

# Raiffeisen Eastern European Equities

## Review of February 2014

ISIN Code Institutional (full income-retaining outside Austria):	AT0000A0EY50
ISIN Code Retail (income-distributing):	AT0000936513
ISIN Code Retail (income-retaining):	AT0000805460
ISIN Code Retail (full income-retaining outside Austria):	AT0000785241
ISIN Code Retail (income-retaining Germany)	AT0000805478
ISIN Code Retail (income-distributing Germany)	AT0000939111
ISIN Code Retail (full income-retaining USD share class)	AT0000A10BH7
ISIN Code Retail (full income-retaining GBP share class)	AT0000A10BJ3

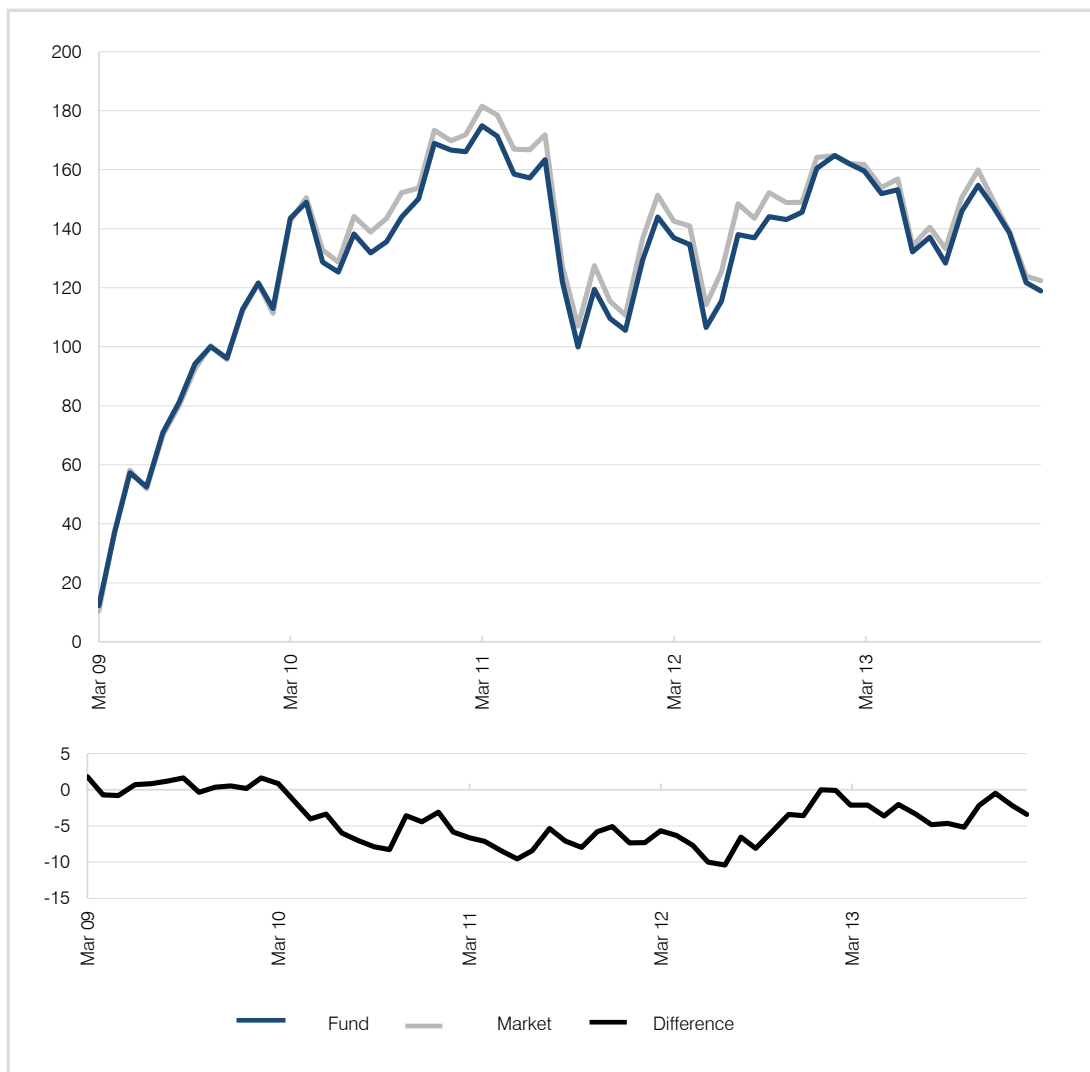
Please note that not all share classes mentioned above might be available in your country of residence.

The published prospectuses as well as key investor information for the investment funds described in this document are available at [www.rcm.at](http://www.rcm.at) in German language respectively in English or your national language at [www.rcm-international.com](http://www.rcm-international.com).

We have compiled the following information for you as an investor who has extensive experience and knowledge in the securities field. If you have any questions please do not hesitate to contact us.

# 5 Year Performance

Performance Net (27. February 2009 to 28. February 2014 in Percent)



Performance	Net in %	Net p. a. in %
Fund	118,94 %	16,95 %
Market	122,35 %	17,31 %
Difference	-3,41 %	-0,36 %
Fund Volume in EUR		443.324.623,65

As a part of the investment strategy of Raiffeisen Eastern European Equities, it is possible to invest to a significant degree in derivatives.

Due to the composition of the fund 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.

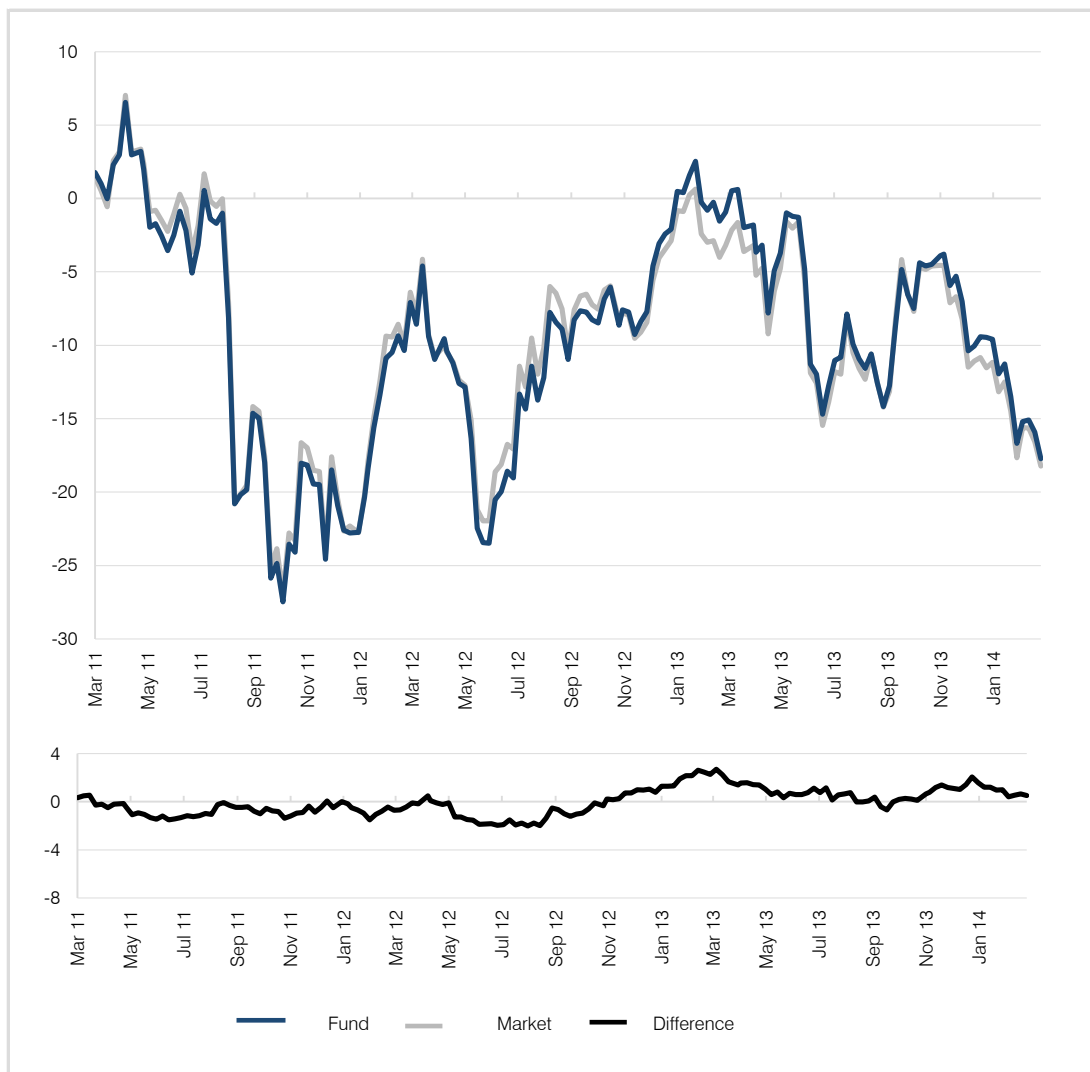
Individual costs, namely the subscription fees (up to 5 % of the invested amount) and redemption fees (up to 0 % of the sold amount), have not been included in the performance calculation.

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.

Regarding our clients whose home currency differs from the fund currency, we would like to point out that the yield may rise or fall also due to currency fluctuations.

# 3 Year Performance

Performance Net (28. February 2011 to 28. February 2014 in Percent)



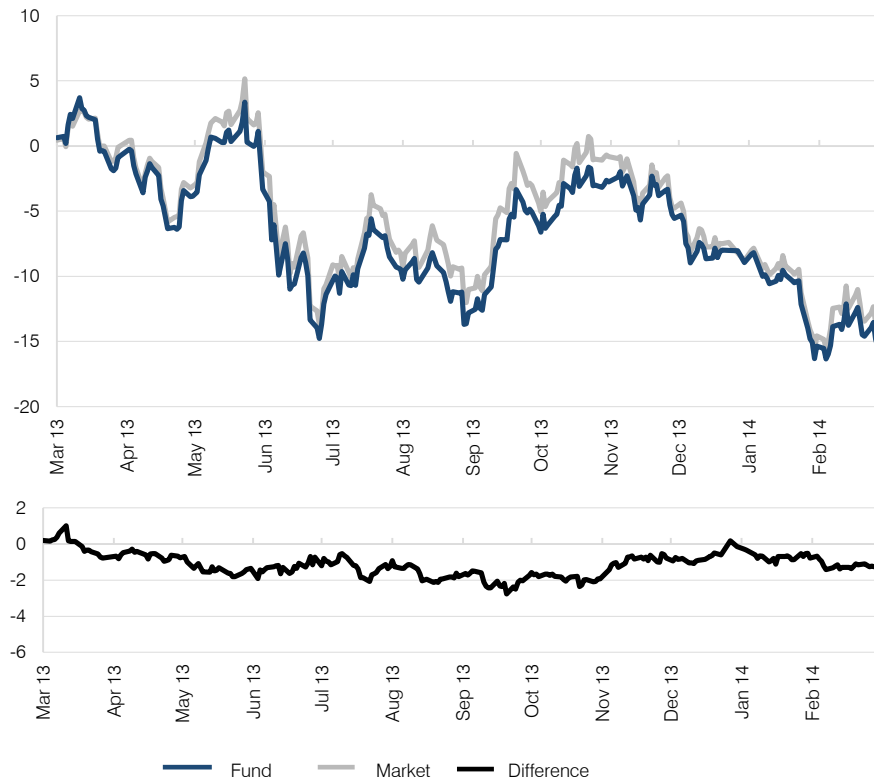
Please note the legal information on page "5 Year Performance"

Reporting Date: 28. February.2014

Raiffeisen Kapitalanlage GmbH

# 1 Year Performance

Performance Net (28. February 2013 to 28. February 2014 in Percent)



Performance	Net in %
Fund	-16,43 %
Market	-15,16 %
Difference	-1,27 %

## Risk Analysis

Statistical Information	Fund	Market
Performance p. a.	-6,29 %	-6,48 %
Volatility p. a.	21,04 %	21,17 %
Maximum Drawdown	-73,01 %	-71,82 %
Tracking Error p. a.	2,44 %	
Sharpe Ratio p. a.	-0,33	-0,34
Information Ratio p. a.	0,08	
Shortfall Risk p.a.	62,00 %	

## Valuation Guidelines:

Observation Period: 31. August 2010 to 30. August 2013

Calculations are significant as of an observation period of 36 months.

Risk-free interest rate: ML German Government Bill Index

Exception: Calculation of maximum drawdown is significant as of an observation period since the beginning.

## Explanations:

Volatility	Average fluctuation in value; (standard deviation).
Maximum Drawdown	Largest amount of interim loss since launch.
Tracking Error	Average deviation between fund and market yields; (standard deviation of yield differences). Due to different sources for fund markets, the tracking error may be lower than reported.
Sharpe Ratio	Excess return compared to the risk-free interest rate in relation to volatility; (excess return per unit of absolute risk). The Sharpe ratio is distorted lower due to performance including costs.
Information Ratio	Excess return of the fund compared to the market, adjusted for the tracking error. Due to the high tracking error and performance including costs, the information ratio may be distorted lower.
Shortfall Risk p. a.	Probability of a portfolio suffering a loss approximating zero over a defined time period.

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Raiffeisen Kapitalanlage GmbH

# Region Attribution Analysis

2010	Return-Date		Average Weight			Relative Contribution		
	From	To	Fund	Market	Acitve	Total	AA	SS
AUSTRIA	01.01.2010	31.12.2010	1,35	--	1,35	- 31	--	- 31
CASH	01.01.2010	31.12.2010	1,03	--	1,03	- 48	- 48	--
CE3 (Poland, Czech Republic, Hungary)	01.01.2010	31.12.2010	20,87	24,13	-3,27	128	40	88
EUROPE & CIS FRONTIER MARKETS	01.01.2010	31.12.2010	2,15	0,14	2,00	- 21	3	- 24
NETHERLANDS	01.01.2010	31.12.2010	2,79	--	2,79	- 141	--	- 141
RUSSIA	01.01.2010	31.12.2010	56,25	58,25	-2,00	113	- 13	126
TURKEY	01.01.2010	31.12.2010	14,77	17,47	-2,69	18	- 4	21
UNITED KINGDOM	01.01.2010	31.12.2010	0,79	--	0,79	11	--	11
<b>Total</b>			<b>100,00</b>	<b>100,00</b>	<b>0,00</b>	<b>25</b>	<b>- 22</b>	<b>47</b>

2011	Return-Date		Average Weight			Relative Contribution		
	From	To	Fund	Market	Acitve	Total	AA	SS
AUSTRIA	01.01.2011	31.12.2011	0,92	--	0,92	- 7	--	- 7
CASH	01.01.2011	31.12.2011	1,59	--	1,59	113	113	--
CE3 (Poland, Czech Republic, Hungary)	01.01.2011	31.12.2011	23,53	24,44	-0,91	- 9	- 7	- 1
EUROPE & CIS FRONTIER MARKETS	01.01.2011	31.12.2011	2,50	0,32	2,18	- 90	- 3	- 88
NETHERLANDS	01.01.2011	31.12.2011	1,19	--	1,19	- 36	--	- 36
RUSSIA	01.01.2011	31.12.2011	58,64	60,70	-2,06	146	- 1	147
TURKEY	01.01.2011	31.12.2011	10,48	14,54	-4,05	50	74	- 25
UNITED KINGDOM	01.01.2011	31.12.2011	1,15	--	1,15	- 24	--	- 24
<b>Total</b>			<b>100,00</b>	<b>100,00</b>	<b>0,00</b>	<b>141</b>	<b>177</b>	<b>- 35</b>

**Please note:**

All performance attribution figures are quoted in basis points and gross of fees. Weight and exposure information is presented as percentage.  
Performance attribution is based on all share classes and a geometric attribution model, i.e. excess return is defined as a geometric difference.  
Region results are based on country attribution results. Residuals in results are due to rounding and/or attribution methodology.  
Please note the legal information on page "5 Year Performance".

Reporting Date: 28. February 2014

# Region Attribution Analysis

2012	Return-Date		Average Weight			Relative Contribution		
	From	To	Fund	Market	Acitve	Total	AA	SS
AUSTRIA	01.01.2012	31.12.2012	1,49	--	1,49	16	--	16
CASH	01.01.2012	31.12.2012	0,91	--	0,91	- 11	- 11	--
CE3 (Poland, Czech Republic, Hungary)	01.01.2012	31.12.2012	19,47	22,15	-2,68	48	2	46
EUROPE & CIS FRONTIER MARKETS	01.01.2012	31.12.2012	2,00	0,32	1,68	11	2	9
NETHERLANDS	01.01.2012	31.12.2012	0,29	--	0,29	0	--	0
RUSSIA	01.01.2012	31.12.2012	58,24	60,01	-1,77	106	17	89
TURKEY	01.01.2012	31.12.2012	17,38	17,52	-0,14	158	13	145
UNITED KINGDOM	01.01.2012	31.12.2012	0,21	--	0,21	- 4	--	- 4
<b>Total</b>			<b>100,00</b>	<b>100,00</b>	<b>0,00</b>	<b>326</b>	<b>23</b>	<b>303</b>

2013	Return-Date		Average Weight			Relative Contribution		
	From	To	Fund	Market	Acitve	Total	AA	SS
AUSTRIA	01.01.2013	30.12.2013	0,95	--	0,95	39	--	39
CASH	01.01.2013	30.12.2013	1,76	--	1,76	2	2	--
CE3 (Poland, Czech Republic, Hungary)	01.01.2013	30.12.2013	20,66	21,78	-1,12	- 131	- 98	- 33
EUROPE & CIS FRONTIER MARKETS	01.01.2013	30.12.2013	2,60	0,25	2,35	57	1	56
GREECE	01.01.2013	30.12.2013	--	0,39	-0,39	- 23	- 23	--
RUSSIA	01.01.2013	30.12.2013	56,51	57,44	-0,93	289	6	282
TURKEY	01.01.2013	30.12.2013	17,51	20,15	-2,63	106	81	25
UNITED STATES OF AMERICA	01.01.2013	30.12.2013	0,01	--	0,01	1	--	1
<b>Total</b>			<b>100,00</b>	<b>100,00</b>	<b>0,00</b>	<b>339</b>	<b>- 32</b>	<b>372</b>

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# Region Attribution Analysis

2014 - YTD	Return-Date		Average Weight			Relative Contribution		
	From	To	Fund	Market	Active	Total	AA	SS
AUSTRIA	01.01.2014	28.02.2014	0,72	--	0,72	12	--	12
CASH	01.01.2014	28.02.2014	0,49	--	0,49	6	6	--
CE3 (Poland, Czech Republic, Hungary)	01.01.2014	28.02.2014	23,77	23,29	0,48	- 6	7	- 13
EUROPE & CIS FRONTIER MARKETS	01.01.2014	28.02.2014	2,88	0,19	2,70	11	1	9
GREECE	01.01.2014	28.02.2014	0,08	5,44	-5,37	- 109	- 109	0
RUSSIA	01.01.2014	28.02.2014	61,32	55,95	5,37	- 22	- 28	7
TURKEY	01.01.2014	28.02.2014	10,28	15,13	-4,85	- 5	- 6	1
UNITED KINGDOM	01.01.2014	28.02.2014	0,01	--	0,01	0	--	0
UNITED STATES OF AMERICA	01.01.2014	28.02.2014	0,44	--	0,44	12	--	12
<b>Total</b>			<b>100,00</b>	<b>100,00</b>	<b>0,00</b>	<b>- 101</b>	<b>- 128</b>	<b>27</b>

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# Sector Attribution Analysis

2012	Return-Date		Fund		Market		Average Weight			Relative Contribution		
	From	To	Performance	Contribution	Performance	Contribution	Fund	Market	Active	Total	AA	SS
CONSUMER DISCRETIONARY	01.01.2012	31.12.2012	4.302	87	4.650	41	2,27	0,97	1,30	15	23	- 8
CONSUMER STAPLES	01.01.2012	31.12.2012	4.441	121	5.759	257	2,58	5,33	- 2,76	- 69	- 69	0
ENERGY	01.01.2012	31.12.2012	1.955	828	1.890	700	39,08	35,64	3,44	- 2	- 24	22
FINANCIALS	01.01.2012	31.12.2012	4.698	1.334	4.032	1.066	31,48	28,61	2,87	185	35	149
HEALTH CARE	01.01.2012	31.12.2012	298	3	1.556	13	1,09	0,70	0,39	- 17	1	- 17
INDUSTRIALS	01.01.2012	31.12.2012	3.922	150	7.495	112	2,47	1,81	0,66	33	29	4
INFORMATION TECHNOLOGY	01.01.2012	31.12.2012	5.343	16	479	2	0,10	0,31	- 0,20	14	4	10
MATERIALS	01.01.2012	31.12.2012	4.353	378	3.115	331	8,43	10,52	- 2,10	75	- 6	80
TELECOMMUNICATION SERVICES	01.01.2012	31.12.2012	2.026	163	868	104	5,09	9,38	- 4,29	143	75	67
UTILITIES	01.01.2012	31.12.2012	- 1.272	- 145	- 1.104	- 88	6,48	6,72	- 0,23	- 39	- 7	- 32
DERIVATIVES	01.01.2012	31.12.2012	--	1	--	--	0,02	--	0,02	- 1	- 2	0
CASH	01.01.2012	31.12.2012	--	13	--	--	0,91	--	0,91	- 11	- 11	--
TOTAL gross of fees			2.948	2.948	2.539	2.539	100,00	100,00	0,00	326	47	278
- Residual			-1		0					-1		
= TOTAL gross of fees			2.949		2.538					327		
- Fees			214							214		
TOTAL net of fees			2.677		2.538					111		

2013	Return-Date		Fund		Market		Average Weight			Relative Contribution		
	From	To	Performance	Contribution	Performance	Contribution	Fund	Market	Active	Total	AA	SS
CONSUMER DISCRETIONARY	01.01.2013	30.12.2013	1.202	24	726	3	2,36	1,35	1,01	22	16	6
CONSUMER STAPLES	01.01.2013	30.12.2013	3.982	190	1.629	77	6,39	7,30	- 0,91	109	- 18	127
ENERGY	01.01.2013	30.12.2013	-479	-126	-765	-192	37,35	34,80	2,55	125	5	120
FINANCIALS	01.01.2013	30.12.2013	-1.476	-458	-1.146	-429	28,79	32,44	- 3,65	- 81	15	- 96
HEALTH CARE	01.01.2013	30.12.2013	5.142	47	-390	-3	1,28	0,06	1,22	63	0	64
INDUSTRIALS	01.01.2013	30.12.2013	-952	-65	-1.551	-38	3,94	2,30	1,63	2	- 27	29
INFORMATION TECHNOLOGY	01.01.2013	30.12.2013	268	1	-578	-1	0,01	0,11	- 0,10	2	1	1
MATERIALS	01.01.2013	30.12.2013	-2.950	-281	-2.519	-245	6,33	8,48	- 2,15	- 37	7	- 44
TELECOMMUNICATION SERVICES	01.01.2013	30.12.2013	1.528	125	349	34	6,49	8,78	- 2,29	71	- 27	98
UTILITIES	01.01.2013	30.12.2013	-1.741	-106	-2.950	-157	5,31	4,37	0,94	57	- 22	79
CASH	01.01.2013	30.12.2013	--	5	--	--	1,76	--	1,76	2	2	--
TOTAL gross of fees			-644	-644	-951	-951	100,00	100,00	0,00	339	- 48	389
- Residual			0		0					-1		
= TOTAL gross of fees			-644		-951					340		
- Fees			216							216		
TOTAL net of fees			-842		-951					121		

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# Sector Attribution Analysis

2014 - YTD	Return-Date		Fund		Market		Average Weight			Relative Contribution		
	From	To	Performance	Contribution	Performance	Contribution	Fund	Market	Active	Total	AA	SS
CONSUMER DISCRETIONARY	01.01.2014	28.02.2014	-1.875	-38	503	13	1,90	2,71	- 0,81	-59	-11	-49
CONSUMER STAPLES	01.01.2014	28.02.2014	-1.345	-102	-1.237	-88	7,56	7,02	0,55	-13	-3	-10
ENERGY	01.01.2014	28.02.2014	-850	-342	-826	-280	40,08	33,50	6,58	-19	-9	-11
FINANCIALS	01.01.2014	28.02.2014	-864	-192	-664	-218	22,08	32,62	- 10,54	-51	-4	-47
HEALTH CARE	01.01.2014	28.02.2014	-1.400	-12	-1.400	-12	0,76	0,78	- 0,02	0	0	0
INDUSTRIALS	01.01.2014	28.02.2014	187	-1	188	3	3,77	2,00	1,77	10	10	0
INFORMATION TECHNOLOGY	01.01.2014	28.02.2014	1.250	7	--	--	0,74	--	0,74	14	--	14
MATERIALS	01.01.2014	28.02.2014	-256	-12	-520	-43	5,31	8,07	- 2,77	12	-5	16
TELECOMMUNICATION SERVICES	01.01.2014	28.02.2014	-1.420	-129	-860	-76	9,09	9,10	- 0,01	-56	0	-57
UTILITIES	01.01.2014	28.02.2014	380	32	112	5	8,23	4,20	4,02	57	34	23
CASH	01.01.2014	28.02.2014	--	0	--	--	0,49	--	0,49	6	6	--
TOTAL gross of fees			-790	-790	-696	-696	100,00	100,00	0,00	-101	19	-120
- Residual			0		0					0		
= TOTAL gross of fees			-790		-696					-101		
- Fees			33		--					33		
TOTAL net of fees			-820		-696					-133		

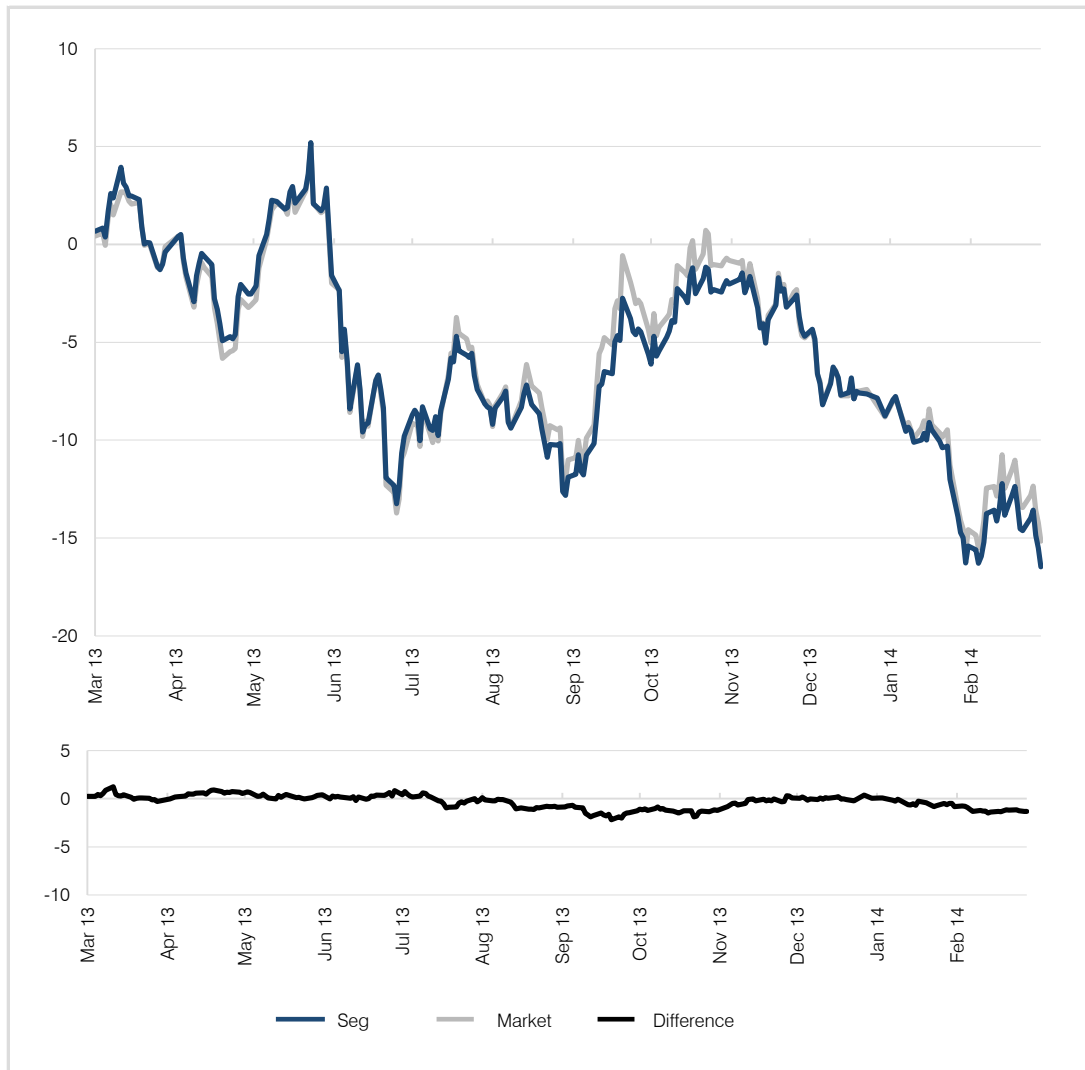
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# Performance Segment Discretionary

Performance Net (28. February 2013 to 28. February 2014 in Percent)

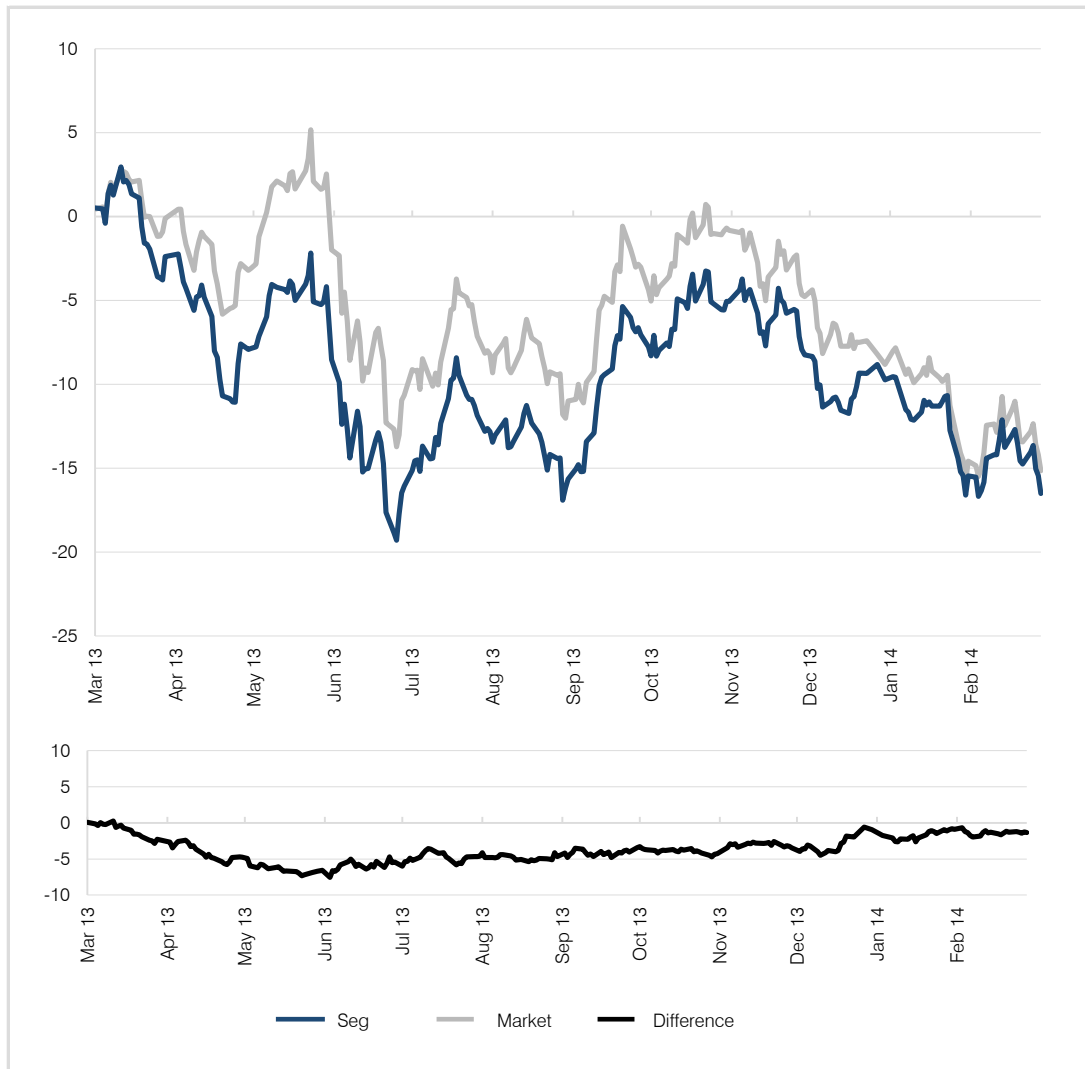


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# Performance Segment Quant

Performance Net (28. February 2013 to 28. February 2014 in Percent)



Performance	Net in %
Segment	-16,51 %
Market	-15,16 %
Difference	-1,35 %

Please note the legal information on page "5 Year Performance"

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Raiffeisen Kapitalanlage GmbH

# Attribution Analysis Segments

2011	Return-Date		Segment Discretionary			Segment Quant		
	From	To	AA	SS	Total	AA	SS	Total
AUSTRIA	07.05.2011	31.12.2011	--	- 2	- 2	--	--	--
CASH	07.05.2011	31.12.2011	138	--	138	- 12	--	- 12
CE3 (Poland, Czech Republic, Hungary)	07.05.2011	31.12.2011	37	- 121	- 85	- 61	346	283
EUROPE & CIS FRONTIER MARKETS	07.05.2011	31.12.2011	- 3	- 59	- 62	- 3	0	- 3
NETHERLANDS	07.05.2011	31.12.2011	--	- 8	- 8	--	--	--
RUSSIA	07.05.2011	31.12.2011	- 27	44	17	17	616	634
TURKEY	07.05.2011	31.12.2011	44	- 23	21	121	- 223	- 104
UNITED KINGDOM	07.05.2011	31.12.2011	--	15	15	--	--	--
<b>Total</b>			<b>190</b>	<b>- 154</b>	<b>33</b>	<b>62</b>	<b>740</b>	<b>806</b>

2012	Return-Date		Segment Discretionary			Segment Quant		
	From	To	AA	SS	Total	AA	SS	Total
AUSTRIA	01.01.2012	31.12.2012	--	21	21	--	--	--
CASH	01.01.2012	31.12.2012	- 29	--	- 29	43	--	43
CE3 (Poland, Czech Republic, Hungary)	01.01.2012	31.12.2012	- 2	89	87	16	- 70	- 54
EUROPE & CIS FRONTIER MARKETS	01.01.2012	31.12.2012	6	11	17	- 9	4	- 5
NETHERLANDS	01.01.2012	31.12.2012	--	0	0	--	--	--
RUSSIA	01.01.2012	31.12.2012	23	87	110	0	81	81
TURKEY	01.01.2012	31.12.2012	- 38	78	40	166	340	512
UNITED KINGDOM	01.01.2012	31.12.2012	--	- 5	- 5	--	--	--
<b>Total</b>			<b>- 41</b>	<b>284</b>	<b>242</b>	<b>217</b>	<b>355</b>	<b>580</b>

2013	Return-Date		Segment Discretionary			Segment Quant		
	From	To	AA	SS	Total	AA	SS	Total
AUSTRIA	01.01.2013	30.12.2013	--	52	52	--	--	--
CASH	01.01.2013	30.12.2013	9	--	9	- 19	--	- 19
CE3 (Poland, Czech Republic, Hungary)	01.01.2013	30.12.2013	- 78	44	- 34	- 154	- 270	- 420
EUROPE & CIS FRONTIER MARKETS	01.01.2013	30.12.2013	12	76	88	- 32	- 3	- 35
GREECE	01.01.2013	30.12.2013	- 23	--	- 23	- 23	--	- 23
RUSSIA	01.01.2013	30.12.2013	- 14	351	336	68	62	130
TURKEY	01.01.2013	30.12.2013	9	- 74	- 65	289	322	621
UNITED STATES OF AMERICA	01.01.2013	30.12.2013	--	2	2	--	--	--
<b>Total</b>			<b>- 84</b>	<b>454</b>	<b>366</b>	<b>126</b>	<b>101</b>	<b>228</b>

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# Attribution Analysis Segments

2014 - YTD	Return-Date		Segment Discretionary			Segment Quant		
	From	To	AA	SS	Total	AA	SS	Total
AUSTRIA	01.01.2014	28.02.2014	--	16	16	--	--	--
CASH	01.01.2014	28.02.2014	9	--	9	- 2	--	- 2
CE3 (Poland, Czech Republic, Hungary)	01.01.2014	28.02.2014	- 17	- 26	- 43	76	20	96
EUROPE & CIS FRONTIER MARKETS	01.01.2014	28.02.2014	1	13	14	1	--	1
GREECE	01.01.2014	28.02.2014	- 110	0	- 110	- 104	- 1	- 105
RUSSIA	01.01.2014	28.02.2014	- 15	- 18	- 33	- 67	80	13
TURKEY	01.01.2014	28.02.2014	- 3	7	4	- 13	- 16	- 28
UNITED KINGDOM	01.01.2014	28.02.2014	--	0	0	- 20	- 13	- 33
UNITED STATES OF AMERICA	01.01.2014	28.02.2014	--	16	16	--	--	--
<b>Total</b>			<b>- 134</b>	<b>7</b>	<b>- 127</b>	<b>- 108</b>	<b>84</b>	<b>- 26</b>

All performance attribution figures are quoted in basis points and gross of fees. Weight and exposure information is presented as percentage. Performance attribution is based on all share classes and a geometric attribution model, i.e. excess return is defined as a geometric difference. Region results are based on country attribution results. Residuals in results are due to rounding and/or attribution methodology. Please note the legal information on page "5 Year Performance".

# Peer Group - Raiffeisen Eastern European Equities

	Performance p. a.	Quartile	Rank / of
YTD	-8,20 %	2	60 / 122
1 Year	-16,44 %	4	96 / 121
3 Years	-6,30 %	2	33 / 115

Due to another method of calculating the Performance, the ratio by Morningstar slightly differs from the official ratio published by Raiffeisen Capital Management.  
Source: Morningstar Deutschland GmbH, includes all funds of the category Morningstar Europe OE EUR Flexible Allocation, net performance in % p. a.

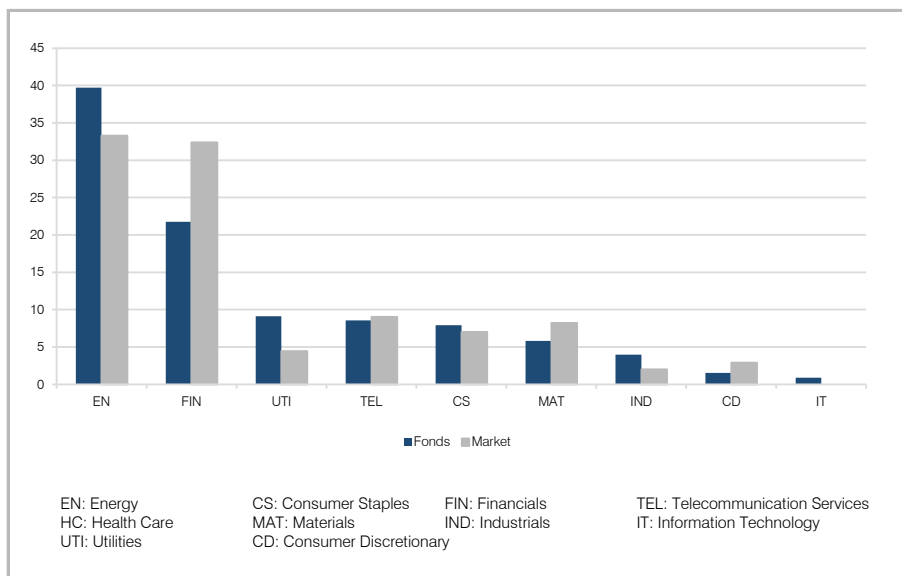
Please note the legal information on page "5 Year Performance".

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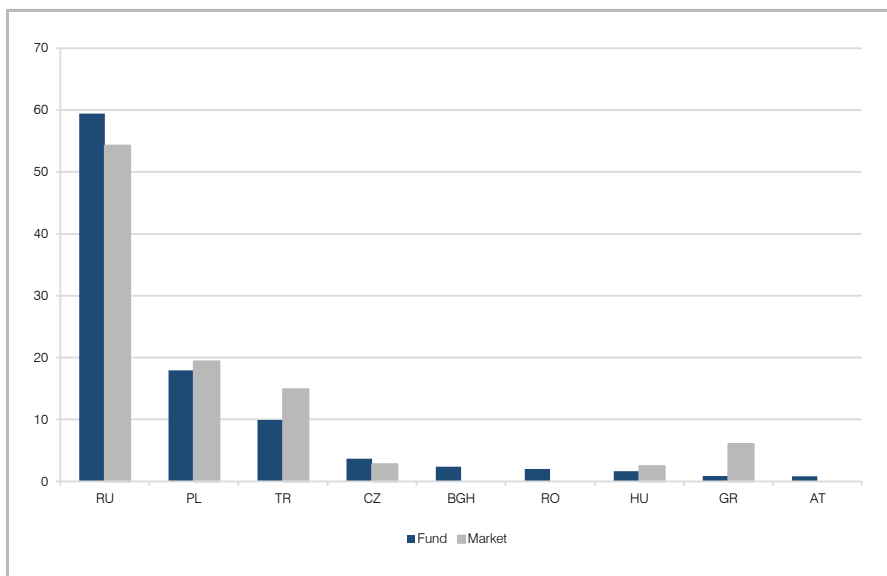
Raiffeisen Kapitalanlage GmbH

# Portfolio Structure by Reporting Date

Fund Structure by MSCI-Sectors (Equity Share in Percent)



Fund Structure by Issuer Country (Total Fund in Percent)



Top 10 Overweights / Underweights (in %)

Issuer	Fund	Market	Difference
Surgutneftegas OAO	6,17	3,13	3,03
Magnit OJSC	6,32	4,19	2,12
PGE SA	2,98	1,31	1,68
Sistema JSFC	2,53	0,87	1,66
Telekomunikacja Polska SA	2,19	0,64	1,55
Tauron Polska Energia SA	1,79	0,49	1,31
Tatneft OAO	3,57	2,41	1,16
M Video OJSC	0,97	0,00	0,97
Turk Hava Yollari	1,40	0,48	0,92
CEZ AS	2,14	1,23	0,91

Issuer	Fund	Market	Difference
Bank Pekao SA	0,00	2,42	-2,42
TURKIYE GARANTI BANKASI	0,00	1,86	-1,86
Powszechna Kasa Oszczednosci B	1,90	3,71	-1,81
VTB Bank OJSC	0,00	1,80	-1,80
Uralkali OJSC	0,00	1,79	-1,79
AKBANK TAS	0,00	1,35	-1,35
Gazprom OAO	7,49	8,66	-1,17
Turkcell Iletisim Hizmet AS	0,00	1,16	-1,16
Bank Zachodni WBK SA	0,00	1,12	-1,12
OPAP SA	0,00	1,01	-1,01

We point out that all structural analyses only pertain to those capital market funds in respect of which a review/analysis of the individual securities is possible.

# Market Comment

February 2014

## RUSSIA

### Market

Russian market continued its underperformance in Feb mainly driven by the political uncertainty and turmoil in the Ukraine, weak macro data and falling RUB. Additional pressure came from MinFin buying approximately \$100mln per day, taking away some of CBR's firepower. Situation around Crimea is likely to remain key driver for market and ruble performance in the short term.

Reported macro data is below consensus and indicates only mediocre growth prospects in 14E (CBR plans to downgrade its GDP growth forecast to 2 % from 2.5 % in 14E). Oil prices are growing on the back of the riskier political conditions. At the same time Gazprom is exposed to Ukrainian risks as approximately 53 % of its gas exports are channeled through Ukraine.

### Key Stock Developments

**Gazprom** – turmoil in the Ukraine is the main concern for Gazprom as approximately 53 % of company's exports to Europe are channeled through Ukraine. Despite Gazprom's market share in Europe and Turkey increased to 30.1 % in 2013, the success is not likely to continue due to abnormally warm weather. Another risk is Ukrainian debt (US\$1.47bln of US\$2.7bln was paid by converting to state debt) and imports (decreased by c.80 % in Feb14 due to weather and payment issues).

**MTS** - The company presented plans to increase dividend distribution to min Rub90bn over 2014E-2015E from c Rub41bn in 2013E putting MTS on 6.9 %/7.4 % 2014E/2015E DY on Investor Day in Moscow. Ukraine issues remain a worry.

**VTB** – VTB and Rostech buy 20 % of Angolan Bank – Banco Privado Atlantico. As a result, VTB Africa Bank SA will merge with Banco Privado Atlantico. VTB announced also that it may start consolidating its assets to reduce costs.

**Uralkali** - Belaruskali is trying to take some of the market share URKA domestically. Phosagro and Belaruskali signed a contract for potassium chloride supplies. Implications are -2 % and +3 % on EBITDA level for URKA and PHOR respectively.

**Eurasia Drilling** - board announced US\$200mn buyback starting on Apr 2nd and could run for 6 months. Rosneft said to be developing its own drilling business and implementing a 0 inflation policy towards suppliers.

**Yandex** - Yandex reported 4Q and FY 2013 results: revenue growth at 37.3 %, EBITDA margin – 44 %. Acceleration of partner revenues, due to Mail.Ru (4Q13 YoY growth of 94 %) and slow down of revenues from Yandex's own sites growth (30 %).

**Severstal** – continues to benefit from weaker RUB. Severstal reported impressive 4Q13 results. EBITDA reached US\$611m – 4Q13 beat consensus by 7 %., largely driven by a record high performance by the Severstal International segment and on-going cost reduction in the Russian segment.

**O'key** - O'Key demonstrated the highest LfL performance (8 %) among listed peers. Store openings pipeline amounted to 40 hypermarkets. Okey decided to pay interim dividends in the amount of US\$61mln (US\$0.2267 per share).

### Transactions

During the reporting period we increased our stake in Alrosa (diamond miner and distributor). Additionally, we participated in a recent IPO of Lenta – a hypermarkets operator. On the other hand, we reduced our position in Kazmunaigas.

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# Market Comment

February 2014

## TURKEY

### Market

Market took a pause in February after the sell-off in January and despite Lira seeing some stability, the lack of foreign interest was more evident this month with focus shifting from US macro to EM-specific worries. Locally, focus remains on the municipality elections (on 30th of March) and the elevated tensions between the government and the so-called Gulenist move on the back of several recordings that leaked on the Internet which supposedly involved conversations between PM Erdogan and his son on ways of disposing large sums of money in the wake of 17-December graft probes. PM's office said voice recordings are fake and the perpetrators will be brought to justice while opposition party expectedly called for PM's resignation. There were a number of street protests and clashes with the police in the aftermath, but mostly isolated events so far.

Leaving behind another earnings season for the Turkish financials, the key highlight was that the majority of the banks, if not all, took a conservative stance to set a low base with Q4 profits ahead of a challenging 2014 and revised down guidance to a slower growth scenario.

### Key Stock Developments

**Isbank** - Bank-only net income was TL630m (flat qoq, down 35 % yoy), slightly above consensus estimate of TL617m. NIM was 3.3 %, down 33bps qoq, due to lower TL L-D spread and securities yield. Opex was 27 % above expectations as the bank passed the TL110m Competition Board fine through income statement in Q4 and set aside TL209m provisions related to a tax dispute on pension fund (both under opex) (12/02)

**Turkcell** - On 19/02, reported TL2.88bn revenues, TL851m EBITDA and TL505m net income in Q4. Turkcell's (TKC) 4Q13 results were in line with consensus despite TL125m of one-off provisions at NI level. Key highlights of 4Q results was continued weakness (down 8 % yoy) in core Turkish voice revenues (representing 54 % of group revenues) mainly as a result of 20 % MTR cut introduced in July.

**Yapi Kredi Bank** - Bank-only net income was TL414m, in line with consensus estimate of TL422m. One-off adjusted 2013 net income was TL2,063m, up 3 % yoy. Lower NII and slightly higher opex were compensated by trading income and slightly higher collections. Management revised down guidance to a slower growth scenario, similar to peers, calling for 2.5 % GDP growth, 14 % sector loan growth, 50bps sector NIM contraction, low double digit fee income growth and c.10 % opex growth for the sector. (10/02)

**Tupras** - Q4 net income was TL113m, below consensus estimate of TL135m. Weak EBITDA mainly due to CoGS items that did not show up in tax financials on Monday. Management expects \$3.10-3.40/bbl net refining margin vs. \$2.50 in 2013, on the back of better crude spreads and weaker TL helping some opex items. Management also expects to record TL850m in tax benefits in 2014 on top of TL1.2bn booked in FY13. Overall, weak set of numbers but 2014 guidance looks encouraging and we think market will start pricing in the upcoming EBITDA uplift from residuum upgrade (due for completion in Nov'14). (19/02)

**Halk Bank** - announced its recently appointed BoD member, Ali Fuat Taskesenlioglu, as the new CEO over weekend (8/9 Feb), in line with mkt expectations.

**Emlak Konut** - Open bidding for the privatization sale of 158k m2 land plot in Istanbul's Istinye district failed as both bidders (one of which was EKGYO) found the TRY1.45bn min. price set by the PA too high.

### Transactions

We sold completely our positions in Ford Otomotiv Sanayi and KOC Holding. Additionally, we reduced our stakes in Isbank. On the other hand we initiated a position in TAV Havalimandari Holding and Tupras.

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# Market Comment

February 2014

CE3 (Poland, Czech Republic, Hungary)

## Market

Polish market was up 11 % in February in USD \$ terms and outperformed the Czech market which delivered 6 % performance in USD \$ terms. The worst performance in February was seen by the Hungarian market, which was down 1 % in February, due to a weak performance from MOL and to some extent OTP.

## Key Stock Developments

**Richter Gedeon** – reported the quarterly results below the consensus expectations and gave a profit warning for the year due to the depreciation of RUB and Ukrainian Hrivna.

**Eurocash** – missed the quarterly results due to intensified competition in the food retail sector in Poland.

**PGE/Tauron** – benefiting from higher electricity prices due to decreasing capacity in the Polish market.

## Transactions

We sold completely our stake in Cyfrowy Polsat and reduced Eurocash together with Tauron and OTP Bank.

## Value Model

During the reporting period we rebalanced our value model portfolio. No major sector rotations were made. The model initiated a position in a utility stock in Greece and sold one in Czech Republic instead. The OTP Bank in Hungary was sold out by a model. Purchased was a polish energy stock PKN.

# Explanatory notes

## Valuation Guidelines

The fund value (calculated value per investment unit) is determined by the depository bank each trading day and is published by the Oesterreichische Kontrollbank. This value includes all fund assets less commissions and fees.

Fund valuation is performed using the closing asset prices for the previous day (with the exception of Advisory Mandate). The data source used is Österreichische Wertpapierdaten Service GmbH (ÖWS). If no closing price is available from ÖWS, other information systems (Reuters, Bloomberg) are used for data. Listed security prices are not binding prices which are relevant for trading.

Performance measurement for the fund is based on the officially calculated values, in accordance with the OeKB method. Calculations are performed under the assumption that dividends are reinvested in the same fund. A total return index is developed from the daily calculated values and dividends (fund splits are taken into consideration). The performance is the percentage change calculated from the index over a defined time period and corresponds to a "time-weighted return" (return per amount invested).

For performance comparison with a market, for targeted fund the market value for the previous day is used, as the closing market price of the previous day can be used for fund valuation; for funds of funds, the market values from two days earlier are used analogously. The data sources for the markets are Datastream, Bloomberg and OeKB.

Subsequent value adjustments and deviations compared to earlier reports cannot be ruled out.

The risk indicators for funds and markets are calculated after a period of 36 weeks from fund or market launch, as at least 36 robust values are needed for statistical calculations.

The calculations are based on weekly returns since fund launch as long as at least 36 data points are available or based on monthly returns for the last 36 months after a period of three years (greater information content).

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## Important Note

All of the data and information are compiled and reviewed with the utmost care. Contents are updated regularly and reflect the state of information as at the time of update. No liability or guaranty can be assumed for the information provided being up-to-date, correct or complete. We deem the sources which are used to be reliable.

The software employed calculates to fifteen decimal places and not with the two decimal places which are shown. Deviations can occur due to further calculations with the reported results. For Advisory Mandates the information and calculations in the report are based on the data in the shadow bookkeeping in RSC. As this shadow bookkeeping is based on information provided by the depository bank, there may be deviations.

Performance is calculated by Raiffeisen KAG pursuant to the OeKB method, based on the data from the depository bank (in the event that payment of the redemption price is suspended, available indicative values are used). Subscription and redemption fees are not taken into consideration. Past performance is not a reliable indicator of the future development of an investment fund. We expressly point out that returns may rise or fall due to currency fluctuations.

This document is neither an offer, nor a recommendation to buy or sell, nor an investment analysis. It is not intended for use in lieu of individual investment advice or other consultation. It is expressly noted that securities transactions can involve significant risks and that taxation of such depends on personal circumstances and is subject to change in the future.

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# Explanatory notes

## Data Sources

Price information	ÖWS or JPMorgan
Fund performance	Oesterreichische Kontrollbank Aktiengesellschaft, Datastream/Thomson Financial calculation by Raiffeisen Kapitalanlage-Gesellschaft m. b. H.
Index performance	Datastream/Thomson Financial, Bloomberg Inc., Reuters Ltd, Calculation by Raiffeisen Kapitalanlage-Gesellschaft m. b. H.
Currency performance (WMR fixing)	Datastream/Thomson Financial  Source: MSCI. The MSCI data is comprised of a custom index calculated by MSCI for, and as requested by Raiffeisen KAG. The MSCI data is for internal use only and may not be redistributed or used in connection with creating or offering any securities, financial products or indices. Neither MSCI nor any other third party involved in or related to compiling, computing or creating the MSCI data (the "MSCI Parties") makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and the MSCI Parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to such data. Without limiting any of the foregoing, in no event shall any of the MSCI Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.  For the avoidance of doubt, the MSCI data is used for the active management of a segregated mandate.

Bond rating	Moody's, Standard & Poor's (taking into account the average rating), Kredit Moodys, Kredit Standard & Poor's, Bloomberg Inc.
Security references data	Bloomberg Inc.
Breakdown by sectors, branches and industry groups	for equities: Morgan Stanley Capital International Inc.: MSCI Sectors & Industries Classification; for bonds: Bloomberg Inc.
Asset classes	Raiffeisen Kapitalanlage-Gesellschaft m.b.H.

## Explanatory Bonds Ratios

Explanatory Bonds Ratios If security are given early call rights by the issuer, the term depicted for the securities in the fund is up to the early call date (to next call). If, contrary to standard market practice, the issuer decides to suspend early call rights, the result is a corresponding extension of the fund's term structure. The regular redemption dates of the bonds (to maturity) can be found in the annual reports and semi-annual reports (in the description of securities in the fund portfolio).

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