



Raiffeisen-EasternEuropean-Equities

Eastern European Equities



This product profile is provided as information for institutional clients and client advisers, it is not intended to be passed on to retail clients. It reflects the author's knowledge as of the date of publication but is not always regularly updated. The complete fund information can be found in the prospectus, supplemented by the most recent audited annual report and a semi-annual report if published since the last annual report.

March 2014 (last change 03.03.2014)

Our Services – Common Understanding

Our open-ended mutual funds and institutional funds are portfolios which we manage according to our investment philosophy, our proven investment processes and our current market view.

You are an investor who has the experience, knowledge and expertise to make your own investment decisions and to adequately evaluate the associated risks.

Our statements regarding capital markets and our funds are not based on an assessment of your particular investment needs and therefore shall not serve as an individual investment advisory service.

Please contact us if you wish to receive individual financial advice concerning securities transactions.

Raiffeisen Group in Eastern Europe

- Established in 1987
- 17 proprietary banks
- Dense research network
- 13 local asset managers
- Raiffeisen Capital Management* manages Emerging Europe equities since 1994!

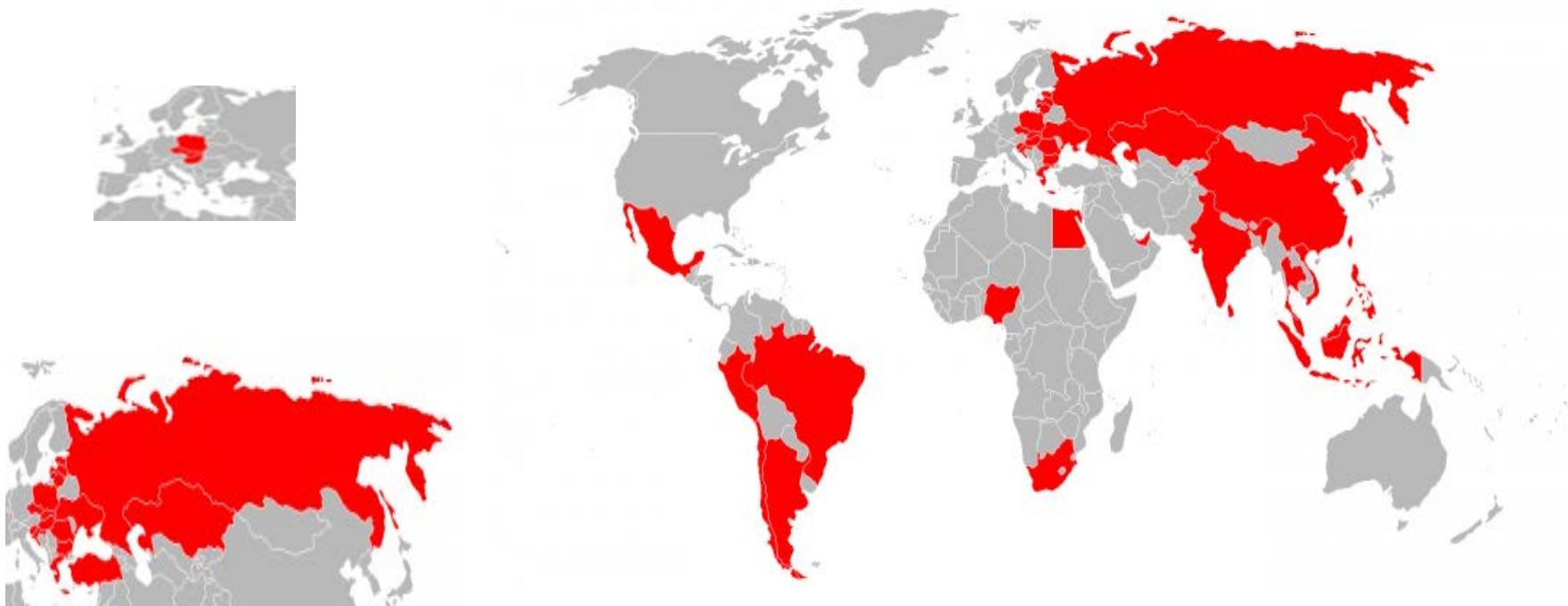


* Raiffeisen Capital Management stands for Raiffeisen Kapitalanlage-Gesellschaft m.b.H. and Raiffeisen International Fund Advisory GmbH.

„The World is Not Enough“

In **1994**, our Eastern European fund invested solely in the 4 Visegrad-states (Poland, Hungary, Czech Republic and Slovakia). Since this time, the investment universe grew considerably, especially driven by Russia and Turkey.

A small niche product became a **core competence of Raiffeisen Capital Management** and was a stepping stone to build up **global presence in Emerging Markets**.



Fund Managers Emerging Europe



Angelika Millendorfer

- Head of Emerging Market Equities, Fund Manager Eastern European Equities, before Asset Manager with Bank Austria and RVG
- since 1994 Raiffeisen KAG
- Ph.D in Economics



Gregor Holek

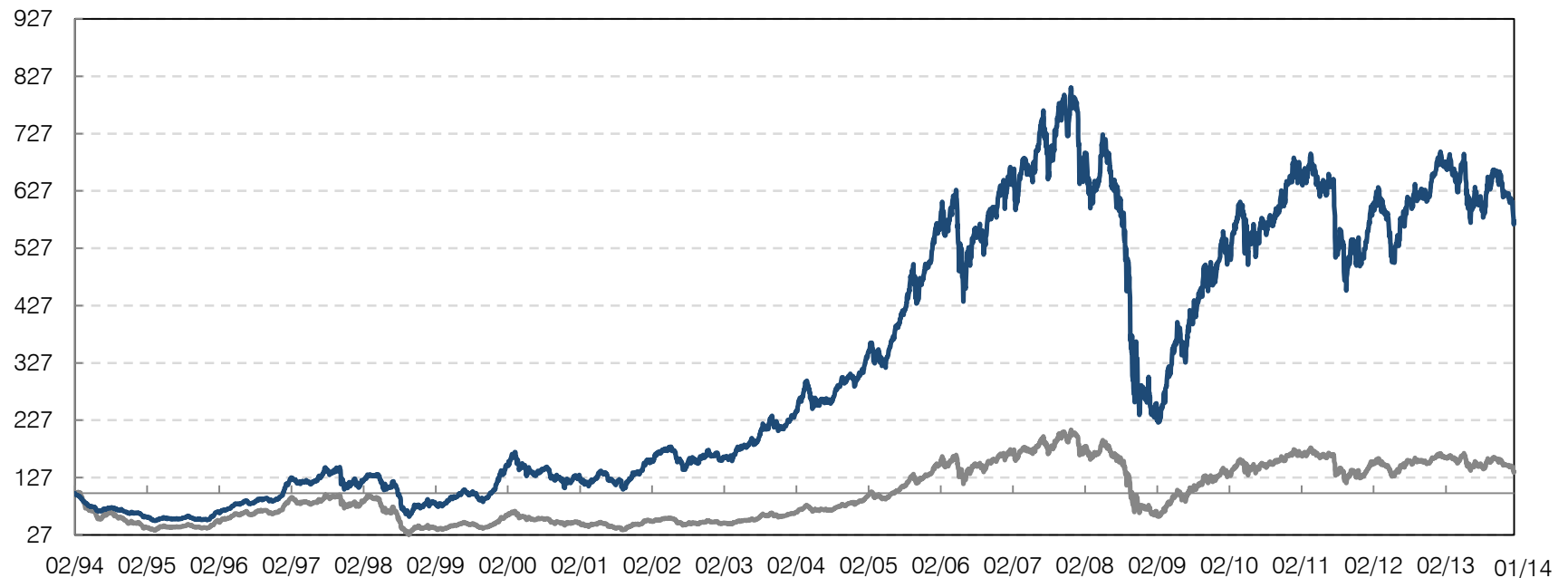
- Fund Manager Emerging Market Equities, before Asset Manager Raiffeisen Vermögensverwaltungsbank
- since 1999 Raiffeisen KAG
- Master in Economics, CEFA (Certified European Financial Analyst)



András Szálkai

- Fund Manager Eastern European Equities, before Asset Manager with East Capital, Erste Bank, Vontobel
- since 2011 Raiffeisen KAG
- Master of Sciences in Business Economics

Performance Since Launch



Market	37.89 %	1.62 % p.a.
Raiffeisen-EasternEuropean-Equities	474.72 %	9.16 % p.a.

Source: Raiffeisen KAG, own calculation, indexed total return gross 21.02.1994 – 31.01.2014

The performance is calculated by Raiffeisen KAG, in accordance with the method developed by the OeKB (Österreichische Kontrollbank AG) on the basis of data provided by the custodian bank (in the event that the payment of the redemption price is suspended, using an indicative price). Past performance results do not permit any reliable inferences as to the future performance of an investment fund.

Profile Raiffeisen-EasternEuropean-Equities

Long-term capital growth with higher volatility in the short term

Investment universe	Companies domiciled or operating in emerging markets of Eastern Europe (Russia, Turkey, Hungary, Poland, Czech Republic...)
Market	MSCI EM Europe 10/40, net dividend reinvested, in EUR
Performance target	above market in the long term
Tracking Risk	4 - 8 %
Management	active, stock selection based on fundamentals
Specifics	<ul style="list-style-type: none"> ▪ No use of derivatives, no automatic currency hedge ▪ Long history: track record since Feb. 1994 ▪ Recommended holding period at least 10 years ▪ Fund volume*: € 455 m ▪ Number of shares: 72

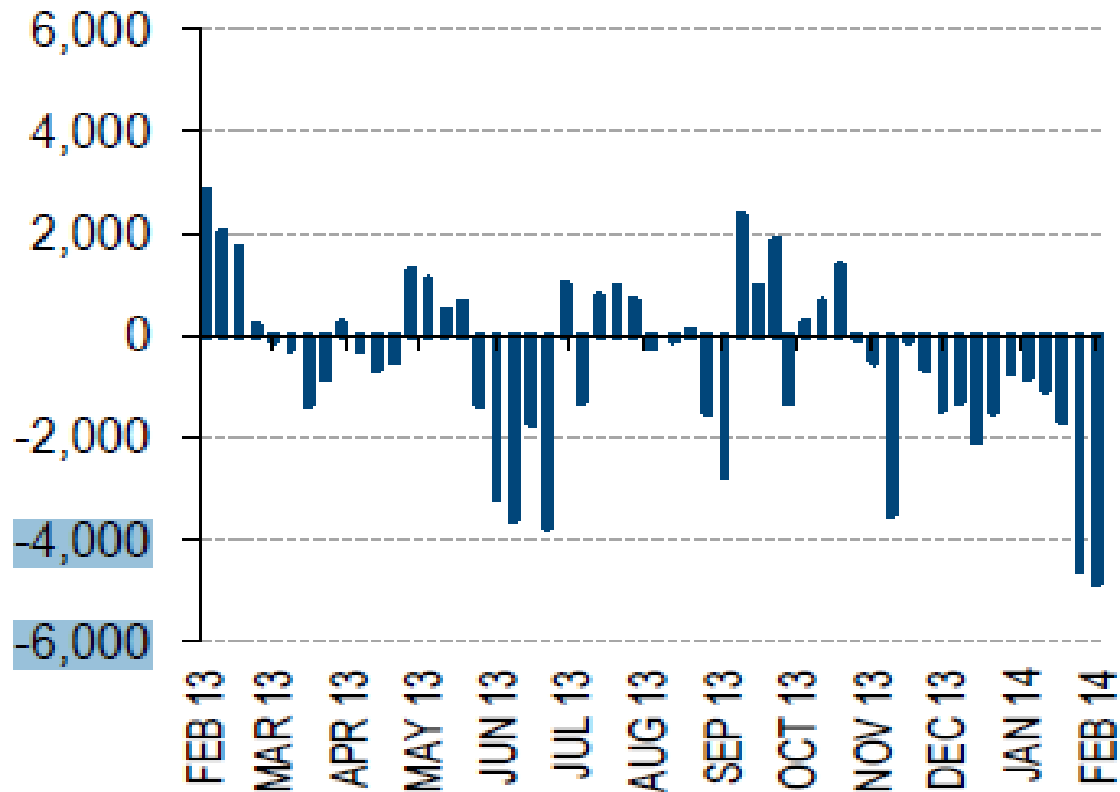
The investment strategy permits the capital to be invested primarily in derivatives.

Due to the fund's makeup or its management techniques the fund is subject to increased volatility, i.e. its unit values may undergo major upward and downward fluctuations within brief periods of time.

*As of 31. January 2014

CEE: Neglected by Investors

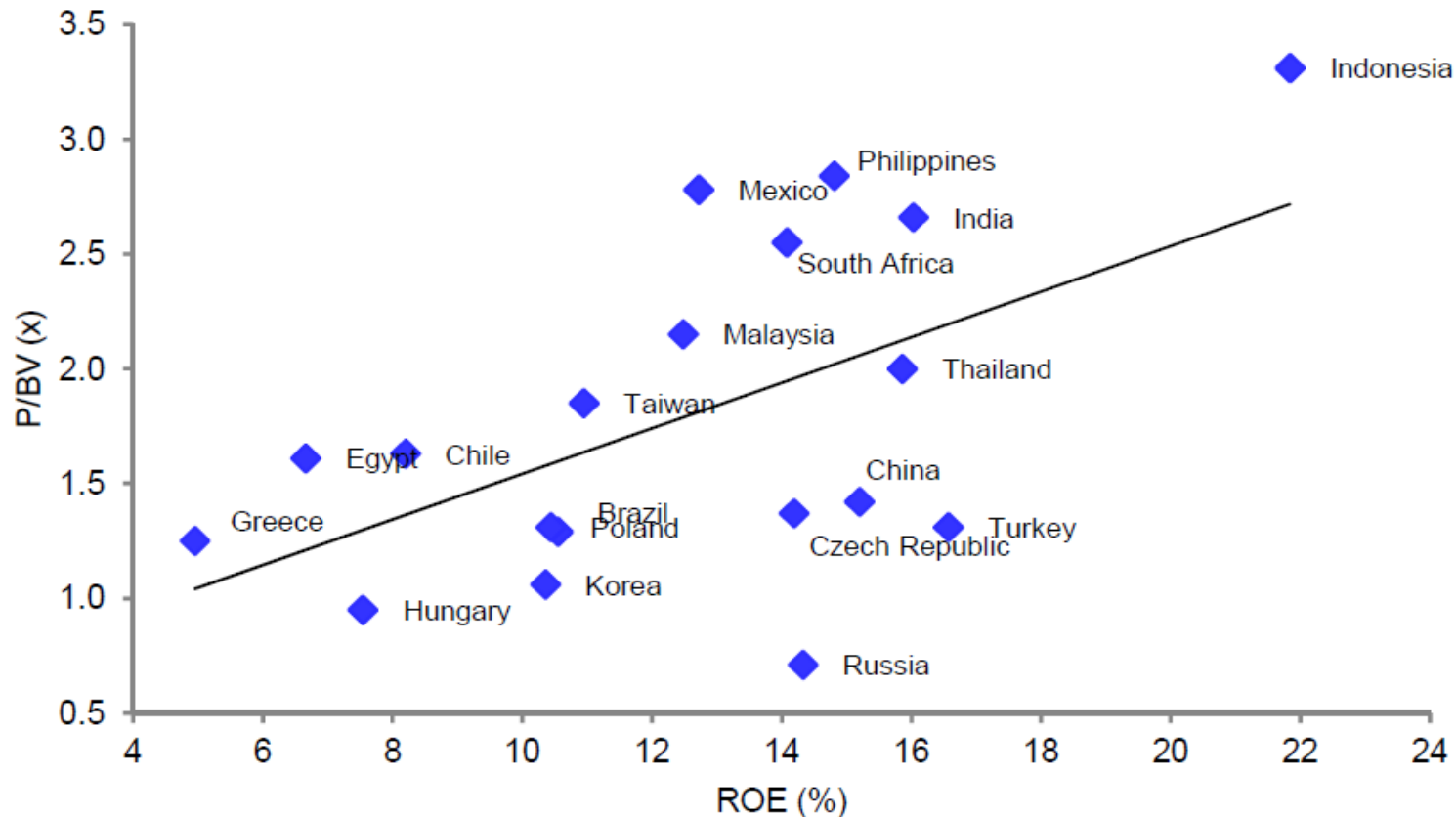
EMEA fund flows



Source: EPFR Global, Gazprombank estimates, February 2014

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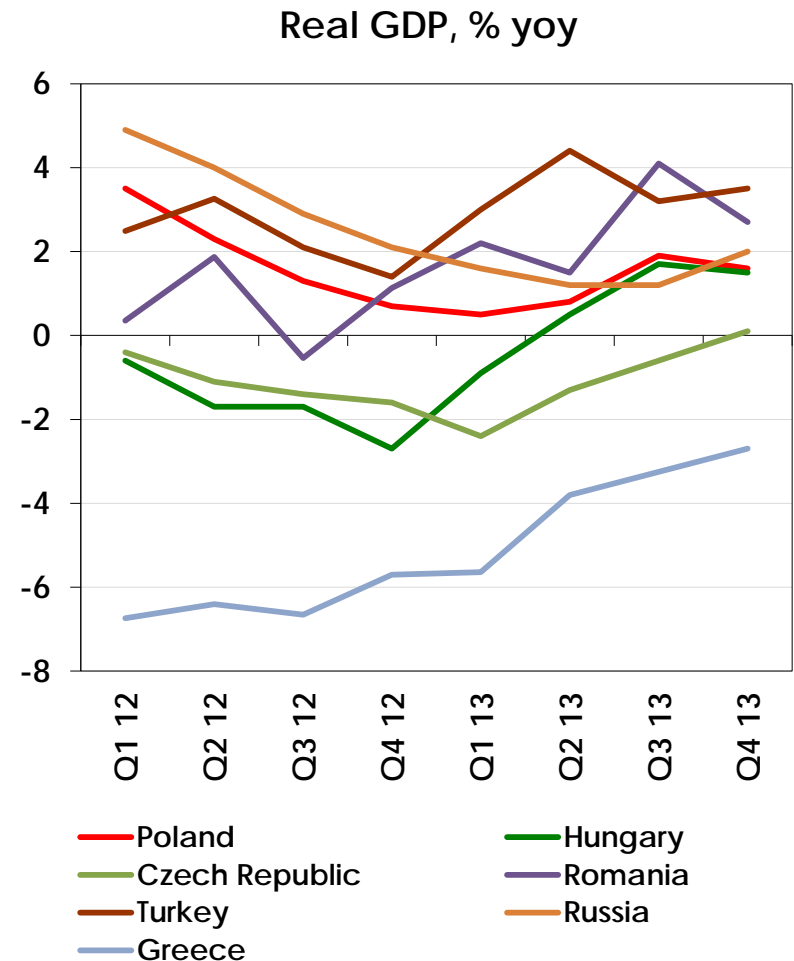
A Valuable Investment: Low P/B Ratios but High Profitability



Source: Deutsche Bank, Bloomberg Finance L.P., January 2014
Data points are correct as at end-January 2014
For data on each country, the corresponding MSCI country index was used

Region CEE: Momentum in GDP Growth

- Economic growth has accelerated in 2013
- Leading indicators suggest a further acceleration in 2014 – growth engine Germany draws particularly Central Europe -> especially export
- Russia can only marginally benefit from this trend. After a 3.4 % growth in 2012 and 2 % in 2013 we see no acceleration for this year. Current political tensions will likely lead to downgrades in GDP growth.
- The growth in Turkey is most at risk due to political turmoil and interest rate hikes. GDP growth 2014 above 2 % is probably optimistic



Source: National statistical offices, Raiffeisen RESEARCH, Q4 2013

Central Europe – Poland, Czech, Hungary, Romania

- The countries most exposed to an EU recovery in the mid term are Czech Republic and Hungary
- Czech equities might find their bottom and are attractive with high dividend yields like 6%+. In the current environment of increased volatility it seems to be a “save haven”.
- Hungary: Political risk weights on sentiment. OTP bank has exposure to the Ukraine. In Hungary export companies still could do well.
- Poland: The government decided to change the pension fund system to stimulate the economy starting in 2014 (nationalize pension assets → lower Gov. debt)
- Romania outperformed strongly 2013 and we expect this to continue as new IPOs will bring attention to the market. On a relative basis we still see value in the market, however the high basis makes it difficult to repeat 2013 outperformance

Russia

- Ukraine-related tensions seem to have stabilised for the moment. However, the situation is fluid and there is a risk of downside surprises.
- Low valuation and high dividend yields provide a floor to valuations. Current forward P/E 2014 of 4.5 is arguably cheap. Any substantial pick up is contingent to the political development.
- Consumer stocks and telecom companies have become very attractive again after correction. Market timing is crucial.
- Watch out for exposure to the Ukraine in especially in Banks and Telekoms.



Source: Thomson Reuters Datastream, as of 06.02.2014

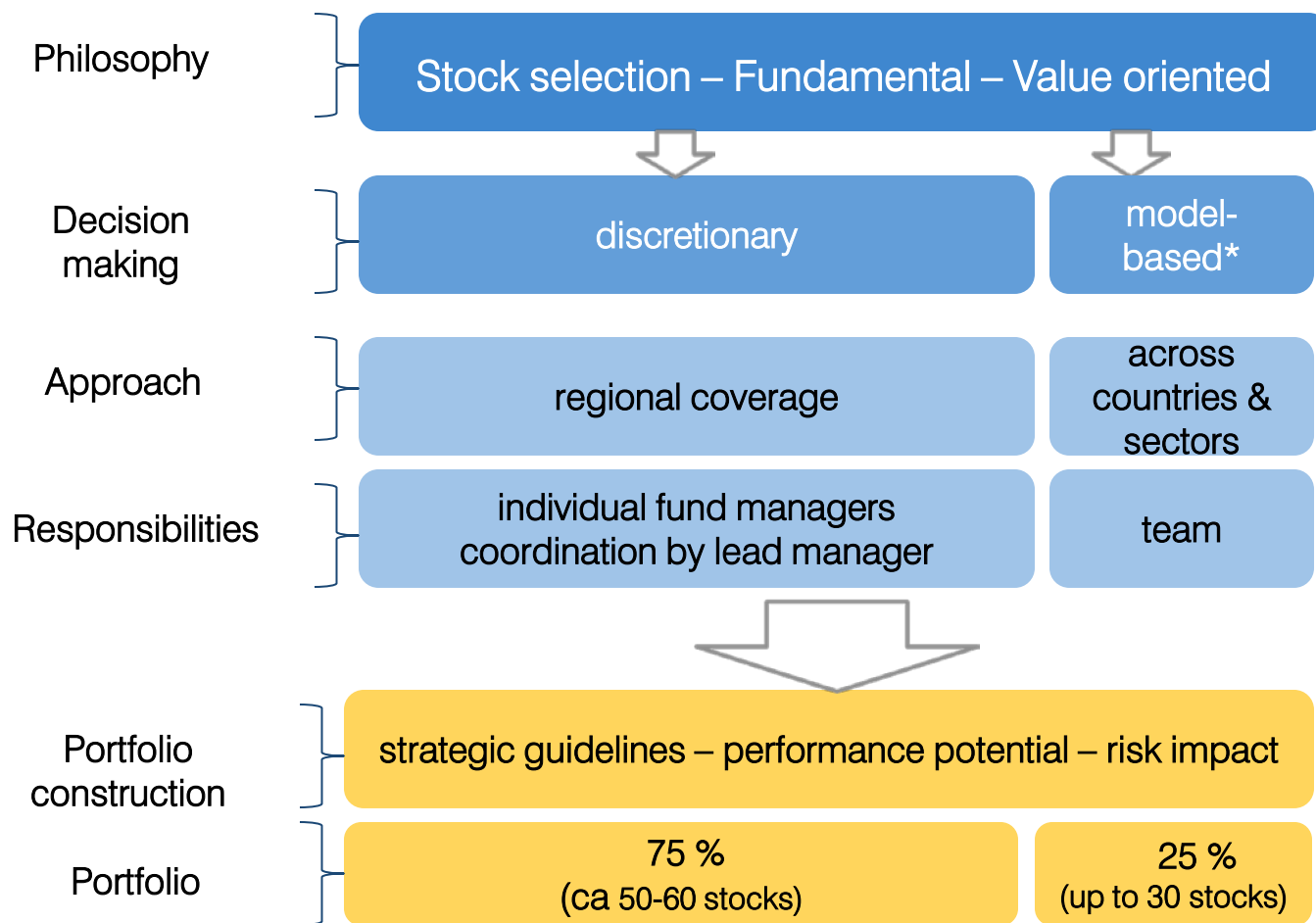
Magnit – A Pearl in Consumer Space

- Russia's largest supermarket chain
→ 7.600 stores in 1.800 cities
- Density of supermarkets are way below European levels
- Rapid expansion → store openings
+30 % per year since 2002
- Stable earnings growth > 25 % / year
- Built by “modern” Russian entrepreneurs –
not an „oligarch“



Source: Company Presentation 3Q 2013, Bloomberg

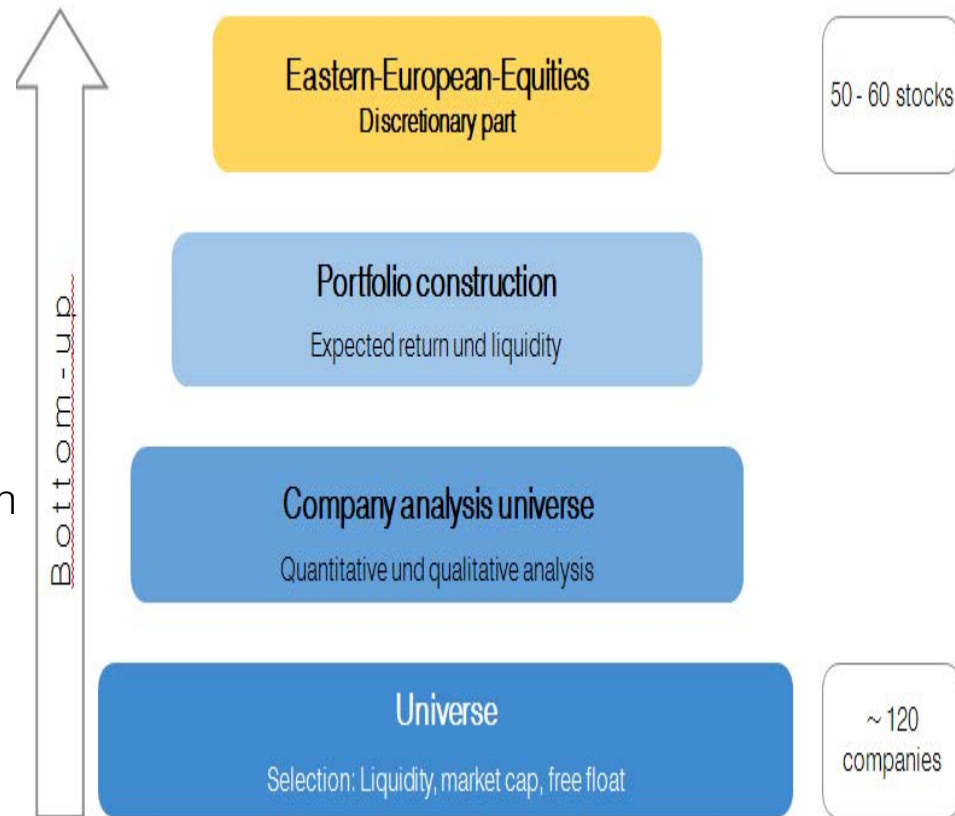
Investment Process Bottom-up



* Model is part of the investment process since May 2011

Discretionary Investment Process

- Dominant value driver
- Selection of investable universe
 - liquidity, market cap., free float
- Return potential through quantitative and qualitative analysis
 - management, shareholder structure, profitability
- In-house databank for valuation
 - P/E, P/B, EV/EBITDA, DCF, earnings growth
 - sector and country comparisons
 - DCF models
- Portfolio construction
 - estimated return and liquidity
- Standardised risk monitoring (Contego)



Quant Investment Strategy



Valuation



Valuation
Profitability
Momentum

- ☑ Solid foundation of value investing through long history of superior results
- ☑ P/B-ratio: less volatility in book value vs. other value-metrics and less cyclically influenced
- ☒ Risk of value traps: companies that
 - (1) deserve low valuation for low returns
 - (2) are in structural decline
 - (3) trade cheaply for sustained period before mean reversion finally arrives

- ☑ Still buying among cheapest stocks
- ☑ Better chance to avoid value traps and increasing the odds of picking outperforming stocks
- ☒ Momentum induces a slightly higher turnover but protects better against secular declines

Value Model Portfolio

25 % of the portfolio will be invested in stocks which are chosen primarily according to valuation multiples and profitability

- Quant-portfolio is based on an extensive historic back-testing
- Model is re-evaluated and optimized on a regular basis
- Based only on historical data, data sources: Datastream (MSCI, Worldscope), FactSet, Reuters, Bloomberg
- Research is done in cooperation with Raiffeisen Research Team
- **Universe** - 60 largest companies within the MSCI Emerging Europe Index
- **Selection** - 15 stocks which are most attractive, according to valuation multiples, profitability and momentum
- Starting February 2012: **There are 2 parallel** model portfolios with 3 months starting interval between the two, each comprising 12,5 % of the fund (overlaps between the two are possible). Therefor, there is a maximum of 30 stocks in the value segment.
- **Equal over-weights**
- **Semi-annual rebalancing**
- **10 % constraint for individual stocks** (calculated as percentage of value segment)



Quant Team

Strategy and Coordination



Kurt J. Kotzegger, CFA
Chief Investment Officer –
Equities & Asset Allocation

Fund Managers Equity Emerging Markets / Global Equity



Patrick Pastollnigg, CFA
Fund Manager
Emerging Markets Equity



Katerina Zhylkina
Fund Manager
Emerging Markets Equity



Lydia Reich
Fund Manager
Global Equity

Raiffeisen Research Quant Analysts



Stefan Theussl
Quant Analyst
Quant Raiffeisen Research



Dagmar König
Quant Analyst
Quant Raiffeisen Research

Combining Value and Discretionary Strategies

- Advantages of using a quantitative value concept
 - Value has a long history as a very successful alpha generator
 - Psychological and institutional factors may drive the persistent value anomaly
 - Models are immune to psychological pitfalls
 - Advantages of using discretionary strategies:
 - Opportunities in non-index stocks, small caps, true growth stories, special situations etc. can be included in the portfolio
 - Cash positions can be used actively
 - The ability to discretionarily influence the portfolio, especially in crisis situations, gives comfort to portfolio managers and investors alike
- ➡ Advantages of a combination: $1 + 1 > 2$!
Diversification uses advantages of both, enables more active approach in all segments, thereby creating a much more attractive risk/reward profile !



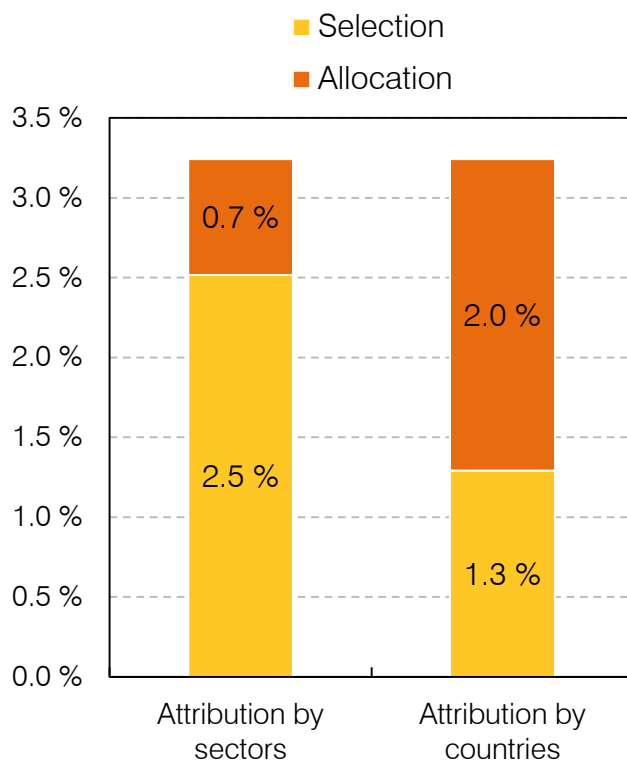
Risk Control

Strong deviations from the market

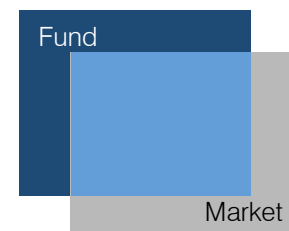
- Permanent performance monitoring by risk control department
- Risk analysis with proprietary risk control system Contego:
 - Detailed analysis of extent and sources of absolute and relative risk resulting from country sector and stock specific weightings
 - Risk contribution of individual active positions as percentage of total active risk
 - Because of bottom-up approach stock selection risk tends to be dominant
- Monthly reporting to CIO and general management
- Control of ex ante tracking error: indicative range 4-8 % under normal market conditions

Risk analysis

Tracking Risk contribution



Long/Short breakdown



	Active position	Rel. tracking risk contribution
TOTAL	0.0 %	100.0 %
Non index stocks	10.0 %	15.4 %
Overweighted stocks	22.3 %	29.8 %
Underweighted stocks	-7.5 %	-0.4 %
Index stocks: not invested	-25.3 %	54.3 %
Derivatives	0.0 %	0.0 %
Cash	0.5 %	0.9 %
Active share *)	32.9 %	

All given figures are calculated ex ante with positions as of end of given day and are iid annualised. Short term effects caused by technical inter-day return differences between local instruments in the market and corresponding ADR/GDRs in the fund have been eliminated to express the long term active risk structure.

Source: Raiffeisen KAG, as of January 31, 2014, *) ex derivatives, Market = MSCI EM Europe 10/40

Risk analysis

Top 5 ex-ante tracking risk contributions

<i>by sector</i>	Exposure	Rel. volatility contribution	Active position	Rel. tracking risk contribution
FINANCIALS	21.9 %	26.1 %	-10.5 %	29.1 %
ENERGY	40.4 %	40.0 %	6.3 %	25.1 %
TELECOMMUNICATION SERVICES	8.6 %	6.7 %	-0.3 %	16.4 %
UTILITIES	8.1 %	5.7 %	4.0 %	11.9 %
CONSUMER STAPLES	7.4 %	8.5 %	0.5 %	8.8 %

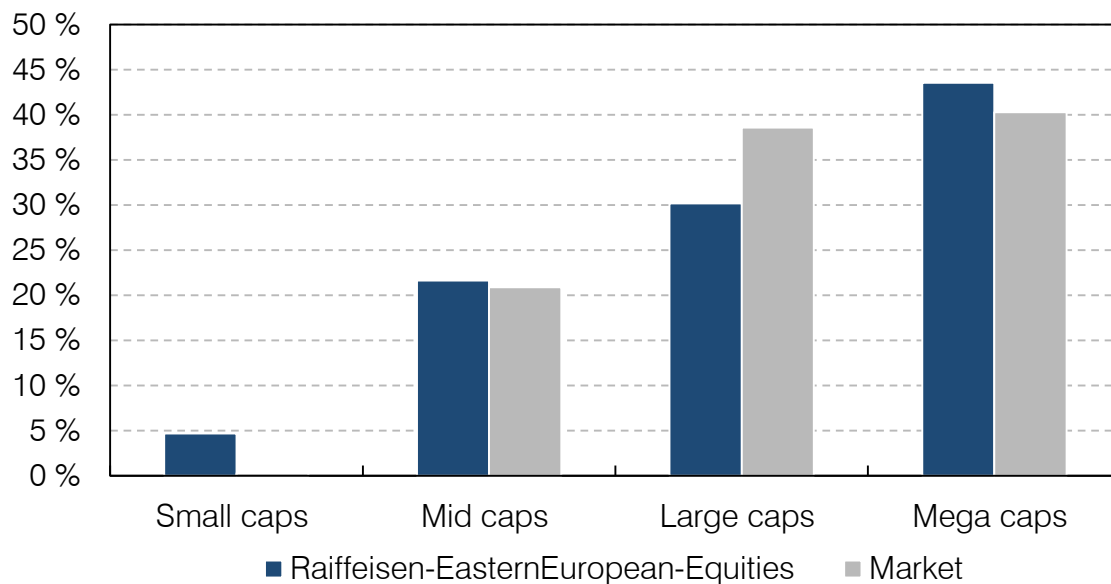
<i>by country</i>	Exposure	Rel. volatility contribution	Active position	Rel. tracking risk contribution
RUSSIA	61.4 %	66.1 %	4.9 %	29.1 %
TURKEY	9.9 %	14.9 %	-5.1 %	23.7 %
GREECE	0.0 %	0.0 %	-5.2 %	18.8 %
POLAND	16.7 %	13.5 %	-1.1 %	14.0 %
ROMANIA	1.9 %	0.4 %	1.9 %	4.6 %

All given figures are calculated ex ante with positions as of end of given day and are iid annualised. Short term effects caused by technical inter-day return differences between local instruments in the market and corresponding ADR/GDRs in the fund have been eliminated to express the long term active risk structure.

Source: Raiffeisen KAG, as January 31, 2014, ex cash / ex derivatives that cannot be assigned to a specific country or sector,
Market = MSCI EM Europe 10/40

Fund Key Figures

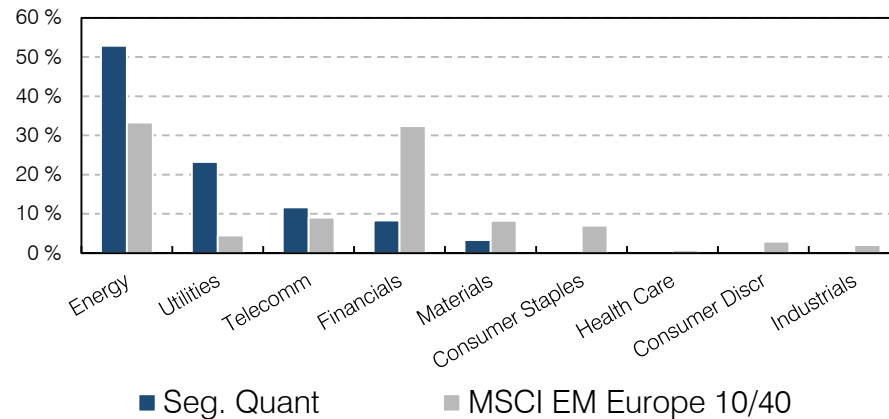
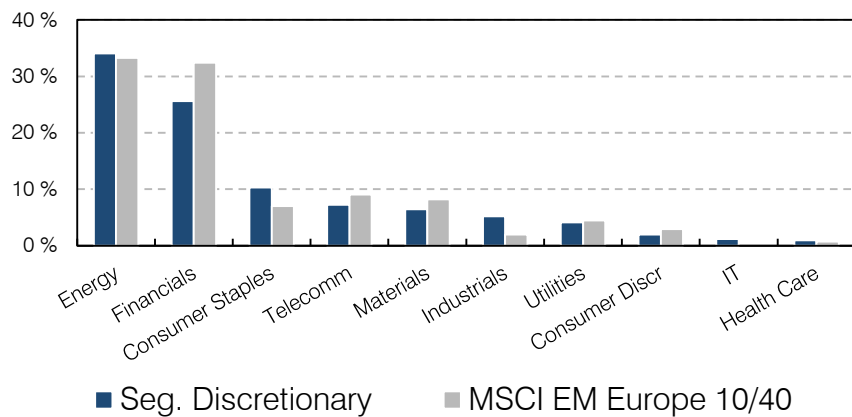
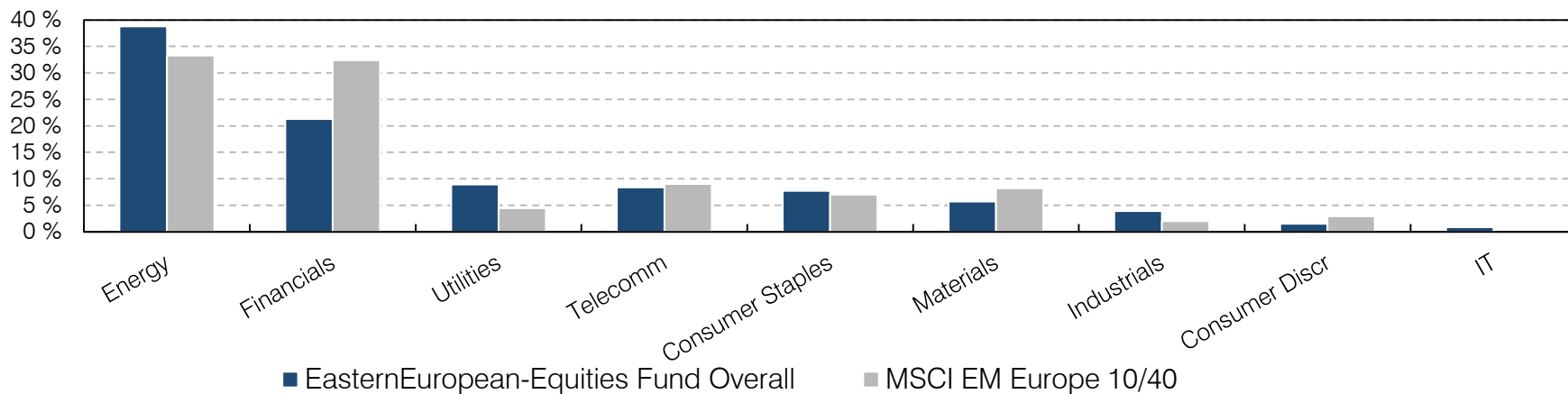
P/E		Price/Book		Dividend Yield	
Fund	Market	Fund	Market	Fund	Market
6,59	7,04	0,75	0,82	4,56	4,43



Risk ratios (fund, 3 years)	
Volatility (% p.a.)	22,87
Portfolio Beta	1,01
Tracking Error (% p.a.)	2,36
Sharpe Ratio (p.a.)	-0,28
Information Ratio	0,10

Source: Raiffeisen KAG , Bloomberg Finance L.P., accessed: February 28,2014. Based on estimates for the next 12 months using the index method
 Small caps < 1 bn EUR, Mid caps 1-5 bn EUR, Large caps 5-15 bn EUR, Mega caps > 15 bn EUR, Market = MSCI EM Europe 10/40

Security structure by MSCI sectors



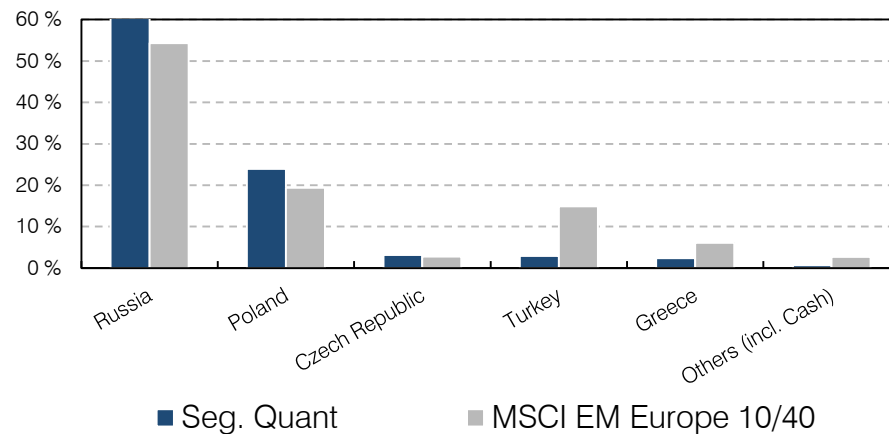
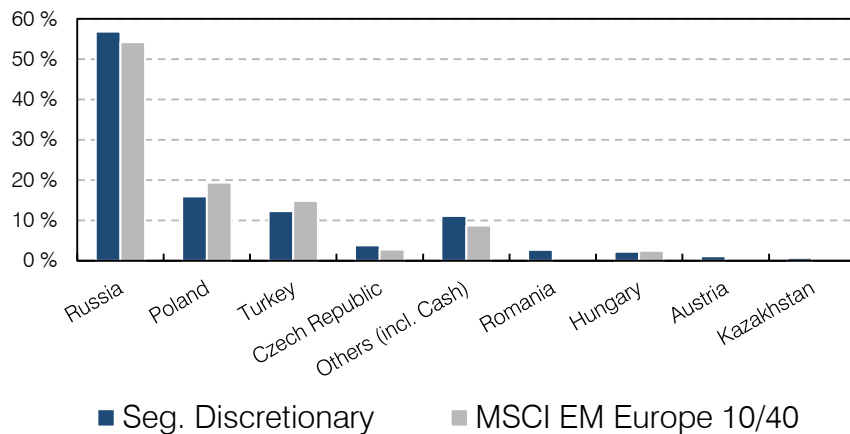
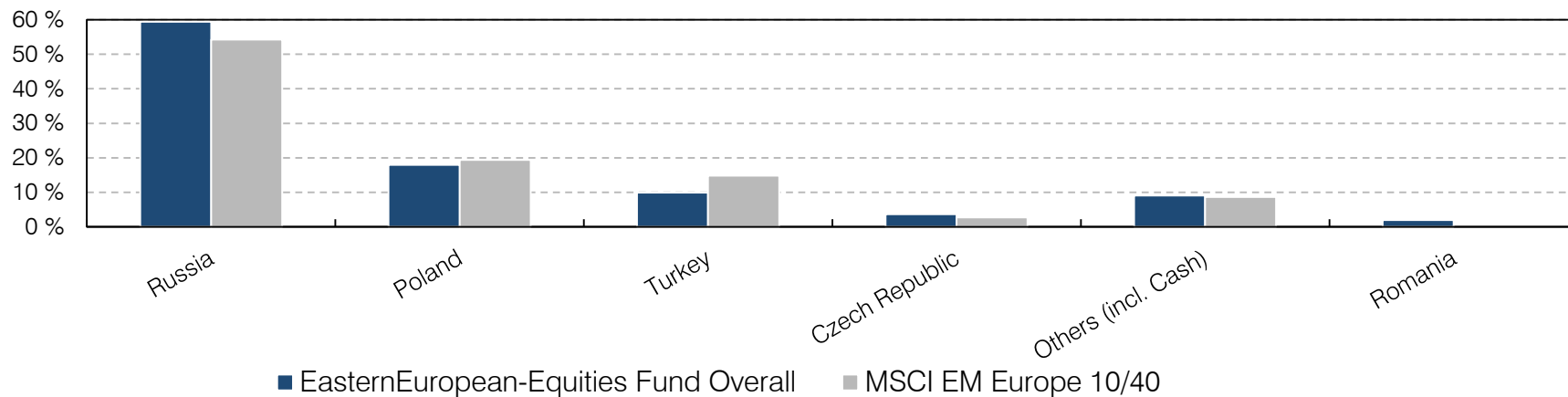
incl. derivatives

Source: Raiffeisen KAG, Datawarehouse, as of February 28, 2014

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Security structure by country of domicile



incl. derivatives

Source: Raiffeisen KAG, Datawarehouse, as of February 28, 2014

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Top 10 Holdings

Company	Country	Sector	Portfolio
Lukoil OAO	Russia	Energy	8,5 %
Sberbank of Russia	Russia	Financials	8,3 %
Gazprom OAO	Russia	Energy	7,7 %
Magnit OJSC	Russia	Consumer Staples	6,5 %
Surgutneftegas OAO	Russia	Energy	6,3 %
Tatneft OAO	Russia	Energy	3,7 %
PGE SA	Poland	Utilities	3,1 %
Mobile Telesystems OJSC	Russia	Telecommunication Services	2,9 %
NovaTek OAO	Russia	Energy	2,6 %
Sistema JSFC	Russia	Telecommunication Services	2,6 %

Source: Raiffeisen KAG, Datawarehouse, as of February 28, 2014

Highest Active Weights

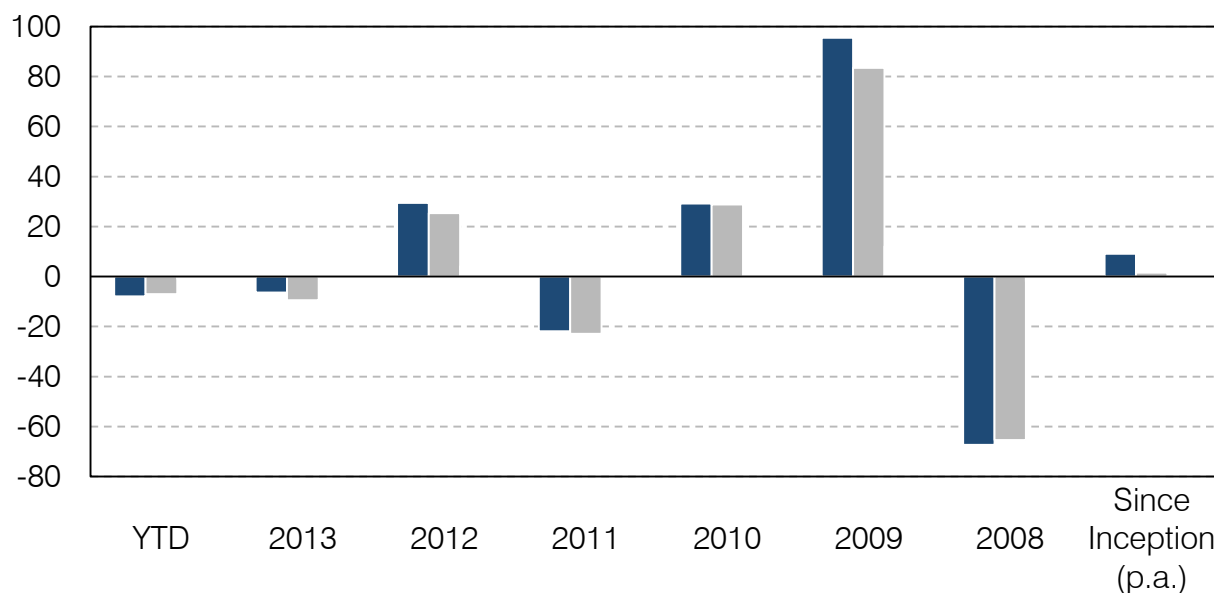
Company	Country	Sector	Portfolio	Market	+ / -
Overweight					
Surgutneftegas OAO	Russia	Energy	6,2 %	3,1 %	3,0 %
Magnit OJSC	Russia	Consumer Staples	6,3 %	4,2 %	2,1 %
PGE SA	Poland	Utilities	3,0 %	1,3 %	1,7 %
Sistema JSFC	Russia	Telecommunication Services	2,5 %	0,9 %	1,7 %
Telekomunikacja Polska SA	Poland	Telecommunication Services	2,2 %	0,6 %	1,5 %
Underweight					
Uralkali OJSC	Russia	Materials	0,0 %	1,8 %	-1,8 %
VTB Bank OJSC	Russia	Financials	0,0 %	1,8 %	-1,8 %
Powszechna Kasa Oszczednosci B	Poland	Financials	1,9 %	3,7 %	-1,8 %
TURKIYE GARANTI BANKASI	Turkey	Financials	0,0 %	1,9 %	-1,9 %
Bank Pekao SA	Poland	Financials	0,0 %	2,4 %	-2,4 %

Source: Raiffeisen KAG, Datawarehouse, as of February 28, 2014, Market = MSCI EM Europe 10/40

Performance versus Market

Start of Fund: February 21, 1994

Performance %; gross



■ Raiffeisen-EasternEuropean-Equities

■ Market

Difference

YTD

2013

2012

2011

2010

2009

2008

Since
Inception
(p.a.)

The performance is calculated by Raiffeisen KAG in accordance with the method developed by the OeKB (Österreichische Kontrollbank AG) on the basis of data provided by the custodian bank (in the event that the payment of the redemption price is suspended, using an indicative price). Past performance results do not permit any reliable inferences as to the future performance of an investment fund. Individual costs – the subscription fee (a maximum of 5 % of the invested amount) and any redemption fee (a maximum of 0 % of the sold amount) – and taxes are not included in the performance calculation. Depending on their concrete value, they will reduce a performance accordingly.

Source: Raiffeisen KAG, Datawarehouse, as of February 28, 2014; Market = MSCI EM Europe 10/40, since 02.01.2006

To Sum Up: Why Raiffeisen-EasternEuropean-Equities



**Raiffeisen-
EasternEuropean-
Equities**

**Positive figures for
EM Europe**

- Valuations, dividends
- Less sensitive to „tapering“

**Longstanding
presence & know how**

- Group's presence since 1987
- 20 years of fund track record

Value investing

- Long-term outperformance

Management team

- 3 experienced region specialists

Unique process

- Enhance return with
complementary strategies

Raiffeisen Emerging Markets Fund Range

Fund	Raiffeisen-EmergingMarkets-Equities	Raiffeisen-Eurasia-Equities	Raiffeisen-EasternEuropean-Equities	Raiffeisen-Russia-Equities
Investment Style	Active, company focused approach domiciled or operating with long-term value opportunities in the diverse and expanding emerging markets arena			
Investment universe	Global	China, India, Russia, Turkey, ASEAN countries	Eastern Europe including Russia	Russia + CIS countries
Benchmark MSCI NDR in EUR	MSCI Emerging Markets	25 % MSCI China, 25 % MSCI India, 25% MSCI ASEAN, 20 % MSCI Russia, 5 % MSCI Turkey	MSCI EM Europe 10/40,	MSCI Russia 10/40,
Bottom-Up Management	70% quantitative 30 % discretionary	25% quantitative 75 % discretionary	25% quantitative 75 % discretionary	100 % discretionary
Top-Down Management	Mean reversion model Futures/options overlay	Futures/options overlay	-	-
Fund Size	~ 300 MIO EUR	~ 650 MIO EUR	~ 530 MIO EUR	~ 85 MIO EUR

As a part of the investment strategy of the funds, it is possible to invest to a significant degree in derivatives. Due to the composition of the funds and the management techniques which are employed, the fund exhibits elevated volatility, meaning that unit prices can move significantly higher or lower in short periods of time, whereby it is not possible to rule out loss of capital.

Risk profile

The following risks in particular apply for Raiffeisen-EasternEuropean-Equities:

- The risk that the entire market for an asset class performs negatively and that this negatively affects the price and value of these investments (market risk)
- The risk that a transaction is not executed as expected, since a counterparty fails to make timely payment or delivery as expected (fulfillment or counterparty risk)
- The risk that a position cannot be liquidated in good time for an appropriate price (liquidity risk)
- The risk that the value of the investments is influenced through exchange rate fluctuations (exchange rate or currency risk)
- The risk of the loss of assets held in a security deposit account due to insolvency, negligence or fraudulent conduct by the custodian bank/custodian or sub-custodian bank/sub-custodian (custody risk)
- The performance risk and information on whether third-party guarantees apply and whether such guarantees are limited (performance risk)
- The risk relating to the investment fund's capital (capital risk)
- The risk of a change in other outline conditions, including tax regulations
- The risk of valuation prices of certain securities deviating from their actual selling prices due to prices determined on illiquid markets (valuation risk)
- Country or transfer risk
- Risk of suspension of redemption
- Key personnel risk
- Operational risk
- Risk in case of derivative financial instruments

A detailed presentation of risks, including general risks, which this fund is exposed to is included in the prospectus, available under www.rcm.at.

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