

ESPA STOCK RUSSIA

Mutual fund pursuant to the InvFG

Semi-Annual Report 2018

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General Information about the Investment Firm

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

Dear Shareholder,

We are pleased to present you the following semi-annual report for the ESPA STOCK RUSSIA mutual fund pursuant to the InvFG for the period from 1 June 2018 to 30 November 2018.

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

Development of the Fund

The relative weakness of the emerging equity markets in the reporting period was caused by a series of country-specific factors. Rising USD interest rates and the announced end of the ECB's QE caused a noticeable increase in volatility on the markets. This put the emerging market currencies under pressure. The USA expanded its sanctions against Russia, and the Ukraine crisis worsened considerably. The Russian equity market did well under the conditions and closed the reporting period with a small plus of 3.17% (EUR, MSCI Russia 10/40 Net Return benchmark index). ESPA STOCK RUSSIA rose by 2.12% (EUR).

The macroeconomic stabilisation in Russia is slow, but continued again in the reporting period. Real GDP rose by 1.3% yoy in Q3. The US sanctions and the fact that they were extended are not good for the outlook. The RUB lost around 7.6% versus the USD. The oil price fell by more than 20% in the period, but remained at around USD 60/bbl and is still a source of support. The trade balance improved, and came to somewhat over USD 18.5 bn/month in September, the highest level since 2014. Inflation most recently rose to an annualised 3.8%, but remained below the 4% target of the central bank in Moscow. The planned value added tax increase and the weak currency will likely cause higher inflation. Because of this, the central bank hiked its key rate by 25 bp to 7.5%, the first increase since 2014. In this environment, energy and materials stocks were among the best performers. Oil stocks rose by about 5.6%. Lukoil and Rosneft have decided on stock buyback programmes. Gazprom announced a dividend increase. Negative performance came from financials, consumer goods, and telecoms, which are still suffering from the currency weakness.

The fund management feels that the current (geo)political tensions between Russia and the West and the rising US interest rates call for a higher risk premium on investments. For this reason, the cash share was increased to over 5% at times in August. The allocation to banks was reduced, including VTB Bank, Sberbank, and Bank St. Peterburg. Megafon (telecoms) and RusHydro (utilities) were sold off entirely. The position in EN+ GDR was also sold because of the sanctions. In the energy sector, profits were taken with companies including Lukoil, Novatek, and Rosneft. Because of the rising dividend yield, the weighting of stocks such as GazpromNeft and Surgut preferred was increased slightly. The portfolio focuses primarily on energy and materials stocks featuring strong balance sheets, high dividend yields, and good export revenue.

Asset Allocation

	30 November 2018		31 May 2018	
	EUR millions	%	EUR millions	%
Equities denominated in				
RUB	16.9	53.29	15.6	47.45
USD	13.3	41.89	16.1	48.95
Securities	30.1	95.19	31.7	96.40
Dividend entitlements	-	-	0.1	0.23
Cash in banks	1.5	4.82	1.1	3.37
Interest entitlements	0.0	0.00	-	-
Other deferred items	-	0.0	-	0.0
Fund assets	31.7	100.00	32.9	100.00

Fund Portfolio as of 30 November 2018

(including changes in securities assets from 1 June 2018 to 30 November 2018)

Security designation	ISIN number	Purch./ additions	Sales/ disposals	Holding Shares/nominal (nom. in 1,000, rounded)	Price	Value in EUR	% share of fund assets
Publicly traded securities							
Equities denominated in RUB							
Issue country Russia							
AKTION.KOM.ALROSA RL0.50	RU0007252813	80,000	260,000	1,080,000	99.630	1,419,399.83	4.48
BANK ST.-PETERSB.REG RL 1	RU0009100945	0	24,753	175,247	49.300	113,969.43	0.36
GAZPROM RL 5	RU0007661625	510,000	0	810,000	161.290	1,723,389.02	5.44
INTER RAO UES PJSC	RU000A0JPNM1	6,000,000	0	19,966,000	4.095	1,078,538.95	3.41
LUKOIL RL-.025	RU0009024277	11,500	0	17,000	4,896.000	1,097,946.53	3.47
MAGNIT PJSC RL-.01	RU000A0JKQU8	0	0	21,704	3,500.000	1,002,071.45	3.16
MMC NORILSK NICK.PJSC RL1	RU0007288411	1,000	0	3,400	12,738.000	571,308.94	1.80
MOBILE TELESYSTEMS RL-.10	RU0007775219	0	0	300,000	247.550	979,659.26	3.09
MOSCOW EXCH.MICEX-RTS RL1	RU000A0JR4A1	100,000	0	955,000	89.520	1,127,753.82	3.56
NOVATEK RL 0.10	RU000A0DKVS5	7,000	5,000	100,000	1,127.200	1,486,934.51	4.70
ROSNEFT OIL CO. RL-.01	RU000A0J2Q06	90,000	0	245,000	423.100	1,367,413.84	4.32
SBERBANK OF RU. RL 2	RU0009029540	0	95,000	600,000	194.000	1,535,478.86	4.85
SBERBANK PFD RL 3	RU0009029557	150,000	130,000	300,000	169.000	668,803.94	2.11
SEVERSTAL RL-.01	RU0009046510	12,500	0	52,500	1,002.700	694,418.34	2.19

Security designation	ISIN number	Purch./ additions	Sales/ disposals	Holding		Price	Value in EUR	% share of fund assets
		Shares/nominal (nom. in 1,000, rounded)						
SURGUTNEFTEGAS PJSC VZ	RU0009029524	600,000	0	1,100,000		37.750	547,772.85	1.73
SURGUTNEFTEGAS PJSC RL 1	RU0008926258	0	0	500,000		27.350	180,392.38	0.57
TMK PAO RL 10	RU000A0B6NK6	0	0	140,000		55.050	101,666.11	0.32
TRANSNEFT PFD RL 1	RU0009091573	0	0	360	175,400.000		832,957.71	2.63
VTB BANK RL -.01	RU000A0JP5V6	0	300,000,000	700,000,000		0.037	344,427.43	1.09
Total issue country Russia							16,874,303.20	53.29
Total equities denominated in RUB translated at a rate of 75.80697							16,874,303.20	53.29

Equities denominated in USD**Issue country Netherlands**

X 5 RETAIL G.GDR REGS 1/4	US98387E2054	30,000	0	50,000		25.500	1,126,076.40	3.56
Total issue country Netherlands							1,126,076.40	3.56

Issue country Russia

GAZPROM ADR SP./2 RL 5L 5	US3682872078	0	275,000	300,000		4.760	1,261,205.56	3.98
LUKOIL SP.ADR RL-.025	US69343P1057	0	19,500	30,500		73.200	1,971,826.01	6.23
PHOSAGRO PJSC SP.GDR REGS	US71922G2093	0	0	37,500		13.320	441,156.99	1.39
ROSNEFT OIL GDRREGS RL-01	US67812M2070	20,000	175,000	140,000		6.300	778,979.91	2.46
SEVERSTAL RL-.01	RU0009046510	0	0	40,000		14.976	529,080.64	1.67
SEVERSTAL GDR S OCT2006 1	US8181503025	0	20,000	17,500		14.690	227,047.91	0.72
SURGUTNEFTEGAS PJSC VZ	RU0009029524	0	0	830,000		0.564	413,319.84	1.31
Total issue country Russia							5,622,616.86	17.76
Total equities denominated in USD translated at a rate of 1.13225							6,748,693.26	21.31
Total publicly traded securities							23,622,996.46	74.61

Securities admitted to organised markets**Equities denominated in USD****Issue country Russia**

GAZPROM NEFT ADR5/RL-0016	US36829G1076	5,000	0	30,000		27.350	724,663.28	2.29
LSR GROUP PAO GDR S/5	US50218G2066	0	0	120,000		1.960	207,727.98	0.66
MAGNITOGORSK I+S REGS/13	US5591892048	25,000	0	120,000		8.920	945,374.25	2.99
MMC NOR.NICK.PJSC ADR RL1	US55315J1025	0	15,000	57,000		18.720	942,406.71	2.98
NOVOLIPETSKIY MET.KO.REGS	US67011E2046	20,000	7,500	62,500		23.540	1,299,403.84	4.10
POLYUS PJSC GDR 1/2	US73181M1172	0	0	15,000		35.550	470,964.89	1.49
SURGUTNEFTEGAS ADR/10	US8688612048	0	20,000	105,000		3.976	368,717.16	1.16
TATNEFT PJSC ADR REG.S 6	US8766292051	0	0	28,000		62.980	1,557,465.22	4.92
Total issue country Russia							6,516,723.33	20.58
Total equities denominated in USD translated at a rate of 1.13225							6,516,723.33	20.58
Total securities admitted to organised markets							6,516,723.33	20.58

ESPA STOCK RUSSIA

Breakdown of fund assets

Securities			30,139,719.79	95.19
Cash in banks			1,526,049.24	4.82
Interest entitlements			1,440.00	0.00
Other deferred items			-3,559.73	-0.01
Fund assets			31,663,649.30	100.00

Dividend shares outstanding	AT0000A05S97	shares	1,234,528.153
Share value for dividend share	AT0000A05S97	EUR	5.59
Non-dividend shares outstanding	AT0000A05SA6	shares	2,456,399.688
Share value for non-dividend share	AT0000A05SA6	EUR	6.94
KEST-exempt non-dividend shares outstanding	AT0000A09GQ9	shares	156,753.156
Share value for KEST-exempt non-dividend share	AT0000A09GQ9	HUF	2,267.61
KEST-exempt non-dividend shares outstanding	AT0000A08EG7	shares	663,628.298
Share value for KEST-exempt non-dividend share	AT0000A08EG7	CZK	181.75
KEST-exempt non-dividend shares outstanding	AT0000A08EF9	shares	279,580.785
KEST-exempt non-dividend shares outstanding	AT0000A08EF9	EUR	7.00

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

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

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

Explanation on disclosure pursuant to the Delegated Regulation (EU) No. 2016/2251 supplementing Regulation (EU) No. 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories with regard to regulatory technical standards for risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty:

All OTC derivatives are traded through Erste Group Bank AG.

Collateral in the form of cash or bonds is pledged to Erste Group Bank AG in the amount of the negative exposure of the derivatives.

EUR-denominated government bonds from the Republic of Austria and/or the Federal Republic of Germany are pledged by Erste Group Bank AG to the fund in the amount of the positive exposure of the derivatives. A one-time discount of 4% is agreed with the counterparty for this collateral. Collateral that would require a higher discount pursuant to Annex II to the Delegated Regulation (EU) No. 2016/2251 is not accepted.

Investor note:

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

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

Security designation	ISIN number	Purch./ additions	Sales/ disposals
Shares/nominal (nom. in 1,000, rounded)			
Publicly traded securities			
Equities denominated in RUB			
Issue country Russia			
RUSHYDRO PAO RL 1	RU000A0JPKH7	0	75,000,000
Equities denominated in USD			
Issue country Jersey			
EN+ GROUP PLC GDR REGS	US29355E2081	0	30,000
Issue country Russia			
MEGAFON PJSC RL -.10	US58517T2096	0	60,000
NOVATEK RL 0.10	RU000A0DKVS5	0	41,000

Vienna, December 2018

Erste Asset Management GmbH
Electronically signed

Inspection information:
Note:

The electronic signatures in this document can be inspected at www.signaturpruefung.gv.at. This document was signed with two qualified electronic signatures. A qualified electronic signature fulfils the legal requirements of a hand-written signature, and in particular the requirements of the written form as defined in § 886 ABGB (§ 4 (1) Austrian Signature Act [Signaturgesetz]).