

Raiffeisen Eastern European Equities
in Hungary registered as
Raiffeisen-KeletEurópa-Részvény Alap

Annual fund report

Financial year 2010-2011

Note:

The unqualified audit opinion was awarded by KPMG Austria GmbH only for the unabridged German version.

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

The fund invests in the emerging markets of Central and Eastern Europe, particularly Russia and Turkey. Investors benefit from these countries' growth potential as well as their attractive equity valuations. This fund is suitable for investors who wish to benefit from the growth and opportunities in Europe's emerging markets but are also aware of their price and currency fluctuations.

General fund information

Tranche	Launch date	ISIN
ISIN income-distributing (R) (A)	21/2/1994	AT0000936513
ISIN income-retaining (R) (T)	17/5/1999	AT0000805460
ISIN full income-retaining (outside Austria) (R) (V)	26/5/1999	AT0000785241
ISIN full income-retaining (outside Austria) (I) (V)	4/1/2010	AT0000A0EY50
ISIN savings fund income-distributing (R) (A)	21/2/1994	AT0000939111
ISIN savings fund income-retaining (R) (T)	17/5/1999	AT0000805478

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 Eastern European Equities for the financial year from 1 February 2010 to 31 January 2011.

Fund details in EUR

	31/1/2010	31/1/2011
Fund assets	561,977,125.79	638,264,350.73
Net asset value/unit (R) (A)	238.58	285.59
Issue price/unit (R) (A)	250.51	299.87
Net asset value/unit (R) (T)	256.62	308.56
Issue price/unit (R) (T)	269.45	323.99
Net asset value/unit (R) (V)	267.80	322.28
Issue price/unit (R) (V)	281.19	338.39
Net asset value/unit (I) (V)	267.80	326.11
Issue price/unit (I) (V)	281.19	342.42
	1/4/2010	1/4/2011
Distribution/unit (R) (A)	1.48	2.86
Outpayment/unit (R) (T)	0.23	0.00
Reinvestment/unit (R) (T)	0.00	20.87
Reinvestment/unit (R) (V)	0.00	21.81
Reinvestment/unit (I) (V)	1.90	25.13

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

Units in circulation

	(R) A	(R) T	(R) V	(I) V
Units in circulation on 31/1/2010	475,084.196	1,042,876.970	675,885.584	10.000
Sales	78,520.169	178,164.679	130,316.585	7,059.400
Repurchases	- 65,424.925	- 226,409.391	- 217,804.804	- 10.000
Units in circulation	488,179.440	994,632.258	588,397.365	7,059.400
Total units in circulation on 31/1/2011				2,078,268.463

Fund details in EUR for last 5 financial years

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.

Distributing units (R)	31/1/2007	31/1/2008	31/1/2009	31/1/2010	31/1/2011
Total fund assets	1,310,113,249.33	1,019,399,964.72	261,880,569.60	561,977,125.79	638,264,350.73
Net asset value/unit	320.11	322.94	113.96	238.58	285.59
Distribution	2.65	4.20	1.75	1.48	2.86
Performance as %	10.97	1.71	- 64.21	112.42	- ¹

Reinvested units (R)	31/1/2007	31/1/2008	31/1/2009	31/1/2010	31/1/2011
Total fund assets	1,310,113,249.33	1,019,399,964.72	261,880,569.60	561,977,125.79	638,264,350.73
Net asset value/unit	340.15	343.19	121.13	256.62	308.56
Amount used for reinvestment	45.42	71.51	0.00	0.00	20.87
Outpayment as per § 13 (3) InvFG	2.78	4.40	0.35	0.23	0.00
Performance as %	10.97	1.71	- 64.21	112.42	20.34

Fully reinvested units (R)	31/1/2007	31/1/2008	31/1/2009	31/1/2010	31/1/2011
Total fund assets	1,310,113,249.33	1,019,399,964.72	261,880,569.60	561,977,125.79	638,264,350.73
Net asset value/unit	346.30	352.21	126.07	267.80	322.28
Amount used for full reinvestment	49.25	77.74	0.00	0.00	21.81
Performance as %	10.97	1.71	- 64.21	112.42	20.34

Fully reinvested units (I)	31/1/2010	31/1/2011
Total fund assets	561,977,125.79	638,264,350.73
Net asset value/unit	267.80	326.11
Amount used for full reinvestment	1.90	25.13
Performance as %	-	21.77

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.

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

Development of the fund assets and income statement in EUR

Performance in financial year (fund performance)

Distributing units (R)	
Net asset value per unit at start of financial year	238.58
Distribution on 1/4/2010 (net asset value: EUR 258.42) of EUR 1.48, corresponds to 0.005727 units	
Net asset value per unit at end of financial year	285.59
Total value incl. units purchased through distribution (1.005727 x 285.59)	287.23
Net income/net reduction per unit	48.65
Reinvested units (R)	
Net asset value per unit at start of financial year	256.62
Outpayment on 1/4/2010 (net asset value: EUR 280.72) of EUR 0.23, corresponds to 0.000819 units	
Net asset value per unit at end of financial year	308.56
Total value incl. units purchased through outpayment (1.000819 x 308.56)	308.81
Net income/net reduction per unit	52.19
Fully reinvested units (R)	
Net asset value per unit at start of financial year	267.80
Net asset value per unit at end of financial year	322.28
Net income/net reduction per unit	54.48
Performance of one unit during the financial year as %	20.34¹
Fully reinvested units (I)	
Net asset value per unit at start of financial year	267.80
Net asset value per unit at end of financial year	326.11
Net income/net reduction per unit	58.31
Performance of one unit during the financial year as %	21.77

Development of fund assets

Fund assets on 31/1/2010 (2,193,856.750 units)	561,977,125.79
Distribution on 1/4/2010 (EUR 1.48 x 505,605.867 distributing units (R))	- 748,296.68
Outpayment on 1/4/2010 (EUR 0.23 x 1,056,782.217 reinvested units (R))	- 243,059.91
Issuance of units	108,355,673.08
Redemption of units	- 143,497,985.71
Pro rata income adjustment	371,554.86 - 34,770,757.77
Overall fund result	112,049,339.30
Fund assets on 31/1/2011 (2,078,268.463 units)	638,264,350.73

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

Fund result in EUR

A. Realized fund result

Ordinary fund result

Income (excl. closing price)		
Interest income	26,648.02	
Interest expenses	- 1,559.19	
Dividend income (incl. dividend equivalent)	13,134,323.78	
Other income	153,624.76	13,313,037.37
Expenses		
Management fees	- 12,259,785.32	
Custodian bank fees	- 554,469.91	
Auditing expenses	- 12,840.00	
Tax consulting fees	- 2,400.00	
Custodian fee	- 454,834.24	
Other fees	- 22,871.15	- 13,307,200.62
Ordinary fund result (excl. income adjustment)		5,836.75
Realized closing price		
Profits realized from securities	60,550,559.26	
Losses realized from securities	- 16,565,062.62	
Balancing item from fund merger	900,695.97	
Realized closing price (excl. income adjustment)		44,886,192.61
Realized fund result (excl. income adjustment)		44,892,029.36
B. Unrealized closing price		
Change in unrealized closing price		67,528,864.80
C. Income adjustment		
Income adjustment for income during financial year	- 1,659,879.39	
Income adjustment during financial year for profit carryovers	1,288,324.53	- 371,554.86
Overall fund result		112,049,339.30

Appropriation of fund result in EUR

Distribution (EUR 2.86 x 488,179.44 distributing units (R))		1,396,193.20
Outpayment as per § 13 clause 3 InvFG (EUR 0.00 x 994,632.258 reinvested units (R))		0.00
Reinvested amount (R) (reinvestment)		20,761,970.90
Reinvested amount (R) (full reinvestment)		12,833,878.62
Reinvested amount (I) (full reinvestment)		177,426.82
Total		35,169,469.54
Realized fund result (incl. income adjustment)		44,520,474.50
Profit carryover from previous year	48,979,545.94	
Profit carryover into following period	58,330,550.90	- 9,351,004.96
Total		35,169,469.54

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

The period under review was characterized by a further recovery on the stock markets, although this got off to a bumpy start in the 1st half of the year. The debt crisis in southern Europe had a negative impact on the investment climate in Eastern Europe even though this region's financial situation had already stabilized. Turkey performed particularly well from the spring onwards and with a growth rate of 8 % in 2010 it provided a major surprise. The fund exploited this phase for profit-taking. From the autumn onwards this market lost its leading position and Russia was ultimately the top-performing stock exchange in this period. The fund increased its holdings of several Russian oil and gas stocks. After greater clarity emerged regarding the future taxation arrangements for this sector, with their very low valuation levels these equities became increasingly attractive. Rising oil and gas prices were further positive factors.

The Warsaw stock exchange also realized a positive performance, with particularly strong issuance activities. The fund invested in several newly placed securities in the utilities and financial sectors.

The year's great disappointment was the Hungarian market, where the government scared off investors through corporate tax hikes and a large-scale attack on the private pension system. However, the stock exchange appears to have already priced in these negative factors.

The fund was overweighted in the financial and telecoms sectors at the end of the financial year. Its main underweight was in the consumer sector, which was one of the shareholders' favorites in 2010 and had therefore already reached high valuation levels.

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

Makeup of fund assets in EUR

Securities	Market value	%
Equities:		
USD	388,493,835.21	60.87
PLN	92,791,534.95	14.54
TRY	74,028,031.86	11.60
HUF	25,376,149.78	3.97
CZK	23,258,431.51	3.64
GBP	9,929,202.28	1.56
RUB	9,491,358.94	1.49
EUR	9,249,605.50	1.45
RON	26,797.65	0.00
Total equities	632,644,947.68	99.12
Warrants:		
USD	89,541.28	0.01
Total securities	632,734,488.96	99.13
Bank balances		
Bank balances in fund currency	4,498,642.79	0.71
Accruals and deferrals		
Interest claims (on securities and bank balances)	- 303.12	0.00
Dividends receivable	1,031,522.10	0.16
Total accruals and deferrals	1,031,218.98	0.16
Fund assets	638,264,350.73	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 IN PERIOD UNDER REVIEW	PRICE	MARKET VALUE IN EUR	% SHARE OF FUND ASSETS
EQUITIES IN CZECH CROWNS							
CZ0005112300	CEZ AS INH.	194,710		212,640	817.500000	6,545,176.71	1.02
CZ0008019106	KOMERCNI BANKA INH.	72,060	40,100	580	4,300.000000	12,741,133.66	2.00
NL0006282204	NEW WORLD RES.NA.A	345,000	345,000		280.000000	3,972,121.14	0.62
EQUITIES IN EURO							
CY0000100111	BANK OF CYPRUS NAM.	726,350	166,515	533,465	3.130000	2,273,475.50	0.36
AT0000743059	OMV AG AKT. O.N.	216,650	62,000	77,950	32.200000	6,976,130.00	1.09
EQUITIES IN BRITISH POUNDS							
GB00BOHZPV38	KAZAKHMYS PLC	314,050	117,200	3,150	15.050000	5,496,194.55	0.86
GB0031544546	PETROPALOVSK	365,500	365,500		10.430000	4,433,007.73	0.70
EQUITIES IN HUNGARIAN FORINT							
HU0000073507	MAGYAR TELEK.T.NA A	2,254,954	2,287,754	999,000	553.000000	4,563,548.26	0.71
HU0000068952	MOL NYRT. NA A	91,856	83,967	86,768	22,345.000000	7,511,518.10	1.18
HU0000061726	ORSZAGOS TAKAR. KER.BK RT	642,255	376,900	517,300	5,659.000000	13,301,083.42	2.08
EQUITIES IN POLISH ZLOTY							
PLAGORA00067	AGORA S.A	509,500	509,500		25.300000	3,269,173.22	0.51
PLARTPR00012	ARCTIC PAPER SA	338,207		43,136	12.920000	1,108,200.47	0.17
PLBIG0000016	BANK MILLENNIUM	1,533,073	1,533,073		4.910000	1,909,051.09	0.30
PLBZ00000044	BANK ZACHODNI WBK SA	14,260		45,840	218.500000	790,213.04	0.12
PLBH00000012	BK HANDLOWY W WARS.	152,870	45,570	54,100	95.000000	3,683,147.35	0.58
PLPEKAO00016	BK PEKAO SA	217,053	170,003	60,150	169.000000	9,303,057.82	1.46
PLBRE0000012	BRE BANK	12,011	29,611	17,600	305.000000	929,078.11	0.15
PLGTC0000037	GLOBE TRADE CENTRE	302,900	306,000	3,100	21.070000	1,618,590.67	0.25
PLLOTOS00025	GRUPA LOTOS S.A.	474,600	474,600		41.800000	5,031,265.53	0.79
PLKGHM000017	KGHM POLSKA MIEDZ	330,412	211,000	187,400	170.500000	14,287,407.05	2.24
PLPKN0000018	PKN ORLEN S.A.	613,176	461,500	1,044,896	47.900000	7,448,929.85	1.17
PLPKO0000016	PKO BANK POLSKI S.A.	1,428,424	127,000	273,200	41.590000	15,066,739.58	2.36
PLPGER000010	PL.GR.ENERGETYCZNA	703,700	107,000	6,100	22.500000	4,015,533.86	0.63
PLPGNIG00014	POLSKIE GO.NAF. A	8,024,427	7,175,450	2,385,000	3.640000	7,407,789.57	1.16
PLPZU0000011	POWSZECHNY ZAKLAD UBEZP.	35,500	40,000	4,500	346.000000	3,115,140.76	0.49
PLTAURN00011	TAURON POLSKA ENERGIA	5,034,009	5,077,409	43,400	6.200000	7,915,509.97	1.24
PLTLKPL00017	TPSA - TELEKOMUN. P.	998,325		1,788,000	16.750000	4,240,919.03	0.66
PLTVN0000017	TVN S.A.	390,000	390,000		16.700000	1,651,787.98	0.26
EQUITIES IN RUSSIAN RUBLES							
RU0009029540	SBERBANK ROSSII OAO	3,622,000			106.380000	9,491,358.94	1.49
EQUITIES IN US DOLLARS							
VGG290991014	EASTERN PROPERTY HLDGS	32,800	32,800	20,000	29.500000	710,165.14	0.11
US30050A2024	EVRAZ GROUP GDR REG. S/3	451,590	207,290	52,600	40.200000	13,323,976.51	2.09
US46627J3023	JSC HALYK BK GDRS/4 KT 15	1,868,642	109,750	18,800	11.000000	15,086,284.04	2.36
US46626D1081	JSC MMC NOR.NICK.ADR	1,519,300	191,000	339,000	26.190000	29,204,012.48	4.58
US6778621044	LUKOIL N.K.SP.ADR	1,151,500	434,300	561,500	62.100000	52,483,045.87	8.22
RU000A0JPGA0	M.VIDEO	475,000	475,000		9.215600	3,212,777.98	0.50
US5838401033	MECHEL OAO ADR	573,600	294,300	5,800	30.380000	12,789,701.28	2.01
US6074091090	MOBILNIYE TEL. ADR/2	2,415,200	1,571,800	67,800	19.240000	34,105,282.94	5.34
RU0007775219	MOBILNIYE TELESIST	320,750		3,250	8.400000	1,977,467.89	0.31
RU000A0ET7Y7	MOSKOV.OBYED.ELECT.	60,201,000	7,000,000	608,000	0.054100	2,390,366.31	0.38
US67812M2070	NK ROSNEFT GDR REGS	1,528,500	205,000	2,207,400	8.605000	9,653,388.99	1.51
RU000A0DKVS5	NOVATEK	1,832,006	1,835,156	3,150	10.410700	13,998,139.35	2.19
US67011E2046	NOVOLIPETSKIY MET.KO.REGS	102,500	41,700	131,100	43.370000	3,262,697.25	0.51
US3682872078	OAO GAZP.ADR SP. 4/RL 5	3,118,779	949,400	790,200	26.920000	61,620,206.00	9.65
RU000A0JP7F5	PHARMSTANDARD	149,200	1,100	1,500	103.718700	11,357,673.42	1.78
US4662941057	RUSGIDRO OAO ADR 100	2,208,000	1,090,500	22,300	5.050000	8,183,779.82	1.28
RU0009029540	SBERBANK ROSSII OAO	20,569,100	2,587,000	5,396,800	3.571300	53,914,441.71	8.45
US8181503025	SEVERSTAL GDR S OCT2006	896,550	898,200	1,650	17.990000	11,837,750.09	1.86
US6708312052	TATNEFT' ADR REG.S 6	254,499		139,594	36.670000	6,849,525.38	1.07
RU000A0HGPM9	TNK BP-HOLDING	5,480,430	40,630	397,300	2.830000	11,383,205.06	1.78

ISIN	SECURITY TITLE	VOLUME 31/1/2011	PURCHASES ADDITIONS IN PERIOD UNDER REVIEW	SALES DISPOSALS	PRICE	MARKET VALUE IN EUR	% SHARE OF FUND ASSETS
EQUITIES IN US DOLLARS							
US91688E2063	URALKALI GDR S/5	343,827	392,807	48,980	38.250000	9,652,391.01	1.51
US92719A1060	VIMPELCOM LTD ADR 1/4	1,136,900	2,011,700	874,800	13.960000	11,648,531.38	1.83
RU0009058234	VOLGA TELE.	428,017	94,767	4,300	4.882100	1,533,667.37	0.24
US9286601094	VOLGA TELE. ADR/2	466,000		4,700	10.050000	3,437,284.40	0.54
RU000A0JNG55	VTORAYA GENER.K.O.R.E.RL	69,901,000	7,000,000	37,374,000	0.055200	2,831,952.44	0.45
EQUITIES IN TURKISH LIRA							
TREDO000013	DOGUS OTOMOTIV SERV. TIC.	1,495,788	965,600	445,112	5.200000	3,548,159.39	0.56
TREEGYO00017	EMLAK KONUT GAYR.YAT.ORT.	6,229,455	9,945,455	3,716,000	2.690000	7,644,200.42	1.20
TREENKA00011	ENKA INSAAT VE SAN.	1,101,363	237,544	205,024	6.260000	3,145,100.65	0.49
TRASAHOL91Q5	HACI OMER SABANCI	1,486,487		466,400	6.900000	4,678,858.79	0.73
TREKOAL00014	KOZA ALTIN ISLETMEL.	285,932	285,932		17.850000	2,328,255.91	0.37
TRETKHO00012	TEKFEN HOLDING AS	814,034	814,034		7.060000	2,621,663.68	0.41
TRAGARAN91N1	TUERKIYE GAR.BANK.NAM.	8,181,800	1,049,000	3,405,600	7.060000	26,350,162.17	4.13
TREHAL00019	TUERKIYE HALK BANKASI	2,582,300	291,000	435,300	12.200000	14,371,306.71	2.25
TRATHYAO91M5	TURK HAVA YOLLARI AS	2,779,342	2,246,586	780,744	5.180000	6,567,521.18	1.03
TRAYKBNK91N6	YAPI VE KREDI B.NA	1,310,000	1,310,000		4.640000	2,772,802.96	0.43
EQUITIES IN NEW ROMANIAN LEI							
ROPRLAACNOR7	PRODPLAST BUCUREST N.	90,217			1.265000	26,797.65	0.00
WARRANTS IN US DOLLARS							
GB00B0L4V184	UKRAINE OPP. TR. WTS12	122,000			1.000000	89,541.28	0.01
TOTAL LICENSED SECURITIES ADMITTED TO TRADING ON THE OFFICIAL MARKET OR ANOTHER REGULATED MARKET					EUR	630,688,367.86	98.81
EQUITIES IN US DOLLARS							
RU0007976957	BASHNEFT	63,360	64,000	640	44.000000	2,046,121.10	0.32
TOTAL LICENSED SECURITIES NOT ADMITTED TO TRADING ON THE OFFICIAL MARKET OR ANOTHER REGULATED MARKET					EUR	2,046,121.10	0.32
TOTAL SECURITIES PORTFOLIO					EUR	632,734,488.96	99.13
BANK BALANCES							
EUR BALANCES					EUR	4,498,642.79	0.71
ACCRUALS AND DEFERRALS							
INTEREST CLAIMS		EUR	-303.12				
DIVIDENDS RECEIVABLE		EUR	1,031,522.10		EUR	1,031,218.98	0.16
TOTAL FUND ASSETS					EUR	638,264,350.73	100.00
NET ASSET VALUE PER UNIT							
DISTRIBUTING RETAIL FEE TRANCHE					EUR	285.59	
REINVESTING RETAIL FEE TRANCHE					EUR	308.56	
FULLY REINVESTING RETAIL FEE TRANCHE					EUR	322.28	
FULLY REINVESTING INSTITUTIONAL FEE TRANCHE					EUR	326.11	
UNITS IN CIRCULATION							
DISTRIBUTING RETAIL FEE TRANCHE					UNITS	488,179.440	
REINVESTING RETAIL FEE TRANCHE					UNITS	994,632.258	
FULLY REINVESTING RETAIL FEE TRANCHE					UNITS	588,397.365	
FULLY REINVESTING INSTITUTIONAL FEE TRANCHE					UNITS	7,059.400	

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

CZ0005112300	CEZ AS INH.	CZK	1,790
CZ0008019106	KOMERCNI BANKA INH.	CZK	725
NL0006282204	NEW WORLD RES.NA.A	CZK	3,500
CY0000100111	BANK OF CYPRUS NAM.	EUR	7,850
AT0000743059	OMV AG AKT. O.N.	EUR	2,350
GB00BOHZPV38	KAZAKHMY'S PLC	GBP	3,150
GB0031544546	PETROPAVLOVSK	GBP	15,850
HU0000073507	MAGYAR TELEK.T.NA.A	HUF	23,500
HU0000068952	MOL NYRT. NA.A	HUF	921
HU0000061726	ORSZAGOS TAKAR. KER.BK RT	HUF	106,550
PLAGORA00067	AGORA S.A	PLN	5,050
PLARTPR00012	ARCTIC PAPER SA	PLN	3,400
PLBIG0000016	BANK MILLENNIUM	PLN	14,250
PLBZ00000044	BANK ZACHODNI WBK SA	PLN	145
PLBH00000012	BK HANDLOWY W WARS.	PLN	1,450
PLPEKA000016	BK PEKAO SA	PLN	2,250
PLBRE0000012	BRE BANK	PLN	213
PLGTC0000037	GLOBE TRADE CENTRE	PLN	2,600
PLLOTOS00025	GRUPA LOTOS S.A.	PLN	5,150
PLKGHM000017	KGHM POLSKA MIEDZ	PLN	3,300
PLPKN0000018	PKN ORLEN S.A.	PLN	4,350
PLPKO0000016	PKO BANK POLSKI S.A.	PLN	14,450
PLPGER000010	PL.GR.ENERGETYCZNA	PLN	6,100
PLPGNIG00014	POLSKIE GO.NAF. A	PLN	83,700
PLPZU0000011	POWSZECHNY ZAKLAD UBEZP.	PLN	375
PLTAURN00011	TAURON POLSKA ENERGIA	PLN	50,900
PLTLKPL00017	TPSA - TELEKOMUN. P.	PLN	10,000
PLTVN0000017	TVN S.A.	PLN	4,250
RU0009029540	SBERBANK ROSSII OAO	RUB	216,350
TREDOTO00013	DOGUS OTOMOTIV SERV. TIC.	TRY	15,106
TREEGYO00017	EMLAK KONUT GAYR.YAT.ORT.	TRY	36,500
TREENKA00011	ENKA INSAAT VE SAN.	TRY	11,250
TRASAHOL91Q5	HACI OMER SABANCI	TRY	15,400
TREKOAL00014	KOZA ALTIN ISLETMEL.	TRY	2,875
TRETKHO00012	TEKFEN HOLDING AS	TRY	8,173
TRAGARAN91N1	TUERKIYE GAR.BANK.NAM.	TRY	83,350
TREHAL00019	TUERKIYE HALK BANKASI	TRY	26,000
TRATHYAO91M5	TURK HAVA YOLLARI AS	TRY	28,250
TRAYKBK91N6	YAPI VE KREDI B.NA	TRY	62,000
RU0007976957	BASHNEFT	USD	640
US30050A2024	EVRAZ GROUP GDR REG. S/3	USD	134,600
US46627J3023	JSC HALYK BK GDRS/4 KT 15	USD	19,000
US46626D1081	JSC MMC NOR.NICK.ADR	USD	15,000
US6778621044	LUKOIL N.K.SP.ADR	USD	85,150
RU000A0JPGA0	M.VIDEO	USD	219,500
US5838401033	MECHEL OAO ADR	USD	5,800
US6074091090	MOBILNIYE TEL. ADR/2	USD	20,900
RU0007775219	MOBILNIYE TELESIST	USD	103,250
RU000A0ET7Y7	MOSKOV.OBYED ELECT.	USD	608,000
US67812M2070	NK ROSNEFT GDR REGS	USD	1,100,000
RU000A0DKVS5	NOVATEK	USD	53,400
US67011E2046	NOVOLIPETSKIY MET.KO.REGS	USD	750
US3682872078	OAO GAZP ADR SP. 4/RL 5	USD	40,650
RU000A0JP7F5	PHARMSTANDARD	USD	1,100
US4662941057	RUSGIDRO OAO ADR 100	USD	22,300
US8181503025	SEVERSTAL GDR S OCT2006	USD	1,650
US6708312052	TATNEFT ADR REG.S 6	USD	3,150
RU000A0HGPM9	TNK BP-HOLDING	USD	113,550
US91688E2063	UPALKALI GDR S/5	USD	36,530
US92719A1060	VIMPELCOM LTD ADR 1/4	USD	27,750
RU0009058234	VOLGA TELE.	USD	4,300
US9286601094	VOLGA TELE. ADR/2	USD	4,700
RU000A0JNG55	VTORAYA GENER.K.O.R.E.RL	USD	1,074,000

EXCHANGE RATES

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

CURRENCY	UNIT	PRICE	
CZECH CROWN	1 EUR	= 24.319500	CZK
BRITISH POUND	1 EUR	= 0.859950	GBP
HUNGARIAN FORINT	1 EUR	= 273.250000	HUF
POLISH ZLOTY	1 EUR	= 3.943000	PLN
NEW ROMANIAN LEI	1 EUR	= 4.258750	RON
RUSSIAN RUBLE	1 EUR	= 40.595700	RUB
TURKISH LIRA	1 EUR	= 2.192150	TRY
US DOLLAR	1 EUR	= 1.362500	USD

ISIN	SECURITY TITLE	PURCHASES ADDITIONS	SALES DISPOSALS
EQUITIES IN CZECH CROWNS			
CZ0009091500	UNIPETROL AS INH. KC 100		453,000
EQUITIES IN EURO			
AT0000652011	ERSTE GROUP BK ST.AKT.ON	97,500	97,500
AT0000606306	RAIFF.BK.INT. AG INH.AKT.		58,500
EQUITIES IN HUNGARIAN FORINT			
HU0000067624	RICHTER GEDEON.NA UF 1000		22,862
EQUITIES IN POLISH ZLOTY			
PLBUDMX00013	BUDIMEX A		72,844
PLENEA000013	ENEA S.A.	660,596	660,596
PLGPW0000017	WARSAW STOCK EXCH.	20,000	20,000
EQUITIES IN US DOLLARS			
US0644512065	BK PEKAO SA GDR REG S		119,293
US1534351028	CENTRAL EU.DISTR.		131,000
US47972P2083	COMSTAR-OBY.TEL. REGS		1,204,400
US12642X1063	CTC MEDIA INC.		159,600
US29843U2024	EURASIA DRILL.SP.GDR REGS	135,300	135,300
US68371H2094	GRUP.CHERKIZOVO GDR S	130,900	130,900
RU000A0JKQU8	MAGNIT		90,195
US5591892048	MAGNITOGO.METALL.REGS/13		535,200
RU0009036461	MOSK.GOR.TEL.		13,000
RU000A0J2Q06	NK ROSNEFT		333,200
US6698881090	NOVATEK GDR REG.S 10/1		64,600
US8688611057	SURGUTNEFT. VZ ADR/10		875,600
US87260R2013	TRUB.MET.KO.GDRS		355,880
RU0009084214	VOZRORHDENIYE, BK		60,670
US68370R1095	VYMPPELKOM ADR 0,25	344,300	2,111,700
RU0005344356	WIMM-BILL-DANN PR.P.	21,030	132,630
EQUITIES IN TURKISH LIRA			
TREBIMM00018	BIM BIRLESIK MAGAZALAR AS		73,830
TRATUPRS91E8	TUPRAS TURKIYE P.R.		419,700
TRATCELL91M1	TURKCELL ILETISIM		2,172,781
TREVKFB00019	TURKIYE VAKIFLAR BANK.	2,502,000	2,502,000
EQUITIES IN NEW ROMANIAN LEI			
QOXDBM022250	PRODPLAST IMOBILIARE LN1	81,076	190,859
ROPPLIACNOR4	PRODPLAST IMOBILIARE	190,859	190,859
SUBSCRIPTION RIGHTS IN EURO			
CY0121410118	BANK OF CYPRUS -ANR.-	1,093,300	1,093,300
SUBSCRIPTION RIGHTS IN POLISH ZLOTY			
PLBRE0005136	BRE BANK -ANR.-	10,000	10,000

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

Vienna, 29 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 Eastern European Equities, 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 Eastern European Equities, 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, 29 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 information

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

§ 2 Fund units

1. Co-ownership of the assets of the investment fund is subdivided into equal fund units for each unit certificate class. There is no limit to the number of fund units.
2. The fund units are embodied in unit certificates with the character of financial instruments. In accordance with the special fund regulations, pursuant to § 5 para. 7 InvFG the unit certificates may be issued in multiple certificate classes (unit classes, tranches), particularly in respect of the appropriation of income, the subscription fee, the redemption fee, the currency of the unit value, the management fee or a combination of these items. The unit certificates shall be represented by global certificates (§ 24 of the currently applicable version of the Austrian Safe Custody of Securities Act) and/or by actual securities for each unit certificate class.
3. Each purchaser of a unit certificate in a given class shall acquire co-ownership aliquot of all of the fund’s assets in the amount of his or her share of the investment fund units documented in the certificate. Each purchaser of a share of a global certificate shall acquire co-ownership aliquot of all of the investment fund’s assets in the amount of his or her share of the fund units documented in the certificate.
4. With the consent of its supervisory board, the asset management company may split the fund units and issue additional unit certificates to the unit holders or exchange the old unit certificates for new ones if a unit split is deemed to be in the interests of the co-owners given the calculated value of the units (§ 6).

§ 3 Unit certificates and global certificates

1. Unit certificates are issued to bearer.
2. The global certificates shall bear the actual signatures of an executive or an authorized employee of the custodian bank and the actual or duplicate signatures of two executives of the asset management company.
3. The actual securities shall bear the actual signature of an executive or an authorized employee of the custodian bank and the actual or duplicate signatures of two executives of the asset management company.

§ 4 Management of the investment fund

1. The asset management company shall be entitled to dispose of the assets of the investment fund and to exercise the rights associated with these assets. The company shall act on its own behalf for account of the unit holders. In these activities the asset management company shall safeguard the unit holders’ interests and the integrity of the market, use the care and diligence of an orderly businessman within the meaning of § 84 para. 1 of the Austrian Companies Act and observe the provisions of the Austrian Investment Fund Act as well as the fund regulations.
 The asset management company may involve third parties in the management of the investment fund and cede to these third parties the right to dispose of the assets on behalf of the asset management company or on their own behalf and for account of the unit holders.
2. The asset management company may not grant money loans or enter into any liabilities under a surety or guarantee agreement for account of an investment fund.
3. Other than in the cases stipulated in the special fund regulations, assets of the investment fund may not be pledged or otherwise encumbered or given in security or assigned.
4. 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 of the Austrian Investment Fund Act which do not form part of the fund assets at the time of the transaction.

§ 5 Custodian bank

The custodian bank (§ 13) appointed as per § 23 of the Austrian Investment Fund Act shall administer the cash accounts and securities accounts of the investment fund and exercise all other functions transferred to it in accordance with the Austrian Investment Fund Act and the fund regulations.

§ 6 Issuance and unit value

1. Whenever units are issued or redeemed, but at least twice a month the custodian bank shall calculate the value of a unit (unit value) for each unit certificate class and publish the issue and redemption prices (§ 7).
 The value of a unit in a given unit certificate class is calculated by dividing the value of the unit certificate class by the number of units issued in this unit certificate class.
 At the first-time issuance of units of a given unit certificate class, their value will be calculated on the basis of the value determined for the overall investment fund.
 Subsequently, the value of a unit certificate class will be calculated on the basis of the total pro rata net assets which are held by the investment fund and calculated for this unit certificate class.
 The total value of the investment fund is calculated on the basis of the current market prices and the fund's securities and subscription rights plus the value of the investment fund's money market instruments and financial investments, cash holdings, credit balances, receivables and other rights net of its liabilities. This value shall be calculated by the custodian bank.
 The market prices shall be calculated pursuant to § 7 (1) InvFG on the basis of the most recent stock exchange quotations and/or fixings.
2. The issue price shall be the unit value plus a markup for each unit to cover the issuing costs of the asset management company. The resulting price shall be rounded up. The amount of this markup or rounding-up is indicated in the special fund regulations (§ 23).
 The asset management company shall be entitled to introduce a graduated subscription fee.
 Please see the prospectuses for further details.
3. Pursuant to § 18 InvFG in connection with § 10 para. 3 of the Austrian Capital Market Act, the issue price and the redemption price shall be published electronically for each unit certificate class on the website of the issuing asset management company.

§ 7 Redemption

1. At the request of a unit holder, his unit shall be redeemed out of the investment fund at the applicable redemption price, if appropriate against surrender of the unit certificate, those income coupons which are not yet due and the renewal certificate.
2. The redemption price shall be calculated on the basis of the value of a unit less any markdown and/or a rounding-off where this is stipulated in the special fund regulations (§ 23).
 The asset management company shall be entitled to introduce a graduated redemption fee.
 Please see the prospectuses for further details.
 If extraordinary circumstances exist that make it seem necessary – whilst taking into consideration the unit holders' legitimate interests – distributions at the redemption price and the calculation and publication of the redemption price as per § 6 may be temporarily suspended and made subject to the sale of investment fund assets and receipt of the proceeds from their sale if the Austrian Financial Market Authority is simultaneously notified and a relevant publication is made pursuant to § 10. Investors shall also be notified of the recommencement of redemption of unit certificates pursuant to § 10.
 This shall in particular be the case if 5 per cent or more of the investment fund's assets have been invested in assets whose market value manifestly and not just in individual cases fails to correspond to their fair value due to the current political or economic situation.

§ 8 Accounting

1. The asset management company shall publish an annual fund report in accordance with § 12 of the Austrian Investment Fund Act within four months of the expiry of the investment fund's accounting year.
2. The asset management company shall publish a semi-annual fund report in accordance with § 12 of the Austrian Investment Fund Act within two months of the expiry of the first six months of the investment fund's accounting year.
3. The annual and semi-annual fund reports shall be made available for inspection at the offices of the asset management company and the custodian bank and published on the website of the asset management company (www.raiffeisencapitalmanagement.at).

§ 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 Amendments 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 Eastern European Equities, a jointly owned fund as per § 20 of the Austrian Investment Fund Act (hereafter: "the investment fund").

The investment fund complies with Directive 85/611/EEC.

§ 13 Custodian bank

The custodian bank is Raiffeisen Bank International AG*, Vienna (registered office).

§ 14 Payment and handover offices, unit certificates, unit certificate classes

1. The payment and handover offices for the unit certificates and the income coupons are Raiffeisen Bank International AG*, Vienna, the regional Raiffeisen banks and Kathrein & Co Privatgeschäftsbank Aktiengesellschaft, Vienna.
2. Unit certificates may be issued for the investment fund with a variety of different characteristics, particularly with regard to the appropriation of income, the subscription fee, the redemption fee, the currency of the unit value, the management fee or a combination of these items.

The asset management company may decide to establish new unit certificate classes or to issue units in a given unit certificate class. The costs arising at the introduction of new unit certificate classes for existing asset portfolios shall be deducted from the unit prices of the new unit certificate classes.

Investment instruments may only be acquired uniformly for the entire investment fund, not for an individual unit certificate class or for a group of unit certificate classes.

This does not apply for currency hedge transactions. These transactions may only be entered into in relation to a single currency class. Expenses and income resulting from a currency hedge transaction shall exclusively be allocated to the relevant currency class.

In particular, forward exchange transactions, currency futures, currency options and currency swaps shall be permitted as currency hedge transactions.

Please see the prospectuses for further details.

3. Income-retaining unit certificates without deducted capital gains tax (foreign tranche) may only be sold outside Austria. The unit certificates shall be represented by global certificates and – at the discretion of the asset management company – by actual securities.
4. Where the unit certificates are represented by global certificates, the distributions as per § 26 and the outpayments as per § 27 shall be accredited by the unit holder's custodian bank.

§ 15 Investment instruments and principles

1. In accordance with §§ 4, 20 and 21 of the Austrian Investment Fund Act and §§ 16ff of the fund regulations, all types of securities, money market instruments and other liquid financial investments may be purchased for the investment fund if the principle of risk spreading is thereby taken into account and the legitimate interests of the unit holders are not violated.
2. The investment fund's various assets shall be selected in accordance with the following investment principles:
 - **Securities (including securities with embedded derivative instruments)**
The investment fund mainly invests in equities and equity-equivalent securities issued by companies which are headquartered or have their core business in European emerging markets (incl. Russia). The investment fund may also invest in straight bonds and in convertible and warrant bonds.
 - **Money market instruments**
Money market instruments may also be purchased for the investment fund; the investment principles grant these instruments a subordinate role in the investment strategy.
 - **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.

* 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.

– **Derivative instruments (including swaps and other OTC derivatives)**

As part of the investment scheme, derivative instruments are used to safeguard income, as a replacement for securities or to increase income.

The overall risk for derivative instruments which are not held for hedging purposes is limited to 60 per cent of the overall net value of the fund assets.

3. If securities and money market instruments purchased for the investment fund have derivatives embedded in them, the asset management company shall take this into consideration with regard to its compliance with §§ 19 and 19a. Investments made by an investment fund in index-based derivatives shall not be taken into consideration in respect of the investment limits set out in § 20 para. 3 items 5, 6, 7 and 8d of the Austrian Investment Fund Act.
4. Not fully paid-in equities or money market instruments and subscription rights for such instruments or other not fully paid-in financial instruments may only be purchased up to an amount of 10 per cent of the fund assets.
5. Securities or money market instruments issued or guaranteed by a member state including its units of government, by a third country or by international organizations established under public law of which one or more member states are members may exceed 35 per cent of the fund assets if the fund assets are invested in at least six different issues, with an investment in any single issue not exceeding 30 per cent of the fund assets.

§ 15a Securities and money market instruments

Securities are

- a) Equities and other, equity-equivalent securities,
- b) Bonds and other securitized debt instruments,
- c) All other marketable financial instruments (e.g. subscription rights) which grant an entitlement to purchase financial instruments within the meaning of InvFG by means of subscription or exchange, with the exception of the techniques and instruments specified in § 21 InvFG.

The criteria laid down in § 1a para. 3 InvFG must be fulfilled in order to qualify as a security.

Within the meaning of § 1a para. 4 InvFG securities also include

1. units in closed funds in the form of an investment company or an investment fund,
2. units in closed funds in contractual form,
3. financial instruments in accordance with § 1a para. 4 item 3 InvFG.

Money market instruments are instruments normally traded on the money market which are liquid, whose value may be precisely determined at any time and which fulfill the requirements pursuant to § 1a para. 5 and 7 InvFG.

§ 16 Stock exchanges and organized markets

1. Securities and money market instruments may be purchased if they are
 - > quoted or traded on a regulated market pursuant to § 2 item 37 of the Austrian Banking Act or
 - > traded on another recognized and regulated securities market in a member state which is open to the public and operates regularly or
 - > officially listed by a third country stock exchange listed in the Appendix or
 - > traded on another recognized and regulated third country securities market which is open to the public and operates regularly and is listed in the Appendix or
 - > their terms and conditions of issue include the obligation to apply for a license for official listing or for trading on one of the above-mentioned stock exchanges or for trading on one of the other above-mentioned markets and this license is granted within one year of the start of the issue of these securities.
2. Money market instruments which are not traded on a regulated market and which are freely transferable, are normally traded on a money market, are liquid and whose value may be determined precisely at any time and for which appropriate information is available – including information enabling an appropriate valuation of the credit risks associated with investing in such instruments – may be purchased for the investment fund if the issue itself or the issuer itself is subject to the provisions concerning protection of deposits and investors and these are either
 - > issued or guaranteed by a central, regional or local unit of government or by the central bank of a member state, the European Central Bank, the European Union or the European Investment Bank, a third country or – for federal states – a member state of a federation or by an international institution established under public law of which at least one member state is a member or
 - > issued by firms whose securities are traded on the regulated markets indicated in item 1 – excluding new issues – or
 - > issued or guaranteed by an institution which is subject to supervision in accordance with the criteria stipulated in Community law or issued or guaranteed by an institution which is subject to and complies with supervisory regulations which in the opinion of the Austrian Financial Market Authority are at least as stringent as those set out in Community law or

- > issued by other issuers belonging to a category licensed by the Austrian Financial Market Authority, where investor protection provisions apply for investments in these instruments which are equivalent to those set out in items a to c and where the issuer is either a company with shareholders' equity of at least EUR 10 m. which prepares and publishes its annual financial statements in accordance with the provisions set out in Directive 78/660/EEC or a legal entity which, within a business group comprising one or more stock exchange-listed companies, is responsible for the financing of this group or a legal entity which, in business, corporate or contractual form, is due to finance its securitization of liabilities through a credit line granted by a bank; such credit line must be guaranteed by a financial institution which itself fulfills the criteria specified in item 2 sec. 3.
- 3. Overall, up to 10 per cent of the fund assets may be invested in securities and money market instruments which do not comply with the conditions set out in items 1 and 2.

§ 17 Units in investment funds

1. Units in investment funds (= investment funds and open-end investment companies) which comply with the provisions set out in Directive 85/611/EEC (UCITS) may be purchased where these funds do not invest more than 10 per cent of their assets in units in other investment funds.
2. Units in investment funds which do not comply with the provisions set out in Directive 85/611/EEC (UCI) and whose exclusive purpose is
 - > for joint account and in accordance with the principle of risk spreading to invest publicly procured monies in securities and other liquid financial investments and
 - > whose units are, at the request of the unit holders, repurchased or redeemed at the direct or indirect expense of the assets of the investment fund
 may be purchased for up to 10 per cent of the fund assets in total where
 - a) these funds do not invest more than 10 per cent of the fund assets in units in other investment funds and
 - b) they are licensed in accordance with legal provisions which make them subject to supervision which in the opinion of the Austrian Financial Market Authority is equivalent to supervision under Community law and there is an adequate guarantee of cooperation between the authorities and
 - c) the level of protection afforded the unit holders is equivalent to the level of protection afforded the unit holders in investment funds which comply with the provisions set out in Directive 85/611/EEC (UCITS) and, in particular, the provisions concerning separate safekeeping of the portfolio of assets, the take-up of loans, the extensions of loans and uncovered sales of securities and money market instruments are equivalent to the requirements set out in Directive 85/611/EEC and
 - d) the relevant business activity is the subject of annual and semi-annual reports which enable a judgment to be made as to the relevant assets and liabilities, income and transactions during the period under review.
The criteria stated in § 3 of the Austrian Information and Equivalency Determination Ordinance (IG-FestV), as amended, shall be consulted for evaluation of the equivalency of the level of protection for unit holders within the meaning of item c).
3. Units may also be purchased for the investment fund in investment funds which are directly or indirectly managed by the same asset management company or by a company with which the asset management company is affiliated through joint management or subordination or a substantial direct or indirect investment.
4. Units in investment funds in accordance with § 17 item 1 in connection with § 17 item 2 of the fund regulations may be purchased for up to 10 per cent of the fund assets overall.

§ 18 Sight deposits or deposits at notice

Bank balances in the form of sight deposits or deposits at notice with notice periods not exceeding 12 months may be held for the investment fund. No minimum bank balance is required. Bank balances may not exceed 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

1. Derived financial instruments (derivatives) – including equivalent instruments which are settled in cash and traded on one of the regulated markets indicated in § 16 – may be purchased for the investment fund if the underlying instruments are instruments as per § 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

1. Derived financial instruments which are not traded on a stock exchange (OTC derivatives) may be purchased for the investment fund if
 - a) the underlying instruments are in accordance with § 19 item 1,
 - b) the counterparties are supervised institutions belonging to categories licensed by the Austrian Financial Market Authority by regulation,
 - c) the OTC derivatives are subject to reliable and verifiable daily valuation and at the initiative of the investment fund may at any time and at an appropriate current market value be sold, liquidated or balanced through an offsetting transaction and
 - d) these instruments are invested within the limits stipulated in § 20 para. 3 items 5, 6, 7, 8a and 8d InvFG and the overall risk associated with the underlying instruments does not exceed these investment limits.
2. The default risk for investment fund transactions involving OTC derivatives may not exceed the following levels:
 - a) if the counterparty is a credit institution, 10 per cent of the fund assets,
 - b) otherwise 5 per cent of the fund assets.

§ 19b Value at risk

Not applicable.

§ 20 Take-up of loans

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 Repurchase agreements

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 5 per cent.

For unit certificates of the investment fund sold outside Austria, to cover the issuing costs instead of the subscription fee a redemption fee of up to 5 per cent or a combination of a subscription fee and a redemption fee which may not exceed 5 per cent may be added to the calculated value.

Please see the prospectuses for further details.

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

Unit issuance shall not in principle be subject to limitation; however, the asset management company reserves the right temporarily or entirely to discontinue its issuance of unit certificates.

§ 24 Accounting year

The investment fund's accounting year runs from 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 per cent of the fund assets for the unit certificate class "tranche I" (minimum investment: EUR 500,000) or

> of up to 2 per cent of the fund assets for the unit certificate class "tranche R",

calculated pro rata on the basis of the values at the end of each month.

The asset management company shall be entitled to introduce a graduated management fee.
Please see the prospectuses for further details.

The asset management company shall also be entitled to reimbursement for all expenses associated with its management of the fund, particularly costs associated with custodian bank fees, transaction costs, obligatory notices, custodian fees and auditing, consulting and fund report costs.

§ 26 Appropriation of income in case of income-distributing unit certificates

Once costs have been covered, the income received during the past accounting year (interest and dividends) may be distributed at the discretion of the asset management company. 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.

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 – foreign tranche, cf. § 14 item 3)

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.pdf¹

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	Finland	OMX Nordic Exchange Helsinki
1.2.2	Sweden	OMX Nordic Exchange Stockholm AB
1.2.3	Luxembourg	Euro MTF Luxembourg

1.3. Recognized markets in the EEA pursuant to § 20 (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)

1 The link may be modified by the Austrian Financial Market Authority (FMA). Please see the FMA's website, www.fma.gv.at, for the current link, Providers, "Information on Providers within Austrian Financial Market", Stock Exchange, Overview, Downloads, Verzeichnis der Geregelten Märkte.

3. Stock exchanges in non-European states

3.1	Australia	Sydney, Hobart, Melbourne, Perth
3.2	Argentina	Buenos Aires
3.3	Brazil	Rio de Janeiro, Sao Paulo
3.4	Chile	Santiago
3.5	China	Shanghai Stock Exchange, Shenzhen Stock Exchange
3.6	Hong Kong	Hong Kong Stock Exchange
3.7	India	Bombay
3.8	Indonesia	Jakarta
3.9	Israel	Tel Aviv
3.10	Japan	Tokyo, Osaka, Nagoya, Kyoto, Fukuoka, Niigata, Sapporo, Hiroshima
3.11	Canada	Toronto, Vancouver, Montreal
3.12	Korea	Seoul
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 Futures Exchange
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)