

ESPA STOCK ISTANBUL

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 SCHAUFLEDER (Deputy Chairman) Ingo BLEIER Harald GASSER Gerhard GRABNER Oswald HUBER Radovan JELASITY Robert LASSHOFFER Martin SIMHANDL Appointed by the Works Council: Martin CEC Heinrich Hubert REINER Peter RIEDERER Nicole WEINHENGST Manfred ZOUREK
Managing directors	Heinz BEDNAR Winfried BUCHBAUER Peter KARL Wolfgang TRANDL
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 ISTANBUL mutual fund pursuant to the InvFG for the period from 1 May 2018 to 31 October 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 ISTANBUL as of the effective date of the merger.

The Istanbul Stock Exchange was closed for the Ramadan holiday on 15 June 2018. It was therefore not possible to determine the calculated value of the fund on 18 June 2018, so share certificate transactions were suspended on this day.

The Istanbul Stock Exchange was closed for the Kurban holiday from 21 to 24 August 2018. It was therefore not possible to determine the calculated value of the fund from 22 to 27 August 2018, so share certificate transactions were suspended during this period.

Development of the Fund

Market report and portfolio orientation:

Numerous emerging markets saw increased political and economic uncertainty over the past months. The emerging market indices were weaker than the global equity index for the developed markets during the reporting period. While the developed global equity markets posted a plus of 4.99% in euros, the MSCI Emerging Markets fell by 10.45%. Uncertainty remained elevated because of the trade conflict between the USA and China and the unknown outcome of the Brexit negotiations between the EU and Great Britain. The political turbulence in Italy, 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.

ESPA STOCK ISTANBUL generated a negative performance of 32.44% (ISIN AT0000704333) in euros during the reporting period. The benchmark index MSCI Turkey 10/40 total return lost 34.98% (EUR), and was one of the weakest markets in the world during the reporting period.

The crisis in Turkey worsened above all in connection with the presidential elections in June 2018. This was exacerbated by a political conflict with the USA about a detained pastor. Turkey and the USA then enacted sanctions against one another. The government has been pursuing an expansive economic policy course since the putsch attempt in 2016. Consumer prices were 24.52% higher than one year prior in October according to the Turkish statistical office. The Turkish currency lost around 37% of its value against the US dollar since the beginning of the reporting period. The Turkish central bank was hesitant to hike interest rates under these conditions, which made investors nervous. Especially Erdogan's massive criticism of the bank's monetary policy raised doubts about the independence of the central bank. The central bank in Ankara felt forced to raise its key rate from 8% (at the end of April) to 24% in multiple steps. This was intended to regain investor confidence.

Standard & Poor's downgraded the country to B+ in May and August 2018. Analysts also lowered their growth prospects for 2019, which are now estimated at 0.9%.

In terms of fund positioning, the portfolio maintained a defensive orientation during the reporting period due to the high uncertainty and the country-specific risks. The management concentrated on companies with good financial positions and healthy balance sheets (including Eregli, Kardemir, and Ulusoy). These companies are able to resist the poor economic conditions on the one hand and are able to generate free cash flow for their shareholders on the other. State-owned banks such as Halkbank and Vakifbank were avoided in particular, as were real estate companies such as Emlak. The market and currency were not able to stabilise until the end of the period.

A positive performance contribution compared with the market came especially from the underweighting of telecom and consumer goods shares and financials (including Turkcell, Turktelekom, and Anadolu Efes) and the underweighting of the real estate giant Emlak. The performance was negatively impacted by bank stocks, with the sector posting considerable losses of around 45% in euros. Companies including Do&CO, Pegasus Airlines, and Koza Gold were added to the portfolio during the period because of their strong performance. Companies including Yatas, Kardemir, and Akenergi were reduced to this end. The fund had an average cash share of over 4% for liquidity and risk reasons.

Turkish stocks are currently at attractive valuation levels. The equity market is trading at a substantial PER discount over the other global emerging markets at a 2018 PER of roughly 6.5x. The restoration of the central bank's political independence, a return to credible budget policy, and better political relations with the USA and Europe should be able to protect the country against a drawn-out crisis in our opinion.

Asset Allocation

	31 October 2018		30 April 2018	
	EUR millions	%	EUR millions	%
Equities denominated in TRY	26.9	95.07	26.9	92.52
Securities	26.9	95.07	26.9	92.52
Cash in banks	1.4	4.93	2.2	7.49
Interest entitlements	0.0	0.00	0.0	0.00
Other deferred items	- 0.0	- 0.01	- 0.0	- 0.01
Fund assets	28.3	100.00	29.0	100.00

Fund Portfolio as of 31 October 2018

(including changes in securities assets from 1 May 2018 to 31 October 2018)

Security designation	ISIN number	Purch./ additions Shares/nominal (nom. in 1,000, rounded)	Sales/ disposals	Holding	Price	Value in EUR	% share of fund assets
Publicly traded securities							
Equities denominated in TRL							
Issue country Austria							
DO + CO AG	AT0000818802	5,000	0	5,000	505.600	401,362.22	1.42
Total issue country Austria						401,362.22	1.42
Issue country Turkey							
AKSA ENERJİ ÜRETİM TN 1	TREKSN00011	250,000	0	750,000	3.770	448,912.85	1.59
BİM BİRLİK MİĞAZLAR AS	TREBIMM00018	135,000	20,000	205,000	80.000	2,603,773.88	9.20
COCA COLA İÇİCEK C TN 1	TRECOLA00011	30,000	0	80,000	27.580	350,302.85	1.24
EMLAK KONUT GAYR.YAT.ORT.	TREEGY000017	2,000,000	0	2,000,000	1.760	558,858.78	1.98
ENERJİSA ENERJİ TN -.01	TREENSA00014	0	0	125,000	4.910	97,443.06	0.34
HACI ÖMER SABANCI TN 1	TRASAHOL91Q5	700,000	120,000	1,000,000	7.420	1,178,048.92	4.16
HEKTAS TİCARET TN 1	TRAHEKTS91E4	0	0	100,000	9.070	144,001.40	0.51
KORDSA GL. ENDÜSTR. İVKBST	TRAKORDS91B2	100,000	0	100,000	10.630	168,769.00	0.60
KOZA ALTIN İŞLETİM	TREKAL00014	20,000	0	20,000	49.000	155,591.37	0.55
MLP SAĞLIK HİZMET. AS TN1	TREMLPC00021	100,000	0	100,000	13.500	214,335.05	0.76
PEGASUS HAVA TAŞIMAC. TN 1	TREPEGS00016	50,000	0	50,000	20.900	165,911.20	0.59
PETKİM PETROKİMYA REG. TN1	TRAPETKM91E0	700,000	0	1,300,000	5.220	1,077,390.83	3.81
TAV HAVALIMAN. HLDG TN 1	TRETAVH00018	50,000	0	240,000	23.520	896,206.27	3.17
TEKFEN HOLDİNG AS TN 1	TRETKH000012	0	0	100,000	21.740	345,158.81	1.22
TÜRKİYE HALK BANKASI TN1	TRETHAL00019	300,000	0	800,000	6.540	830,667.38	2.94
TÜRKİYE VAKIFLAR BANK.	TREVKFB00019	800,000	0	1,300,000	3.670	757,475.93	2.68
ULUSOY ELEK. İM. TA. V. Tİ. AS	TREULET00014	70,000	0	140,000	11.200	248,946.19	0.88
YATAK VE YORGAN SANAYİ	TRAYATAS91B4	300,000	1	349,999	3.770	209,492.06	0.74
ZORLU ENERJİ. ELEKT. ÜER. TN1	TRAZOREN91L8	0	0	800,000	1.120	142,254.96	0.50
Total issue country Turkey						10,593,540.79	37.45
Total equities denominated in TRL translated at a rate of 6.29855						10,994,903.01	38.87
Total publicly traded securities						10,994,903.01	38.87

Securities admitted to organised markets

Equities denominated in TRL

Issue country Turkey

AKBANK T.A.S. TN 1	TRAAKBNK91N6	700,000	0	1,800,000	6.970	1,991,887.02	7.04
ANADOLU E. BİR. M. G. TN 1	TRAAEFES91A9	0	45,000	180,000	20.040	572,703.24	2.02
ARÇELİK A.S. REG. TN 1	TRAAARCLK91H5	190,000	0	190,000	15.450	466,059.65	1.65
CİMSA C. SAN. VE TİC. TN 1	TRACIMSA91F9	0	0	100,000	7.550	119,868.86	0.42
EREĞLİ DEM. CEL. REG. TN 1	TRAEREGL91G3	550,000	90,000	1,110,000	8.830	1,556,120.06	5.50
FORD OTOMOTİV SANAYİ TN 1	TRAOTOSN91H6	65,000	20,000	110,000	60.250	1,052,226.31	3.72
KARDEMİR KARABÜK DEMİR D	TRAKRDMR91G7	0	500,000	300,000	3.000	142,890.03	0.51
KOC HLDG NA TN 1	TRAKCHOL91Q8	450,000	100,000	350,000	15.320	851,307.05	3.01

ESPA STOCK ISTANBUL

Security designation	ISIN number	Purch./ additions Shares/nominal (nom. in 1,000, rounded)	Sales/ disposals	Holding	Price	Value in EUR	% share of fund assets
NORTEL NTWKS NETAS TN 1	TRANETAS91H6	0	0	100,000	7.200	114,312.02	0.40
TOFAS TUERK OTO E TN 1	TRATOASO91H3	55,000	70,000	130,000	20.920	431,781.92	1.53
TUERKIYE GAR.BANK.NAM.TN1	TRAGARAN91N1	1,300,000	900,000	1,700,000	7.500	2,024,275.43	7.16
TUERKIYE SISE REG. TN 1	TRASISEW91Q3	0	0	655,261	4.870	506,643.76	1.79
TUPRAS TURKIYE P.R. TN 1	TRATUPRS91E8	15,000	12,000	55,000	129.500	1,130,815.82	4.00
TURK HAVA YOLLARI AS	TRATHYAO91M5	100,000	40,000	460,000	14.600	1,066,277.16	3.77
TURKCELL ILETISIM TN 1	TRATCELL91M1	300,000	400,000	600,000	11.930	1,136,452.04	4.02
TURKIYE IS BANKASI C TN 1	TRAISTR91N2	300,000	0	1,000,000	4.210	668,407.81	2.36
ULKER BISKUVI SANAYI TN 1	TREULKRO0015	80,000	0	300,000	14.860	707,781.95	2.50
YAPI VE KREDI B.NA TN 1	TRAYKBNK91N6	4,820,435	720,435	5,100,000	1.680	1,360,313.09	4.81
Total issue country Turkey						15,900,123.22	56.21
Total equities denominated in TRL translated at a rate of 6.29855						15,900,123.22	56.21
Total securities admitted to organised markets						15,900,123.22	56.21

Breakdown of fund assets

Securities	26,895,026.23	95.07
Cash in banks	1,395,835.08	4.93
Interest entitlements	155.01	0.00
Other deferred items	-1,893.77	-0.01
Fund assets	28,289,122.55	100.00

Dividend shares outstanding	AT0000704333	shares	33,187.592
Share value for dividend share	AT0000704333	EUR	147.95
Non-dividend shares outstanding	AT0000704341	shares	63,080.670
Share value for non-dividend share	AT0000704341	EUR	192.27
KEST-exempt non-dividend shares outstanding	AT0000494893	shares	19,383.311
Share value for KEST-exempt non-dividend share	AT0000494893	EUR	200.50
KEST-exempt non-dividend shares outstanding	AT0000494885	shares	31,688.780
Share value for KEST-exempt non-dividend share	AT0000494885	CZK	5,180.42
KEST-exempt non-dividend shares outstanding	AT0000A09GS5	shares	4,902.016
KEST-exempt non-dividend shares outstanding	AT0000A09GS5	HUF	64,738.44
KEST-exempt non-dividend shares outstanding	AT0000A015E2	shares	134.221
Share value for KEST-exempt non-dividend share	AT0000A015E2	USD	228.50

The fund is permitted to engage in securities lending agreements pursuant to Regulation (EU) No. 2015/2365 (Regulation on Transparency of Securities Financing Transactions and of Reuse) according to the fund terms and conditions. No securities lending transactions took place during the reporting period.

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 Shares/nominal (nom. in 1,000, rounded)	Sales/ disposals
Publicly traded securities			
Equities denominated in TRL			
Issue country Turkey			
AKENERJI ELEK.UERET.TN 1	TRAAKENR91L9	0	2,800,000
DOGTAS KELEBE.M.S.V.T.TN1	TRAKLBM091C0	0	500,000
SODA SANAYII A.S. TN 1	TRASODAS91E5	27,778	277,778
TURK TELEKOMUNIKASY. TN 1	TRETTLK00013	0	770,000
USAK SERAMIK SANAYII TN 1	TRAUSAKW91F6	0	300,000
Unlisted securities			
Equities denominated in TRL			
Issue country Turkey			
YAPI VE KREDI B.NA -RIGHTS-	TRRYKBK00023	1,400,000	1,400,000

Vienna, November 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]).