

ESPA ČESKÝ FOND FIREMNÍCH DLUHOPISŮ

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 SCHAUFLER (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 ČESKÝ FOND FIREMNÍCH DLUHOPISŮ 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 ČESKÝ FOND FIREMNÍCH DLUHOPISŮ as of the effective date of the merger.

Development of the Fund

The Eurozone economy is poised to post the fifth year of expansion in a row. However, this growth has slowed in recent quarters. GDP growth was confirmed at just 0.2% in the third quarter. Industrial production declined in September. Even though a slight GDP recovery is expected in the fourth quarter, the growth momentum clearly waned in 2018. This was primarily caused by Germany, the driving force of the Eurozone in the 2010s, as the country suffered a 0.2% contraction of its economy in the third quarter. Distortions in the automobile industry were a key reason for the first negative quarter since 2015 and the lacklustre quarter in the Eurozone. Exports were down because of global problems with trade wars and the emerging markets, and consumption was dampened by the higher oil prices in the third quarter. The stagnation of the Italian economy is adding fuel to the worries about the country's budget. The confrontation with Brussels is not over yet because the ball has been passed back to the European Court of Justice, which must now decide whether Italy should be subject to a deficit procedure.

The ECB is still planning to let its EUR 2.6 trillion bond purchase programme run out at the end of December based on the argument that inflation is now well on its way to the target level, and that the Eurozone economy will continue to grow with reduced support. It still expects to have a larger-than-normal balance sheet in the coming years and record-low interest rates through to next summer to maintain a high degree of flexibility in its monetary policy over a longer period.

The repo rate was kept at 0% during the reporting period. The interest rate for very short-term deposit facilities was still at minus 0.40%, and the three-month Euribor, an important reference value, was steady at minus 0.32% throughout the reporting period. The yields on two-year German government bonds fluctuated between minus 0.68% and minus 0.49%.

The last six months were difficult for the European credit market because the sustained interplay of difficult growth conditions and increasing political risk forced investors to assign a new, higher price to the risk. After a short breather in September, the escalation of the budget crisis in Italy, the growing political uncertainty in Great Britain, and the lacklustre macroeconomic conditions pushed spreads back up to levels seen at the beginning of 2016. Credit spreads widened considerably over the reporting period, with the spreads (ASW; asset swap) for European corporate bonds with terms of 1–3 years going from 35 basis points (bp) to an average of 63 bp. This price adjustment had been anticipated to a large degree and came on the heels of the winding down of the ECB's corporate sector purchase programme (CSPP), with the net purchases under the programme set to stop at the end of the year. The widening of the credit spreads occurred relatively evenly across all sectors for a large part of the reporting period because the technical trigger for the widening as a result of a decrease in purchases did not really give investors cause to differentiate. Recently, however, increasing signs of global economic cooling combined with sustained worries about trade and the prevalence of political risks in the headlines began to impact some sectors more substantially. Investment goods and automobiles were the sectors with the most pronounced spread widening and that were subject to the greatest pressure. The most robust asset classes were senior financials, energy, and telecoms.

The fund maintained a low duration over the entire reporting period. The modified duration of the portfolio was kept low through investments in short-running issues and the use of interest rate swaps. No changes were made to the strategy followed by the fund in the reporting period. Redemptions and positions with a relatively tight discount factor or spreads for asset swaps were reinvested in longer-running bonds that met the fund's quality criteria and that offered

more attractive spreads (or margins). The FX risk was permanently and fully hedged in CZK. The fund's focus on short-running corporate bonds and the low-yield segment caused it to deliver low performance during the reporting period.

Asset Allocation

	30 November 2018		31 May 2018	
	CZK million	%	CZK million	%
Bonds denominated in				
EUR	277.3	87.89	347.2	81.64
CZK	-	-	20.0	4.71
Securities	277.3	87.89	367.2	86.35
Forward exchange agreements	0.3	0.10	-	0.15
Swaps	-	3.5	-	1.24
Cash in banks	40.7	12.90	60.5	14.24
Interest entitlements	0.9	0.28	3.6	0.84
Other deferred items	-	0.1	-	0.04
Fund assets	315.5	100.00	425.3	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	Interest rate	Purch./ additions	Sales/ disposals	Holding Shares/nominal (nom. in 1,000, rounded)	Price	Value in CZK	% share of fund assets
Publicly traded securities								
Bonds denominated in EUR								
Issue country Italy								
FCA BK(I.BR.) 17/21 MTN	XS1598835822	1.000	0	0	300	98.652	7,684,320.53	2.44
GENERALI 14/20 MTN	XS1014759648	2.875	0	0	400	102.715	10,667,765.76	3.38
SNAM 12/20 MTN	XS0853682069	3.500	0	0	400	104.163	10,818,131.55	3.43
Total issue country Italy							29,170,217.84	9.24
Issue country Sweden								
PZU FINANCE 14/19	XS1082661551	1.375	0	0	200	100.760	5,232,372.09	1.66
Total issue country Sweden							5,232,372.09	1.66
Issue country Spain								
TELEFONICA EM. 09/19 MTN	XS0462999573	4.693	0	300	200	104.395	5,421,144.86	1.72
Total issue country Spain							5,421,144.86	1.72
Total bonds denominated in EUR translated at a rate of 0.03851							39,823,734.79	12.62
Total publicly traded securities							39,823,734.79	12.62

Security designation	ISIN number	Interest rate	Purch./ additions Shares/nominal (nom. in 1,000, rounded)	Sales/ disposals	Holding	Price	Value in CZK	% share of fund assets
Securities admitted to organised markets								
Bonds denominated in EUR								
Issue country Australia								
A.N.Z. BKG GRP 09/19 MTN	XS0450880496	5.125	0	0	400	103.830	10,783,588.60	3.42
Total issue country Australia							10,783,588.60	3.42
Issue country Belgium								
AB INBEV 16/22 MTN	BE6285452460	0.875	200	0	200	100.800	5,234,434.71	1.66
Total issue country Belgium							5,234,434.71	1.66
Issue country Denmark								
CARLSBERG BREW. 12/19 MTN	XS0800572454	2.625	0	0	300	101.595	7,913,599.28	2.51
Total issue country Denmark							7,913,599.28	2.51
Issue country France								
BNP PARIBAS 16/22 MTN	XS1394103789	0.750	200	0	200	100.952	5,242,342.72	1.66
BPCE 17/23 MTN	FR0013231743	1.125	200	0	200	100.318	5,209,410.87	1.65
BQUE F.C.MTL 16/19 MTN	XS1379128215	0.250	0	0	300	100.200	7,804,937.72	2.47
CASINO 12/19 MTN	FR0011301480	4.407	0	0	200	101.425	5,266,904.91	1.67
COMP.DE ST.-GOBAIN 12/21	XS0791007734	3.625	0	0	200	108.220	5,619,746.78	1.78
CREDIT AGRIL.LN 13/20 MTN	XS0997520258	2.375	0	0	500	104.652	13,586,199.97	4.31
EL. FRANCE 12-23 MTN	FR0011318658	2.750	200	0	200	109.260	5,673,758.97	1.80
MFINANCE FRANCE 16/20 MTN	XS1496343986	1.398	0	0	400	101.299	10,520,728.89	3.33
ORANGE 10/21 MTN	XS0563306314	3.875	0	0	300	108.010	8,413,305.35	2.67
PERNOD-RICARD 14/20	FR0011798115	2.000	0	0	400	103.059	10,703,513.73	3.39
RENAULT 14/21 MTN	FR0011769090	3.125	0	0	200	105.208	5,463,373.84	1.73
SOC GENERALE 13/20 MTN	XS0876828541	2.250	0	0	200	102.680	5,332,080.55	1.69
Total issue country France							88,836,304.30	28.15
Issue country Great Britain								
FCE BANK PLC 14/19 MTN	XS1035001921	1.875	0	0	200	100.655	5,226,919.53	1.66
IMPER.BRANDS FIN.11/19MTN	XS0715437140	5.000	0	0	400	104.878	10,892,452.42	3.45
NM PLC 10/20 MTN	XS0496481200	5.500	0	0	300	106.724	8,313,153.41	2.63
SANTANDER UK 14/19 FLR	XS1070235004	0.309	0	0	300	100.160	7,801,821.97	2.47
Total issue country Great Britain							32,234,347.33	10.22
Issue country Netherlands								
BMW FIN. NV 18/21 MTN	XS1873143561	0.125	200	0	200	99.160	5,149,264.82	1.63
DAIMLER INTL FIN.18/21MTN	DE000A194DC1	0.250	200	0	200	99.363	5,159,848.22	1.64
DT.TELEK.INTL F.13/21 MTN	XS0875796541	2.125	200	0	200	104.325	5,417,478.41	1.72
HDLBGCEM.FIN.LU.NTS 10/20	XS0478803355	7.500	0	0	200	109.566	5,689,669.77	1.80
ING BK NV 14/19 MTN	XS1080078428	1.250	0	0	300	101.396	7,898,114.29	2.50
RABOBK NEDERLD 12/22 MTN	XS0728812495	4.000	0	0	300	111.601	8,692,997.09	2.75
REPSOL INTL F. 13/21 MTN	XS0975256685	3.625	0	0	200	109.403	5,681,207.15	1.80
VOLKSWAGEN INTL 13/20 MTN	XS0873793375	2.000	0	400	300	101.876	7,935,504.51	2.51
Total issue country Netherlands							51,624,084.26	16.36

ESPA ČESKÝ FOND FIREMNÍCH DLUHOPISŮ

Security designation	ISIN number	Interest rate	Purch./ additions	Sales/ disposals	Holding	Price	Value in CZK	% share of fund assets
					Shares/nominal (nom. in 1,000, rounded)			
Issue country Sweden								
ENERGA FIN. 13/20 MTN	XS0906117980	3.250	0	0	200	103.731	5,386,655.40	1.71
Total issue country Sweden							5,386,655.40	1.71
Issue country Spain								
BANCO SANTANDER 13/20	XS0877984459	4.000	0	0	400	104.514	10,854,627.55	3.44
IBERDROLA FIN. 10/20 MTN	XS0494868630	4.125	0	0	300	105.370	8,207,647.84	2.60
Total issue country Spain							19,062,275.39	6.04
Issue country Czech Republic								
CEZ AS 10/20 MTN	XS0521158500	4.500	0	200	400	106.809	11,092,981.68	3.52
Total issue country Czech Republic							11,092,981.68	3.52
Issue country USA								
BANK AMERI. 14/21 MTN	XS1107731702	1.375	200	0	200	102.821	5,339,377.11	1.69
Total issue country USA							5,339,377.11	1.69
Total bonds denominated in EUR translated at a rate of 0.03851							237,507,648.06	75.27
Total securities admitted to organised markets							237,507,648.06	75.27
Forward exchange agreements							Unrealised result in CZK	
Forward exchange agreements denominated in EUR								
Issue country Austria								
FXF SPEST EUR/CZK 07.12.2018	FXF_TAX_3443848				-11,100,000		314,990.16	0.10
Total issue country Austria							314,990.16	0.10
Total forward exchange agreements denominated in EUR translated at a rate of 0.03851							314,990.16	0.10
Total forward exchange agreements							314,990.16	0.10
Swaps							Unrealised result in CZK	
Swaps denominated in EUR								
Issue country Austria								
IRSW 77535, VAR/FIX 900	IRSW00077535				4,000,000		-3,548,055.36	-1.12
Total issue country Austria							-3,548,055.36	-1.12
Total swaps denominated in EUR translated at a rate of 0.03851							-3,548,055.36	-1.12
Total swaps							-3,548,055.36	-1.12

Breakdown of fund assets

Securities			277,331,382.85	87.89
Forward exchange agreements			314,990.16	0.10
Swaps			-3,548,055.36	-1.12
Cash in banks			40,712,644.45	12.90
Interest entitlements			872,924.56	0.28
Other deferred items			-140,904.70	-0.04
Fund assets			315,542,981.96	100.00

Dividend shares outstanding	AT0000659008	shares	28,475.378
Share value for dividend share	AT0000659008	CZK	76.58
Non-dividend shares outstanding	AT0000659016	shares	0.000
Share value for non-dividend share	AT0000659016	CZK	106.80
KEST-exempt non-dividend shares outstanding	AT0000659024	shares	2,703,937.049
Share value for KEST-exempt non-dividend share	AT0000659024	CZK	115.89

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 permitted to engage in repurchase agreements pursuant to Regulation (EU) No. 2015/2365 (Regulation on Transparency of Securities Financing Transactions and of Reuse). No repurchase agreements were entered into during the reporting period.

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	Interest rate	Purch./ additions	Sales/ disposals
Shares/nominal (nom. in 1,000, rounded)				
Publicly traded securities				
Bonds denominated in EUR				
Issue country USA				
CITIGROUP INC. 04/19 MTN	XS0197646218	5.000	0	300
Bonds denominated in CZK				
Issue country Czech Republic				
CESKE DRAHY 13-18 FLR	CZ0003510885	2.560	0	20,000
Securities admitted to organised markets				
Bonds denominated in EUR				
Issue country Germany				
COBA 15/19 S.854	DE000CZ40K31	0.625	0	400
DAIMLER AG.MTN 16/19	DE000A2AAL23	0.500	0	300
Issue country Ireland				
GE CAP.EURO.FUND.13/20MTN	XS0954025267	2.250	0	300
Issue country Switzerland				
CS AG LDN 14/19 MTN	XS1074053130	1.375	0	700
Issue country Spain				
NATURGY CM 10/20 MTN	XS0479542580	4.500	0	500
Issue country USA				
JPMORGAN CHASE 12/19 MTN	XS0856977144	1.875	0	300

Security designation	ISIN number	Interest rate	Purch./ additions	Sales/ disposals
Unlisted securities				
Bonds denominated in EUR				
Issue country Germany				
CONTINENTAL MTN 13/18	XS0953199634	3.000	0	400

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]).