

Raiffeisen-
EmergingMarkets-LocalBonds
in Hungary registered as
Raiffeisen-FeltörekvőPiaci-LokálisKötvény Alap

Annual fund report

Financial year 2010-2011

Note:

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

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Report for the financial year from 1 February 2010 to 31 January 2011

The fund invests in emerging markets bonds denominated in local currencies and seeks long-term outperformance of investments in traditional, established bond markets. It aims to realize additional income through active strategies which are independent of one another. The fund mainly relies on fundamental research; quantitative models are used as a tool to assist decision-making. The fund focuses on government bonds but may also feature corporate bonds and securities issued by supranational issuers. It is highly suitable as a means of diversification for a globally oriented bond portfolio. The fund is intended for investors seeking to take advantage of the greater opportunities provided by emerging markets bonds and currencies while realizing that this entails higher levels of risk.

General fund information

Tranche	Launch date	ISIN
ISIN income-distributing (A)	1/2/2010	AT0000A0G272
ISIN income-retaining (T)	1/2/2010	AT0000A0FXL8
ISIN full income-retaining (outside Austria) (V)	1/2/2010	AT0000A0FXM6
ISIN savings fund income-retaining (T)	27/4/2010	AT0000A0HK46

Fund characteristics

Fund currency:	EUR
Financial year:	1 February – 31 January
Distribution/payment/reinvestment date:	1 April
EU directive compliance:	EU directive-compliant (public fund investing pursuant to § 20 of the Austrian Investment Fund Act)
Fund type:	Target fund (up to 10 % subfunds)
Target group:	Public fund
Custodian bank:	Raiffeisen Bank International AG ¹
Asset 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 GmbH

¹ On 10 October 2010 Raiffeisen Bank International AG assumed the commercial customer business previously handled by Raiffeisen Zentralbank Österreich AG (including its custodian bank function) by way of universal succession.

Specific fund information during the financial year

Change of custodian bank: to 9 October 2010: Raiffeisen Zentralbank Österreich AG

Legal notice

The current version of the published prospectus (excluding special funds) – plus any amendments since its initial publication – is available to potential investors at www.rcm.at.

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 unit holder,

Raiffeisen Kapitalanlage-Gesellschaft m. b. H. is pleased to present its annual fund report for Raiffeisen-EmergingMarkets-LocalBonds for the financial year from 1 February 2010 to 31 January 2011.

Fund details in EUR

	1/2/2010	31/1/2011
Fund assets	45,873,100.00	83,395,017.72
Net asset value/unit (A)	100.00	112.63
Issue price/unit (A)	104.00	117.14
Net asset value/unit (T)	100.00	112.64
Issue price/unit (T)	104.00	117.15
Net asset value/unit (V)	100.00	112.63
Issue price/unit (V)	104.00	117.14
		1/4/2011
Distribution/unit (A)		6.41
Outpayment/unit (T)		1.63
Reinvestment/unit (T)		10.05
Reinvestment/unit (V)		11.68

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

Units in circulation

	A	T	V
Sales	36,139.734	1,133,574.904	43,976.963
Repurchases	- 147.000	- 472,292.694	- 909.328
Units in circulation	35,992.734	661,282.210	43,067.635
Total units in circulation on 31/1/2011			740,342.579

Fund details since start of the fund in EUR

The performance calculation assumes wholesale reinvestment of distributed/paid-out amounts at their net asset value on the distribution/payment date. Pursuant to the terms of the 2007 Austrian Securities Supervision Act, no indication is provided for a performance of less than twelve months. We apologize for any inconvenience.

Distributed units	31/1/2011
Total fund assets	83,395,017.72
Net asset value/unit	112.63
Distribution	6.41
Performance as %	12.63

Reinvested units	31/1/2011
Total fund assets	83,395,017.72
Net asset value/unit	112.64
Amount used for reinvestment	10.05
Outpayment as per § 13 (3) InvFG	1.63
Performance as %	12.63

Fully reinvested units	31/1/2011
Total fund assets	83,395,017.72
Net asset value/unit	112.63
Amount used for full reinvestment	11.68
Performance as %	12.63

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). Individual costs such as the subscription and redemption fees, other fees, commission and other charges are not included in the performance calculation. They would lead to a reduced performance. Past results do not permit any inferences as to the future performance of an investment fund. Note for investors whose domestic currencies differ from the fund's currency: We would like to point out that the yield may rise or fall due to currency fluctuations.

Development of the fund assets and income statement in EUR

Performance in financial year (fund performance)

Distributed units		
Net asset value per unit at start of financial year		100.00
Net asset value per unit at end of financial year		112.63
Net income/net reduction per unit		12.63
Reinvested units		
Net asset value per unit at start of financial year		100.00
Net asset value per unit at end of financial year		112.64
Net income/net reduction per unit		12.64
Fully reinvested units		
Net asset value per unit at start of financial year		100.00
Net asset value per unit at end of financial year		112.63
Net income/net reduction per unit		12.63
Performance of one unit during the financial year as %		12.63

Development of fund assets

Issuance of units	130,434,558.15	
Redemption of units	- 54,612,883.71	
Pro rata income adjustment	- 620,949.91	75,200,724.53
Overall fund result		8,194,293.19
Fund assets on 31/1/2011 (740,342.579 units)		83,395,017.72

Fund result in EUR

A. Realized fund result

Ordinary fund result

Income (excl. closing price)		
Interest income	5,489,764.53	
Interest expenses	- 7,149.38	
Other income (incl. tax reclaim)	884.73	5,483,499.88
Expenses		
Management fees	- 973,310.12	
Custodian bank fees	- 36,420.69	
Custodian fees	- 80,780.50	
Other fees	- 7,197.24	- 1,097,708.55
Ordinary fund result (excl. income adjustment)		4,385,791.33
Realized closing price		
Profits realized from securities	3,007,533.43	
Profits realized from derivative instruments	4,365,853.40	
Losses realized from securities	- 227,228.47	
Losses realized from derivative instruments	- 3,500,702.00	
Realized closing price (excl. income adjustment)		3,645,456.36
Realized fund result (excl. income adjustment)		8,031,247.69

B. Unrealized closing price

Change in unrealized closing price		- 457,904.41
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C. Income adjustment

Income adjustment for income during financial year		620,949.91
Overall fund result		8,194,293.19

Appropriation of fund result in EUR

Distribution (EUR 6.41 x 35,992.734 distributing units)		230,713.42
Outpayment as per § 13 clause 3 InvFG (EUR 1.63 x 661,282.210 reinvested units)		1,077,890.00
Reinvested amount (reinvestment)		6,648,925.32
Reinvested amount (full reinvestment)		502,947.03
Total		8,460,475.77
Realized fund result (incl. income adjustment)		8,652,197.60
Profit carryover into following period		- 191,721.83
Total		8,460,475.77

Capital market report

2011 started out in pretty much the same way as 2010 had ended. However, the long-running issue of the Eurozone debt crisis faded slightly in prominence from the point of view of the capital markets. Yields on benchmark government bonds subsequently rose again slightly. Equities continued with their upward trend in this environment.

While in October and November 2010 market events had been dominated by fears over the credit worthiness of Ireland and subsequently also Portugal and Spain, the European Central Bank (ECB) was finally able to ease the situation through increased purchasing of bonds issued by these governments on the secondary market. The yield markups of Portugal and Spain fell significantly. Conversely, from December benchmark government bonds came under selling pressure. On the one hand, they had been previously considered a "safe haven" during the debt crisis, on the other their prices suffered in the context of the significantly improved economic outlook, particularly for the USA. This was due to the agreement reached between president Obama and the Republicans to extend Bush-era tax cuts until 2012. The additional support for the unemployed was also extended and further economy-boosting measures such as a reduction in social insurance contributions and investment incentives were approved. Fears of a fallback into recession in the USA were thus finally a thing of the past. At the same time Europe – and Germany in particular – continually yielded good news. In January the IFO index – one of the key upstream indicators for the German economy – rose to its highest ever level, 110.3 points. While the economic outlook remains subdued for the peripheral Eurozone countries, economic expectations have nonetheless also improved for the Eurozone.

Corporate bonds also recorded yield rises, but yield markups on government bonds were hardly changed or even tightened slightly. In a context of continuing high liquidity, relatively strong stock markets and increasing risk propensity, corporate bonds remained in strong demand. Default rates which continued to fall provided the fundamental justification for this. In global terms they are now at just 2.8 % and should decline further toward the 1.5 % mark.

The key global stock markets once again realized strong gains at the start of the year. Most of them are now at their highest level since the early summer of 2008. Investors were won over by improved economic expectations in connection with continuing strong liquidity and company results which were as positive as before. Nor do the valuation parameters look exaggerated so far. However, the emerging markets stock markets lagged behind the developed stock markets in this period. Investors were unsettled by initial interest-rate hikes in China as well as other measures which were intended to calm the real estate market. Stock indexes in India and Brazil even suffered quite significant setbacks in January.

In terms of currencies, the euro made up for some of the ground which it had previously lost against the US dollar at the start of the year. Not only is the debt crisis in the Eurozone figuring slightly less prominently in discussion, market participants (and ratings agencies) are also mindful of the fact that the USA is highly indebted. The euro also achieved something of a recovery against the Japanese yen and the Swiss franc from the start of the year onward.

Fund investment policy report

Following a strong growth phase up to the summer of 2010 and a slight dip in the 2nd half of the year, global growth rates have resumed their upward trajectory. Emerging markets consistently maintained their inflation and growth differential versus developed markets, which buoyed emerging markets bonds denominated in local currencies.

Emerging markets currencies benefited from high interest rate levels and also realized strong gains against the euro due to the Eurozone crisis during the period under review. In addition, the local bond markets benefited from globally low interest rate levels, although interest rate expectations rose over the course of the year in the local emerging markets bond markets. The euro's strong performance also resulted in slight losses from the start of the year.

Asian central banks' tightening of monetary policy in response to rising inflation rates due to commodities prices and wage pressure will already entail a slight growth downturn in the 1st half of 2011. In particular, China's minimum reserve and interest rate increases are making themselves felt. However, the region's strong growth trend in absolute terms remained intact and this supported its currencies.

In 2010-2011 Latin America is benefiting from rising commodities prices and the positive global growth outlook. However, interest-rate increases are also having an effect here and for the time being output and consumer data are stagnating at high levels. Eastern Europe's growth prospects have improved in line with those of the Eurozone, which suggests further interest-rate hikes in the context of this region's current inflation trend.

While the overweighting of the Mexican peso versus the intervention-prone Brazilian real contributed negatively to the fund's relative performance, the underweighting of Hungary versus Poland and Turkey had a positive impact on the overall performance. Though an overweighting of Russia developed positively, the overweighting of the TRY versus the ZAR unfortunately had a negative effect on the fund's performance in relative terms.

Since March 2010 two FX models have been used. Both models – an MACD and an interest-rate differential model – registered strongly positive yield growth in relation to the benchmark up to the cut-off date. The fund maintained its shorter durations in Turkey, Mexico and Indonesia.

The delayed establishment of local depositories in Indonesia and Brazil and their non-establishment in Colombia and Peru provided a negative contribution to the fund's performance in relative terms in 2010, but a positive one in 2011. The fund hedged the corresponding currency risk through futures contracts and continues to do so.

The current trend remains strongly influenced by the general risk sentiment. Accordingly, the extent to which the emerging markets will succeed in maintaining balanced growth despite rising inflation rates remains to be seen.

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

Makeup of fund assets in EUR

Securities	Market value	%
Bonds:		
MXN	8,535,868.93	10.24
THB	8,006,793.35	9.60
ZAR	7,678,622.08	9.21
PLN	7,599,600.56	9.11
IDR	7,289,984.96	8.74
BRL	6,830,871.50	8.19
TRY	6,687,666.22	8.02
MYR	6,508,632.89	7.81
HUF	6,224,600.01	7.46
USD	2,201,834.86	2.64
RUB	859,002.03	1.03
CZK	850,515.02	1.02
Total securities	69,273,992.41	83.07
Derivative products		
Valuation of forward exchange transactions	- 300,592.36	- 0.36
Bank balances		
Bank balances in fund currency	10,326,691.88	12.38
Bank balances in foreign currency	2,603,499.69	3.12
Total bank balances	12,930,191.57	15.50
Accruals and deferrals		
Interest claims (on securities and bank balances)	1,491,426.10	1.79
Fund assets	83,395,017.72	100.00

Portfolio of investments in EUR

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

ISIN	SECURITY TITLE	VOLUME 31/1/2011	PURCHASES ADDITIONS IN PERIOD UNDER REVIEW	SALES DISPOSALS	PRICE	MARKET VALUE IN EUR	% SHARE OF FUND ASSETS
BONDS IN BRAZILIAN REAL							
BRSTNCLTN6I4	0.0000 BRAZIL 10-01.07.12 ZO	250,000	300,000	50,000	843.429200	920,533.05	1.10
BRSTNCNTF0G9	10.0000 BRAZIL 2017 F	2,620,000	3,450,000	830,000	89.379760	1,022,330.27	1.23
BRSTNCNTF063	10.0000 BRAZIL 2012	3,450,000	10,200,000	6,750,000	98.019260	1,476,322.57	1.77
BRSTNCNTF0J3	10.0000 BRAZIL 07/13	6,750,000	7,500,000	750,000	95.420660	2,811,880.97	3.37
US105756BN96	10.2500 BRAZIL 07/28	500,000	500,000		100.250000	218,829.13	0.26
US105756BL31	12.5000 BRAZIL 06/22	750,000	750,000		116.355000	380,975.51	0.46
BONDS IN CZECH CROWNS							
CZ0001002737	3.4000 CZECH REP. 2015	7,800,000	7,800,000		101.250000	324,739.41	0.39
CZ0001001887	3.5500 CZECH REP. 201250	8,600,000	8,600,000		103.100000	364,588.09	0.44
CZ0001001317	3.7500 CZECH REP. 202046	4,000,000	4,000,000		98.000000	161,187.52	0.19
BONDS IN HUNGARIAN FORINT							
HU0000402193	5.5000 HUNGARY 03-14 14/C	340,000,000	640,000,000	300,000,000	96.279915	1,197,993.45	1.43
HU0000402417	6.0000 HUNGARY 07-12 12/C	230,000,000	1,065,000,000	835,000,000	99.184582	834,856.50	1.00
HU0000402433	6.5000 HUNGARY 08-19 19/A	300,000,000	565,000,000	265,000,000	94.932425	1,042,259.01	1.25
HU0000402375	6.7500 HUNGARY 06-17 17/B	505,000,000	925,000,000	420,000,000	97.835809	1,808,127.49	2.17
HU0000402235	7.5000 HUNGARY 04-20 20/A	5,000,000	5,000,000		101.181724	18,514.50	0.02
HU0000402466	7.5000 HUNGARY 09-13 13/E	183,000,000	233,000,000	50,000,000	101.742536	681,386.43	0.82
HU0000402268	8.0000 HUNGARY 04-15 15/A	170,000,000	185,000,000	15,000,000	103.105684	641,462.63	0.77
BONDS IN INDONESIAN RUPIAH							
IDG000005802	9.5000 INDONESIA 2015 FR27	18,300,000,000	25,300,000,000	7,000,000,000	104.750000	1,558,306.86	1.87
IDG000007709	10.0000 INDONESIA 2024 FR44	16,000,000,000	20,000,000,000	4,000,000,000	102.750000	1,336,440.64	1.60
IDG000008004	10.0000 INDONESIA 2028 FR47	16,500,000,000	20,000,000,000	3,500,000,000	99.625000	1,336,288.22	1.60
IDG000005406	11.0000 INDONESIA 2012 FR23	11,850,000,000	18,000,000,000	6,150,000,000	105.900000	1,020,145.63	1.22
IDG000006206	11.0000 INDONESIA 2020 FR31	22,000,000,000	38,000,000,000	16,000,000,000	114.000000	2,038,803.61	2.45
BONDS IN MEXICAN PESOS							
MXOMGO0000D8	7.5000 MEXICO 2027	10,000,000	12,000,000	2,000,000	97.223822	588,459.59	0.71
MXOMGO0000G1	8.5000 MEXICO 2018	53,350,000	73,350,000	20,000,000	109.805972	3,545,719.19	4.25
MXM0GO000011	9.0000 MEXICO 2012	17,500,000	41,400,000	23,900,000	106.555415	1,128,645.43	1.35
MXOMGO000060	9.5000 MEXICO 2014	38,100,000	66,100,000	28,000,000	111.570505	2,572,872.87	3.09
MXOMGO0000B2	10.0000 MEXICO 2036	9,650,000	10,650,000	1,000,000	119.876314	700,171.85	0.84
BONDS IN MALAYSIAN RINGGIT							
MYBMX0700034	3.5020 MALAYSIA 2027 3/07	3,000,000	3,350,000	350,000	85.900000	619,002.44	0.74
MYBMN03003V4	3.7020 MALAYSIA 2013 3/03	8,250,000	9,550,000	1,300,000	100.919000	1,999,884.10	2.40
MYBMJ0900047	3.7410 MALAYSIA 2015 0409	8,150,000	15,200,000	7,050,000	100.725000	1,971,845.24	2.37
MYBMO0900021	4.3780 MALAYSIA 2019 0902	7,300,000	9,300,000	2,000,000	102.100000	1,790,303.02	2.15
MYBMX0800032	5.2480 MALAYSIA 2028 0308	500,000	500,000		106.242000	127,598.09	0.15
BONDS IN POLISH ZLOTY							
PL0000104659	4.7500 POLAND 06/12	1,550,000	16,850,000	15,300,000	100.250000	394,084.45	0.47
PL0000102836	5.0000 POLAND 02/13 1013	5,250,000	7,250,000	2,000,000	99.700000	1,327,479.08	1.59
PL0000105037	5.2500 POLAND 07-13	9,900,000	11,400,000	1,500,000	100.450000	2,522,077.10	3.03
PL0000104543	5.2500 POLAND 06/17	2,200,000	6,700,000	4,500,000	96.000000	535,632.77	0.64
PL0000105441	5.5000 POLAND 08-19	3,750,000	11,750,000	8,000,000	95.050000	903,975.40	1.08
PL0000105953	5.5000 POLAND 09-15	2,950,000	2,950,000		99.300000	742,924.17	0.89
PL0000105433	5.7500 POLAND 08-14	1,950,000	5,750,000	3,800,000	101.150000	500,234.59	0.60
PL0000102646	5.7500 POLAND 02/22 0922	2,800,000	4,450,000	1,650,000	94.800000	673,193.00	0.81
BONDS IN RUSSIAN RUBLES							
RU000A0JPLJ1	6.1000 RUSSIAN FED. 08-13	5,000,000	10,000,000	5,000,000	99.084374	122,038.02	0.15
RU000A0DY8K8	7.0000 RUSSIAN FED. 05/16	15,000,000	15,000,000		95.558800	353,087.15	0.42
RU000A0JQCL4	11.2000 RUSSIAN FED. 09-14	13,700,000	17,500,000	3,800,000	113.750000	383,876.86	0.46

ISIN	SECURITY TITLE	VOLUME 31/1/2011 UNITS/NOM.	PURCHASES ADDITIONS IN PERIOD UNDER REVIEW UNITS/NOM.	SALES DISPOSALS UNITS/NOM.	PRICE	MARKET VALUE IN EUR	% SHARE OF FUND ASSETS
BONDS IN THAI BAHT							
TH062303P508	3.6250 THAILD 09/15	55,000,000	77,000,000	22,000,000	100.899000	1,311,961.20	1.57
TH062303N305	4.2500 THAILD 07/13	48,150,000	81,150,000	33,000,000	102.592910	1,167,844.66	1.40
TH0623A3S305	5.1250 THAILD 07/18	76,500,000	112,500,000	36,000,000	109.069000	1,972,578.10	2.37
TH0623A3O502	5.2500 THAILD 07/14	43,500,000	86,000,000	42,500,000	105.868000	1,088,743.07	1.30
TH0623033303	5.5000 THAILD 2023	21,000,000	30,000,000	9,000,000	113.469000	563,336.59	0.68
TH062303B302	5.6700 THAILD 07/28	26,000,000	29,000,000	3,000,000	117.319000	721,129.30	0.86
TH0623031307	5.8500 THAILD 06/21	43,000,000	50,000,000	7,000,000	116.194000	1,181,200.43	1.42
BONDS IN US DOLLARS							
US195325BL83	7.3750 COLOMBIA 09/19	2,500,000	2,500,000		120.000000	2,201,834.86	2.64
BONDS IN SOUTH AFRICAN RAND							
ZAG000030404	6.2500 SOUTH AFR. 2036 209	3,700,000	15,700,000	12,000,000	75.705600	286,408.85	0.34
ZAG000030396	6.7500 SOUTH AFR. 2021 208	13,000,000	33,000,000	20,000,000	87.564670	1,163,935.66	1.40
ZAG000024738	7.2500 SOUTH AFR. 2020 207	25,150,000	31,850,000	6,700,000	91.744910	2,359,264.72	2.83
ZAG000024720	7.5000 SOUTH AFR. 2014 206	5,400,000	10,900,000	5,500,000	100.362320	554,142.11	0.67
ZAG000016320	10.5000 SOUTH AFR. 2026 186 21.12	10,600,000	15,100,000	4,500,000	115.512530	1,251,963.50	1.50
ZAG000010547	13.5000 SOUTH AFR. 2016 157 15.09	16,600,000	31,400,000	14,800,000	121.538790	2,062,907.24	2.47
BONDS IN TURKISH LIRA							
TRT100413T17	10.0000 TURKEY 10/13	2,150,000	2,900,000	750,000	103.375000	1,013,873.37	1.22
TRT170615T16	10.0000 TURKEY 10-15	1,500,000	2,950,000	1,450,000	102.925000	704,274.34	0.84
TRT090113T13	10.0000 TURKEY 10/13	2,100,000	2,400,000	300,000	103.375000	990,294.92	1.19
TRT060814T18	11.0000 TURKEY 09/14	1,700,000	2,700,000	1,000,000	106.750000	827,840.25	0.99
TRT260912T15	14.0000 TURKEY 07/12	900,000	2,600,000	1,700,000	108.770000	446,561.59	0.53
TRT070312T14	16.0000 TURKEY 07/12	4,750,000	5,950,000	1,200,000	108.750000	2,356,419.50	2.83
TRT280813T13	16.0000 TURKEY 08/13	650,000	750,000	100,000	117.500000	348,402.25	0.42
TOTAL SECURITIES PORTFOLIO					EUR	69,273,992.41	83.07
FORWARD EXCHANGE TRANSACTIONS IN BRAZILIAN REAL							
DTG000828	NDF BRL EUR AS OF 18/3/2011	3,800,000			2.311296	-34,123.83	-0.04
DTG001613	NDF BRL EUR AS OF 18/3/2011	600,000			2.311296	280.90	0.00
DTG000835	NDF BRL USD AS OF 18/3/2011	1,900,000			1.697472	-12,226.43	-0.01
FORWARD EXCHANGE TRANSACTIONS IN CHILEAN PESOS							
DTG000550	NDF CLP EUR AS OF 3/2/2011	95,000,000			659.595099	-10,175.51	-0.01
DTG000836	NDF CLP USD AS OF 18/3/2011	-305,000,000			485.821106	3,310.12	0.00
FORWARD EXCHANGE TRANSACTIONS IN CHINESE YUAN							
DTG001472	NDF CNY USD AS OF 25/10/2011	18,700,000			6.821882	-110,789.69	-0.13
FORWARD EXCHANGE TRANSACTIONS IN COLUMBIAN PESOS							
DTG000551	NDF COP EUR AS OF 3/2/2011	10,400,000,000			2,528.314131	-14,816.23	-0.02
DTG001623	NDF COP EUR AS OF 18/3/2011	500,000,000			2,520.455257	218.94	0.00
DTG000837	NDF COP USD AS OF 18/3/2011	-1,100,000,000			1,851.083223	5,606.97	0.01
FORWARD EXCHANGE TRANSACTIONS IN CZECH CROWNS							
DTG001210	DTG CZK USD AS OF 18/3/2011	10,900,000			17.856690	-5,105.73	-0.01
FORWARD EXCHANGE TRANSACTIONS IN EGYPTIAN POUNDS							
DTG000545	NDF EGP EUR AS OF 3/2/2011	1,750,000			7.982339	-9,772.66	-0.01
DTG001359	NDF EGP USD AS OF 21/3/2011	6,500,000			5.862520	-12,714.30	-0.02
FORWARD EXCHANGE TRANSACTIONS IN INDONESIAN RUPIAH							
DTG000858	NDF IDR USD AS OF 18/3/2011	-15,825,000,000			9,098.173657	13,137.50	0.02
DTG001597	NDF IDR USD AS OF 18/3/2011	15,600,000,000			9,098.173657	3,275.58	0.00
FORWARD EXCHANGE TRANSACTIONS IN INDIAN RUPEES							
DTG000865	NDF INR USD AS OF 18/3/2011	-26,000,000			46.221537	9,155.30	0.01

ISIN	SECURITY TITLE	VOLUME 31/1/2011	PURCHASES ADDITIONS IN PERIOD UNDER REVIEW	SALES DISPOSALS	PRICE	MARKET VALUE IN EUR	% SHARE OF FUND ASSETS
FORWARD EXCHANGE TRANSACTIONS IN MALAYSIAN RINGGIT							
DTG000852	NDF MYR EUR AS OF 18/3/2011	8,550,000			4.172942	-50,636.22	-0.06
DTG001615	NDF MYR EUR AS OF 18/3/2011	1,100,000			4.172942	-204.93	0.00
DTG000845	NDF MYR USD AS OF 18/3/2011	-3,450,000			3.064709	15,660.28	0.02
FORWARD EXCHANGE TRANSACTIONS IN PERUVIAN NUEVO SOL							
DTG000570	NDF PEN EUR AS OF 3/2/2011	5,650,000			3.782111	-32,987.07	-0.04
DTG000677	NDF PEN EUR AS OF 3/2/2011	1,350,000			3.782111	-9,366.75	-0.01
FORWARD EXCHANGE TRANSACTIONS IN FILIPINO PESOS							
DTG000554	NDF PHP EUR AS OF 3/2/2011	12,100,000			60.091202	-9,402.98	-0.01
DTG000863	NDF PHP USD AS OF 18/3/2011	-25,200,000			44.205724	4,653.31	0.01
FORWARD EXCHANGE TRANSACTIONS IN POLISH ZLOTY							
DTG001371	DTG PLN USD AS OF 18/3/2011	1,800,000			2.906137	-12,514.46	-0.02
FORWARD EXCHANGE TRANSACTIONS IN RUSSIAN RUBLES							
DTG001328	DTG RUB EUR AS OF 18/3/2011	183,950,000			40.717269	-37,057.04	-0.05
DTG001616	DTG RUB EUR AS OF 18/3/2011	8,000,000			40.717269	143.36	0.00
DTG001221	DTG RUB USD AS OF 18/3/2011	8,250,000			29.903746	-3,460.79	0.00
FORWARD EXCHANGE TRANSACTIONS IN THAI BAHT							
DTG001230	DTG THB USD AS OF 18/3/2011	-34,800,000			31.115680	30,087.29	0.04
FORWARD EXCHANGE TRANSACTIONS IN UKRAINIAN HRYVNIA							
DTG000884	NDF UAH USD AS OF 18/3/2011	9,200,000			7.985979	-17,485.95	-0.02
FORWARD EXCHANGE TRANSACTIONS IN US DOLLARS							
DTG001210	DTG CZK USD AS OF 18/3/2011	-606,769			1.000000	7,781.98	0.01
DTG001371	DTG PLN USD AS OF 18/3/2011	-625,500			1.000000	8,022.20	0.01
DTG000868	DTG RON USD AS OF 18/3/2011	-581,504			1.000000	8,400.41	0.01
DTG001221	DTG RUB USD AS OF 18/3/2011	-275,781			1.000000	3,536.97	0.00
DTG001230	DTG THB USD AS OF 18/3/2011	1,139,489			1.000000	-14,614.25	-0.02
DTG001318	DTG TRY USD AS OF 18/3/2011	-1,098,546			1.000000	14,089.15	0.02
DTG000637	DTG USD EUR AS OF 3/2/2011	-3,000,000			1.362440	43,157.10	0.05
DTG001228	DTG ZAR USD AS OF 18/3/2011	-578,258			1.000000	7,416.30	0.01
DTG000835	NDF BRL USD AS OF 18/3/2011	-1,114,043			1.000000	16,093.47	0.02
DTG000836	NDF CLP USD AS OF 18/3/2011	620,108			1.000000	-8,958.08	-0.01
DTG001472	NDF CNY USD AS OF 25/10/2011	-2,883,533			1.000000	6,309.57	0.01
DTG000837	NDF COP USD AS OF 18/3/2011	590,268			1.000000	-8,527.01	-0.01
DTG001359	NDF EGP USD AS OF 21/3/2011	-1,106,722			1.000000	14,194.00	0.02
DTG000858	NDF IDR USD AS OF 18/3/2011	1,723,340			1.000000	-24,895.38	-0.03
DTG001597	NDF IDR USD AS OF 18/3/2011	-1,718,576			1.000000	-6,172.20	-0.01
DTG000865	NDF INR USD AS OF 18/3/2011	563,884			1.000000	-8,145.87	-0.01
DTG000845	NDF MYR USD AS OF 18/3/2011	1,124,914			1.000000	-16,250.51	-0.02
DTG000863	NDF PHP USD AS OF 18/3/2011	565,276			1.000000	-8,165.98	-0.01
DTG000884	NDF UAH USD AS OF 18/3/2011	-1,146,760			1.000000	21,345.51	0.03
FORWARD EXCHANGE TRANSACTIONS IN SOUTH AFRICAN RAND							
DTG001228	DTG ZAR USD AS OF 18/3/2011	4,050,000			7.227360	-20,544.33	-0.03
FORWARD EXCHANGE TRANSACTIONS IN TURKISH LIRA							
DTG001336	DTG TRY EUR AS OF 18/3/2011	-400,000			2.203729	9,712.35	0.01
DTG001318	DTG TRY USD AS OF 18/3/2011	1,700,000			1.618472	-49,445.09	-0.06
FORWARD EXCHANGE TRANSACTIONS IN NEW ROMANIAN LEI							
DTG000868	DTG RON USD AS OF 18/3/2011	1,870,000			3.136585	2,378.35	0.00
TOTAL FORWARD EXCHANGE TRANSACTIONS ¹					EUR	-300,592.36	-0.36

¹ Price gains and losses as of cut-off date.

	CURRENCY	MARKET VALUE IN EUR	% SHARE OF FUND ASSETS
BANK BALANCES			
EUR BALANCES	EUR	10,326,691.88	
BALANCES IN OTHER EU CURRENCIES			
CZK	EUR	236.54	
PLN	EUR	398,004.71	
BALANCES IN NON-EU CURRENCIES			
HUF	EUR	389,424.05	
MXN	EUR	291,591.93	
RUB	EUR	13,526.31	
USD	EUR	69,316.14	
ZAR	EUR	329,872.50	
TRY	EUR	1,111,527.51	
	EUR	12,930,191.57	15.50
ACCRUALS AND DEFERRALS			
INTEREST CLAIMS	EUR	1,491,426.10	1.79
TOTAL FUND ASSETS	EUR	83,395,017.72	100.00
NET ASSET VALUE PER DISTRIBUTED UNIT	EUR	112.63	
NET ASSET VALUE PER REINVESTED UNIT	EUR	112.64	
NET ASSET VALUE PER FULLY REINVESTED UNIT	EUR	112.63	
DISTRIBUTED UNITS IN CIRCULATION	UNITS	35,992.734	
REINVESTED UNITS IN CIRCULATION	UNITS	661,282.210	
FULLY REINVESTED UNITS IN CIRCULATION	UNITS	43,067.635	

EXCHANGE RATES

FOREIGN CURRENCY ASSETS WERE CONVERTED INTO EUR ON THE BASIS OF THE EXCHANGE RATES APPLICABLE ON 28/1/2011:

CURRENCY	UNIT	PRICE	
BRAZILIAN REAL	1 EUR =	2.290600	BRL
CZECH CROWN	1 EUR =	24.319500	CZK
HUNGARIAN FORINT	1 EUR =	273.250000	HUF
INDONESIAN RUPEE	1 EUR =	12,301.331950	IDR
MEXICAN PESO	1 EUR =	16.521750	MXN
MALAYSIAN RINGGIT	1 EUR =	4.163150	MYR
POLISH ZLOTY	1 EUR =	3.943000	PLN
RUSSIAN RUBLE	1 EUR =	40.595700	RUB
THAI BAHT	1 EUR =	42.298850	THB
TURKISH LIRA	1 EUR =	2.192150	TRY
US DOLLAR	1 EUR =	1.362500	USD
SOUTH AFRICAN RAND	1 EUR =	9.780100	ZAR

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

ISIN		SECURITY TITLE	PURCHASES ADDITIONS	SALES DISPOSALS
BONDS IN MALAYSIAN RINGGIT				
MYBMH0900017	2.5090	MALAYSIA 2012 S.0109	9,800,000	9,800,000
BONDS IN RUSSIAN RUBLES				
RU000A0JPVH4	6.2000	RUSSIAN FED. 08-11	46,000,000	46,000,000
RU000A0JQQE9	7.1500	RUSSIAN FED. 10-13	9,700,000	9,700,000
RU000A0JQCM2	10.8000	RUSSIAN FED. 09-12	57,200,000	57,200,000
RU000A0JQ359	11.9000	RUSSIAN FED. 09-12	8,000,000	8,000,000
BONDS IN US DOLLARS				
US105756BM14	6.0000	BRAZIL 06/17	1,000,000	1,000,000
USY20721AA74	6.7500	INDONESIA 04/14	1,000,000	1,000,000
USY20721AL30	7.7500	INDONESIA 08/38 REGS	1,000,000	1,000,000
US105756BG46	7.8750	BRAZIL 05/15	1,500,000	1,500,000
US195325BD67	8.1250	COLOMBIA 04/24	750,000	750,000
US715638AP79	8.7500	PERU 03/33	710,000	710,000
US715638AN22	9.8750	PERU 03/15	750,000	750,000
US105756AY60	10.0000	BRAZIL 03/11	1,500,000	1,500,000
USY20721AN95	10.3750	INDONESIA 09/14 REGS	1,000,000	1,000,000
USY20721AP44	11.6250	INDONESIA 09/19 REGS	1,000,000	1,000,000
BONDS IN TURKISH LIRA				
TRT190111T13	14.0000	TURKEY 06/11	4,570,000	4,570,000

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

Vienna, 31 March 2011

Raiffeisen Kapitalanlage-Gesellschaft m. b. H.


Dr. Mathias Bauer


Mag. (FH) Dieter Aigner


Mag. Gerhard Aigner

Unqualified audit opinion

Unqualified audit opinion

We have audited the annual fund report including the accounting as of 31 January 2011 issued by Raiffeisen Kapitalanlage-Gesellschaft m. b. H., Vienna, for its fund Raiffeisen-EmergingMarkets-LocalBonds, a jointly owned fund as per § 20 of the Austrian Investment Fund Act, for the financial year from 1 February 2010 to 31 January 2011.

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

The statutory representatives of the asset management company and/or 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 in accordance with § 12 para. 4 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 asset 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 January 2011 for Raiffeisen-EmergingMarkets-LocalBonds, a jointly owned fund as per § 20 of the Austrian Investment Fund Act, complies with the statutory regulations.

Compliance with the Austrian Investment Fund Act and the fund regulations

Pursuant to § 12 (4) 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 asset 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, 31 March 2011

KPMG Austria GmbH, auditing and tax consulting company

Wilhelm Kovsca
Auditor

pp. Franz Frauwallner
Auditor

Tax treatment

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

Fund regulations

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

§ 1 Basic situation

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

§ 2 Fund units

1. Co-ownership of the assets of the investment fund is subdivided into equal fund units. 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, the unit certificates may be issued in several different unit certificate classes. 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.
3. Each purchaser of a unit certificate shall acquire co-ownership of all of the investment fund's assets in the amount of his or her share of the fund units documented in the certificate. Each purchaser of a share of a global certificate shall acquire co-ownership 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 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

4. 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 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 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).
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 website of the issuing asset management company.

§ 7 Redemption

5. 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 a markdown and/or a rounding-off where this is stipulated in the special fund regulations (§ 23). 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

6. 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.
7. 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.
8. The annual fund report and the semi-annual fund report shall be made available for inspection at the offices of the asset management company and the custodian bank.

§ 9 Withdrawal period for income shares

Unit certificate 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-EmergingMarkets-LocalBonds, 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 AG*, Vienna (registered office).

§ 14 Payment and handover offices, unit certificates

9. The payment and handover offices for the unit certificates and the income coupons are Raiffeisen Bank International AG*, Vienna, the regional Raiffeisen banks and Kathrein & Co Privatgeschäftsbank Aktiengesellschaft, Vienna.
2. Income-distributing unit certificates, income-retaining unit certificates with capital gains tax deducted and income-retaining unit certificates without capital gains tax deducted shall be issued for the investment fund.
Income-retaining unit certificates without deducted capital gains tax shall only be sold outside Austria (foreign tranche).
The unit certificates shall be represented by global certificates and – at the discretion of the asset management company – by actual securities. Their issuance may be subject to delays on technical printing grounds.
3. Where the unit certificates are represented by global certificates, the distributions as per § 26 and the outpayments as per § 27 and § 27a shall be accredited by the unit holder's custodian bank.

§ 15 Investment instruments and principles

10. 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.
11. The investment fund's various assets shall be selected in accordance with the following investment principles:
 - **Securities (including securities with embedded derivative instruments)/money market instruments**
The investment fund mainly invests in emerging markets bonds denominated in local currency and/or emerging markets money market instruments structured as bonds and denominated in local currency. This includes bonds with (residual) maturities of up to one year and variable-interest bonds. In addition to the relevant list issued by the World Bank, the definition provided by the MSCI Emerging Market Index and the JPM EMBI Global Diversified Index is used as a basis for "emerging market" classification.
 - **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.
 - **Sight deposits or deposits at notice**
In principle, up to 49 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 100 per cent of the overall net value of the fund assets.
12. 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.
13. 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.

* 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.

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 and 7 InvFG.

§ 16 Stock exchanges and organized markets

14. 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

15. 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 b).
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 49 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

16. Derived financial instruments (derivatives) – including equivalent instruments which are settled in cash and traded on one of the regulated markets indicated in § 16 – may be purchased for the investment fund if the underlying instruments are instruments within the meaning of § 15a or financial indices, interest rates, exchange rates or currencies in which the investment fund is permitted to invest in accordance with its investment principles (§ 15). This also includes instruments for the transfer of the credit risk for the above-mentioned assets.
2. The overall risk associated with the derivatives may not exceed the overall net value of the fund assets. A calculation of this risk must take into consideration the market value of the underlying instruments, the default risk, future market fluctuations and the liquidity period for the positions.
3. The investment fund may purchase derivatives as part of its investment strategy within the limits stipulated in § 20 para. 3 items 5, 6, 7, 8a and 8d of the Austrian Investment Fund Act if the overall risk associated with the underlying instruments does not exceed these investment limits.

§ 19a OTC derivatives

17. Derived financial instruments which are not traded on a stock exchange (OTC derivatives) may be purchased for the investment fund if
 - e) the underlying instruments are in accordance with § 19 item 1,
 - a) the counterparties are supervised institutions belonging to categories licensed by the Austrian Financial Market Authority by regulation,
 - b) 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
 - c) 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.

18. 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.

The subscription fee to cover the company's issuing costs may not exceed 4 per cent.

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 February 1 through to January 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 1.50 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 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. 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 April 1 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. Interim distributions shall be possible.

In any case, from April 1 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 April 1 an amount calculated in accordance with § 13 clause 3 of the Austrian Investment Fund Act 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 income 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)

Income during the accounting year net of costs shall not be distributed. No payout as per § 13 clause 3 InvFG shall occur. April 1 of the following accounting year shall be the key date as per § 13 clause 3 for a failure to make an outpayment of capital gains tax on the annual income.

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.

If these preconditions have not been met as of the outpayment date, the amount calculated as per § 13 clause 3 InvFG shall be paid out by the custodian bank in the form of credit.

§ 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/2/0/2/CH0230/CMS1140105592256/geregelte_maerkte_2008.pdf
 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	Switzerland	SWX Swiss Exchange
2.4	Serbia and Montenegro	Belgrade
2.5	Turkey	Istanbul (for Stock Market, "National Market" only)
2.6	Russia	Moscow (RTS Stock Exchange)

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	Kuala Lumpur
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	Singapore International Monetary Exchange
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, New York Futures Exchange, Pacific Stock Exchange, Philadelphia Stock Exchange, New York Stock Exchange, Boston Options Exchange (BOX)