

# Raiffeisen Ethics Equities

(Original German name: Raiffeisen-Ethik-Aktien)

## **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 April 2011 to 31 March 2012

Raiffeisen Ethics Equities is an equity fund whose investment goal is long-term capital growth subject to higher (short-term) risks. The fund mainly invests (at least 51 per cent of its fund assets) in equities and equity-equivalent securities issued by companies which give consideration to social, ecological and ethical criteria.

## General fund information

Tranche	Launch date	ISIN
ISIN income-distributing (R) (A)	13/5/2002	AT0000677901
ISIN income-retaining (R) (T)	13/5/2002	AT0000677919
ISIN full income-retaining (outside Austria) (R) (VTA)	29/10/2002	AT0000677927
ISIN full income-retaining (outside Austria) (I) (VTA)	1/3/2011	AT0000A0LSJ0
ISIN savings fund income-distributing (R) (A)	13/5/2002	AT0000677935
ISIN savings fund income-retaining (R) (T)	13/5/2002	AT0000677943

## Fund characteristics

Fund currency:	EUR
Financial year:	1 April – 31 March
Distribution/payment/reinvestment date:	15 June
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: 1.75 % (excluding any performance-related fee) I tranche: 0.90 % (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 Ethics Equities for the financial year from 1 April 2011 to 31 March 2012.

## Fund details in EUR

	31/3/2011	31/3/2012
Fund assets	38,808,502.49	26,148,907.22
Net asset value/unit (R) (A)	94.37	84.18
Issue price/unit (R) (A)	99.09	88.39
Net asset value/unit (R) (T)	96.91	87.32
Issue price/unit (R) (T)	101.76	91.69
Net asset value/unit (R) (VTA)	97.31	87.71
Issue price/unit (R) (VTA)	102.18	92.10
Net asset value/unit (I) (VTA)	97.38	88.55
Issue price/unit (I) (VTA))	102.25	92.98
	15/6/2011	15/6/2012
Distribution/unit (R) (A)	0.94	0.84
Outpayment/unit (R) (T)	0.06	0.08
Reinvestment/unit (R) (T)	2.21	0.00
Reinvestment/unit (R) (VTA)	2.27	0.00
Reinvestment/unit (I) (VTA)	0.00	0.17

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 31/3/2011	165,063.831	221,963.594	17,650.943	10.000
Sales	63,380.305	47,150.389	3,716.245	0.000
Repurchases	- 94,864.669	- 116,657.382	- 3,253.487	0.000
Units in circulation	133,579.467	152,456.601	18,113.701	10.000
<b>Total units in circulation on 31/3/2012</b>				<b>304,159.769</b>

## Fund details in EUR for last 3 financial years

<b>Distributing units (R)</b>	<b>31/3/2010</b>	<b>31/3/2011</b>	<b>31/3/2012</b>
Total fund assets	36,358,716.67	38,808,502.49	26,148,907.22
Net asset value/unit	86.53	94.37	84.18
<b>Reinvested units (R)</b>	<b>31/3/2010</b>	<b>31/3/2011</b>	<b>31/3/2012</b>
Total fund assets	36,358,716.67	38,808,502.49	26,148,907.22
Net asset value/unit	88.87	96.91	87.32
<b>Fully reinvested units (R)</b>	<b>31/3/2010</b>	<b>31/3/2011</b>	<b>31/3/2012</b>
Total fund assets	36,358,716.67	38,808,502.49	26,148,907.22
Net asset value/unit	89.21	97.31	87.71
<b>Fully reinvested units (I)</b>		<b>31/3/2011</b>	<b>31/3/2012</b>
Total fund assets		38,808,502.49	26,148,907.22
Net asset value/unit		97.38	88.55

## 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	94.37
Distribution on 15/6/2011 (net asset value: EUR 87.37) of EUR 0.94, corresponds to 0.0108 units	
Net asset value per unit at end of financial year	84.18
Total value incl. units purchased through distribution (1.0108 x 84.18)	85.09
Net income/net reduction per unit	- 9.28

#### Reinvested units (R)

Net asset value per unit at start of financial year	96.91
Outpayment on 15/6/2011 (net asset value: EUR 90.65) of EUR 0.06, corresponds to 0.0007 units	
Net asset value per unit at end of financial year	87.32
Total value incl. units purchased through outpayment (1.0007 x 87.32)	87.38
Net income/net reduction per unit	- 9.53

#### Fully reinvested units (R)

Net asset value per unit at start of financial year	97.31
Net asset value per unit at end of financial year	87.71
Net income/net reduction per unit	- 9.60

**Performance of one unit during the financial year as %** **- 9.87<sup>1</sup>**

#### Fully reinvested units (I)

Net asset value per unit at start of financial year	97.38
Net asset value per unit at end of financial year	88.55
Net income/net reduction per unit	- 8.83

**Performance of one unit during the financial year as %** **- 9.07**

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.

<sup>1</sup> Please note that deviations arise in the performance calculation for the various tranches on technical grounds.

## Development of fund assets

<b>Fund assets on 31/3/2011 (404,688.368 units)</b>		<b>38,808,502.49</b>
Distribution on 15/6/2011 (EUR 0.94 x 182,306.065 distributing units (R))		- 171,367.70
Outpayment on 15/6/2011 (EUR 0.06 x 228,016.648 reinvested units (R))		- 13,681.00
Issuance of units	9,824,437.51	
Redemption of units	- 17,727,217.83	
Pro rata income adjustment	343,565.09	- 7,559,215.23
<b>Overall fund result</b>		<b>- 4,915,331.34</b>
<b>Fund assets on 31/3/2012 (304,159.769 units)</b>		<b>26,148,907.22</b>



## Fund result in EUR

### A. Realized fund result

#### Ordinary fund result

Income (excl. closing price)		
Interest expenses	- 57,857.55	
Dividend income (incl. dividend equivalent)	752,411.47	
Austrian dividend income	38,332.50	
Other income (incl. tax reclaim)	36,360.66	<b>769,247.08</b>

#### Expenses

Management fees	- 576,641.84	
Custodian bank fees	- 27,552.45	
Auditing expenses	- 4,560.00	
Tax consulting fees	- 2,400.00	
Custodian fee	- 12,506.60	
Statutory/publication expenses	- 4,956.99	<b>- 628,617.88</b>
<b>Ordinary fund result (excl. income adjustment)</b>		<b>140,629.20</b>

#### Realized closing price

Profits realized from securities	1,943,155.19	
Profits realized from derivative instruments	116,477.79	
Losses realized from securities	- 2,390,744.63	
Losses realized from derivative instruments	- 10,773.95	
<b>Realized closing price (excl. income adjustment)</b>		<b>- 341,885.60</b>
<b>Realized fund result (excl. income adjustment)</b>		<b>- 201,256.40</b>

### B. Unrealized closing price

<b>Change in unrealized closing price</b>		<b>- 4,370,509.85</b>
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### C. Income adjustment

<b>Income adjustment for income during financial year</b>	35,063.38	
<b>Income adjustment during financial year for profit carryovers</b>	- 378,628.47	<b>- 343,565.09</b>

<b>Overall fund result</b>		<b>- 4,915,331.34</b>
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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).

## Appropriation of fund result in EUR

Distribution (EUR 0.84 x 133,579.467 distributing units (R))		112,206.75
Outpayment pursuant to § 58 (2) InvFG (EUR 0.08 x 152,456.601 reinvested units (R))		12,196.53
Reinvested amount (R) (reinvestment)		0.00
Reinvested amount (R) (full reinvestment)		0.00
Reinvested amount (I) (full reinvestment)		1.70
<b>Total</b>		<b>124,404.98</b>
Realized fund result (incl. income adjustment)		- 544,821.49
<b>Asset-based loss and expense allowance</b>		<b>108,050.67</b>
Profit carryover from previous year	1,964,380.03	
Profit carryover into following period	1,403,204.23	561,175.80
<b>Total</b>		<b>124,404.98</b>

## Capital market report

The 1<sup>st</sup> quarter on the capital markets was shaped by the huge widening of liquidity in the European central banks' system and by the restructuring of Greece's debt.

In December 2011 and February 2012 European banks were granted the opportunity to borrow an unrestricted volume of (collateralized) loans from the central banks for a period of three years. They exploited this opportunity to the tune of slightly more than 1,000 billion euros and thus covered their medium-term financing requirements on highly favorable terms. This measure marked the end of a raft of protective measures from governments and central banks in order to avert the contagious effects of Greece's restructuring for other countries and the banking world. The haircut for private creditors was accordingly unspectacular, even though credit default swaps (insurance against default) were triggered – an event which had long been feared.

The extra windfall had a positive effect on the capital market in many respects. First of all, part of this liquidity was invested in high-yield government bonds issued by the periphery, which resulted in a fall in yield markups and eased capital market financing for these countries, especially Italy and Spain. Secondly, the feared obstacle to the banks' supply of credit for the economy failed to materialize. Thirdly, the probability of bank bankruptcies due to a lack of financing opportunities and higher profit expectations has hugely decreased. Fourthly, there is now increased confidence in the capacity of the European central banks to act.

The economic figures also contributed to the improvement in sentiment. While the 4<sup>th</sup> quarter was still dominated by fears of a strong recession, in the first few weeks of the new quarter the improved upstream economic indicators already had a calming effect. Marginally below-average growth is now expected for the USA, and a mild recession or a zero result for the Eurozone. There are increasing signs of a "soft landing" for China. Accordingly, the outlook for stock corporations' profits has also improved. All of these factors together have resulted in increased risk propensity on the part of investors, which has had a positive impact on both equities and corporate bonds. Up to mid-March equities recorded double-digit price gains in many markets, and the US stock market has once again performed especially positively. The Dow Jones and the Standard & Poor's 500 realized new highs. The DAX once again stood out among the European indexes and passed the 7,000 point mark in March. Several stock markets in Eastern Europe were also among the top performers; Russia in particular benefited from the high price of oil. The Chinese market lagged slightly and suffered due to the country's still restrictive monetary policy.

German government bonds remained at very low yield levels despite the improved economic outlook and the fall in risk aversion. Yields on Austrian government bonds even fell slightly, and the yield markup in the 10-year maturity segment declined to below 100 basis points. Corporate bonds recorded spread narrowings in a context of continuing low money market interest rates, high liquidity and reduced risk aversion. High-yield bonds once again stood out positively.

On the currency side, volatility declined significantly in the 1<sup>st</sup> quarter. EUR/USD fluctuated in a corridor between 1.30 and 1.35. The Swiss franc and the British pound were largely immobile, while the Chinese yuan remained stable against the US dollar. The Japanese yen was an exception – it lost around 12 % against the euro in the period from January to March.

## Fund investment policy report

Raiffeisen Ethics Equities, which selects its equities according to ethical investment guidelines, was unable to remain immune in what was a very difficult stock market environment. Several strongly negative factors coincided. The fall of autocracies in the Arab region, the natural disaster in Japan and the subsequent release of radiation from the Fukushima nuclear plant and the Eurozone's excessive sovereign debt were the key issues. Despite their attractive valuations, investors fled from European companies on account of the Eurozone's sovereign debt crisis which continuously reared its head. This trend also explains much of the loss of value which the fund suffered, since it had focused more strongly on European stocks than on companies in North America which were expensively valued. In mid-2011 the quarterly assessment of the universe in accordance with the ethics committee's exclusion criteria resulted in selloffs e.g. of the biopharmaceuticals company Bristol-Myers (embryo research), the American consumer electronics firm Apple (violation of workers' rights) and the Swiss mining company Xstrata (violation of human rights). This was followed by the major Swiss bank UBS toward the end of 2011, which the fund sold due to corruption. The fund's very strict ethical criteria also mean that many equities in the healthcare sector are not available for it, so that it was unable to significantly participate in the flight to defensive sectors. Gold equities were unable to follow the strong trend for the price of gold and had a negative impact on the fund's performance. However, equities in this segment were at their lowest ever valuation levels, relative to the price of gold. Energy stocks accounted for the portfolio's strongest investments at the sector level. Excellent corporate results for oil stocks were unable to make up for macroeconomic factors such as the Eurozone's debt crisis and fear of a downturn in the European and American economies.

Securities lending transactions were entered into in order to generate additional income.

## Makeup of fund assets in EUR

Securities	Market value	%
Equities:		
USD	11,270,993.08	43.10
EUR	5,842,654.50	22.34
JPY	4,169,565.13	15.95
GBP	2,114,409.82	8.09
NOK	1,391,070.49	5.32
CHF	816,910.18	3.12
ZAR	708,015.60	2.71
AUD	460,512.51	1.76
CAD	291,371.77	1.11
DKK	112,130.68	0.43
<b>Total securities</b>	<b>27,177,633.76</b>	<b>103.93</b>
<b>Derivative products</b>		
Options	- 18,570.07	- 0.07
<b>Bank liabilities</b>		
Bank liabilities in fund currency	- 1,840,582.20	- 7.04
Bank balances in foreign currency	770,754.17	2.95
<b>Total bank liabilities</b>	<b>- 1,069,828.03</b>	<b>- 4.09</b>
<b>Accruals and deferrals</b>		
Interest claims (on securities and bank balances)	- 9,830.04	- 0.04
Dividends receivable	69,501.60	0.27
<b>Total accruals and deferrals</b>	<b>59,671.56</b>	<b>0.23</b>
<b>Total fund assets</b>	<b>26,148,907.22</b>	<b>100.00</b>

## 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 30/3/2012	PURCHASES ADDITIONS IN PERIOD	SALES DISPOSALS UNDER REVIEW	PRICE	MARKET VALUE IN EUR	% SHARE OF FUND ASSETS
<b>EQUITIES IN AUSTRALIAN DOLLARS</b>							
AU000000ANZ3	A.N.Z. BKG GRP	10,000		563	23.460000	182,447.41	0.70
AU000000TFC8	TFS CORP. LTD.	250,000	250,000		0.555000	107,905.28	0.41
AU000000WBC1	WESTPAC BKG	10,000		312	21.880000	170,159.82	0.65
<b>EQUITIES IN CANADIAN DOLLARS</b>							
CA02153D1024	ALTERRA POWER CORP.	83,300	83,300		0.610000	38,306.07	0.14
CA65334H1029	NEXEN INC.	10,000		2,106	17.960000	135,393.89	0.52
CA8672241079	SUNCOR ENERGY (NEW)	4,812			32.438000	117,671.81	0.45
<b>EQUITIES IN SWISS FRANCS</b>							
CH0012829898	EMMI AG	3,500	1,500		198.000000	575,294.70	2.20
CH0126881561	SWISS RE AG NAM.	3,000	3,694	694	57.200000	142,453.93	0.54
CH0011075394	ZURICH FINL SVC.NA.	500	550	50	238.900000	99,161.55	0.38
<b>EQUITIES IN DANISH CROWNS</b>							
DK0010268606	VESTAS WIND SYST. NAM.	15,000	4,000	3,000	55.600000	112,130.68	0.43
<b>EQUITIES IN EURO</b>							
DE0008404005	ALLIANZ SE VNA O.N.	2,000		300	89.300000	178,600.00	0.68
DE000A0M6M79	ASIAN BAMBOO AG INH.ON	18,000	13,000		11.600000	208,800.00	0.80
ES0113900J37	BCO SANTANDER N.	17,000		3,000	5.678000	96,526.00	0.37
FR0000131104	BNP PARIBAS INH.	4,000		526	35.685000	142,740.00	0.54
FR0000120164	CGG VERITAS SA INH.	17,000		1,500	21.740000	369,580.00	1.41
AT0000652011	ERSTE GROUP BK ST.AKT.ON	9,000		300	17.080000	153,720.00	0.59
ES0122060314	FOMENT.CON.CONTR.INH.	13,000		3,000	16.440000	213,720.00	0.82
DE0006047004	HEIDELBERGCEMENT AG O.N.	8,000	12,000	4,000	43.535000	348,280.00	1.33
NL0000303600	ING GROEP NV CVA	45,000		10,000	6.303000	283,635.00	1.08
NL0000009538	KON.PHILIPS.ELECT.	30,000	50,000	20,000	15.060000	451,800.00	1.73
FR0000120537	LAFARGE	8,000		4,500	34.235000	273,880.00	1.05
FR0000051070	MAUREL ET PROM INH.	30,000	5,000	1,000	13.030000	390,900.00	1.49
FI0009007835	METSO CORP.	15,000	6,000	8,000	33.330000	499,950.00	1.91
AT0000743059	OMV AG AKT. O.N.	13,000		5,000	26.405000	343,265.00	1.31
AT0000758305	PALFINGER AKT.O.N.	15,000			18.955000	284,325.00	1.09
DE0005558662	Q-CELLS SE	21,000			0.226000	4,746.00	0.02
ES0173516115	REPSOL YPF INH.	20,000	8,000	4,200	18.780000	375,600.00	1.44
FR0000125007	ST GOBAIN	12,000		1,798	33.090000	397,080.00	1.52
FR0000130809	STE GENERALE INH.	2,500		159	21.945000	54,862.50	0.21
IT0004781412	UNICREDIT	70,000	73,425	3,425	3.760000	263,200.00	1.01
FR0000124141	VEOLIA ENVIRONNE.	15,000	20,000	5,000	12.215000	183,225.00	0.70
AT0000937503	VOESTALPINE AG AKT. O.N.	13,000		9,000	24.940000	324,220.00	1.24
<b>EQUITIES IN BRITISH POUNDS</b>							
GB0031348658	BARCLAYS PLC	60,000		10,000	2.341500	168,352.31	0.64
GB0008762899	BG GRP PLC	30,000		5,000	14.400000	517,675.25	1.98
GB0007980591	BP PLC	110,000	33,063	30,000	4.589000	604,901.14	2.31
GB0031215220	CARNIVAL PLC	4,000		6,000	19.880000	95,290.59	0.37
GB0005405286	HSBC HLDGS PLC	20,000		1,778	5.471000	131,120.43	0.50
GB0031192486	LONMIN PLC	15,000	17,000	2,000	10.410000	187,118.03	0.72
GB0008847096	TESCO PLC	80,000	100,000	20,000	3.281000	314,535.65	1.20
GB00B1VYCH82	THOMAS COOK GROUP	350,000	450,000	100,000	0.227500	95,416.42	0.37
<b>EQUITIES IN JAPANESE YEN</b>							
JP3112000009	ASAHI GLASS	50,000		10,000	706.000000	323,230.62	1.24
JP3942400007	ASTELLAS PHARMA INC.	16,000	14,600	18,600	3,430.000000	502,518.31	1.92
JP3835620000	BENESSE HOLDINGS INC.	7,000		2,000	4,120.000000	264,078.50	1.01
JP3242800005	CANON INC.	16,000		4,000	3,950.000000	578,701.85	2.21
JP3502200003	DAIWA SEC. GRP INC.	35,000		5,000	333.000000	106,721.05	0.41
JP3551500006	DENSO CORP.	10,000		2,000	2,782.000000	254,738.69	0.97
JP3899600005	MINITUBISHI EST.	40,000		10,000	1,459.000000	534,383.54	2.04
JP3902900004	MINITUBISHI UFJ FINL GRP	60,000		10,000	420.000000	230,748.21	0.88
JP3362700001	MITSUI OSK LINES	80,000		10,000	363.000000	265,909.84	1.02
JP3762600009	NOMURA HLDGS	50,000		10,000	374.000000	171,229.82	0.66

ISIN	SECURITY TITLE	VOLUME 30/3/2012	PURCHASES ADDITIONS IN PERIOD UNDER REVIEW	SALES DISPOSALS	PRICE	MARKET VALUE IN EUR	% SHARE OF FUND ASSETS
<b>EQUITIES IN JAPANESE YEN</b>							
JP3866800000	PANASONIC CORP.	20,000		4,000	773.000000	141,562.19	0.54
JP3973400009	RICOH CO. LTD	25,000		5,000	812.000000	185,880.50	0.71
JP3359600008	SHARP	35,000		5,000	608.000000	194,854.04	0.75
JP3538800008	TDK CORP.	8,000		3,000	4,720.000000	345,756.04	1.32
JP3637300009	TREND MICRO INC.	3,000		1,000	2,521.000000	69,251.93	0.27
<b>EQUITIES IN NORWEGIAN CROWNS</b>							
NO0005052605	NORSK HYDRO ASA	80,000	35,000	55,000	30.610000	320,483.71	1.23
NO0003733800	ORKLA	40,000	60,000	20,000	45.000000	235,572.80	0.90
CA74836K1003	QUESTERRE ENERGY CORP. A	170,000		30,000	4.030000	89,661.63	0.34
NO0010112675	RENEWABLE ENERGY	50,000		7,491	3.504000	22,929.09	0.09
NO0010096985	STATOIL ASA	15,000		5,000	152.800000	299,962.70	1.15
NO0010208051	YARA INTERNATIONAL	12,000		3,000	269.000000	422,460.56	1.61
<b>EQUITIES IN US DOLLARS</b>							
US0079031078	ADVANCED MIC.DEV.	30,000		10,000	8.120000	183,475.18	0.70
US0325111070	ANADARKO PET.CORP.	6,000		1,100	77.330000	349,461.47	1.34
US0374111054	APACHE CORP.	5,000		1,000	98.810000	372,109.66	1.42
US0718131099	BAXTER INTL	8,000		2,000	59.520000	358,635.23	1.37
US0640581007	BK N.Y. MELLON	12,000		3,000	23.770000	214,837.69	0.82
BMG169621056	BUNGE LTD.	12,000	3,000	11,000	67.210000	607,456.50	2.32
US2044096012	CIA EN.GER.ADR PFD NV	18,000		64,500	23.880000	323,747.83	1.24
US17275R1023	CISCO SYSTEMS	28,000		8,000	21.030000	443,503.80	1.70
US20825C1045	CONOCOPHILLIPS	5,000		7,000	75.800000	285,456.05	1.09
US2310211063	CUMMINS INC.	4,000		2,000	119.660000	360,503.13	1.38
US38059T1060	GOLD FIELDS LTD	110,000	53,000	43,000	13.670000	1,132,560.07	4.33
US41135V1035	HANWHA SOLARONE CO. ADR/5	45,000	45,000		1.270000	43,044.36	0.16
US42809H1077	HESS CORP.	14,000	5,000	2,000	58.430000	616,118.10	2.36
US4655621062	ITAU UNIBCO HLDG	35,000		5,000	19.500000	514,046.85	1.97
US4660901079	JA SOLAR HLDGS ADR/3	30,000			1.570000	35,474.88	0.14
US48666V2043	KAZMUNAIGAS GDRS	40,000	20,000	5,000	20.010000	602,847.03	2.31
US4943681035	KIMBERLY-CLARK	5,000		13,000	73.840000	278,074.87	1.06
US50075N1046	KRAFT FOODS INC. A	17,000		8,000	37.810000	484,122.92	1.85
US5658491064	MARATHON OIL	9,000		1,000	31.750000	215,221.81	0.82
US6516391066	NEWMONT MNG CORP.	6,000	7,000	1,000	51.340000	232,010.24	0.89
CA65334H1029	NEXEN INC.	20,000			18.040000	271,748.14	1.04
AN8068571086	SCHLUMBERGER	11,000		3,000	69.140000	572,825.19	2.19
CA8672241079	SUNCOR ENERGY (NEW)	35,188		4,812	32.540000	862,406.81	3.30
US8681571084	SUPERIOR EN. SVCS	25,000		3,000	26.180000	492,957.75	1.88
US9113121068	UNITED PARCEL SE.B	4,000		1,000	79.850000	240,566.39	0.92
US9173022008	USIMINAS PFD ADR/10000	30,000	20,200	5,000	6.680000	150,937.71	0.58
US91912E1055	VALE S.A. ADR	7,000	8,000	1,000	23.020000	121,367.78	0.46
KYG932051132	VANTAGE DRILLING	300,000			1.620000	366,046.55	1.40
US94973V1070	WELLPOINT INC.	10,000		6,000	71.620000	539,429.09	2.06
<b>EQUITIES IN SOUTH AFRICAN RAND</b>							
ZAE000004875	NEDBANK GROUP LTD.	43,000		19,453	169.480000	708,015.60	2.71
<b>TOTAL SECURITIES PORTFOLIO</b>					<b>EUR</b>	<b>27,177,633.76</b>	<b>103.93</b>
<b>EURO SECURITIES OPTIONS ON FINANCIAL FUTURES</b>							
0MEQ2X000020	METRO STOCK OPTION PUT AS OF 21/12/2012	-155		155	0.510000	-7,905.00	-0.03
<b>BRITISH POUND SECURITIES OPTIONS ON FINANCIAL FUTURES</b>							
00BP2R000044	BP PLC STOCK OPTION PUT AS OF 15/6/2012	-60		60	0.135000	-9,706.41	-0.04
0TCO2R000028	TESCO PLC STOCK OPTION PUT AS OF 15/6/2012	-40		40	0.020000	-958.66	0.00
<b>TOTAL SECURITIES OPTIONS <sup>1)</sup></b>					<b>EUR</b>	<b>-18,570.07</b>	<b>-0.07</b>
<b>BANK LIABILITIES</b>							
EUR LIABILITIES		EUR	-1,840,582.20				
LIABILITIES IN OTHER EU CURRENCIES							
GBP		EUR	-728,222.62				
NOK		EUR	-383,478.47				
BALANCES IN NON-EU CURRENCIES							
CHF		EUR	816,499.30				
JPY		EUR	154,453.55				
USD		EUR	911,502.41		<b>EUR</b>	<b>-1,069,828.03</b>	<b>-4.09</b>

<sup>1</sup> Price valuation as of cut-off date.

	CURRENCY	MARKET VALUE IN EUR	% SHARE OF FUND ASSETS
<b>ACCRUALS AND DEFERRALS</b>			
INTEREST CLAIMS	EUR	-9,830.04	
DIVIDENDS RECEIVABLE	EUR	69,501.60	0.23
<b>TOTAL FUND ASSETS</b>	<b>EUR</b>	<b>26,148,907.22</b>	<b>100.00</b>
<b>NET ASSET VALUE PER UNIT</b>			
TRANCHE R INCOME-DISTRIBUTING	EUR	84.18	
TRANCHE R INCOME-RETAINING	EUR	87.32	
TRANCHE R FULL INCOME-RETAINING	EUR	87.71	
TRANCHE I FULL INCOME-RETAINING	EUR	88.55	
<b>UNITS IN CIRCULATION</b>			
TRANCHE R INCOME-DISTRIBUTING	UNITS	133,579.467	
TRANCHE R INCOME-RETAINING	UNITS	152,456.601	
TRANCHE R FULL INCOME-RETAINING	UNITS	18,113.701	
TRANCHE I FULL INCOME-RETAINING	UNITS	10.000	

**FROZEN SECURITIES FORMING PART OF THE PORTFOLIO OF INVESTMENTS (SECURITIES LENDING TRANSACTIONS):**

DE000A0M6M79	ASIAN BAMBOO AG INH.ON	EUR	5,000
FR0000051070	MAUREL ET PROM INH.	EUR	17,656
FI0009007835	METSO CORP.	EUR	14,975
DE0005558662	Q-CELLS SE	EUR	15,000
US4660901079	JA SOLAR HLDGS ADR/3	USD	20,000

**EXCHANGE RATES**

FOREIGN CURRENCY ASSETS WERE CONVERTED INTO EUR ON THE BASIS OF THE EXCHANGE RATES APPLICABLE ON 29/3/2012:

CURRENCY	UNIT	PRICE	
AUSTRALIAN DOLLAR	1 EUR =	1.285850	AUD
CANADIAN DOLLAR	1 EUR =	1.326500	CAD
SWISS FRANC	1 EUR =	1.204600	CHF
DANISH CROWN	1 EUR =	7.437750	DKK
BRITISH POUND	1 EUR =	0.834500	GBP
JAPANESE YEN	1 EUR =	109.209950	JPY
NORWEGIAN CROWN	1 EUR =	7.640950	NOK
US DOLLAR	1 EUR =	1.327700	USD
SOUTH AFRICAN RAND	1 EUR =	10.293050	ZAR

**FUTURES EXCHANGE KEY:**

CODE	STOCK EXCHANGE
EUREX	EUROPEAN EXCHANGE
LIFFE	NYSE EURONEXT LIFFE

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

ISIN	SECURITY TITLE	PURCHASES ADDITIONS	SALES DISPOSALS
<b>EQUITIES IN SWISS FRANCS</b>			
CH0038863350	NESTLE NAM.	5,500	10,000
CH0012332372	SCHWEIZ RUECKV.NAM.		3,694
CH0024899483	UBS NAM.		9,919
<b>EQUITIES IN EURO</b>			
FR0000120628	AXA S.A. INH.		25,000
CY0000100111	BANK OF CYPRUS NAM.		112,123
IT0001369427	BUZZI UNICEM RISP. NC	5,000	5,000
IE0001827041	CRH PLC		30,000
IT0001157020	ERG S.P.A.		30,000
FR0000120289	GUYENNE GASCOGNE IH.	1,489	1,489
FR0011120914	MAUREL ET PROM NIG.	26,000	26,000
IT0003826473	PARMALAT S.P.A.		120,000
NL0009739416	POSTNL N.V.	20,000	20,000



ISIN	SECURITY TITLE	PURCHASES ADDITIONS	SALES DISPOSALS
<b>EQUITIES IN EURO</b>			
FR0000120578	SANOFI SA INHABER	7,300	11,400
DE0007164600	SAP AG O.N.		5,000
NL0009739424	TNT EXPRESS N.V.	20,000	20,000
NL0000009066	TNT N.V.		20,000
IT0000064854	UNICREDIT		244,753
<b>EQUITIES IN BRITISH POUNDS</b>			
GB0031411001	XSTRATA PLC		30,000
<b>EQUITIES IN US DOLLARS</b>			
US0378331005	APPLE INC.		1,000
US1101221083	BRISTOL-MYERS SQUIBB		40,000
US5324571083	LILLY (ELI)		7,000
US56585A1025	MARATHON PETROLEUM	5,000	5,000
<b>EQUITIES IN CANADIAN DOLLARS</b>			
CA7294151096	PLUTONIC POWER CORP.		35,000
<b>SUBSCRIPTION RIGHTS IN EURO</b>			
ES0613900994	BCO SANTANDER -ANR.-	20,000	20,000
ES0613900986	BCO SANTANDER-ANR.	20,000	20,000
AT0000A0FA73	OMV -BZR-	18,000	18,000
DE000A1E8HE9	Q-CELLS SE BZR WDL		14,000
IT0004781446	UNICREDIT -ANR.-	24,475	24,475
<b>BRITISH POUND SECURITIES OPTIONS ON FINANCIAL FUTURES</b>			
00BP1U000046	BP PLC STOCK OPTION PUT AS OF 16/9/2011		60

## 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, 14 June 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 March 2012 issued by Raiffeisen Kapitalanlage-Gesellschaft m. b. H., Vienna, for its fund Raiffeisen Ethics Equities, a jointly owned fund pursuant to the 2011 Austrian Investment Fund Act (InvFG), as amended, for the financial year from 1 April 2011 to 31 March 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 asset portfolio and preparation of the annual fund report so that this report is free from significant factual misstatements due to intentional or unintentional errors; selection and application of suitable valuation methods; performance of estimates which appear appropriate with consideration of the 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 March 2012 for Raiffeisen Ethics Equities, 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, 14 June 2012

KPMG Austria AG, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Wilhelm Kovsca  
Auditor

pp. Franz Frauwallner  
Auditor

## **Tax treatment**

Please see our website [www.rcm.at](http://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](http://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](http://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 Ethics Equities, 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 companies without any region or sector restriction, but with particular consideration of ethical principles (especially ecological and social criteria). The investment fund may also invest 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.

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.

Please see the prospectuses for further details.

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

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 April 1 through to March 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 1.75 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 June 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 June 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 June 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](http://www.fma.gv.at/cms/site/attachments/0/9/6/CH0236/CMS1230557514954/27072009-liste_geregelte_maerkte.pdf)<sup>1</sup>  
in the "Verzeichnis der Geregelten Märkte (pdf)" ["Directory of Regulated Markets (pdf)"].

##### 1.2 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) |

<sup>1</sup> The link may be modified by the Austrian Financial Market Authority (FMA). Please see the FMA's website, [www.fma.gv.at](http://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)