

ESPA BOND INTERNATIONAL

Mutual fund pursuant to InvFG

Semi-Annual Report 2011/12

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General Information about the Investment Firm

The company	ERSTE-SPARINVEST Kapitalanlagegesellschaft m. b. H. Habsburgergasse 1a, A-1010 Vienna Telephone: +43 05 0100-19881, Fax: +43 05 0100-17102
Nominal capital	EUR 4.50 million
Shareholders	Erste Asset Management GmbH (81.42%) DekaBank Deutsche Girozentrale (2.87%) Kärntner Sparkasse Aktiengesellschaft (2.87%) NÖ-Sparkassen Beteiligungsgesellschaft m. b. H. (1.37%) Salzburger Sparkasse Bank Aktiengesellschaft (2.87%) Sieben Tiroler Sparkassen Beteiligungsgesellschaft m. b. H. (2.87%) Steiermärkische Bank und Sparkassen Aktiengesellschaft (5.73%)
Supervisory Board	Wolfgang TRAINDL, Mag. (Chairman) Gerhard FABISCH, Mag. Dr. (Deputy Chairman) Wilhelm SCHULTZE, DI (Deputy Chairman) Christian AICHINGER, Dr. Birte QUITT, Dipl. BW. (FH) Franz RATZ Gabriele SEMMELROCK-WERZER Reinhard WALT, Mag. Appointed by the Works Council: Regina HABERHAUER, Mag. (FH) Dieter KERSCHBAUM, Mag. Gerhard RAMBERGER, Mag. Herbert STEINDORFER
Managing directors	Heinz BEDNAR, Mag. Harald GASSER, Mag. Franz GSCHIEGL, Dr.
Prokuristen (proxies)	Achim ARNHOF, Mag. Winfried BUCHBAUER, Mag. Harald EGGER, Mag. Oskar ENTMAYR Dietmar JAROSCH, Dr. Günther MANDL Christian SCHÖN Paul A. SEVERIN, Mag. Jürgen SINGER, Mag.
State commissioners	Erwin GRUBER Michael MANHARD, HR Dr.
Auditor	ERNST & YOUNG WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT MBH
Custodian bank	Erste Group Bank AG

Dear Shareholder,

We are pleased to present you the following semi-annual report for the ESPA BOND INTERNATIONAL mutual fund pursuant to InvFG for the period from 1 August 2011 to 31 January 2012.

Development of the Fund

Although the global economy closed the third quarter of 2011 with a surprisingly good result, towards the end of the reporting period there were more and more signs of an economic downturn. The emerging markets made the main contribution to global economic growth. The more restrictive monetary policy that became necessary in order to combat inflation and the problems in Europe, which is an important export market for the emerging markets, had a hampering effect there. In the developed countries, unemployment, subdued consumption and conservative lending on the part of banks all had a negative impact on development to varying degrees. The biggest stumbling block, however, was the restructuring of the overly indebted national budgets that was necessary in order to stabilise the financial markets and that required a very restrictive fiscal policy. Japan was hit by a decline in industrial production and in its gross domestic product. The US proved to be robust. The latest economic data even indicated a slight economic acceleration there, with improvements also seen in the problem areas of employment and the real estate market. In Europe, particularly the countries with excessive budget deficits fought against recessive trends, while Germany initially continued to play the role of the economic powerhouse. Despite good domestic data, Germany's economic growth remained very export dependent. France, the Netherlands and Austria also initially delivered pleasing figures. The latest economic indicators clearly pointed towards a recession even for these countries, though. The ongoing European financial market crisis is the most important cause of this negative development.

The financing problems of the highly indebted Eurozone countries intensified dramatically. In another attempt, the EU agreed to equip the existing permanent euro stability mechanism with additional deployable rescue funds. However, the long coordination process with contradictory political statements shook the confidence of investors once again. In addition, it turned out that Greece failed to meet the budget targets for the disbursement of the second tranche of the first aid package. This then put the big debtor countries of Italy and Spain under heavy pressure. At the beginning of August, a dispute between the Italian prime minister and his finance minister about taxation and austerity measures caused the situation to escalate. The result was an extreme sell-off of Italian and Spanish government bonds and a flight to high-quality AAA paper. It took extensive supporting purchases by the European Central Bank (ECB) to stabilise the EUR bond markets. Then there was a moment of déjà vu at the end of October: Once the national parliaments of the Eurozone countries had given their approval for the comprehensive direct contributions, guarantees and powers of attorney for the European aid mechanism, the situation eased somewhat. A realistic plan was drawn up for reforming Greece. Domestic bickering and the foolish announcement by Greece's prime minister of a referendum about the negotiation results dealt a severe blow to investor confidence once again. Italy in particular – a key country in the monetary union with EUR 1.9 trillion in sovereign debt – was confronted with a precariously high interest rate increase. An Italian change of government along with a new austerity programme at least prevented the situation from escalating further. The ECB's recent extremely expansive monetary policy lent a great deal of support. Overall, EU policymakers were unable for the most part to keep up with the financial markets and were incapable of active interventions. The question of the integration or disintegration of the European Economic and Monetary Union (EMU) came to a head.

The euro bond markets were very volatile due to the high level of uncertainty. Yields on ten-year German government bonds moved within a range of 1.7% to 2.4% starting in mid-August. Risk premiums developed in the opposite direction. In the ten-year segment, for example, Italy peaked at 5.53% versus Germany at the beginning of November 2011. In semi-annual comparison, the AAA EUR government bond yield curve shifted downward. The movement was most dramatic at the short end (up to four years), and the curve was even slightly inverse starting at 20 years. The bickering between Republicans and Democrats regarding the raising of the debt ceiling along with the necessary

budget consolidation increasingly brought the AAA credit rating of US Treasury bonds into question. Nevertheless, their function as a “safe haven” and the purchases by the Fed along with the gloomy economic prospects led to relatively low yields here, for example, 1.8% for ten-year bonds recently. Yields on ten-year Japanese government bonds oscillated marginally around the 1.0% mark. The risk premiums for corporate bonds increased as risk aversion set in until December and only fell substantially due to the ECB’s monetary measures in January. The financial sector was particularly sensitive to this, especially when it was involved in the exposed countries.

The American and Japanese central banks left the key interest rates at the extremely low level of 0.00% to 0.25% and 0.10%, respectively. Japan is showing slight deflation. Most recently at 2.7%, the rate of consumer price growth for the Eurozone was above the ECB’s stability target of 2.0%. In light of the worsening economic outlook and growing uncertainty on the interbank market, however, the ECB lowered the main refinancing rate in two steps from 1.5% to 1.00%. In addition, it implemented the first of two unlimited three-year refinancing operations at the end of December, which had a huge impact on the financial markets with EUR 489 billion borrowed. This liquidity was urgently needed especially by the commercial banks that were involved in the ailing Eurozone countries. The loosening of monetary policy led to a downward trend in money market interest rates. For example, the three-month EURIBOR was at 1.13% at the end of the reporting period.

The euro moved sideways within a range of 1.40 and 1.45 against the dollar at first, and then lost ground starting in September, falling to as low as just under 1.30. The Swiss franc soared and hit the previously unheard of value of 1.01 in August. The Swiss National Bank brought the exchange rate to slightly over 1.20 through massive interventions on the FX markets. Nevertheless, the Swiss export sector faces virtually unsolvable problems. The Japanese yen continued to appreciate and even fell below 100 in January. While the Swedish crown became somewhat stronger, the Norwegian and Danish crowns and the English pound did not post any noteworthy gains.

Investment policy

A key focus in the management of the fund’s portfolio was ensuring the highest possible issuer ratings when selecting assets.

Our investment focus is therefore on Eurozone countries with good credit ratings such as Germany and Austria, while the PIIGS countries are significantly underweighted.

Corporate bonds were overweighted compared to the benchmark for long parts of the reporting period.

Interest rate futures are being used to actively manage the fund’s duration.

Asset Allocation

	31 January 2012		31 July 2011	
	EUR millions	%	EUR millions	%
Bonds denominated in				
GBP	3.8	5.58	2.8	4.10
EUR	7.0	10.21	7.3	10.55
JPY	14.9	21.67	13.4	19.33
NOK	2.0	2.90	1.9	2.81
SEK	1.9	2.69	1.8	2.53
Investment certificates denominated in				
EUR	22.9	33.27	26.2	37.89
USD	15.7	22.86	15.6	22.52
Securities	68.3	99.17	69.0	99.74
Financial futures	0.0	0.04	0.0	0.04
Forward exchange agreements	0.2	0.32	-	0.3
Cash in banks	0.0	0.03	0.2	0.35
Interest entitlements	0.3	0.43	0.2	0.25
Other deferred items	-	0.0	-	0.0
Fund assets	68.9	100.00	69.1	100.00

Fund Portfolio as of 31 January 2012

(including changes in securities assets from 1 August 2011 to 31 January 2012)

Security designation	ISIN number	Interest rate	Purch./ additions	Sales/ disposals	Holding Shares/nominal (nom. in 1,000, rounded)	Price	Value in EUR	% share of fund assets
Publicly traded securities								
Bonds denominated in EUR								
Issue country Belgium								
BELGIQUE 04/35 44	BE0000304130	lent* 5.000000	0	0	50	111.358000	55,679.00	0.08
BELGIQUE 09-19 55	BE0000315243	lent* 4.000000	0	0	250	105.244000	263,110.00	0.38
Total							318,789.00	0.46
Issue country Germany								
GOVT.BOND.V. 10/42	DE0001135432	lent* 3.250000	100	600	1,100	117.016000	1,287,176.00	1.87
GOVT.BOND.V. 05/37	DE0001135275	lent* 4.000000	0	100	100	127.521000	127,521.00	0.19
GOVT.BOND.V. 11/21	DE0001135457	lent* 2.250000	400	300	100	104.430000	104,430.00	0.15
Total							1,519,127.00	2.21
Issue country France								
REP. FSE 07-17 O.A.T.	FR0010415331	lent* 3.750000	0	0	200	108.497000	216,994.00	0.31
REP. FSE 11-16 B.T.A.N.	FR0119580050	lent* 2.500000	200	0	200	103.018000	206,036.00	0.30
REP. FSE 11-21 O.A.T.	FR0011059088	lent* 3.250000	800	0	800	101.668000	813,344.00	1.18
Total							1,236,374.00	1.79

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Security designation	ISIN number	Interest rate	Purch./ additions Shares/nominal (nom. in 1,000, rounded)	Sales/ disposals	Holding	Price	Value in EUR	% share of fund assets
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Issue country Italy

B.T.P. 09-19	IT0004489610	lent*	4.250000	900	0	900	92.986000	836,874.00	1.21
B.T.P. 10-15	IT0004656275	lent*	3.000000	800	0	800	95.893000	767,144.00	1.11
B.T.P. 10-21	IT0004634132	lent*	3.750000	600	0	600	87.409000	524,454.00	0.76
B.T.P. 11-16	IT0004761950	lent*	4.750000	200	0	200	100.321000	200,642.00	0.29
							Total	<u>2,329,114.00</u>	<u>3.38</u>

Issue country Netherlands

NEDERLD 06-16	NL0000102283	lent*	4.000000	0	0	400	112.820000	451,280.00	0.66
NEDERLD 10-20	NL0009348242	lent*	3.500000	400	300	100	111.488000	111,488.00	0.16
							Total	<u>562,768.00</u>	<u>0.82</u>

Issue country Austria

AUSTRIA 03/18 MTN	AT0000385745	lent*	4.650000	0	0	150	112.606000	168,909.00	0.25
AUSTRIA 09/14	AT0000A0CL73	lent*	3.400000	0	100	100	106.415000	106,415.00	0.15
							Total	<u>275,324.00</u>	<u>0.40</u>
Total bonds denominated in EUR								<u>6,241,496.00</u>	<u>9.06</u>

Bonds denominated in JPY

Issue country Japan

JAPAN 2020 308	JP1103081A65	1.300000	0	0	178,000	104.416000	1,862,048.47	2.70	
JAPAN 2015 269	JP1102691548	1.300000	0	0	100,000	103.398000	1,035,895.79	1.50	
JAPAN 2023 62	JP1200621363	0.800000	0	0	470,000	96.576000	4,547,482.11	6.60	
							Total	<u>7,445,426.37</u>	<u>10.81</u>
Total bonds denominated in JPY translated at a rate of 99.815060								<u>7,445,426.37</u>	<u>10.81</u>
Total publicly traded securities								<u>13,686,922.37</u>	<u>19.87</u>

Investment certificates

Investment certificates denominated in EUR

Issue country Austria

ESPA BD GLOBAL-ALP.T	AT0000A05F50			2,861	3,446	26,921	103.770000	2,793,592.17	4.06
ESPA BOND EUR-HIGH YIEL.T	AT0000805684			0	3,390	5,630	113.860000	641,031.80	0.93
ESPA BOND EURO-ALPHA T	AT0000A03DF2			317	508	3,284	74.250000	243,837.00	0.35
ESPA BOND EURO-CORP. T	AT0000724224			0	3,660	14,940	139.780000	2,088,313.20	3.03
ESPA BOND LOCAL EMERG.T	AT0000A0AUF7			0	390	8,690	137.870000	1,198,090.30	1.74
ESPA BOND MORTGAGE T	AT0000700786			0	2,070	64,320	146.040000	9,393,292.80	13.63
ESPA BOND USA-CORP. T	AT0000675772			0	750	12,350	138.380000	1,708,993.00	2.48
ESPA BOND USA-HIGH YLD T	AT0000637491			0	19,870	10,850	141.220000	1,532,237.00	2.22
ESPA BOND YEN T	AT0000809157			5,270	1,970	30,940	79.280000	2,452,923.20	3.56
K 2000 T	AT0000646393			0	340	5,890	147.070000	866,242.30	1.26
							Total	<u>22,918,552.77</u>	<u>33.27</u>
Total investment certificates denominated in EUR								<u>22,918,552.77</u>	<u>33.27</u>

Security designation	ISIN number	Interest rate	Purch./ additions Shares/nominal (nom. in 1,000, rounded)	Sales/ disposals	Holding	Price	Value in EUR	% share of fund assets	
Investment certificates denominated in USD									
Issue country Austria									
ESPA BD DOL. CORP. T(USD)	AT0000721535		0	11,130	40,560	149.330000	4,626,885.76	6.72	
ESPA BOND DOLLAR A (DL)	AT0000982723		0	10,650	215,670	67.490000	11,119,184.37	16.14	
							Total	15,746,070.13	22.86
Total investment certificates denominated in USD translated at a rate of 1.309050							15,746,070.13	22.86	
Total investment certificates							38,664,622.90	56.12	
Securities admitted to organised markets									
Bonds denominated in GBP									
Issuer European Investment Bank									
EIB EUR.INV.BK 05/15 MTN	XS0223923870	4.375000	0	0	600	107.785000	779,602.62	1.13	
							Total	779,602.62	1.13
Issue country Great Britain									
LCR FINANCE 99/28 REGS	XS0094804126	lent*	4.500000	0	0	1,750	119.011000	2,510,665.58	3.64
TREASURY STK 2017	GB00B3Z3K594		1.750000	100	0	100	103.760000	125,081.67	0.18
TREASURY STK 2021	GB00B4RMG977		3.750000	200	0	200	115.545000	278,576.75	0.40
TREASURY STK 2040	GB00B6460505		4.250000	100	0	100	123.760000	149,191.48	0.22
							Total	3,063,515.48	4.45
Total bonds denominated in GBP translated at a rate of 0.829538							3,843,118.10	5.58	
Bonds denominated in EUR									
Issuer European Investment Bank									
EIB EUR.INV.BK 10/19 MTN	XS0541909213	lent*	2.500000	0	0	300	98.971000	296,913.00	0.43
							Total	296,913.00	0.43
Total bonds denominated in EUR							296,913.00	0.43	
Bonds denominated in JPY									
Issue country Germany									
LANDWIRT.R.BK 01/13YN MTN	XS0128165379	lent*	1.375000	0	0	350,000	101.372000	3,554,593.87	5.16
							Total	3,554,593.87	5.16
Issue country Japan									
DEV.BK JAPAN 04/14 INTL	XS0193846325		1.600000	0	0	380,000	103.240000	3,930,388.86	5.71
							Total	3,930,388.86	5.71
Total bonds denominated in JPY translated at a rate of 99.815060							7,484,982.73	10.86	

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Security designation	ISIN number	Interest rate	Purch./ additions	Sales/ disposals	Holding Shares/nominal (nom. in 1,000, rounded)	Price	Value in EUR	% share of fund assets
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Bonds denominated in NOK

Issue country Norway

NORWAY 02-13	N00010144843	6.500000	0	0	6,000	106.501000	833,281.39	1.21
NORWAY 04-15	N00010226962	5.000000	0	0	4,000	111.188000	579,968.83	0.84
NORWAY 10-21	N00010572878	3.750000	0	0	4,000	112.017000	584,292.99	0.85
Total							1,997,543.21	2.90
Total bonds denominated in NOK translated at a rate of 7.668550							1,997,543.21	2.90

Bonds denominated in SEK

Issue country Sweden

SWEDEN 04-15 1049	SE0001250135	4.500000	0	0	7,000	112.087000	880,214.36	1.28
SWEDEN 05-16 1050	SE0001517699	3.000000	0	0	8,000	108.129000	970,436.98	1.41
Total							1,850,651.34	2.69
Total bonds denominated in SEK translated at a rate of 8.913840							1,850,651.34	2.69
Total securities admitted to organised markets							15,473,208.38	22.46

Unlisted securities

Bonds denominated in EUR

Issue country Austria

DIE ERSTE OEST. SCP 11-16	AT0000A0NWN0	3.414000	0	0	500	99.540000	497,700.00	0.72
Total							497,700.00	0.72
Total bonds denominated in EUR							497,700.00	0.72
Total unlisted securities							497,700.00	0.72

Forward exchange agreements

**Unrealised
result in EUR**

Forward exchange agreements denominated in EUR

Issue country Austria

FXF NSPEST EUR/AUD	FXF_NTX_3554506				366,703		38,161.32	0.06
FXF NSPEST EUR/CAD	FXF_NTX_3554503				864,491		49,196.39	0.07
FXF NSPEST EUR/CHF	FXF_NTX_3554498				162,588		3,624.91	0.01
FXF NSPEST EUR/GBP	FXF_NTX_3554495				406,424		-15,452.15	-0.02
FXF NSPEST EUR/JPY	FXF_NTX_3554491				3,694,364		-134,077.81	-0.19
FXF NSPEST EUR/MXN	FXF_NTX_3554516				222,399		23,496.29	0.03
FXF NSPEST EUR/NOK	FXF_NTX_3554510				470,080		-12,027.74	-0.02
FXF NSPEST EUR/PLN	FXF_NTX_3554514				65,869		4,896.30	0.01
FXF NSPEST EUR/SEK	FXF_NTX_3554502				236,394		-10,358.01	-0.02
FXF NSPEST EUR/USD	FXF_NTX_3554488				13,326,017		264,775.77	0.38
FXF NSPEST EUR/USD	FXF_NTX_3554585				1,883,449		10,562.59	0.02
Total							222,797.86	0.32
Total forward exchange agreements denominated in EUR							222,797.86	0.32
Total forward exchange agreements							222,797.86	0.32

Security designation	Holding	Unrealised result in EUR	% share of fund assets
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Derivatives**Financial futures denominated in EUR****Issue country Germany**

EURO-BOBL FUTURE Mar12	17	42,160.00	0.06
		Total	42,160.00 0.06
Total financial futures denominated in EUR		42,160.00	0.06

Financial futures denominated in USD**Issue country USA**

US 10YR NOTE FUT Mar12	-10	-23,931.95	-0.03
US 5YR NOTE (CBT) Mar12	-25	-31,779.90	-0.05
US LONG BOND(CBT) Mar12	15	42,612.01	0.06
		Total	-13,099.84 -0.02
Total financial futures denominated in USD translated at a rate of 1.309050		-13,099.84	-0.02
Total derivatives		29,060.16	0.04

Breakdown of fund assets

Securities	68,322,453.65	99.17
Forward exchange agreements	222,797.86	0.32
Financial futures	29,060.16	0.04
Cash in banks	20,274.18	0.03
Interest entitlements	297,797.48	0.43
Other deferred items	-42.87	-0.00
Fund assets	68,892,340.46	100.00

Dividend shares outstanding	shares	5,028,242
Non-dividend shares outstanding	shares	502,892
KEST-exempt non-dividend shares outstanding	shares	4,303
Share value for dividend share	EUR	11.57
Share value for non-dividend share	EUR	21.16
Share value for KEST-exempt non-dividend share	EUR	22.13

ESPA BOND INTERNATIONAL

* As of 31 January 2012, the securities marked with "lent" in the fund portfolio and the following securities were registered as lent in the following amounts and at the following fees in the securities lending system of Erste Group Bank AG:

Security designation	ISIN number	Lent amount Shares/nominal (nom. in 1,000, rounded)	Fee rate in %
AUSTRIA 03/18 MTN	AT0000385745	150	0.03
B.T.P. 09-19	IT0004489610	900	0.03
B.T.P. 10-15	IT0004656275	800	0.03
B.T.P. 10-21	IT0004634132	600	0.03
B.T.P. 11-16	IT0004761950	200	0.03
BELGIQUE 04/35 44	BE0000304130	50	0.03
BELGIQUE 09-19 55	BE0000315243	250	0.03
GOVT.BOND.V. 10/42	DE0001135432	1,100	0.03
GOVT.BOND.V. 05/37	DE0001135275	100	0.03
GOVT.BOND.V. 11/21	DE0001135457	100	0.03
EIB EUR.INV.BK 10/19 MTN	XS0541909213	300	0.03
LANDWIRT.R.BK 01/13YN MTN	XS0128165379	350,000	0.03
LCR FINANCE 99/28 REGS	XS0094804126	1,750	0.03
NEDERLD 06-16	NL0000102283	400	0.03
NEDERLD 10-20	NL0009348242	100	0.03
AUSTRIA 09/14	AT0000A0CL73	100	0.03
REP. FSE 07-17 O.A.T.	FR0010415331	200	0.03
REP. FSE 11-16 B.T.A.N.	FR0119580050	200	0.03
REP. FSE 11-21 O.A.T.	FR0011059088	800	0.03

Investor note:

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

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

Security designation	ISIN number	Interest rate	Purch./ additions Shares/nominal (nom. in 1,000, rounded)	Sales/ disposals
Publicly traded securities				
Bonds denominated in EUR				
Issue country Germany				
GOVT.BOND.V. 09/20 INFL.LKD	DE0001030526	1.750000	0	400
GOVT.BOND.V.98/07.28 II	DE0001135085	4.750000	0	300
FED.BOND V.11/16 S.161	DE0001141612	1.250000	400	400
KRED.F.WIED.10/16 MTN	DE000A1EWEA4	1.333000	0	600
Issue country Italy				
B.T.P. 06-21	IT0004009673	3.750000	0	150
B.T.P. 07-17	IT0004164775	4.000000	0	300
B.T.P. 07-18	IT0004273493	4.500000	0	100
B.T.P. 08-23	IT0004356843	4.750000	0	150
B.T.P. 2019 01.02	IT0003493258	4.250000	0	200
Securities admitted to organised markets				
Bonds denominated in EUR				
Issuer European Investment Bank				
EIB EUR.INV.BK 04/20 MTN	XS0196448129	4.625000	0	600
EIB EUR.INV.BK 09/17 FLR	XS0441736625	1.399000	0	500

Vienna, February 2012

ERSTE-SPARINVEST
Kapitalanlagegesellschaft m.b.H.

Bednar

Gasser

Gschiegl