253.48	2.21
NL0000360618	SBM OFFSHORE N.V.	25,537			9.888000	252,509.86	0.43
AT0000946652	SCHOELLER-BL.OIL	11,900		9,000	68.190000	811,461.00	1.38
PTSEM0AM0004	SEMAPA SGPS NAM.	81,433			5.099000	415,226.87	0.71
ES0178165017	TECNICAS REUNIDAS	8,000			34.110000	272,880.00	0.47
FR0000051807	TELEPERFORMANCE INH.	49,000			18.260000	894,740.00	1.52
GRS428003008	THES. WATER S. + S.	124,170			3.430000	425,903.10	0.73
GRS074083007	TITAN CEMENT NAM.	9,560			13.000000	124,280.00	0.21
ES0132945017	TUBACEX INH.	130,000			1.590000	206,700.00	0.35
BE0003884047	UMICORE S.A. NEW	18,210			35.975000	655,104.75	1.12
NL0000389096	UNIT4	26,400			19.000000	501,600.00	0.85
NL0000354488	USG PEOPLE N.V.	72,485			5.320000	385,620.20	0.66
FR0000120354	VALLOUREC	12,432			33.845000	420,761.04	0.72
AT0000746409	VERBUND KAT.A O.N.	23,000			15.590000	358,570.00	0.61
FR0000031577	VIRBAC SA	7,500			145.800000	1,093,500.00	1.86
DE0007507501	WASHTEC AG O.N.	52,621			9.030000	475,167.63	0.81
DE000A0CAYB2	WINCOR NIXDORF O.N.	17,000			31.460000	534,820.00	0.91
NL0000395903	WOLTERS KLUWER NAM.	50,625			13.780000	697,612.50	1.19
FI0009800643	YIT OYJ	29,200			15.240000	445,008.00	0.76
AT0000837307	ZUMTOBEL AG AKT.O.N.	35,000			8.778000	307,230.00	0.52
EQUITIES IN BRITISH POUNDS							
GB0007365546	CARILLION PLC	50,667			2.526000	164,062.10	0.28
GB00B0H-ZP136	GREENE KING PLC	130,000			6.075000	1,012,370.21	1.72
GB00B5N0P849	JOHN WOOD GR.	70,000			7.765000	696,769.64	1.19
GB00B7786072	MICRO FOCUS I.	114,400	114,400		5.450000	799,230.87	1.36
EQUITIES IN NORWEGIAN CROWNS							
NO0003078800	TGSNOP.GEOPHYSICAL	67,000			178.900000	1,617,006.06	2.76
EQUITIES IN SWEDISH CROWNS							
MT0000650102	ANGLER GAMING PLC	10,000	10,000		2.180000	2,620.66	0.00
SE0000102378	BETSSON AB B	10,000			198.500000	238,624.75	0.41
SE0000163594	SECURITAS AB B FR.	140,000			55.900000	940,794.61	1.60
SUBSCRIPTION RIGHTS IN EURO							
BE0005644183	NYRSTAR NV STRIP WPR	24,500			0.002000	49.00	0.00
WARRANTS IN EURO							
FR0010897082	ETABL.MAUREL+PROM	30,000			0.285000	8,550.00	0.01
REAL ESTATE INVESTMENT TRUSTS IN EURO							
GRS491003000	EUROBANK PROP.REAL EST.I.	54,756		45,000	4.080000	223,404.48	0.38
TOTAL SECURITIES PORTFOLIO					EUR	53,795,695.67	91.62

	CURRENCY	MARKET VALUE IN EUR	% SHARE OF FUND ASSETS
BANK BALANCES			
EUR BALANCES	EUR	4,920,800.33	
LIABILITIES IN OTHER EU CURRENCIES			
NOK	EUR	-14,635.42	8.36
ACCRUALS AND DEFERRALS			
INTEREST CLAIMS	EUR	761.62	
DIVIDENDS RECEIVABLE	EUR	12,737.25	0.02
TOTAL FUND ASSETS	EUR	58,715,359.45	100.00
NET ASSET VALUE PER UNIT			
TRANCHE R INCOME-DISTRIBUTING	EUR	144.57	
TRANCHE R INCOME-RETAINING	EUR	150.45	
TRANCHE R FULL INCOME-RETAINING	EUR	154.50	
TRANCHE I FULL INCOME-RETAINING	EUR	156.81	
UNITS IN CIRCULATION			
TRANCHE R INCOME-DISTRIBUTING	UNITS	30,442.115	
TRANCHE R INCOME-RETAINING	UNITS	268,479.620	
TRANCHE R FULL INCOME-RETAINING	UNITS	90,084.713	
TRANCHE I FULL INCOME-RETAINING	UNITS	10.000	

EXCHANGE RATES

FOREIGN CURRENCY ASSETS WERE CONVERTED INTO EUR ON THE BASIS OF THE EXCHANGE RATES APPLICABLE ON 30/7/2012:

CURRENCY	UNIT	PRICE	
SWISS FRANC	1 EUR =	1.201100	CHF
BRITISH POUND	1 EUR =	0.780100	GBP
NORWEGIAN CROWN	1 EUR =	7.412650	NOK
SWEDISH CROWN	1 EUR =	8.318500	SEK

SECURITIES PURCHASES AND SALES DURING THE PERIOD UNDER REVIEW NOT LISTED UNDER THE PORTFOLIO OF ASSETS:

ISIN	SECURITY TITLE	PURCHASES ADDITIONS	SALES DISPOSALS
EQUITIES IN SWISS FRANCS			
CH0100837282	KARDEX NAM.		3,422
EQUITIES IN EURO			
IT0001207098	ACEA S.P.A.		40,296
IT0003261697	AZIMUT HLDG S.P.A.		31,158
DE000A1KRMM9	DEMAG CRANES AG Z.VERK.		18,000
IT0001480323	GEMINA S.P.A.		700,468
GRS419003009	GREEK O.FOOTB.INH		47,400
GRS395363005	HELLENIC EXCHANGES SA NAM		79,540
IT0001413837	IMMSI S.P.A.		464,000
PTIPROAM0000	IMPRESA SGPS SA NOM.		75,000
DE0007162000	K+S AG O.N.		12,000
FR0011120914	MAUREL ET PROM NIG.	30,000	30,000
FI0009002422	OUTOKUMPU OYJ A		30,100
AT0000758305	PALFINGER AKT.O.N.		8,800
GRS014013007	PIRAEUS BANK		44,054
ES0175438235	PROSEGUR NOM.		26,900
DE0007042301	RHOEN-KLINIKUM O.N.		62,666
BE0003555639	TESSENDERLO CHEM. P.S.		13,000
DE000A1KRPA7	TOGNUM AG Z.VERK.		29,992
GRS492003009	TT HELLENIC POSTBANK S.A.		47,400
DE0007667107	VOSSLOH AG O.N.		3,810
EQUITIES IN BRITISH POUNDS			
GB00B079W581	MICRO FOCUS INTERNATIONAL		130,000
EQUITIES IN NORWEGIAN CROWNS			
NO0010227036	CAMILLO EITZEN + CO.		74,250
NO0010019649	EVRY ASA		107,000
EQUITIES IN SWEDISH CROWNS			
SE0002423814	BETSSON REDEMPT.CL.B	10,000	10,000

ISIN	SECURITY TITLE	PURCHASES ADDITIONS	SALES DISPOSALS
SUBSCRIPTION RIGHTS IN EURO			
NL0010060489	DELTA LLOYD N.V. -ANR.-	55,000	55,000
NL0010107405	FUGRO NV -ANR.- WAHLD.	21,058	21,058
ES0643416920	GAMESA CORP.TEC. -ANR.-	18,161	18,161
FR0011256650	GROUPE STERIA SCA -ANR.-	32,478	32,478
FR0011253251	MERSEN S.A. -ANR.-	14,852	14,852
FI4000038104	OUTOKUMPU OYJ -ANR.A.-	30,100	30,100
FR0011244839	VALLOUREC -ANR.WAHLD.-	12,432	12,432

Calculation method for overall risk

Calculation method for overall risk:

Simplified approach

Raiffeisen Kapitalanlage-Gesellschaft m. b. H. complies with the quality standards of the Association of Austrian Investment Companies (*Vereinigung Österreichischer Investmentgesellschaften, VÖIG*).

Vienna, 28 September 2012

Raiffeisen Kapitalanlage-Gesellschaft m. b. H.


 Dr. Mathias Bauer


 Mag. (FH) Dieter Aigner


 Mag. Gerhard Aigner

Audit opinion

Unqualified audit opinion

We have audited the annual fund report including the accounting as of 31 July 2012 issued by Raiffeisen Kapitalanlage-Gesellschaft m. b. H., Vienna, for its fund Raiffeisen European SmallCap, a jointly owned fund pursuant to the 2011 Austrian Investment Fund Act (InvFG), as amended, for the financial year from 1 August 2011 to 31 July 2012.

Responsibility of the statutory representatives for the annual fund report, management of the asset portfolio and the accounting

The statutory representatives of the management company/the custodian bank are responsible for the accounting, valuation of the asset portfolio, calculation of withholding taxes, preparation of the annual fund report and management of the asset portfolio in accordance with the provisions of the Austrian Investment Fund Act, the supplementary provisions in the fund regulations and the tax regulations. This responsibility includes the setup, execution and maintenance of an internal control system where this is significant for the registration and valuation of the fund and preparation of the annual fund report so that this report is free from significant factual misstatements resulting from intentional or unintentional errors; selection and application of suitable valuation methods; estimates which appear appropriate in view of applicable outline conditions.

Responsibility of the bank auditor and description of the type and scope of the statutory audit of the annual fund report

We are responsible for providing an audit opinion for this annual fund report on the basis of our audit.

We performed our audit pursuant to § 49 para. 5 of the Austrian Investment Fund Act whilst complying with the applicable Austrian statutory regulations and principles of proper balance-sheet auditing. These principles require our compliance with rules of professional conduct and our planning and execution of the audit so that we are able to form an opinion with a reasonable degree of certainty on whether the annual fund report is free from significant factual misstatements.

An audit includes the performance of audit activities to obtain documentation of the figures and other disclosures in the annual fund report. The audit activities are chosen at the discretion of the bank auditor, with consideration of its assessment of the risk of significant factual misstatements due to intentional or unintentional errors. In performing the risk assessment, the bank auditor gives consideration to the internal control system where this is of significance for preparation of the annual fund report and valuation of the asset portfolio, so as to specify suitable audit activities with consideration of the applicable outline conditions. No audit opinion is provided on the effectiveness of the internal control measures implemented by the management company and the custodian bank, however. The audit also includes an assessment of the appropriateness of the valuation methods used and the key estimates made by the statutory representatives as well as an evaluation of the overall statement provided in the annual fund report.

In our opinion we have obtained sufficient and suitable documentation for our audit, so that it provides an adequate degree of certainty on which to base our judgment.

Audit outcome

Our audit has not met with any objections. On the basis of our audit findings, in our view the annual fund report as of 31 July 2012 for Raiffeisen European SmallCap, a jointly owned fund pursuant to the 2011 Austrian Investment Fund Act (InvFG), as amended, complies with the statutory regulations.

Compliance with the Austrian Investment Fund Act and the fund regulations

Pursuant to § 49 para. 5 InvFG our audit includes an assessment of whether this annual fund report complies with the Austrian Federal Act on Investment Funds (Austrian Investment Fund Act) and the fund regulations. We have implemented our audit in accordance with the above principles, so that we are able to determine with a sufficient level of certainty whether this annual fund report complies with the provisions of the Austrian Investment Fund Act and the fund regulations.

According to our audit findings, the provisions of the Austrian Federal Act on Investment Funds (Austrian Investment Fund Act) and the fund regulations have been complied with.

Report on activities performed during the past financial year

We have undertaken a critical assessment of the disclosures provided by the management company's management in the annual fund report on its activities in the past financial year, but these were not subject to special audit activities in accordance with the above principles. Accordingly, our audit opinion does not include an evaluation of this information. In the context of the overall picture set out in this annual fund report, the disclosures concerning the financial year are consistent with the figures provided in the report.

Vienna, 28 September 2012

KPMG Austria AG, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Wilhelm Kovsca
Auditor

pp. Franz Frauwallner
Auditor

Tax treatment

Please see our website www.rcm.at for detailed information on the fund's tax treatment, prepared on the basis of the audited annual fund report.

Fund regulations

governing the legal relationship between the unit holders and Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (hereafter: "the asset management company") for the investment fund managed by the asset management company; these regulations shall apply in conjunction with the special fund regulations for the relevant investment fund.

§ 1 Basic situation

The asset management company is subject to the currently applicable version of the 1993 Austrian Investment Fund Act ("InvFG").

§ 2 Fund units

1. Co-ownership of the assets of the investment fund is subdivided into equal fund units for each unit certificate class. There is no limit to the number of fund units.
2. The fund units are embodied in unit certificates with the character of financial instruments. In accordance with the special fund regulations, pursuant to § 5 para. 7 InvFG the unit certificates may be issued in multiple certificate classes (unit classes, tranches), particularly in respect of the appropriation of income, the subscription fee, the redemption fee, the currency of the unit value, the management fee or a combination of these items. The unit certificates shall be represented by global certificates (§ 24 of the currently applicable version of the Austrian Safe Custody of Securities Act) and/or by actual securities for each unit certificate class.
3. Each purchaser of a unit certificate in a given class shall acquire co-ownership aliquot of all of the fund's assets in the amount of his or her share of the investment fund units documented in the certificate. Each purchaser of a share of a global certificate shall acquire co-ownership aliquot of all of the investment fund's assets in the amount of his or her share of the fund units documented in the certificate.
4. With the consent of its supervisory board, the asset management company may split the fund units and issue additional unit certificates to the unit holders or exchange the old unit certificates for new ones if a unit split is deemed to be in the interests of the co-owners given the calculated value of the units (§ 6).

§ 3 Unit certificates and global certificates

1. Unit certificates are issued to bearer.
2. The global certificates shall bear the actual signatures of an executive or an authorized employee of the custodian bank and the actual or duplicate signatures of two executives of the asset management company.
3. The actual securities shall bear the actual signature of an executive or an authorized employee of the custodian bank and the actual or duplicate signatures of two executives of the asset management company.

§ 4 Management of the investment fund

1. The asset management company shall be entitled to dispose of the assets of the investment fund and to exercise the rights associated with these assets. The company shall act on its own behalf for account of the unit holders. In these activities the asset management company shall safeguard the unit holders' interests and the integrity of the market, use the care and diligence of an orderly businessman within the meaning of § 84 para. 1 of the Austrian Companies Act and observe the provisions of the Austrian Investment Fund Act as well as the fund regulations.
The asset management company may involve third parties in the management of the investment fund and cede to these third parties the right to dispose of the assets on behalf of the asset management company or on their own behalf and for account of the unit holders.
2. The asset management company may not grant money loans or enter into any liabilities under a surety or guarantee agreement for account of an investment fund.
3. Other than in the cases stipulated in the special fund regulations, assets of the investment fund may not be pledged or otherwise encumbered or given in security or assigned.
§ 4 para. 2 InvFG does not preclude the investment fund's grant of collateral in connection with derivative products pursuant to § 21 InvFG 1993, irrespective of whether such collateral is granted in the form of sight deposits, money market instruments or securities.
4. The asset management company may not for account of an investment fund sell any securities, money market instruments or other financial investments as per § 20 InvFG which do not form part of the fund assets at the time of the transaction.

§ 5 Custodian bank

The custodian bank (§ 13) appointed as per § 23 of the Austrian Investment Fund Act shall administer the cash accounts and securities accounts of the investment fund and exercise all other functions transferred to it in accordance with the Austrian Investment Fund Act and the fund regulations.

§ 6 Issuance and unit value

1. Whenever units are issued or redeemed, but at least twice a month the custodian bank shall calculate the value of a unit (unit value) for each unit certificate class and publish the issue and redemption prices (§ 7).
The value of a unit in a given unit certificate class is calculated by dividing the value of the unit certificate class by the number of units issued in this unit certificate class.
At the first-time issuance of units of a given unit certificate class, their value will be calculated on the basis of the value determined for the overall investment fund.
Subsequently, the value of a unit certificate class will be calculated on the basis of the total pro rata net assets which are held by the investment fund and calculated for this unit certificate class.
The total value of the investment fund is calculated on the basis of the current market prices and the fund's securities and subscription rights plus the value of the investment fund's money market instruments and financial investments, cash holdings, credit balances, receivables and other rights net of its liabilities. This value shall be calculated by the custodian bank.
The market prices shall be calculated pursuant to § 7 (1) InvFG on the basis of the most recent stock exchange quotations and/or fixings.
2. The issue price shall be the unit value plus a markup for each unit to cover the issuing costs of the asset management company. The resulting price shall be rounded up. The amount of this markup or rounding-up is indicated in the special fund regulations (§ 23).
The asset management company shall be entitled to introduce a graduated subscription fee.
Please see the prospectuses for further details.
3. Pursuant to § 18 InvFG in connection with § 10 para. 3 of the Austrian Capital Market Act, the issue price and the redemption price shall be published electronically for each unit certificate class on the Internet website of the issuing asset management company (www.rcm.at).

§ 7 Redemption

1. At the request of a unit holder, his unit shall be redeemed out of the investment fund at the applicable redemption price, if appropriate against surrender of the unit certificate, those income coupons which are not yet due and the renewal certificate.
2. The redemption price shall be calculated on the basis of the value of a unit less any markdown and/or a rounding-off where this is stipulated in the special fund regulations (§ 23).
The asset management company shall be entitled to introduce a graduated redemption fee.
Please see the prospectuses for further details.
If extraordinary circumstances exist that make it seem necessary – whilst taking into consideration the unit holders' legitimate interests – distributions at the redemption price and the calculation and publication of the redemption price as per § 6 may be temporarily suspended and made subject to the sale of investment fund assets and receipt of the proceeds from their sale if the Austrian Financial Market Authority is simultaneously notified and a relevant publication is made pursuant to § 10. Investors shall also be notified of the recommencement of redemption of unit certificates pursuant to § 10.
This shall in particular be the case if 5 per cent or more of the investment fund's assets have been invested in assets whose market value manifestly and not just in individual cases fails to correspond to their fair value due to the current political or economic situation.

§ 8 Accounting

1. The asset management company shall publish an annual fund report in accordance with § 12 of the Austrian Investment Fund Act within four months of the expiry of the investment fund's accounting year.
2. The asset management company shall publish a semi-annual fund report in accordance with § 12 of the Austrian Investment Fund Act within two months of the expiry of the first six months of the investment fund's accounting year.
3. The annual and semi-annual fund reports shall be made available for inspection at the offices of the asset management company and the custodian bank and published on the website of the asset management company (www.rcm.at).

§ 9 Withdrawal period for income shares

Unit holders' entitlement to the distribution of income shares shall become time-barred after five years. After this period, such income shares shall be treated as income of the investment fund.

§ 10 Publication

§10 para. 3 and para 4 of the Austrian Capital Market Act shall apply in respect of all publications concerning the unit certificates except for the notice of the values calculated pursuant to § 6.

Publications shall occur either through the printing in full of such documents in the "Amtsblatt zur Wiener Zeitung" (Official Gazette) or else by making available free-of-charge a sufficient number of copies of this publication at the offices of the asset management company and the payment offices and announcing in the "Amtsblatt zur Wiener Zeitung" (Official Gazette) the date of publication and offices where this public announcement may be obtained or, pursuant to § 10 para. 3 item 3 of the Austrian Capital Market Act in electronic form on the website of the issuing asset management company.

Notifications pursuant to § 10 para. 4 of the Austrian Capital Market Act shall be made in the "Amtsblatt zur Wiener Zeitung" (Official Gazette) or in a newspaper circulated throughout Austria.

For prospectus changes pursuant to § 6 para. 2 InvFG, the notification pursuant to § 10 para. 4 of the Austrian Capital Market Act may merely be provided in electronic form on the website of the issuing asset management company.

§ 11 Amendment to the Fund Regulations

With the consent of its supervisory board and the custodian bank, the asset management company may amend the fund regulations.

Such amendment shall also require the approval of the Austrian Financial Market Authority. Such amendment shall be published. It shall come into force on the date indicated in the public announcement, but not earlier than three months since the public announcement.

§ 12 Termination and liquidation

1. The asset management company may terminate (§ 14 para. 2 InvFG) its management of the investment fund by providing a public announcement (§ 10) after obtaining the consent of the Austrian Financial Market Authority and whilst observing a notice period of at least six months (§ 14 para. 1 InvFG) or, if the fund assets are less than EUR 1,150,000, without observing a notice period. A termination pursuant to § 14 para. 2 InvFG shall not be permissible during a termination pursuant to § 14 para. 1 InvFG.
2. In case of the expiry of the right of the asset management company to manage the investment fund, this fund shall be managed or wound up in accordance with the relevant provisions of the Austrian Investment Fund Act.

§ 12a Merger or transfer of fund assets

Whilst observing § 3 para. 2 and § 14 para. 4 of the Austrian Investment Fund Act, the asset management company may merge the fund assets of the investment fund with fund assets of other investment funds or transfer the fund assets of the investment fund to fund assets of other investment funds or incorporate fund assets of other investment funds into the fund assets of the investment fund.

Special fund regulations

for Raiffeisen European SmallCap, a jointly owned fund as per § 20 of the Austrian Investment Fund Act (hereafter: “the investment fund”).

The investment fund complies with Directive 85/611/EEC.

§ 13 Custodian bank

The custodian bank is Raiffeisen Bank International Aktiengesellschaft*, Vienna (registered office).

§ 14 Payment and handover offices, unit certificates, unit certificate classes

1. The payment and handover offices for the unit certificates and the income coupons are Raiffeisen Bank International Aktiengesellschaft*, Vienna, the regional Raiffeisen banks and Kathrein & Co Privatgeschäftsbank Aktiengesellschaft, Vienna.
2. Unit certificates may be issued for the investment fund with a variety of different characteristics, particularly with regard to the appropriation of income, the subscription fee, the redemption fee, the currency of the unit value, the management fee or a combination of these items.

The asset management company may decide to establish new unit certificate classes or to issue units in a given unit certificate class.

Income-distributing unit certificates, income-retaining unit certificates with capital gains tax deducted and income-retaining unit certificates without capital gains tax deducted may be issued for the investment fund.

The costs arising at the introduction of new unit certificate classes for existing asset portfolios shall be deducted from the unit prices of the new unit certificate classes.

Investment instruments may only be acquired uniformly for the entire investment fund, not for an individual unit certificate class or for a group of unit certificate classes.

However, this does not apply for currency hedge transactions. These transactions may only be entered into in relation to a single currency class. Expenses and income resulting from a currency hedge transaction shall exclusively be allocated to the relevant currency class.

In particular, forward exchange transactions, currency futures, currency options and currency swaps shall be permitted as currency hedge transactions.

Please see the prospectuses for further details.

3. Income-retaining unit certificates without deducted capital gains tax (foreign tranche) may only be sold outside Austria. The unit certificates shall be represented by global certificates and – at the discretion of the asset management company – by actual securities.
4. Where the unit certificates are represented by global certificates, the distributions as per § 26 and the outpayments as per § 27 shall be accredited by the unit holder’s custodian bank.

§ 15 Investment instruments and principles

1. In accordance with §§ 4, 20 and 21 of the Austrian Investment Fund Act and §§ 16ff of the fund regulations, all types of securities, money market instruments and other liquid financial investments may be purchased for the investment fund if the principle of risk spreading is thereby taken into account and the legitimate interests of the unit holders are not violated.

2. The investment fund’s various assets shall be selected in accordance with the following investment principles:

- **Securities (including securities with embedded derivative instruments)**

The investment fund mainly invests in equities or equity-equivalent securities issued by small cap companies with a market capitalization of up to EUR 5 billion which are headquartered or mainly active in Europe. The investment fund also invests in straight bonds and in convertible and warrant bonds.

- **Money market instruments**

Money market instruments may account for up to 49 per cent of the investment fund’s assets.

- **Units in investment funds**

In accordance with § 17 of the fund regulations, units may be purchased in other investment funds for the investment fund up to an amount of 10 per cent of the fund assets.

* On 10 October 2010 Raiffeisen Bank International AG assumed the commercial customer business previously handled by Raiffeisen Zentralbank Österreich Aktiengesellschaft (including its custodian bank and paying agent functions) by way of universal succession.

– **Sight deposits or deposits at notice**

In principle, up to 25 per cent of the investment fund's assets may consist of sight deposits or deposits at notice with notice periods not exceeding 12 months. However, the investment fund may contain a larger proportion of sight deposits or deposits at notice with notice periods not exceeding 12 months during fund portfolio restructuring or in order to lessen the effect of potential falls in prices for securities. No minimum bank balance is required.

– **Derivative instruments (including swaps and other OTC derivatives)**

As part of the investment scheme, derivative instruments are used to safeguard income, as a replacement for securities or to increase income. The overall risk for derivative instruments which are not held for hedging purposes is limited to 60 per cent of the overall net value of the fund assets.

3. If securities and money market instruments purchased for the investment fund have derivatives embedded in them, the asset management company shall take this into consideration with regard to its compliance with §§ 19 and 19a. Investments made by an investment fund in index-based derivatives shall not be taken into consideration in respect of the investment limits set out in § 20 para. 3 items 5, 6, 7 and 8d of the Austrian Investment Fund Act.
4. Not fully paid-in equities or money market instruments and subscription rights for such instruments or other not fully paid-in financial instruments may only be purchased up to an amount of 10 per cent of the fund assets.
5. Securities or money market instruments issued or guaranteed by a member state including its units of government, by a third country or by international organizations established under public law of which one or more member states are members may exceed 35 per cent of the fund assets if the fund assets are invested in at least six different issues, with an investment in any single issue not exceeding 30 per cent of the fund assets.

§ 15a Securities and money market instruments

Securities are

- a) Equities and other, equity-equivalent securities,
- b) Bonds and other securitized debt instruments,
- c) All other marketable financial instruments (e.g. subscription rights) which grant an entitlement to purchase financial instruments within the meaning of InvFG by means of subscription or exchange, with the exception of the techniques and instruments specified in § 21 InvFG.

The criteria laid down in § 1a para. 3 InvFG must be fulfilled in order to qualify as a security.

Within the meaning of § 1a para. 4 InvFG securities also include

1. units in closed funds in the form of an investment company or an investment fund,
2. units in closed funds in contractual form,
3. financial instruments in accordance with § 1a para. 4 item 3 InvFG.

Money market instruments are instruments normally traded on the money market which are liquid, whose value may be precisely determined at any time and which fulfill the requirements pursuant to § 1a para. 5 to 7 InvFG.

§ 16 Stock exchanges and organized markets

1. Securities and money market instruments may be purchased if they are
 - quoted or traded on a regulated market pursuant to § 2 item 37 of the Austrian Banking Act or
 - traded on another recognized and regulated securities market in a member state which is open to the public and operates regularly or
 - officially listed by a third country stock exchange listed in the Appendix or
 - traded on another recognized and regulated third country securities market which is open to the public and operates regularly and is listed in the Appendix or
 - their terms and conditions of issue include the obligation to apply for a license for official listing or for trading on one of the above-mentioned stock exchanges or for trading on one of the other above-mentioned markets and this license is granted within one year of the start of the issue of these securities.
2. Money market instruments which are not traded on a regulated market and which are freely transferable, are normally traded on a money market, are liquid and whose value may be determined precisely at any time and for which appropriate information is available – including information enabling an appropriate valuation of the credit risks associated with investing in such instruments – may be purchased for the investment fund if the issue itself or the issuer itself is subject to the provisions concerning protection of deposits and investors and these are either
 - issued or guaranteed by a central, regional or local unit of government or by the central bank of a member state, the European Central Bank, the European Union or the European Investment Bank, a third country or – for federal states – a member state of a federation or by an international institution established under public law of which at least one member state is a member or
 - issued by firms whose securities are traded on the regulated markets indicated in item 1 – excluding new issues – or

- issued or guaranteed by an institution which is subject to supervision in accordance with the criteria stipulated in Community law or issued or guaranteed by an institution which is subject to and complies with supervisory regulations which in the opinion of the Austrian Financial Market Authority are at least as stringent as those set out in Community law or
 - issued by other issuers belonging to a category licensed by the Austrian Financial Market Authority, where investor protection provisions apply for investments in these instruments which are equivalent to those set out in items a to c and where the issuer is either a company with shareholders' equity of at least EUR 10 m. which prepares and publishes its annual financial statements in accordance with the provisions set out in Directive 78/660/EEC or a legal entity which, within a business group comprising one or more stock exchange-listed companies, is responsible for the financing of this group or a legal entity which, in business, corporate or contractual form, is due to finance its securitization of liabilities through a credit line granted by a bank; such credit line must be guaranteed by a financial institution which itself fulfills the criteria specified in item 2 sec. 3.
3. Overall, up to 10 per cent of the fund assets may be invested in securities and money market instruments which do not comply with the conditions set out in items 1 and 2.

§ 17 Units in investment funds

1. Units in investment funds (= investment funds and open-end investment companies) which comply with the provisions set out in Directive 85/611/EEC (UCITS) may be purchased where these funds do not invest more than 10 per cent of their assets in units in other investment funds.
2. Units in investment funds which do not comply with the provisions set out in Directive 85/611/EEC (UCI) and whose exclusive purpose is
 - for joint account and in accordance with the principle of risk spreading to invest publicly procured monies in securities and other liquid financial investments and
 - whose units are, at the request of the unit holders, repurchased or redeemed at the direct or indirect expense of the assets of the investment fund
 may be purchased for up to 10 per cent of the fund assets in total where
 - a) these funds do not invest more than 10 per cent of the fund assets in units in other investment funds and
 - b) they are licensed in accordance with legal provisions which make them subject to supervision which in the opinion of the Austrian Financial Market Authority is equivalent to supervision under Community law and there is an adequate guarantee of cooperation between the authorities and
 - c) the level of protection afforded the unit holders is equivalent to the level of protection afforded the unit holders in investment funds which comply with the provisions set out in Directive 85/611/EEC (UCITS) and, in particular, the provisions concerning separate safekeeping of the portfolio of assets, the take-up of loans, the extensions of loans and uncovered sales of securities and money market instruments are equivalent to the requirements set out in Directive 85/611/EEC and
 - d) the relevant business activity is the subject of annual and semi-annual reports which enable a judgment to be made as to the relevant assets and liabilities, income and transactions during the period under review.
 The criteria stated in § 3 of the Austrian Information and Equivalency Determination Ordinance (IG-FestV), as amended, shall be consulted for evaluation of the equivalency of the level of protection for unit holders within the meaning of item c).
3. Units may also be purchased for the investment fund in investment funds which are directly or indirectly managed by the same asset management company or by a company with which the asset management company is affiliated through joint management or subordination or a substantial direct or indirect investment.
4. Units in investment funds in accordance with § 17 item 1 in connection with § 17 item 2 of the fund regulations may be purchased for up to 10 per cent of the fund assets overall.

§ 18 Sight deposits or deposits at notice

Bank balances in the form of sight deposits or deposits at notice with notice periods not exceeding 12 months may be held for the investment fund. No minimum bank balance is required. Bank balances may not exceed 25 per cent of the fund assets. However, the investment fund may contain a larger proportion of bank balances during fund portfolio restructuring or in order to lessen the effect of potential falls in security prices.

§ 19 Derivatives

1. Derived financial instruments (derivatives) – including equivalent instruments which are settled in cash and traded on one of the regulated markets indicated in § 16 – may be purchased for the investment fund if the underlying instruments are instruments within the meaning of § 15a or financial indices, interest rates, exchange rates or currencies in which the investment fund is permitted to invest in accordance with its investment principles (§ 15). This also includes instruments for the transfer of the credit risk for the above-mentioned assets.
2. The overall risk associated with the derivatives may not exceed the overall net value of the fund assets. A calculation of this risk must take into consideration the market value of the underlying instruments, the default risk, future market fluctuations and the liquidity period for the positions.

3. The investment fund may purchase derivatives as part of its investment strategy within the limits stipulated in § 20 para. 3 items 5, 6, 7, 8a and 8d of the Austrian Investment Fund Act if the overall risk associated with the underlying instruments does not exceed these investment limits. The overall risk for derivative instruments which are not held for hedging purposes is limited to 60 per cent of the overall net value of the fund assets.

§ 19a OTC derivatives

1. Derived financial instruments which are not traded on a stock exchange (OTC derivatives) may be purchased for the investment fund if
 - a) the underlying instruments are in accordance with § 19 item 1,
 - b) the counterparties are supervised institutions belonging to categories licensed by the Austrian Financial Market Authority by regulation,
 - c) the OTC derivatives are subject to reliable and verifiable daily valuation and at the initiative of the investment fund may at any time and at an appropriate current market value be sold, liquidated or balanced through an offsetting transaction and
 - d) these instruments are invested within the limits stipulated in § 20 para. 3 items 5, 6, 7, 8a and 8d InvFG and the overall risk associated with the underlying instruments does not exceed these investment limits.
2. The default risk for investment fund transactions involving OTC derivatives may not exceed the following levels:
 - a) if the counterparty is a credit institution, 10 per cent of the fund assets,
 - b) otherwise 5 per cent of the fund assets.

§ 19b Value at risk

Not applicable.

§ 20 Borrowing

The asset management company may take up short-term loans of up to 10 per cent of the fund assets for account of the investment fund.

§ 21 Repos

Within the investment limits set out in the Austrian Investment Fund Act, the asset management company shall be permitted to purchase assets for account of the investment fund to be added to the fund's assets subject to an obligation on the seller to repurchase these assets at a predetermined time and for a predetermined price.

§ 22 Securities lending

Within the investment limits laid down by the Austrian Investment Fund Act, the asset management company shall be entitled to transfer to third parties securities up to the amount of 30 per cent of the fund's assets within the framework of an acknowledged securities lending system and for a limited period, subject to the proviso that the third party shall be obliged to re-transfer the transferred securities after a predetermined loan period.

§ 23 Issuance and redemption modalities

The unit value pursuant to § 6 shall be calculated in EUR or the currency of the unit certificate class.

The subscription fee to cover the company's issuing costs may not exceed 5 per cent.

For unit certificates of the investment fund sold outside Austria, to cover the issuing costs instead of the subscription fee a redemption fee of up to 5 per cent or a combination of a subscription fee and a redemption fee which may not exceed 5 per cent may be added to the calculated value.

The redemption price is based on the value of a unit.

Please see the prospectuses for further details.

Unit issuance shall not in principle be subject to limitation; however, the asset management company reserves the right temporarily or entirely to discontinue its issuance of unit certificates.

§ 24 Accounting year

The investment fund's accounting year runs from August 1 through to July 31 of the following calendar year.

§ 25 Management fee, reimbursement of expenses

The asset management company shall receive for its management activity an annual remuneration of up to 2 per cent of the fund assets, calculated pro rata on the basis of the values at the end of each month.

The asset management company shall be entitled to introduce a graduated management fee.

Please see the prospectuses for further details.

The asset management company shall also be entitled to reimbursement for all expenses associated with its management of the fund, particularly costs associated with custodian bank fees, transaction costs, obligatory notices, custodian fees and auditing, consulting and fund report costs.

§ 26 Appropriation of income in case of income-distributing unit certificates

Once costs have been covered, the income received during the past accounting year (interest and dividends) may be distributed at the discretion of the asset management company, whilst taking into consideration the unit holders' legitimate interests. The distribution of income from the sale of assets of the investment fund including subscription rights shall likewise be at the discretion of the asset management company. A distribution from the fund assets is also permissible. In no case may the fund assets fall below EUR 1,150,000 through distributions. From October 15 of the following accounting year the amounts are to be distributed to the holders of income-distributing unit certificates, if appropriate against surrender of an income coupon. Any remaining balances shall be carried forward to a new account.

In any case, from October 15 an amount calculated in accordance with § 13 clause 3 InvFG shall be paid out, to be used where applicable to meet any capital gains tax commitments on the distribution-equivalent return on those unit certificates.

§ 27 Appropriation of income in case of income-retaining unit certificates with capital gains tax deducted (income retention)

Income during the accounting year net of costs shall not be distributed. Instead, from October 15 an amount calculated in accordance with § 13 clause 3 InvFG shall be paid out on income-retaining fund unit certificates to be used where applicable to meet any capital gains tax commitments on the distribution-equivalent return on those unit certificates.

§ 27a Appropriation of income in case of income-retaining unit certificates without capital gains tax deducted (full income retention – domestic and foreign tranches)

Not applicable.

§ 27b Appropriation of income in case of income-retaining unit certificates without capital gains tax deducted (full income retention – foreign tranche)

Income during the accounting year net of costs shall not be distributed. No payout as per § 13 clause 3 InvFG shall occur.

The asset management company shall ensure through appropriate proof from the custodians that at the time of the payout the unit certificates may only be held by unit holders who are either not subject to Austrian income or corporate income tax or who fulfill the requirements for an exemption as per § 94 of the Austrian Income Tax Act.

§ 28 Liquidation

Of the net liquidation proceeds, the custodian bank shall receive remuneration amounting to 0.5 per cent of the fund assets.

Appendix to § 16

List of stock exchanges with official trading and organized markets

1. Stock exchanges with official trading and organized markets in the member states of the EEA

According to Article 16 of Directive 93/22/EEC (investment services in the securities field), each member state is obliged to maintain an up-to-date directory of its licensed markets. This directory is to be made available to the other member states and to the Commission. According to this provision, the Commission is obliged to publish once a year a directory of the regulated markets of which it has received notice.

Due to decreasing restrictions and to trading segment specialization, the directory of "regulated markets" is undergoing great changes. In addition to the annual publication of a directory in the official gazette of the European Communities, the Commission will therefore provide an updated version on its official internet site.

- 1.1 The current directory of regulated markets is available at:
http://www.fma.gv.at/cms/site/attachments/0/9/6/CH0236/CMS1230557514954/27072009-liste_geregelte_maerkte.pdf
 in the "Verzeichnis der Geregelten Märkte (pdf)" ["Directory of Regulated Markets (pdf)"].

The following stock exchanges are to be included in the directory of Regulated Markets:

- 1.2.1 Luxembourg Euro MTF Luxembourg

- 1.3 Recognized markets in the EEA pursuant to § 20 para. 3 item 1 sec. b InvFG:
 Markets in the EEA classified as recognized markets by the relevant supervisory authorities.

2. Stock exchanges in European states which are not members of the EEA

- | | | |
|-----|-----------------------|---|
| 2.1 | Bosnia & Herzegovina | Sarajevo, Banja Luka |
| 2.2 | Croatia | Zagreb Stock Exchange |
| 2.3 | Russia | Moscow (RTS Stock Exchange) |
| 2.4 | Switzerland | SWX Swiss Exchange |
| 2.5 | Serbia and Montenegro | Belgrade |
| 2.6 | Turkey | Istanbul (for Stock Market, "National Market" only) |

1 The link may be modified by the Austrian Financial Market Authority (FMA). Please see the FMA's website, www.fma.gv.at, for the current link, Providers, "Information on Providers within Austrian Financial Market", Stock Exchange, Overview, Downloads, Verzeichnis der Geregelten Märkte.

3. Stock exchanges in non-European states

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	Korea	Korea Exchange (Seoul, Busan)
3.13	Malaysia	Bursa Malaysia Berhad
3.14	Mexico	Mexico City
3.15	New Zealand	Wellington, Christchurch/Invercargill, Auckland
3.16	Philippines	Manila
3.17	Singapore	Singapore Stock Exchange
3.18	South Africa	Johannesburg
3.19	Taiwan	Taipei
3.20	Thailand	Bangkok
3.21	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
3.22	Venezuela	Caracas
3.23	United Arab Emirates	Abu Dhabi Securities Exchange (ADX)

4. Organized markets in states which are not members 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 Securities Market Association (ISMA), Zurich
4.5	USA	Over the Counter Market in the NASDAQ System, Over the Counter Market (markets organized by NASD such as 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. Stock 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)