



# Sustainable Investments @ Raiffeisen Capital Management\*

**March 2016**

The published prospectus as well as the key investor document (KID) of the funds Raiffeisen-GreenBonds, Raiffeisen-Sustainable-ShortTerm, Raiffeisen-Nachhaltigkeit-Solide, Raiffeisen-Sustainable-Mix and Raiffeisen-Sustainable-Equities are available at [www.rcm.at](http://www.rcm.at) in German language as well as at [www.rcm-international.com](http://www.rcm-international.com) in English language or your national language.

\*Raiffeisen Capital Management stands for Raiffeisen Kapitalanlage GmbH.

Picture: iStockphoto.com



## 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 process and our current market view.

You are an investor who has the experience, knowledge and expertise to make your own investment decision 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.

# Agenda

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## 1. Overview on Raiffeisen Capital Management\*

## 2. Sustainability & Raiffeisen Capital Management

## 3. Our SRI-Investment Process

## 4. Our sustainable-fund-range

1. Raiffeisen-GreenBonds
2. Raiffeisen-Sustainable-ShortTerm
3. Raiffeisen-Sustainable-Mix
4. Raiffeisen-Sustainable-Equities

## 5. Annex

\*Raiffeisen Capital Management stands for Raiffeisen Kapitalanlage GmbH.

# Company Overview

## A leading asset manager in Austria

Since 1985  
EUR 29 bn assets under management  
60 investment professionals

## Focus on core competencies

Consistency in management  
Continuous development  
Profound know-how

**Raiffeisen  
Capital Management**



Funds  
Segregated accounts  
Investment advisories  
Overlay management

## Bespoken investment solutions

Team approach  
Strategy approach  
Quantitative & qualitative strategies

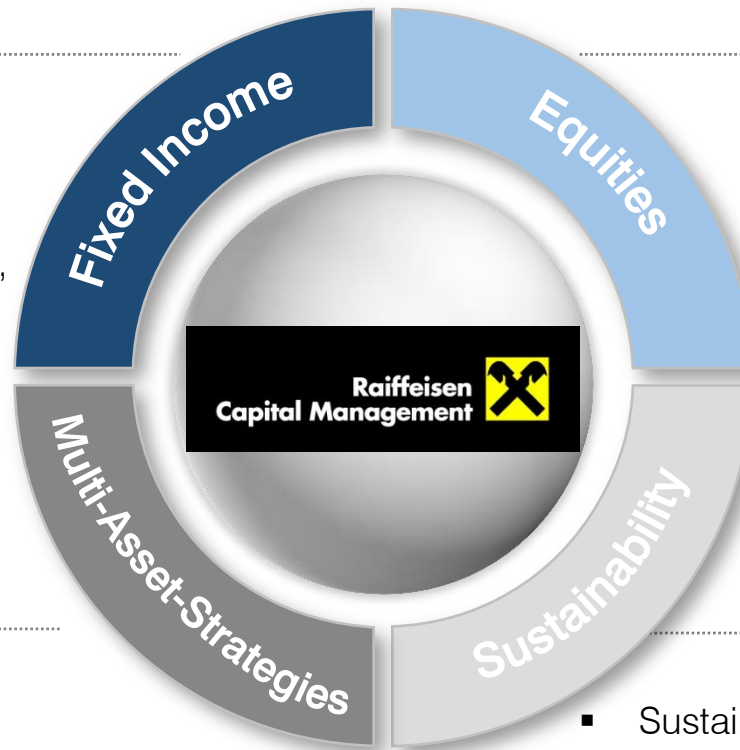
## Creating active value

Source: Raiffeisen KAG, own calculations, 30 December 2015

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# Focus on Core Competences

- Euro Government Bonds
- Euro Corporates
- Eastern-European Bonds
- Overlay-Strategies (duration, credits, FX)



- Austria
- Eastern Europe (incl. Russia)
- Eurasia

- (Globale) Mixed funds
- Active-Risk-Parity
- Strategic Asset Allocation
- Asymmetric Overlay-Strategies

- Sustainable & Responsible Investments with different risk profiles

# Responsible Investment Solutions

## Our Philosophy

- Enhanced information due to consideration of environmental, social and corporate governance issues
- Merge of financial data with sustainability-related topics on all levels of the investment process
- Longstanding experience and know how of the sustainability team

1986	Raiffeisen-Sustainable-Mix*
2002	Raiffeisen-Sustainable-Equities**
2008	Raiffeisen-Sustainable-ShortTerm***
2015	Raiffeisen-Nachhaltigkeit-Solide
2015	Raiffeisen-GreenBonds

\*Raiffeisen-Sustainable-Mix: launched 25 August 1986, formerly Raiffeisen-Global-Mix, fund's name and concept was changed by 30 September 2014

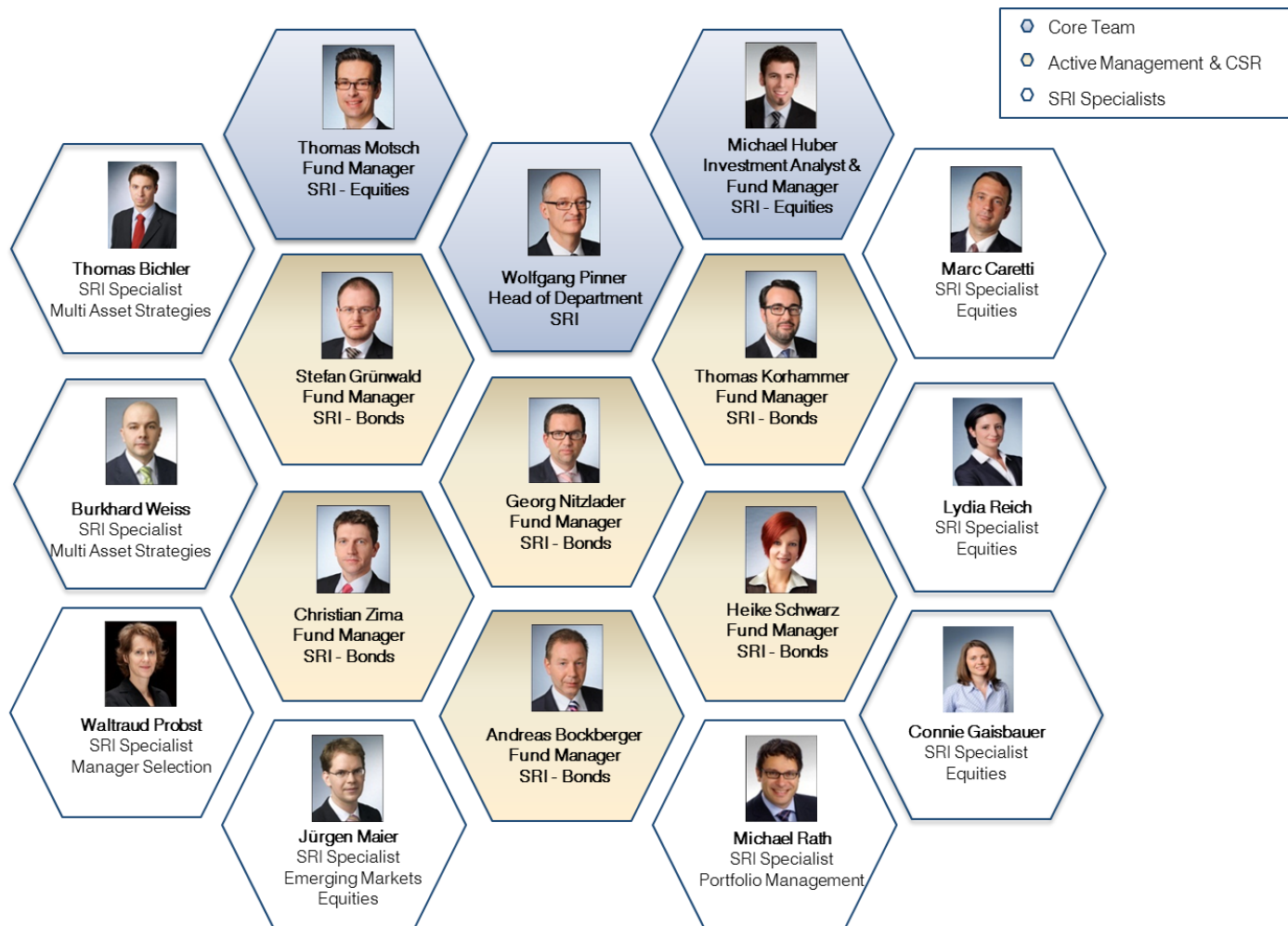
\*\*Raiffeisen-Sustainable-Equities: launched 13 May 2002, formerly Raiffeisen Ethic Equities, fund's name was changed by 01 October 2014

\*\*\*Raiffeisen-Sustainable-ShortTerm: launched 15 September 2008, formerly Raiffeisen 307 – Short Term Investments, fund's name and concept was changed by 01 October 2014

Picture: iStockphoto.com



# Sustainable & Responsible Investments (SRI)



Source: Raiffeisen KAG, as of December 2015

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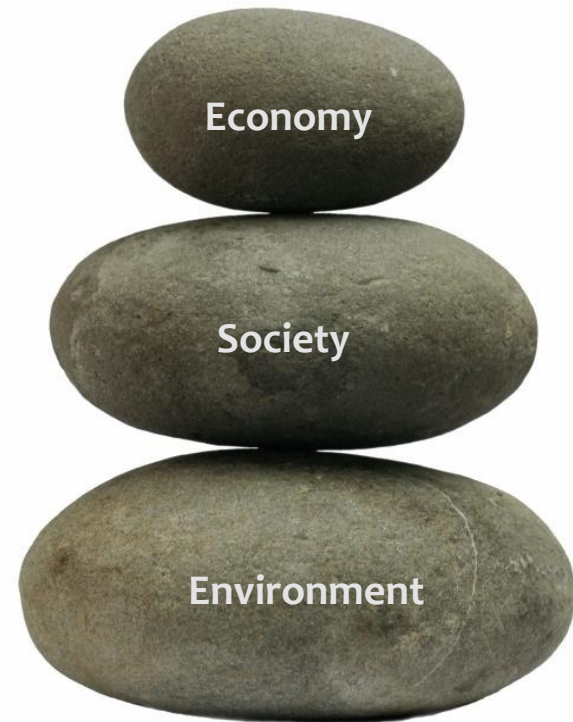
# Sustainability

Sustainable development is based on a fragile balance between the environment, society and the economy.  
One-sided preferences can lead to imbalances and result in the possible collapse of the system.

Raiffeisen Capital Management, 2015

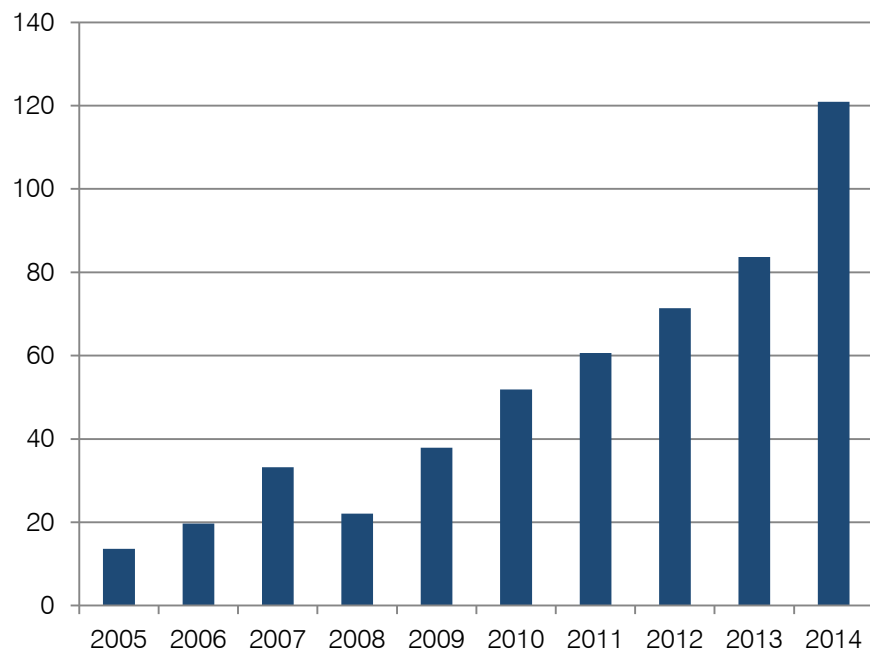
“As an institutional investor, we have the obligation to act in the best, long-term interests of our customers. Within the framework of our fiduciary activities, we are convinced that issues related to the environment, social responsibility and corporate governance can have an impact on the result of an investment portfolio...”

Principles for responsible investment, UN-PRI

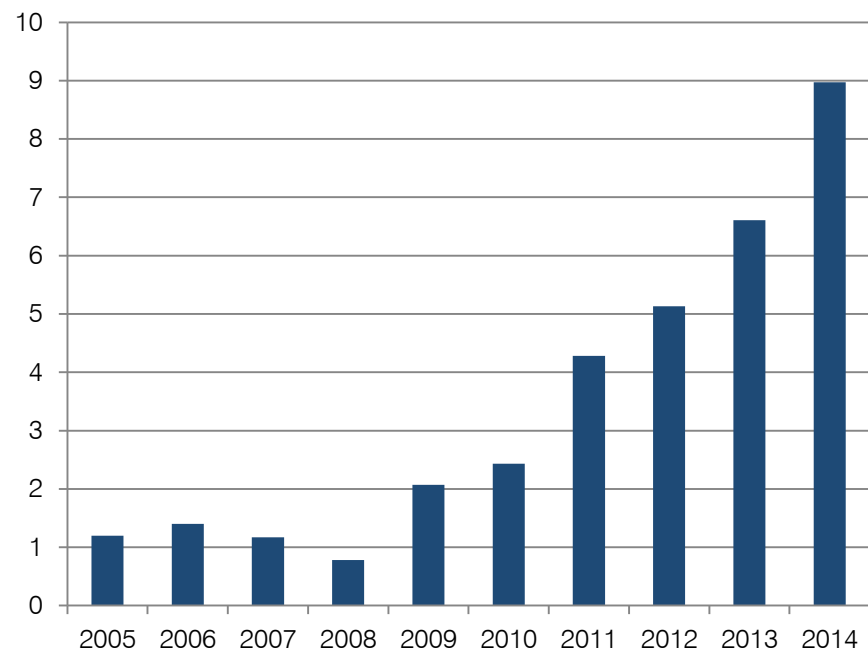


# Market Development – ESG Investments<sup>\*)</sup>

Sustainable investments in  
Germany, Austria and Switzerland in bn EUR



Sustainable investments in  
Austria in bn EUR



<sup>\*)</sup>ESG = Environment, Social, Governance

Source: FNG, 2015

# Sustainable Investment

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- **Broader basis & risk reduction**

- The main focus of the investment is on sustainability and future viability. Ecological, shareholder, and governance risks are components in a sustainable investment process and improve the risk profile of the portfolio.

- **Broader-based information**

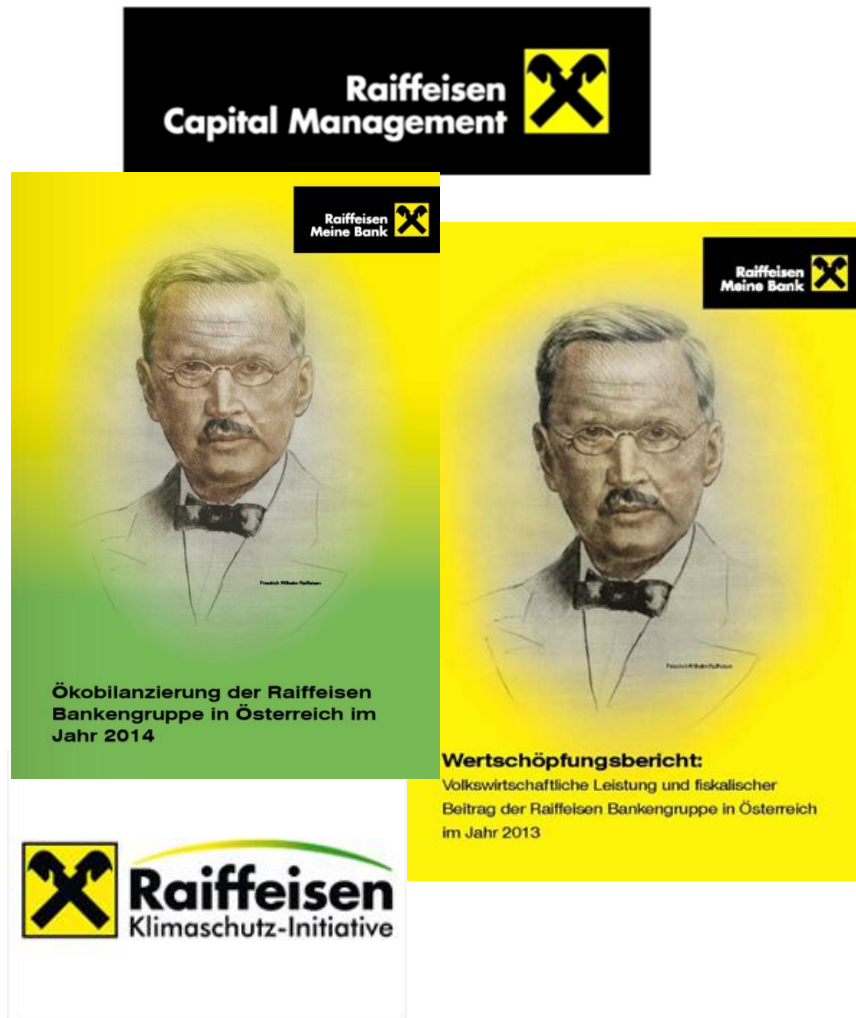
- Consideration of environmental, social, and governance factors (ESG\*) using sustainability information results in an expanded basis for the analysis of enterprises and issuers compared to traditional investments.

- **Investing for good**

- All in all, the performance of sustainable investment funds is not that much different than that of traditional investment funds. This is demonstrated by long-term studies of comparative performance. At the same time, however, sustainable portfolios generally exhibit lower volatility.

\*ESG = Environment, Social, Governance

# Raiffeisen – A Long Tradition of Sustainability



- UN PRI:  
UN PRI signed  
=> **Company-wide commitment to more sustainability**
- Signing of the Montreal Carbon Pledge
- Other memberships
  - Sustainable Investment Forum (2009)
  - CDP (2011)
  - CDP Water (2012)
  - Investor Statement re Green Bonds & Climate Bonds (11/2015)
  - Green Infrastructure Investment Coalition (11/2015)
- Minimum degree of exclusions:
  - **Speculation with foodstuffs** excluded (derivative positions)
  - **'Controversial weapons'** excluded from the investment universe



# Sustainability @ Raiffeisen Capital Management

- **Honest sustainability:** Sustainability & sustainable investment is a perfect fit with Raiffeisen – Raiffeisen is viewed as a sustainable company.
- **Process:** State-of-the-art sustainability investment process
  - Amalgamation of sustainability and financial data at each level of analysis
  - Identification of ESG-related risks for each sector
  - Internal and external research sources
  - Several **sustainability research partners** (oekom research, MSCI ESG).
- **Team:** Specialised sustainability team with many years of experience
- **Active sustainability:** Wide-ranging corporate dialogue
  - Targeted engagement and voting activities in Austria and abroad
  - Exercising voting rights (voting) at AGMs
- **Awards:** High quality of the portfolio composition
  - Leading position in the “TOP 100 ESG equity fund rating” (CSSP),
  - Eurosif transparency logo, Austrian environment seal, FNG seal (2 stars)

# Engagement – Raiffeisen Capital Management as an Active Shareholder

- Engagement means corporate dialogue
- **The goal** is to present enterprises with a **compelling case** for a more sustainable business approach and consideration of ESG factors.
- Another goal is to generate added value
  - For the enterprise and thus also for investors
  - And for the environment and society as a whole
  - More than 200 corporate contacts per year
- **Voting** – as sustainable investors we exercise the voting rights we hold in the enterprise in question at the annual general meetings

**STRABAG**

 **TOMRA**



BG GROUP













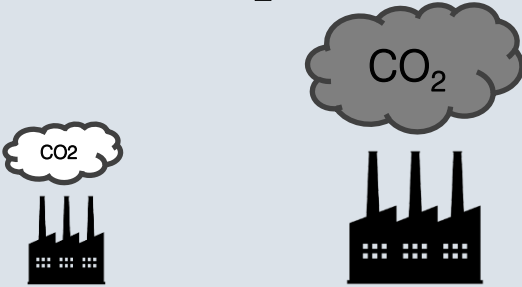


# Sustainability Analysis at All Levels



# Effect & Influence of Sustainable Investment

60% less CO<sub>2</sub> emissions



Raiffeisen  
Sustainability funds

Overall market

20% less work accidents



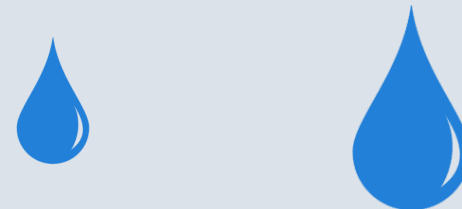
Raiffeisen  
Sustainability funds

Overall market

80% less waste



60% less water consumption



Source: Own calculations based on ESG data from Bloomberg Finance L.P.

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# Top Rating for Raiffeisen-Sustainability-Equities

The **quality of the portfolio composition** was analysed on the basis of the ESG criteria of 100 sustainable equity funds authorised for sale in Austria

Rang	Fonds/Portfolioname	ISIN <sup>#</sup>	Regional Focus <sup>+</sup>	Sharpe-Ratio <sup>+</sup>	ESG-Score <sup>+</sup>	ESG-Rating <sup>+</sup>
1	Pictet-European Sustainable Equities	LU0144509717	✓	1.64	77.1	AA
2	<b>Raiffeisen-Sustainable-Equities</b>	AT0000677901		0.97	76.0	AA
3	Petercam Equities Europe Sustainable	BE0940002729	✓	1.04	73.8	AA
4	LBBW Nachhaltigkeit Aktien	DE000A0NAUP7		0.95	73.3	AA
5	PARVEST Sustainable Equity Europe	LU0212189012	✓	1.18	71.7	AA



Raiffeisen-Sustainable-Equities exhibits elevated volatility, meaning that unit prices can move significantly higher or lower during short periods of time, and it is not possible to rule out loss of capital.

Source: <https://yoursri.com/responsible-investing/stories/esg-market-insights-top100-equity-funds-esg-ratings/>



# Certifications, Labels & Seals



Austrian  
environmental seal  
(UZ 49)



European  
transparency logo<sup>1</sup>



auditiert durch Novethic

FNG seal<sup>2</sup>

<sup>1</sup> The European transparency logo for sustainability funds denotes that Raiffeisen KAG undertakes the obligation to provide correct, suitable, and timely information to allow interested parties, in particular customers, to understand the approaches and methods used in sustainable investment by the fund in question. More information on the European Transparency Code can be found at [www.eurosif.org](http://www.eurosif.org). The Transparency Code is managed by Eurosif, an independent organisation. The European SRI transparency logo stands for the aforementioned obligation of the fund manager. It is not be understood as promoting a certain company, organisation or individual person.

<sup>2</sup> FNG = Forum Nachhaltige Geldanlagen (Sustainable Investment Forums)

# Agenda

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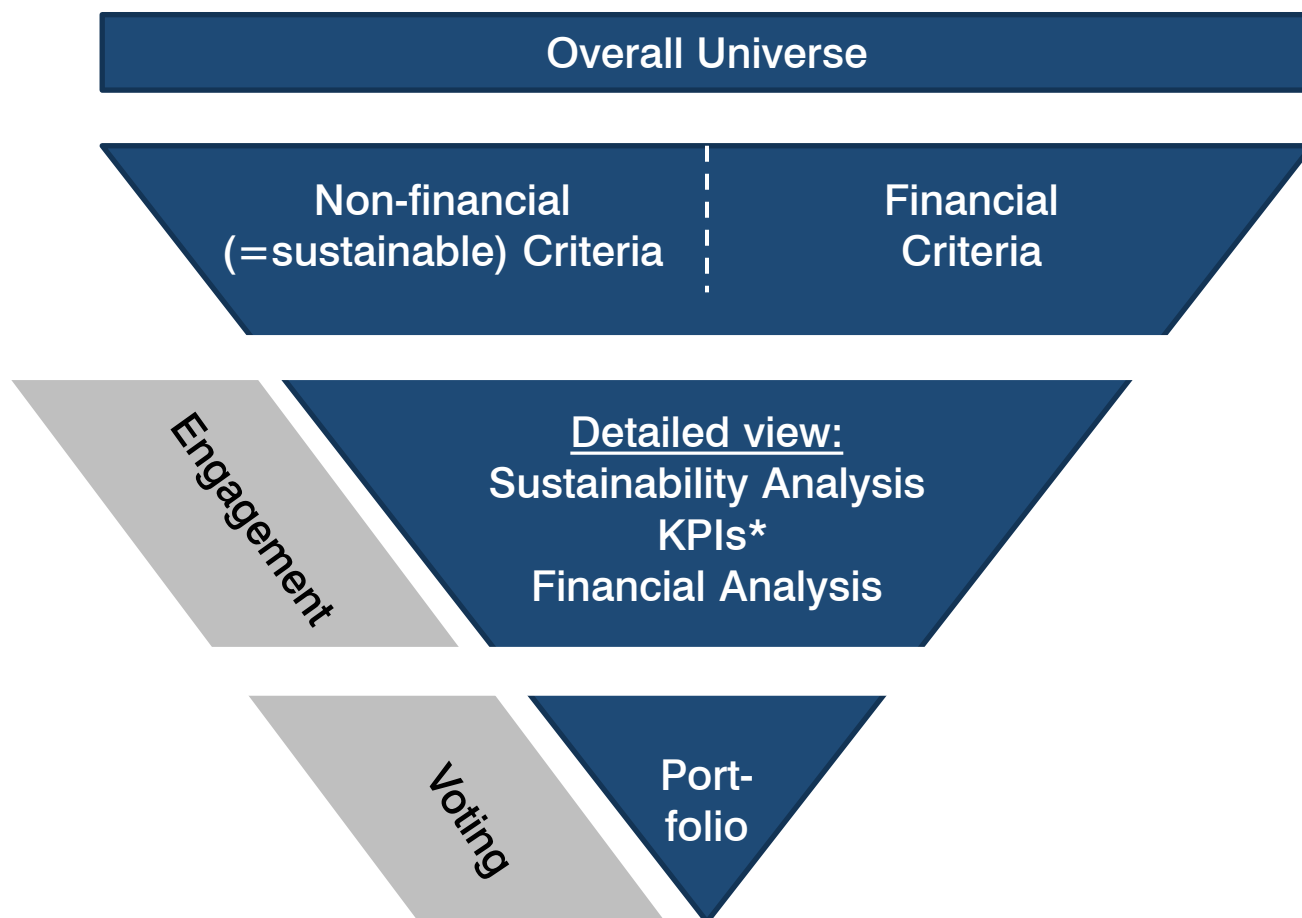
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# Sustainability Approach @ Raiffeisen Capital Management

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- Key aspects and **distinguishing characteristics**
  - Integration of **traditional** management **and ESG-related management into all levels** of the investment process
  - Not an approach 'with a sustainability filter'
  - Relatively narrower limitation of the investment universe
  - Focus on '**materiality**' (- which ESG factors are relevant for sectors and industries) and on '**ESG momentum**' (- how dynamically do these factors develop)

# Investment Process for Bond- or Equity Funds



Source: Raiffeisen KAG, February 2015

Voting: Exercising voting rights , Engagement: Dialogue with enterprises

\*KPI stands for Key Performance Indicators

# Sustainable Exclusion Criteria for ...

... companies
Violation of <b>human rights</b>
Violation of <b>labour rights</b> (as per the report of International Labour Organisation (ILO))
Use of <b>child labour</b>
<b>Corruption</b>
<b>Balance sheet fraud</b>
Production and trade of <b>nuclear energy</b> , uranium or core components
Production and trade in <b>military goods</b>
Violation of the <b>Global Compact</b>
Violation of other <b>ethical principles*</b>

... countries
<b>Death penalty</b>
<b>Authoritarian regimes</b> respective dependent countries
Especially poor <b>working conditions</b>
Massive <b>discrimination</b>
Lack of cooperation in relation to <b>money laundering</b>
Widespread use of <b>child labour</b>
Massive violation of <b>human rights</b>
Massive violation of <b>press and media rights</b>
Especially large <b>defence budgets</b>
Violation of <b>biodiversity convention</b>
Violation of <b>nuclear non-proliferation treaty</b>
<b>Corruption</b>

In Raiffeisen-Sustainable-ShortTerm, for example, France and Italy are completely excluded. \* Abortion, alcohol, embryo research, gambling, green gene technology, pornography, tobacco, animal testing for consumer goods

# Financial Exclusion Criteria

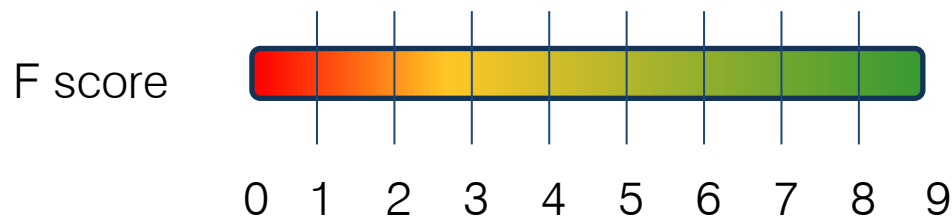
## ... for companies and issuers

Quantitative screening

Focus on balance sheet quality

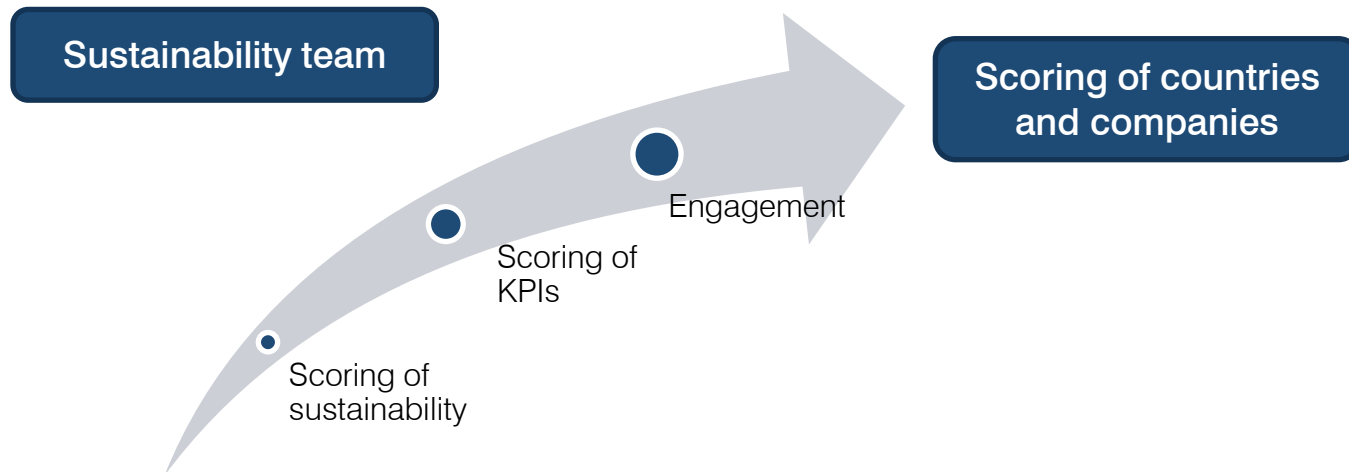
Factor analysis based on traditional, recognised indicators:

→ F-score (Piotroski) helps to exclude financially weak companies



# Detailed Analysis Leads to ESG-Score

- Comprehensive **stakeholder and sustainability analysis** based on the Frankfurt-Hohenheim Guidelines
- Consideration of ESG risk aspects using **sustainability** KPIs\*
- **Engagement discussions** in order to obtain detailed information and talk about sustainability aspects

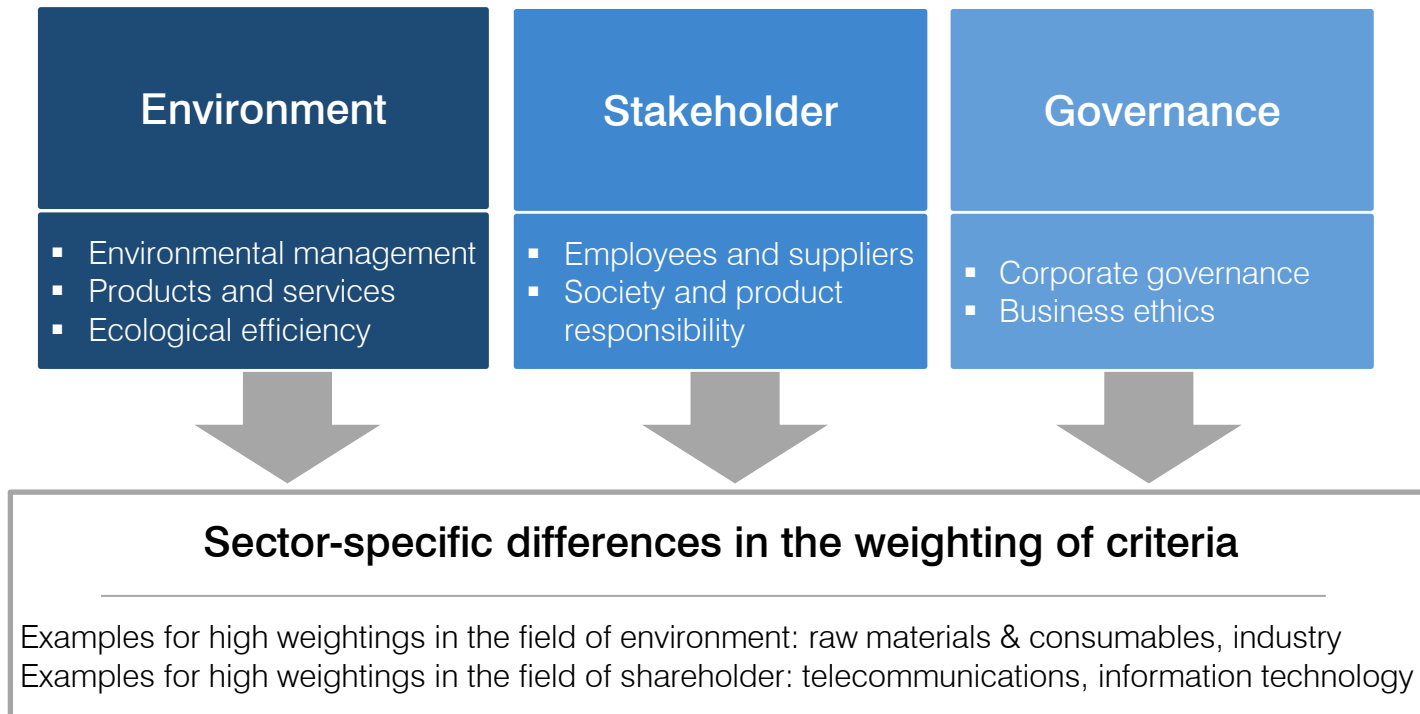


\* KPI = Key Performance Indicator



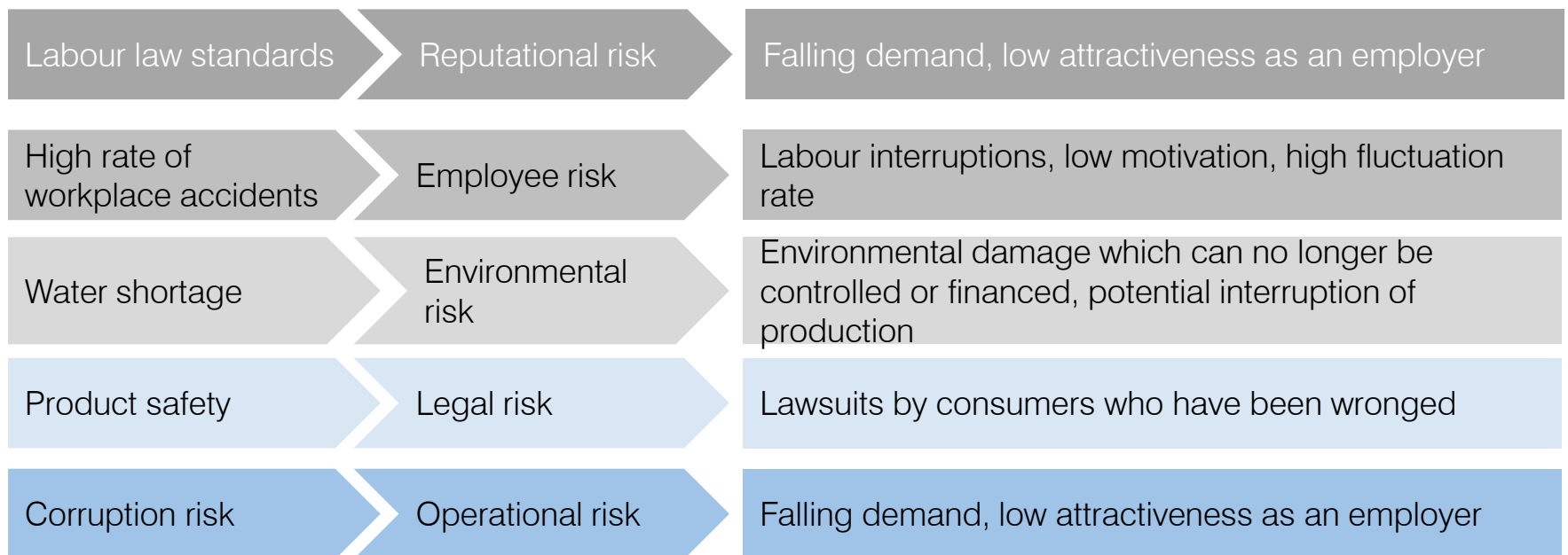
# Scoring of Sustainability

- Consideration of key environmental, stakeholder and governance aspects of the enterprise
- ESG scoring to ensure **a sustainable minimum level**



# Scoring KPIs – Risk Analysis

- Identification of **ESG-related risks** at the sector level
- Selection of KPIs based on their “**materiality**”
- **Incorporation** of the KPIs in the **sustainability assessment**, in line with the internal Raiffeisen Capital Management analysis
- **Examples** of sector risks:



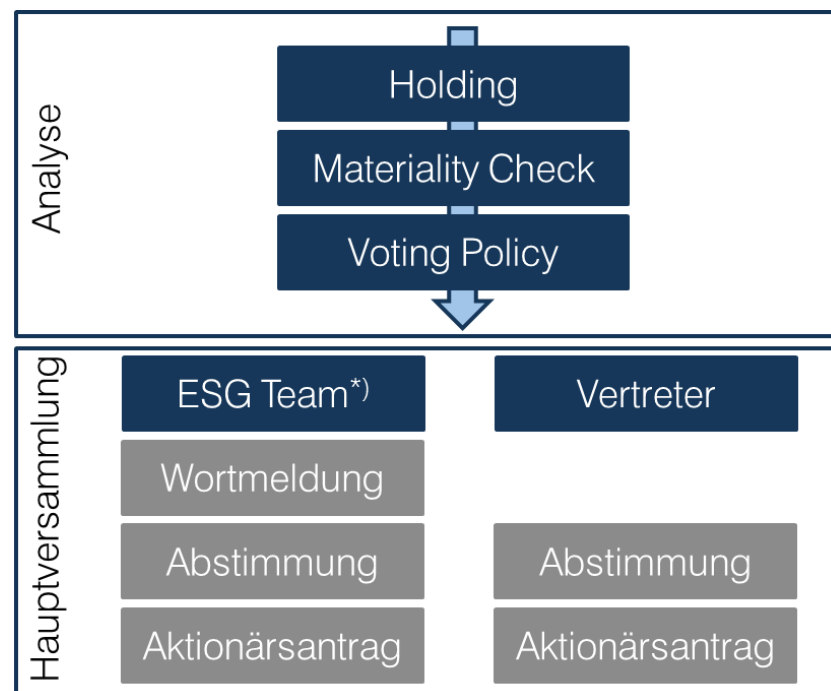
# Engagement – Corporate Dialogue

- **Engagement means a dialogue** between **active** investors and the enterprise on topics related to sustainability.
- **The goal of the company** is to present a **compelling case** for a more sustainable business approach and the consideration of ESG factors.
- The goal is to **generate added value**
  - for the enterprise and thus also for investors as well as
  - for the environment and society as a whole.
- Engagement is based on clear structures, an **“Engagement Policy”**.
- Engagement methods



# Exercising Voting Rights – Voting

- As sustainable investors we exercise the voting rights we hold in the company in question at the annual general meeting.
- In doing so, we act in accordance with voting policies, which are oriented to the local corporate governance codes.
- If, within the framework of the engagement, the enterprise is not willing to cooperate, we reserve the right to publicly ask representatives of the enterprise about critical topics at the annual general meeting.

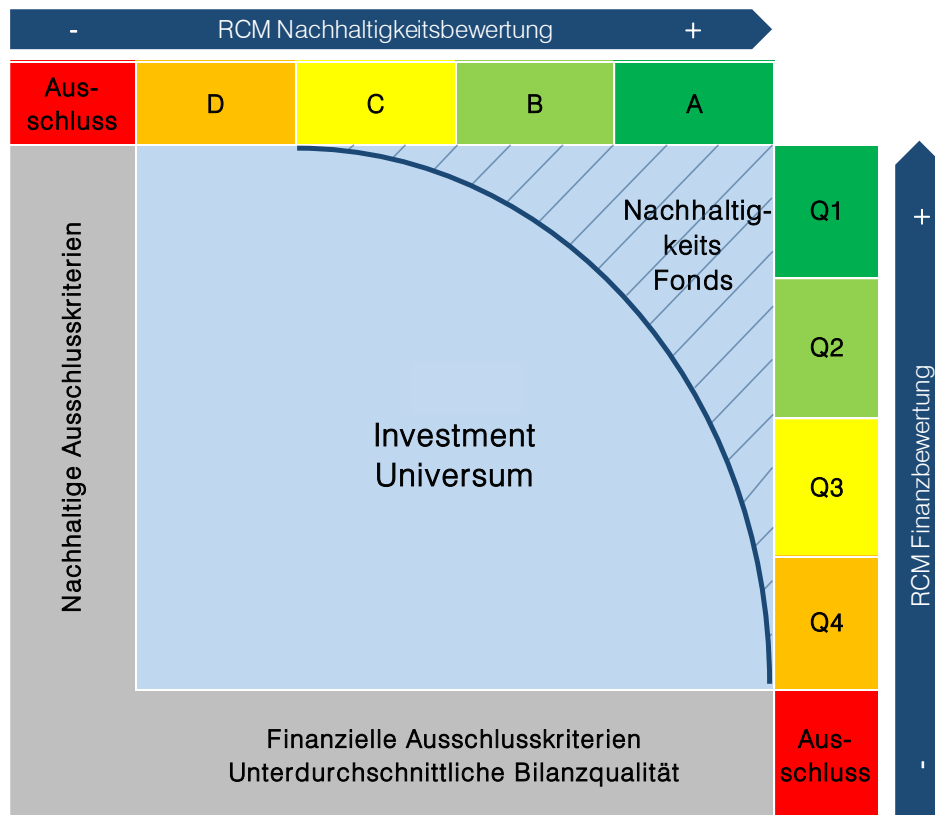


Source: Raiffeisen KAG

\* Sustainability experts of Raiffeisen Capital Management on-site

# Raiffeisen Capital Management ESG\*) Scorecard

Sustainability and financial assessments are evaluated in parallel.



Non-financial/sustainability  
Assessment of enterprises

**A: Very good**

**B: Good**

**C: Satisfactory**

**D: Unsatisfactory**

Financial  
Assessment of enterprises

**Q1: First quartile – best 25%**

**Q2: Second quartile – 25% to 50%**

**Q3: Third quartile – 50% to 75%**

**Q4: Fourth quartile – worst 25%**

\*) ESG = Environment, Social, Governance

Source: Raiffeisen KAG, October 2015

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# Reasons for the ESG Scoring

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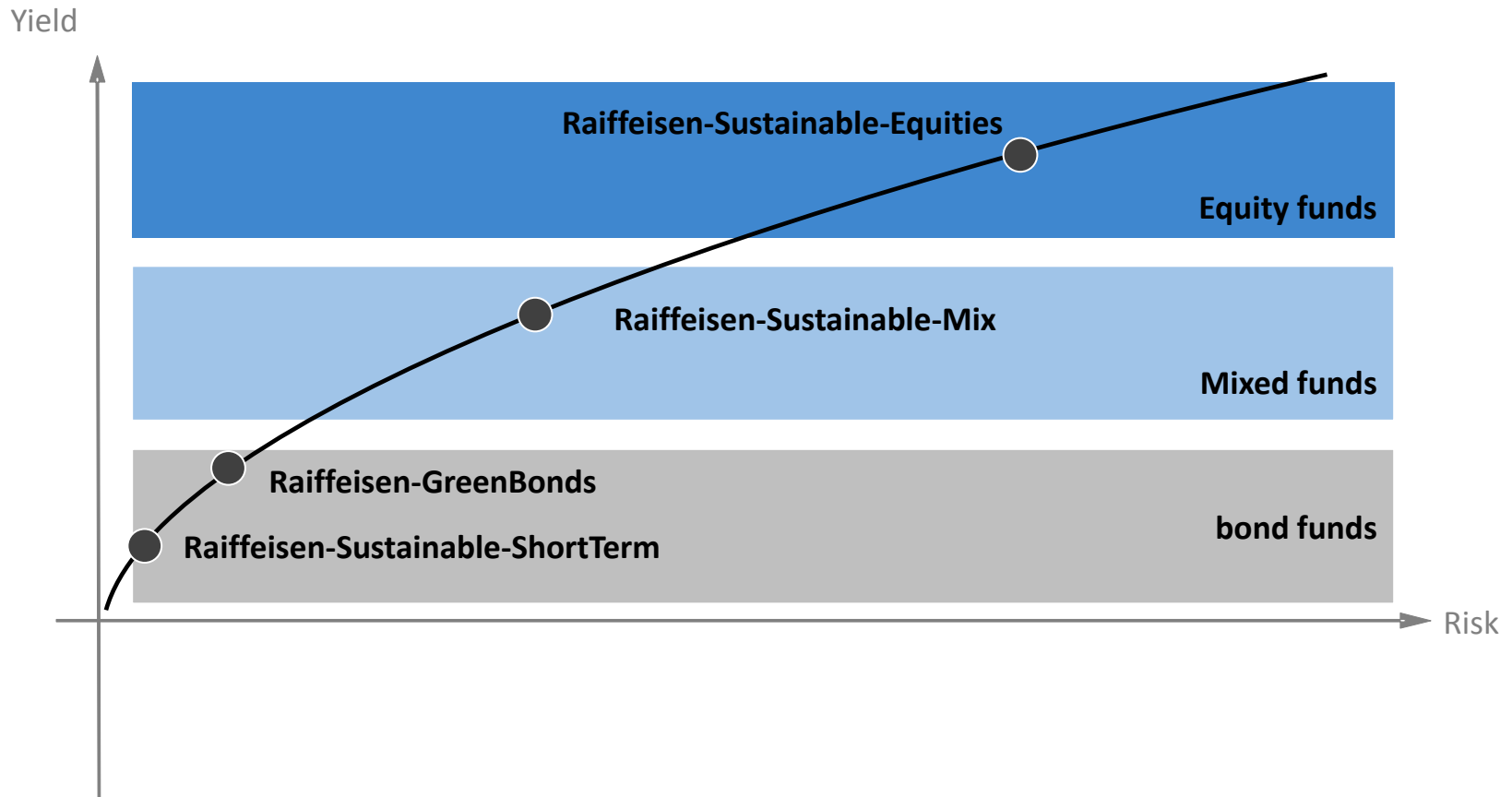
- Companies with **dynamic improvement** in the field of sustainability are among the most interesting investments from an SRI perspective
  - Taking into account a minimum rating, **companies with strongly positive sustainability 'deltas', i.e. improvement**, are weighted more strongly in the portfolio
  - Significant deterioration results in a reduction in the portfolio
- Academic studies demonstrate the attractiveness of the factor **ESG momentum** for the performance of the portfolio.

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# The Range of Sustainable Funds



Source: Raiffeisen KAG, September 2015

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# Why Raiffeisen-GreenBonds



**Raiffeisen-  
GreenBonds**

## Innovative market segment

- Raiffeisen KAG's 1<sup>st</sup> theme fund in the bond segment
- Sustainable approach with sustainable use of funds

## Expert know-how & years of experience

- Wolfgang Pinner is a recognised expert in the field of sustainability
- Raiffeisen KAG has more than 30 years of experience in bond management

## Management Team

- 3-person SRI core team
- In addition 6 active managers in each management team

## Investment process

- Active management
- Application of the sustainability filter
- Optimisation via scoring model
- Integration of external research

# Characteristics of Green Bonds

- Green Bonds are bonds which are used to finance environmental and social projects (e.g. renewable energy, clean water, green buildings, etc.).
- By investing in Green Bonds, it is possible to select the issuer based on sustainable criteria, while at the same time ensuring that the funds are used for sustainability projects.
- Nowadays, Green Bonds are not only issued by multi-lateral organisations, but also by more and more companies and commercial banks.
- In 2014, the Green Bond Principles (see appendix) created a framework for maintaining the targeted application and quality of this new asset class.



# The Green Bond Market

- The Green Bond market is still in the development phase. At the moment, the current market volume is around USD 50 bn, and this figure is expected to double by the end of the year. Since 2013, the market volume has more than tripled!
- The issuing volume is also on the rise. While there were only 3 issues in 2012, with a volume of more than USD 500 mn, this year has already seen 20 issues.

## Key Facts Issuers 2015

Total number of issuers	20,410
- of which: municipalities/local authorities	13 %
- of which: supranational issuers	36 %
- of which: corporates	32 %
- of which: commercial banks	17 %



Source: Credit Agricole Corporate Investment Bank, June 2015, Image: iStockphoto.com

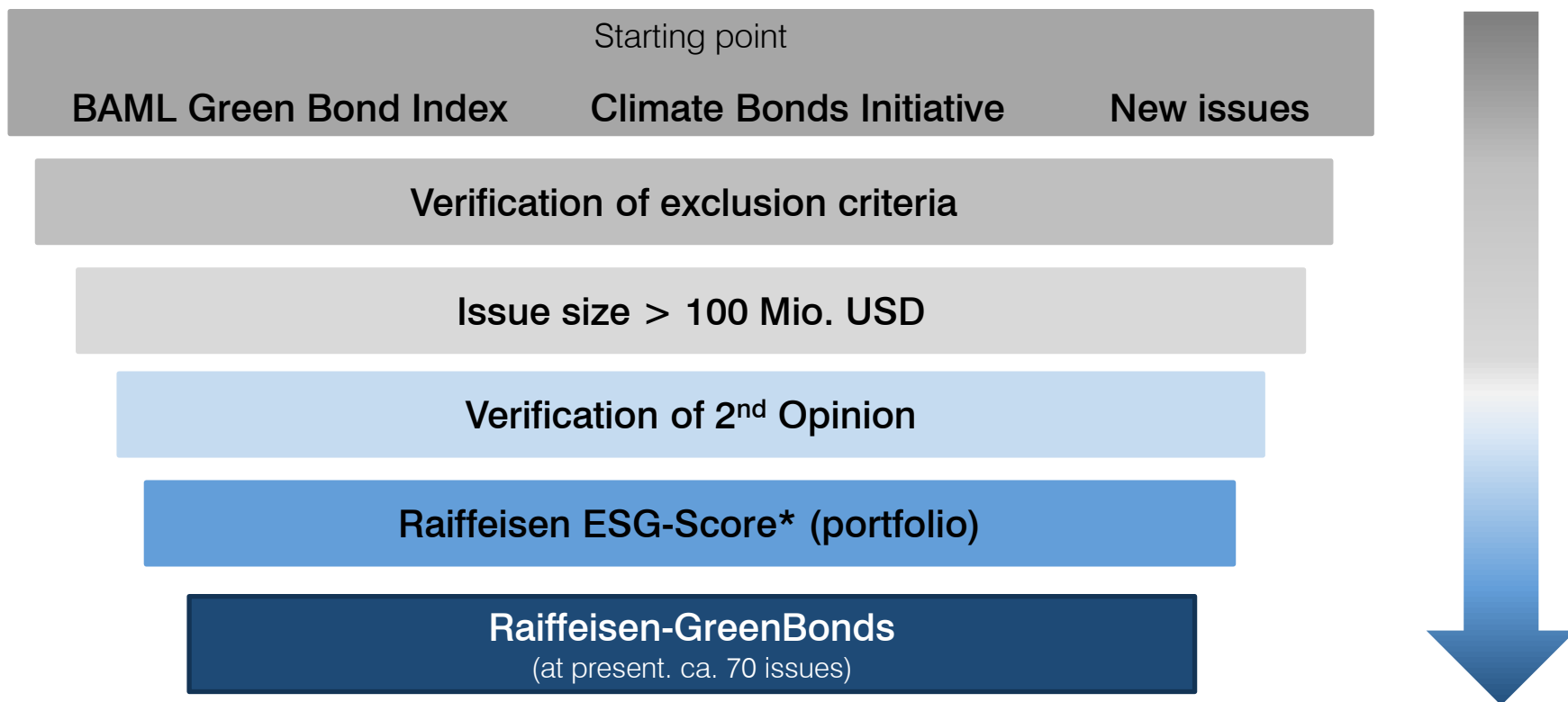
# Key Facts

## Raiffeisen-GreenBonds

Legal structure	UCITS IV mutual fund, open-end, Austrian domiciled, daily liquidity (subject to suspension due to exceptional circumstances)			
Inception date & ISIN	15 September 2015 / AT0000A1FV77 (oldest share class available)			
Investment universe*	<ul style="list-style-type: none"> <li>▪ Issues of the BAML Green Bond Index as well as selected bonds of the data base of Climate Bond Initiative (CBI)</li> <li>▪ Rating: investment grade, sub-investment grade up to 10 % possible</li> <li>▪ Foreign currencies are hedged</li> <li>▪ Duration: market deviation -50 % to + 25 %</li> </ul>			
Market	BAML Green Bond Index			
Fund size	EUR 41m (as of February 29, 2016)			
Share class & fee	0.30 % p.a.	EUR	AT0000A1FV69 AT0000A1FV77	Income-retaining Full income-retaining
Countries of registration	AT, DE, IT			

\*As of December 2015. The mentioned investment universe are internal, non-binding rules that can be changed any time without prior information to clients.

# Investment Process



Source: Raiffeisen Kapitalanlage GmbH, 2015

\*ESG stands for Environment (E), Social (S) and Governance (G)

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# Basic Portfolio

## BAML Green Bond Index

- Index criteria:
  - Use of bond proceeds exclusively for “green” purposes
  - General financing of “green” companies is not included
  - No ABS, CDS
  - Only investment grade ratings
  - Developed markets and emerging markets (settlement via Euroclear is necessary)
  - Minimum size of issue depends on market in question
  - Minimum remaining maturity
  - Monthly rebalancing
- Fewer, but larger issues compared to the market
- Currently 63 issues in the index (11 of which are excluded based on the quality filters, exclusion criteria, minimum size, etc.)

## Climate Bonds Initiative (CBI)

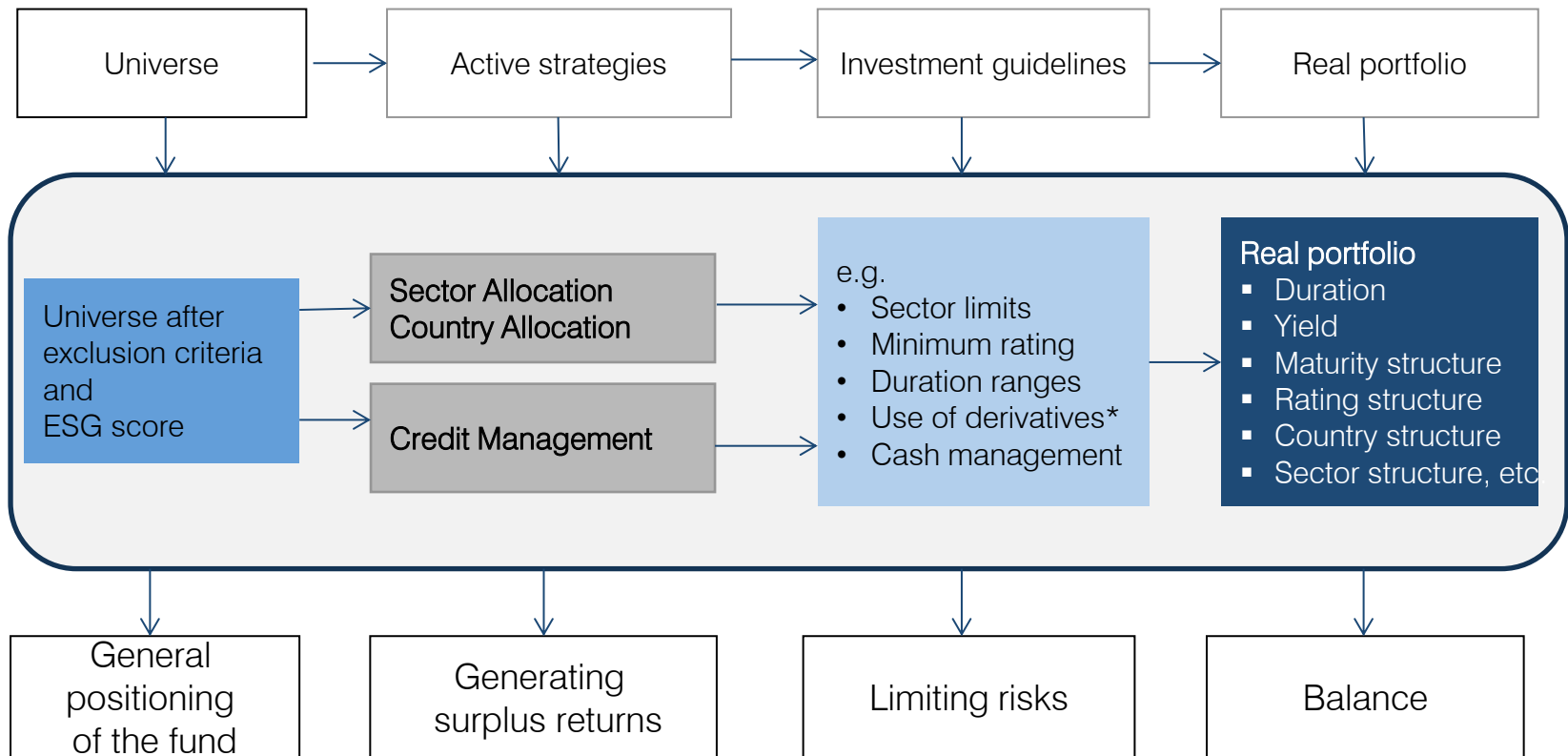
- International NPO focused on the bond market and climate change solutions
- Offers abundant background information on standards, certifications, and the latest developments
- Publishes list of all available Green Bonds:
  - 2<sup>nd</sup> Opinion & Link
  - Additional information on issues
  - But: mild delays, no size or liquidity filters, no identifiers (such as ISIN or Bloomberg Ticker)

→ Serves as additional source of information for the expanded investment universe (beyond the BAML Green Bond Index)

# Investment Process

## Portfolio Construction Team Bonds

- Portfolio construction is carried out by the GFI Team (= Global Fixed Income), taking into consideration the established traditional investment process.



\* Derivatives are only used for hedging



# Bond Management Aspects

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- The fund is not an “index fund”. Deviations compared to the existing Green Bond index (higher tracking risk) result from the following:
  - The additional sustainability criteria, to which our fund managers have committed;
  - Possible lower liquidity of the issues (which are often held to maturity).
- As the market is currently developing and issues are irregular, the structure may be characterised by concentration in terms of issuers and sectors. Non-optimal currency mix is handled with systematic hedging.
- Investment is fundamentally in investment grade segment; sub-investment grade bonds limited to 10 %.
- Depending on the assessment of the situation, active management also includes deviation from market duration.

# EUR Duration Strategies

<b>EUR duration: Qualitative / fundamental short</b>	<ul style="list-style-type: none"> <li>Decision factors: Expectations re. central bank policy (ECB, Fed), real interest rates (long term), inflation (medium term), risk premium (short term), influence of exchange rate developments on yield levels, internally developed supporting macro models</li> <li>Max. utilisation 0.60 duration years; target contribution 8bp, stop loss 24bp</li> </ul>
<b>EUR duration: Qualitative / sentiment short</b>	<ul style="list-style-type: none"> <li>Decision factors: Chart analysis, risk sentiment, and market interdependencies</li> <li>Max. utilisation 0.25 duration years; target contribution 4bp, stop loss 12bp</li> </ul>
<b>EUR duration: Quantitative / macro model short</b>	<ul style="list-style-type: none"> <li>Forecasting model taking into consideration consensus estimates and momentum factors</li> <li>Max. utilisation 0.10 duration years; target contribution 8bp, stop loss 24bp</li> </ul>
<b>EUR duration: Quantitative / trend following Bund short</b>	<ul style="list-style-type: none"> <li>Signals via moving averages</li> <li>Max. utilisation 0.05 duration years; target contribution 4bp, stop loss 12bp</li> </ul>
<b>EUR duration: Quantitative / market State model short</b>	<ul style="list-style-type: none"> <li>Game theory-based model of market conditions (Buy, Sell, Follow the Crowd), taking into account yield structure curve, interest dynamics, and volatility</li> <li>Max. utilisation 0.05 duration years; target contribution 4bp, stop loss 12bp</li> </ul>

# USD Duration Strategies

<b>USD duration: Qualitative / fundamental short</b>	<ul style="list-style-type: none"><li>▪ Decision factors: Expectations for growth, inflation, short and long-term interest rates versus market expectations</li><li>▪ Max. utilisation 0.05 duration years; target contribution 12bp, stop loss 36bp</li></ul>
<b>USD duration: Quantitative / macro model short</b>	<ul style="list-style-type: none"><li>▪ Forecasting model taking into consideration equity-bond correlations, risk aversion, and purchases of foreign central banks</li><li>▪ Max. utilisation 0.20 duration years; target contribution 8bp, stop loss 24bp</li></ul>
<b>USD duration: Quantitative / risk premium model short</b>	<ul style="list-style-type: none"><li>▪ Monthly trading signals based on a risk premium analysis</li><li>▪ Max. utilisation 0.6 duration years; target contribution 8bp, stop loss 24bp</li></ul>

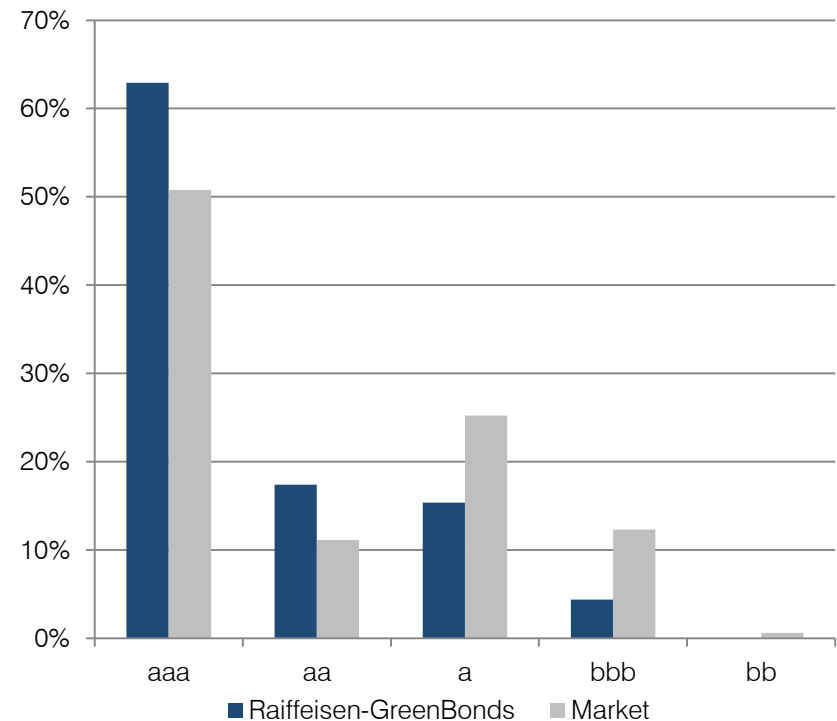
  

<b>Bund-Treasury-spread (Transatlantic-spread): Qualitative / fundamental</b>	<ul style="list-style-type: none"><li>▪ Decision factors: Expectations for global growth, (potential) disparities in growth and inflation prospects between Euro area and United States, central bank policies, exchange rate developments</li><li>▪ Duration-neutral, max. utilisation 0.20 duration years; target contribution 8bp, stop loss 16bp</li></ul>
---	--

# Portfolio Structure I

Key Figures	
Duration (years, to maturity)	4.83
Residual term to maturity (years, to maturity)	5.16
Coupon (% p.a.)	1.43
Yield (% p.a., to maturity)	0.96
Credit Spread (to maturity)	60
Average rating*	aa

Rating Breakdown



Source: Raiffeisen KAG, own calculations, 29 February 2016, including derivatives, based on the security structure of the fund

\*The rating refers to an average rating, own calculations, based on Bloomberg Finance L.P.

CS=Consumer non-cyclical, UTI=Utilities, COM=Communication, CD=Consumer cyclical, EN=Energy, FIN=Financials, IND=Industry, MAT=Materials, TEC=Technology, DIV=Diversified, GOV=Government

# Top 10 Holdings

Emission	Rating*	Sector	Weight
INTL BK RECON & DEVELOP IBRD 2 1/8 03/03/25	aaa	Government	4.81 %
EUROPEAN INVESTMENT BANK EIB 1 1/4 11/13/26	aaa	Government	4.76 %
KFW KFW 1 7/8 11/30/20	aaa	Financials	4.57 %
EUROPEAN INVESTMENT BANK EIB 2 1/4 03/07/20	aaa	Government	4.32 %
NORDIC INVESTMENT BANK NIB 2 1/4 09/30/21	aaa	Government	3.97 %
EUROPEAN INVESTMENT BANK EIB 2 1/2 10/15/24	aaa	Government	3.53 %
AGENCE FRANCAISE DEVELOP AGFRNC 1 3/8 09/17/24	aa	Financials	3.44 %
ASIAN DEVELOPMENT BANK ASIA 2 1/8 03/19/25	aaa	Government	3.44 %
KFW KFW 1 3/4 10/15/19	aaa	Financials	3.43 %
KOMMUNALBANKEN AS KBN 2 1/8 02/11/25	aaa	Government	3.37 %

Source: Raiffeisen KAG, own calculations, 29 February 2016, including derivatives, based on the security structure of the fund

\*The rating refers to an average rating, own calculations, based on Bloomberg Finance L.P..

# The Green-Bond Principles

- The Green Bond Principles **framework** was **formulated** in **2014** by a group of large issuers in the fixed income segment.

## 4 components

Use of proceeds	Determining the use of proceeds: renewable energy, energy efficiency, sustainable waste management and land use, clean transportation, clean water
Process for project evaluation and selection	Presentation of the investment decision-making process
Management of process	The capital received is invested in a sub-portfolio, targeted application is possible. Transparency in the use of the fund is important, possible review by external monitor.
Reporting	The issuer should report at least annually on the status of its projects financed with Green Bonds. It would be desirable to also have a presentation of the specific effect (impact) of the project.

- The Principles recommend the issuing be monitored by **independent third parties**, in the form of a “**second party consultation**”, the results of which are published.

# Analysis

## Using Verbund As an Example

### Description of the Company

Verbund is an Austrian energy utility company specialised in hydro-electric power generation, power transmission, and international power sales and distribution.

### Use of proceeds

- + Improving the energy efficiency of hydro-electric power plants
  - (i) Modernisation and efficiency improvement of the Danube power plant Ybbs-Persenbeug
  - (ii) construction of a new pumped storage power plant (Reisseck II)
  - (iii) Expansion of the existing hydro-electric power plant group “Malta” and “Reisseck/Kreuzeck”
- + Wind power projects
  - (i) Construction of 3 wind power plants in Lower Austria (Hollern II, Petronell II, Bruck-Göttlesbrunn II)
  - (ii) Operation of 5 wind power plants in the Hunsrück region in Germany (Dörrebach, Hochsteinchen, Ellern, Stetten, Dichtelbach)

### Key figures

Nominal	EUR 500 mn
Rating	Baa1 / BBB+
Coupon	1.5%
Denomination	EUR 100,000
ISIN	XS1140300663
Second Party Opinion	yes



Source: [www.verbund.com](http://www.verbund.com), Image: Danube power plant, Ybbs-Persenbeug

# Analysis

## Using KfW As an Example

### Description of the Company

KfW (Kreditanstalt für Wiederaufbau) is the world's largest national development bank. It promotes investments by citizens, municipal companies and public institutions, finances the projects of German and European companies, and supports economic and social progress in developing and emerging countries.

### Use of proceeds

- + Projects from the programme “Renewable Energies – Standard”:  
Solar energy, biogas/biomass, hydro-electric power, wind power
- + Net funds from Green Bond issuances are used by KfW for general purposes.  
At the same time, KfW is launching its own internal Green Bond accounting within its accounting system.

### Key figures

Nominal	USD 1,500 mn
Rating	Aaa / AAA
Coupon	1.75%
Denomination	USD 1,000
ISIN	US500769GF56
Second Party Opinion	Yes





# Risk Profile

## The following risks in particular apply for Raiffeisen-GreenBonds

Performance risk	The performance of assets purchased for the investment fund may deviate from predictions at the time of purchase. It is thus not possible to exclude price losses.
Interest rate fluctuation risk	Changes to the market interest rate have an impact on the price of securities. If market interest rates rise, then the prices of the fixed-interest securities or money market instruments will generally fall.
Risk of low or negative yields	Market-related low or even negative yields on money market instruments and bonds may adversely affect the fund's net asset value and may not be sufficient to cover its current costs.
Issuer risk	The price of a security is also affected by the individual behavior of the relevant issuer. Even where securities are selected with the utmost care it is not possible to exclude, for example, losses due to issuers' pecuniary losses.
Inflation risk	The return on an investment may be negatively influenced by the inflation trend.
Liquidity risk	Sales of individual securities in individual phases or in individual stock exchange segments may be problematic at the desired moment in time. There is also the risk that stocks traded in a somewhat tight market segment may be subject to considerable price volatility.

A detailed presentation of risks, including general risks, which this fund is exposed to, is included in the prospectus, available under [www.rcm.at](http://www.rcm.at) in German language or under [www.rcm-international.com](http://www.rcm-international.com) in English language or your national language.

# Agenda

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1. Overview on Raiffeisen Capital Management
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- 4. Our sustainable-fund-range**
  1. Raiffeisen-GreenBonds
  - 2. Raiffeisen-Sustainable-ShortTerm**
  3. Raiffeisen-Sustainable-Mix
  4. Raiffeisen-Sustainable-Equities
5. Annex

# Why Raiffeisen-Sustainable-ShortTerm



## Raiffeisen-Sustainable-ShortTerm

### Sustainable short-term investment solution

- Short-term bond fund with a broad diversification in Euro-bonds under the aspect of sustainability

### Expertise & long-standing know-how

- Wolfgang Pinner is a recognized expert in the fields of sustainability
- Raiffeisen KAG has more than 30 years of experience in managing funds

### Management team

- 3-person SRI core team
- In addition 6 active managers in each management team

### Investment process

- Active management
- Integration of a sustainability filter
- Optimization via scoring model
- Consideration of external research

# Key Facts

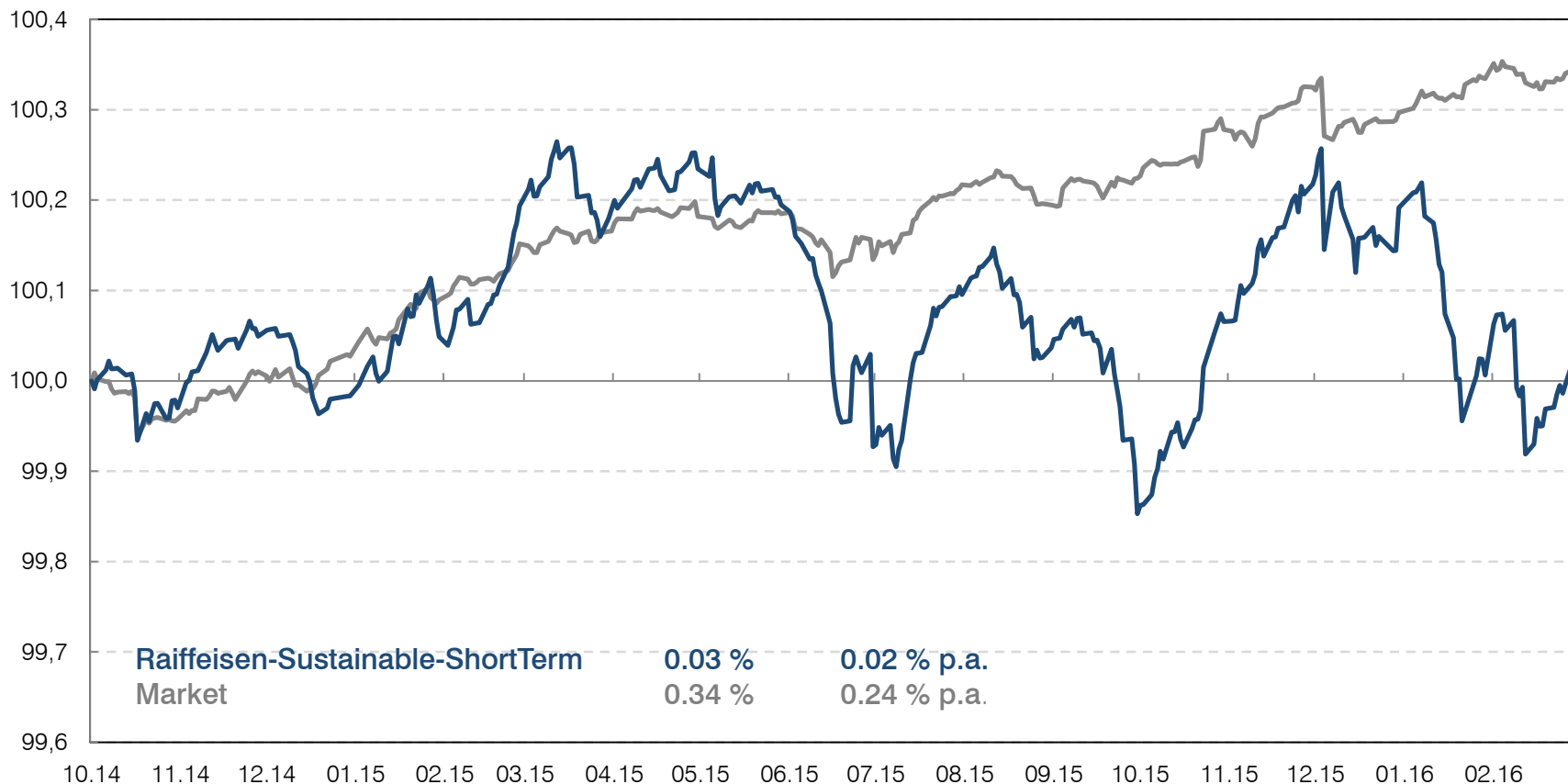
## Raiffeisen-Sustainable-ShortTerm

Legal structure	UCITS IV mutual fund, open-end, Austrian domiciled, daily liquidity (subject to suspension due to exceptional circumstances)				
Inception & ISIN	15 September 2008 / AT0000A19HM5 (oldest share class available) (previously: Raiffeisen 307 – Short Term Investments)				
Date of adjustment	01 October 2014 (change of concept and name)				
Investment universe*	<ul style="list-style-type: none"><li>▪ EUR fixed term deposit</li><li>▪ European government bonds and bonds of companies with sovereign guarantee, term to maturity of max 5 years</li><li>▪ European corporate bonds and covered bonds (max 50 %)</li><li>▪ EUR private placements</li><li>▪ Rating: Investment grade</li><li>▪ Use of derivatives for hedging purposes only</li></ul>				
Market	75 % JPM Euro Cash 3M 25 % JPM EMU Government Bond Index ex Greece 1-3Y				
Fund size	EUR 50m (as of February 29, 2016)				
Share class & fee	Retail	EUR	0.36 % p.a.	AT0000A190Z8 AT0000A190X3 AT0000A19HM5	Distributing Income retaining Full income-retaining
	Institutional	EUR	0.15 % p.a.	AT0000A0ALQ3 AT0000A0ALR1	Income retaining Full income-retaining
Minimum issue volume	Retail	No minimum investment			
	Institutional	EUR 500.000,-			
Countries of registration	AT, DE, IT, LI				

**Low or even negative yields on money market instruments and bonds induced by the market can have a negative effect on the net asset value or be insufficient to cover the recurrent costs.**

\*As of December 2015. The mentioned investment universe are internal, non-binding rules that can be changed any time without prior information to clients.

# Performance Since Change of Concept



Source: Raiffeisen KAG, own calculations, 01 October 2014 – 29 February 2016, indexed total return gross

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

# Active Bond Strategies in the Investment Process

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- **Duration management**

- Relative management versus strategic duration of 0.7 years

- **Sector and country allocation**

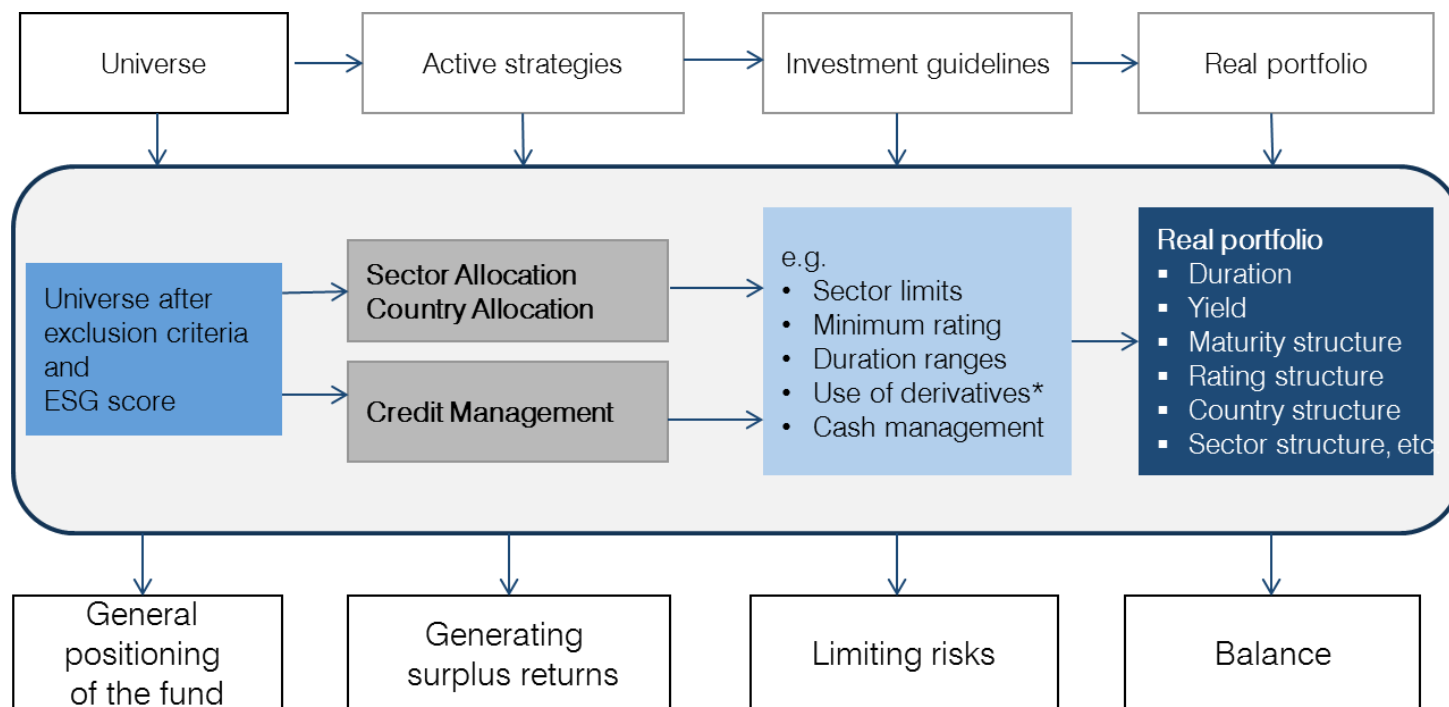
- Reference index cannot be replicated (75% JPM EMU Cash Index) -> definition of a 'neutral' allocation
  - Minimum ratio of government bonds at 50%
  - Decision-making process focused on fundamental market assessment
  - Sector allocation tracks the corresponding model portfolio of the bond team
  - Country allocation focused on EMU periphery versus EMU core is only possible to a limited degree, due to sustainability exclusions

- **Credit management**

- Strategy dimension 1: Top-down management with the goal of an attractive current return versus risk management using credit ratio, spread duration and rating allocation, subject to the ancillary condition of moderate portfolio volatility
  - Strategy dimension 2: Bottom-up management with the goal of surplus returns subject to the ancillary condition of avoiding 'credit events'
  - Portfolio guideline: only investment grade

# Traditional Bond Strategies and Portfolio

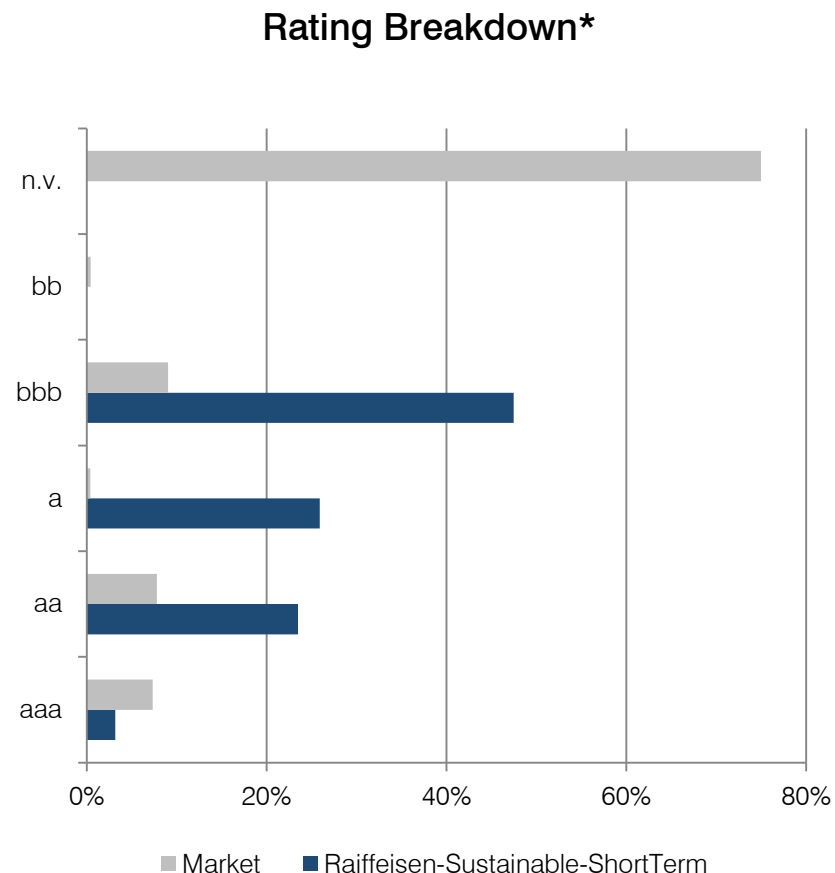
- Portfolio construction is carried out by the GFI Team (= Global Fixed Income), taking into consideration the established traditional investment process.
- Starting point is the remaining investment universe of countries and corporate issuers after the sustainable analysis / about 50 % of the original universe



\* Derivatives are only used for hedging

# Portfolio Structure

Key Figures	
Duration (years, to maturity)	1.08
Residual term to maturity (years, to maturity)	1.50
Coupon (% p.a.)	2.13
Yield (% p.a., to maturity)	0.40
Credit Spread (to maturity)	54
Average rating*	a

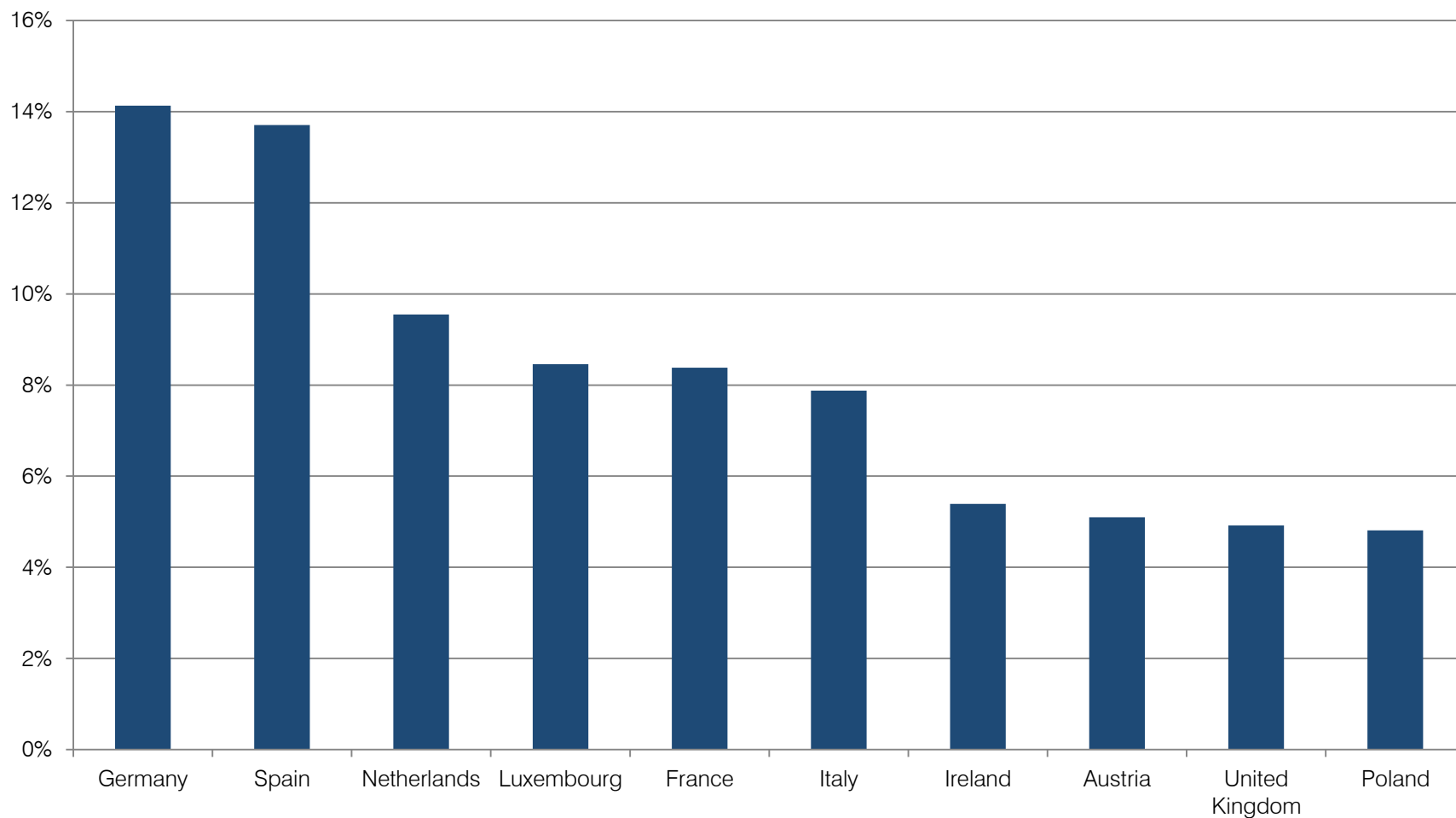


Source: Raiffeisen KAG, own calculations, 29 February 2016, including derivatives, based on the security structure of the fund

\*The rating refers to an average rating, own calculations, based on Bloomberg Finance L.P.



# Country Breakdown – Top 10



Source: Raiffeisen KAG, own calculations, 29 February 2016, based on the security structure of the fund  
Further countries: Belgium, Norway, United States of America, Denmark, Sweden, Finland, Australia

# Risk Profile

## The following risks in particular apply for Raiffeisen-Sustainable-ShortTerm:

Market risk	The performance of securities is particularly dependent on the development of the capital markets. For their part, these are affected by the general position of the world economy and by the economic and political outline conditions in the relevant countries.
Issuer risk	The price of a security is also affected by the individual behavior of the relevant issuer. Even where securities are selected with the utmost care it is not possible to exclude, for example, losses due to issuers' pecuniary losses.
Liquidity risk	Sales of individual securities in individual phases or in individual stock exchange segments may be problematic at the desired moment in time. There is also the risk that stocks traded in a somewhat tight market segment may be subject to considerable price volatility.
Interest rate fluctuation risk	Changes to the market interest rate have an impact on the price of securities. If market interest rates rise, then the prices of the fixed-interest securities or money market instruments will generally fall.
Valuation risk	Particularly in times of liquidity shortages experienced by market, price determination for certain securities and other financial instruments on capital markets may be restricted, hampering the fund's valuation.
Capital risk	The risk relating to the investment fund's capital may apply in particular if the assets are sold more cheaply than they were purchased. This also covers the risk of exhaustion for repurchases and excessive distributions of investment yields.

A detailed presentation of risks, including general risks, which this fund is exposed to, is included in the prospectus, available under [www.rcm.at](http://www.rcm.at) in German language or under [www.rcm-international.com](http://www.rcm-international.com) in English language or your national language.

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  4. Raiffeisen-Sustainable-Equities
5. Annex

# Why Raiffeisen-Sustainable-Mix



**Raiffeisen-  
Sustainable-Mix**

## Mixed sustainable fund

- Possibility to participate on the chances of European bond markets as well as global equity markets under consideration of sustainability

## Expertise & long-standing know-how

- Wolfgang Pinner is a recognized expert in the fields of sustainability
- Raiffeisen KAG has more than 30 years of experience in managing funds

## Management team

- 3-person SRI core team
- In addition 6 active managers in each management team

## Investment process

- Active management
- Integration of a sustainability filter
- Optimization via scoring model
- Consideration of external research

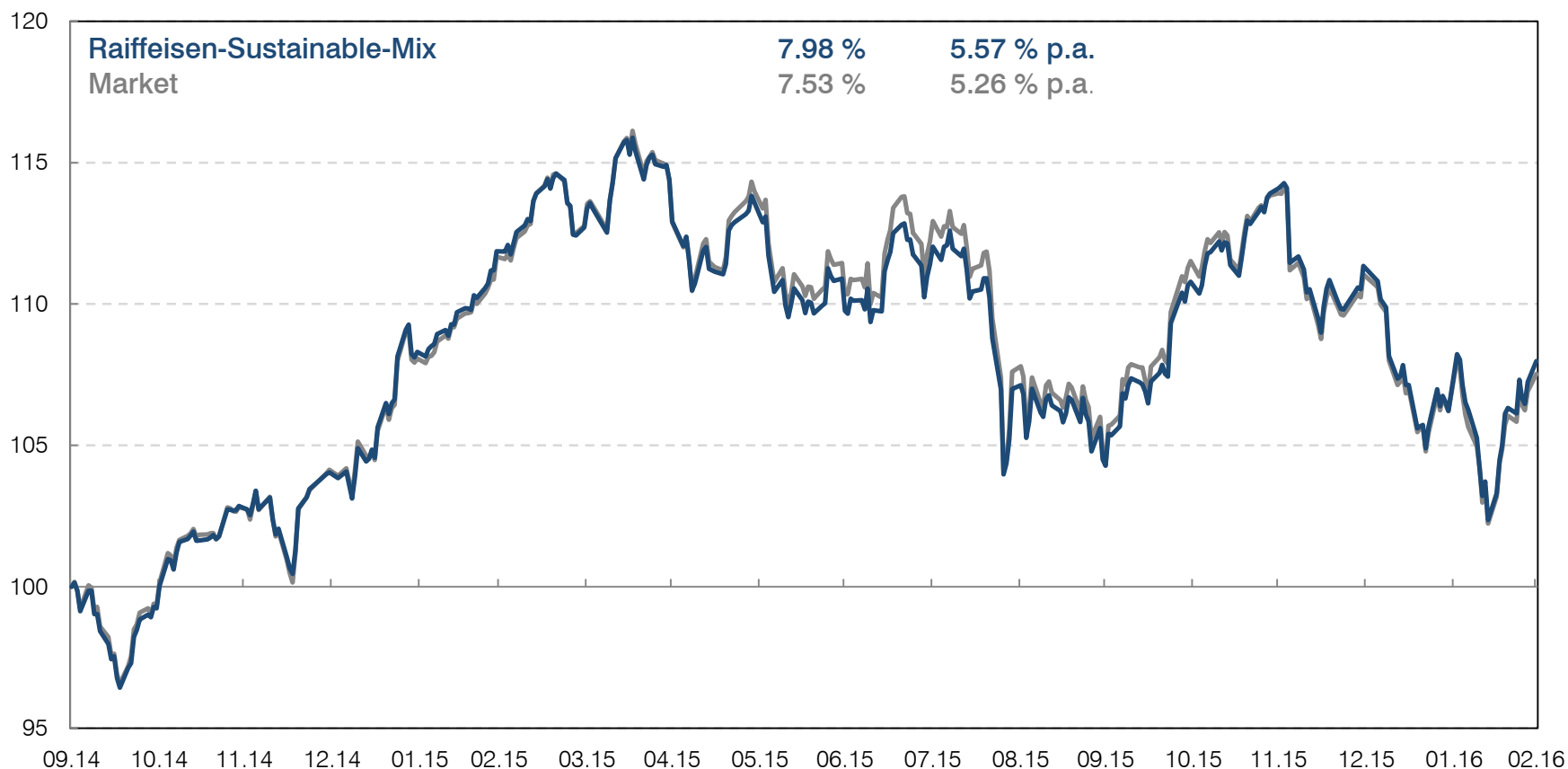
# Key Facts

## Raiffeisen-Sustainable-Mix

Legal structure	UCITS IV mutual fund, open-end, Austrian domiciled, daily liquidity (subject to suspension due to exceptional circumstances)				
Inception date & ISIN	25 August 1986 / AT0000859517 (oldest share class available) (previously: Raiffeisen-Global-Mix)				
Date of adjustment	30 September 2014 (change of concept and name)				
Investment universe*	<ul style="list-style-type: none"><li>▪ Ca. 40 % EUR bonds</li><li>▪ Ca. 10 % Non-Euro bonds in USD and GBP</li><li>▪ Ca. 50 % global equities of developed markets</li><li>▪ Investments in local currencies</li><li>▪ Limited admixture of fund of funds</li><li>▪ Use of derivatives only for hedging purposes</li></ul>				
Market	50 % MSCI World Index 50 % Composite of miscellaneous bond indices				
Fund size	EUR 219m (as of February 29, 2016)				
Share class & fee	Retail	EUR	1.25 % p.a.	AT0000859517 AT0000805361 AT0000785381	Distributing Income retaining Full income-retaining
	Institutional	EUR	0.625 % p.a.	AT0000A1G2L0	Distributing
Minimum issue volume	Retail	No minimum investment			
	Institutional	EUR 500.000,-			
Countries of registration	AT, BG, CZ, DE, HU, IT, LI, PL, SK, SI				
As a part of the investment strategy, it is possible to invest to a significant degree (with regard to the related risk) in derivatives.					

\*As of December 2015. The mentioned investment universe are internal, non-binding rules that can be changed any time without prior information to clients.

# Performance Since Change of Concept



Source: Raiffeisen KAG, own calculations, 30 September 2014 – 29 February 2016, indexed total return gross

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.

# Asset Allocation

- **Active Asset Allocation** on monthly basis following the asset allocation decisions of the team Multi Asset Strategies.

Neutral  
risk profile

Scope for active allocation is rather low;  
Monthly rebalancing

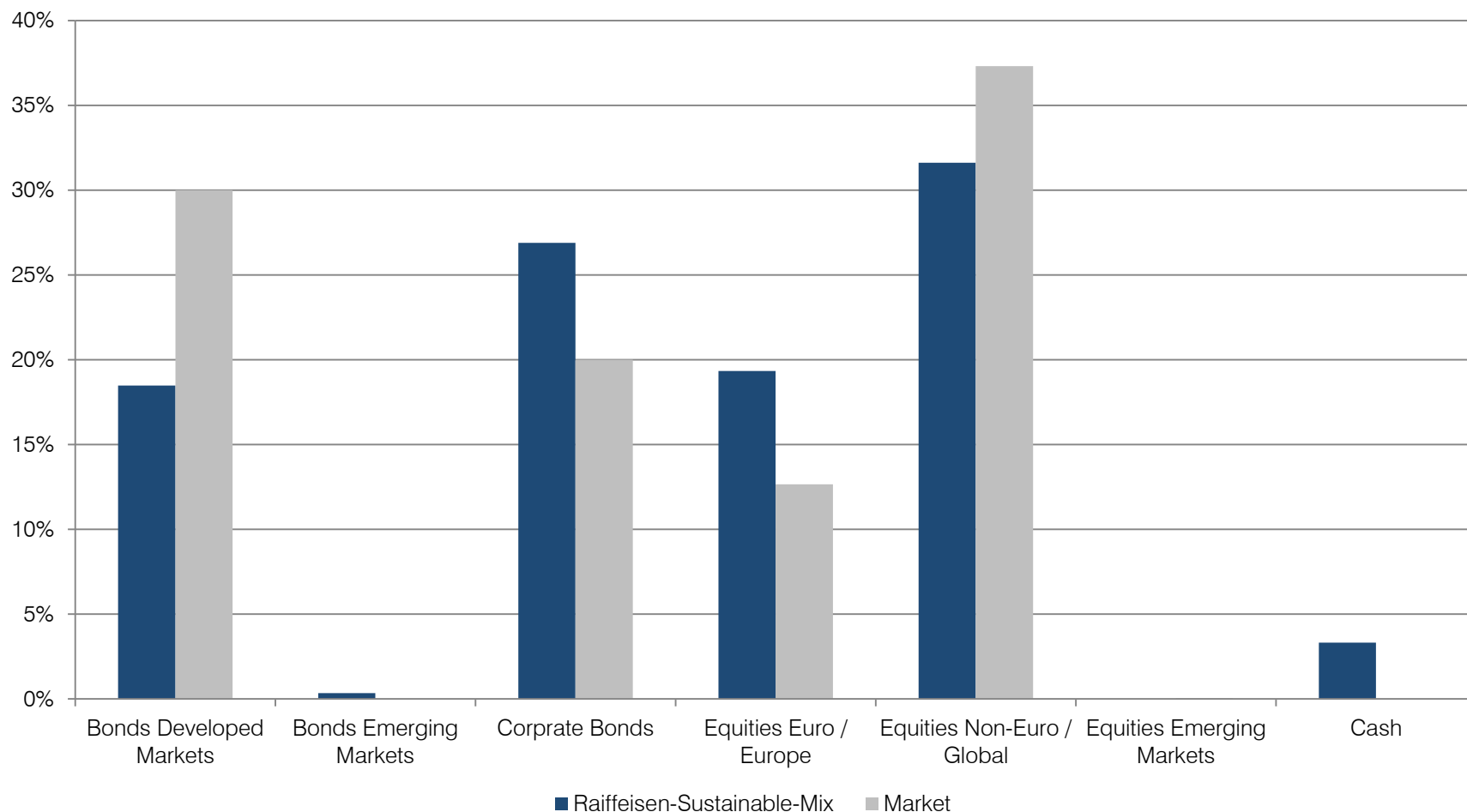
Equities: 50 %

Range 48 – 52 %  
(according to in-house, tactical asset allocation)

Bonds: 50 %

Range 48 – 52 %  
(according to in-house, tactical asset allocation)  
Focus is on Euro bonds (~80 %), admixture of global  
bonds (~20 % in USD and GBP)

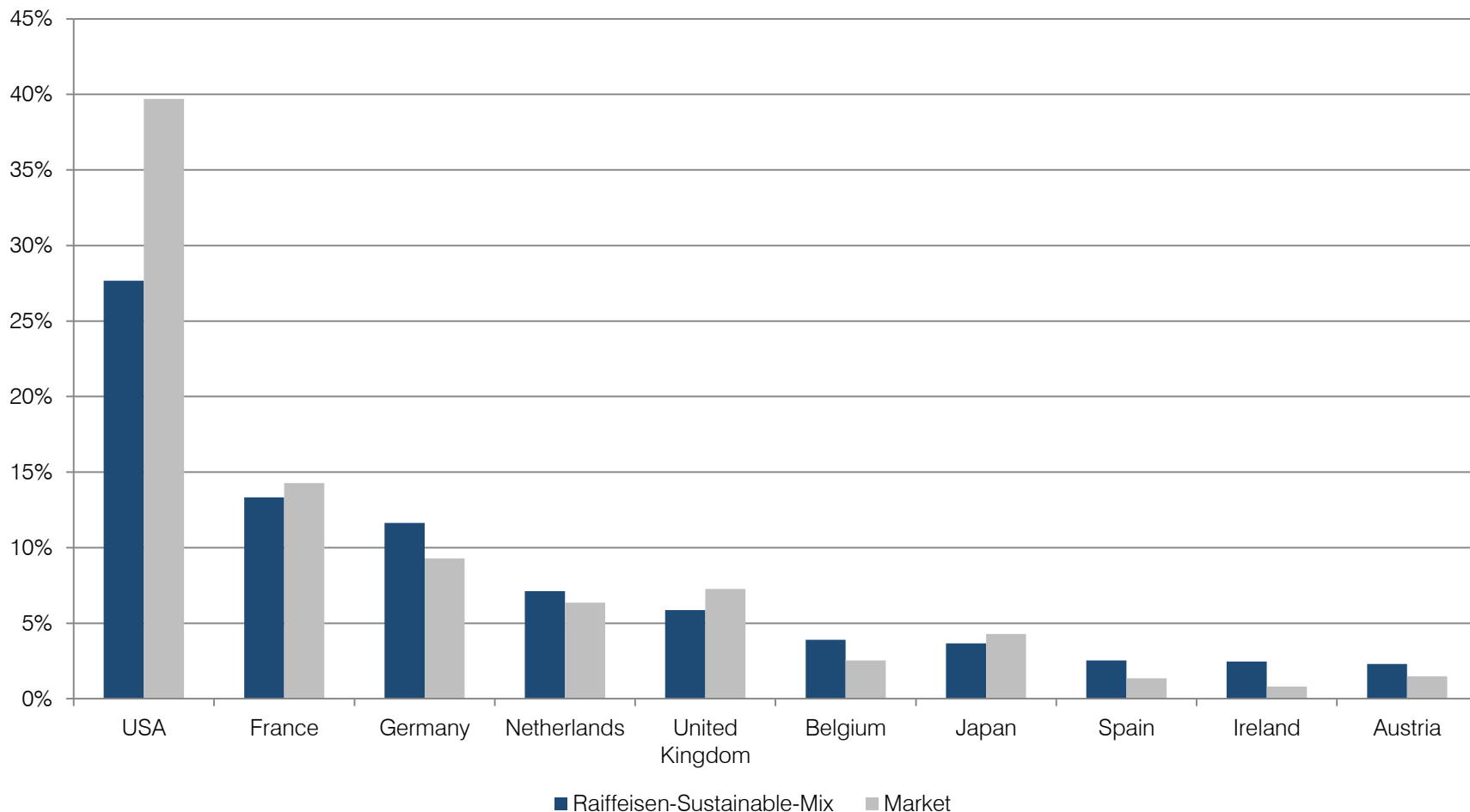
# Asset Classes



Source: Raiffeisen KAG, own calculations, 29 February 2016, including derivatives, based on the security structure of the fund  
 Bonds Developed Markets & Emerging Markets do not include corporate bonds



# Country Breakdown – Top 10



Source: Raiffeisen KAG, own calculations, 29 February 2016, based on the security structure of the fund  
 Further countries amongst others: Switzerland, Finland, Denmark, Italy Canada, Norway Sweden

# Top 5 Holdings – Equities & Bonds

Equities			
Company	Country	Sector	Weight
3M Co	United States of America	Industry	1.36 %
Campbell Soup Co	United States of America	Consumer Staples	1.18 %
Accenture PLC	Ireland	Information Technology	1.10 %
Procter & Gamble Co/The	United States of America	Consumer Staples	1.04 %
Sysmex Corp	Japan	Health Care	1.03 %

Bond			
Issue	Rating*	Sector	Weight
LAND HESSEN HESSEN 1 3/4 01/20/23	aa	Government	1.04 %
BUNDESREPUB. DEUTSCHLAND DBR 1 1/2 05/15/23	aaa	Government	0.69 %
CAISSE REFINANCE L'HABIT CRH 3.3 09/23/22	aaa	Government	0.68 %
BONOS Y OBLIG DEL ESTADO SPGB 5.4 01/31/23	bbb	Government	0.66 %
BUONI POLIENNALI DEL TES BTPS 2.15 12/15/21	bbb	Government	0.63 %

Source: Raiffeisen KAG, own calculations, 29 February 2016, including derivatives, based on the security structure of the fund

\*The rating refers to an average rating, own calculations, based on Bloomberg Finance L.P.

# Risk Profile

## The following risks in particular apply for Raiffeisen-Sustainable-Mix:

Market risk	The performance of securities is particularly dependent on the development of the capital markets. For their part, these are affected by the general position of the world economy and by the economic and political outline conditions in the relevant countries.
Issuer risk	The price of a security is also affected by the individual behavior of the relevant issuer. Even where securities are selected with the utmost care it is not possible to exclude, for example, losses due to issuers' pecuniary losses.
Liquidity risk	Sales of individual securities in individual phases or in individual stock exchange segments may be problematic at the desired moment in time. There is also the risk that stocks traded in a somewhat tight market segment may be subject to considerable price volatility.
Currency risk	Where not otherwise stipulated, investment fund assets may be invested in currencies other than the relevant fund currency. There is therefore a currency risk which may adversely affect the value of the units where the investment fund invests in currencies other than the fund currency.
Interest rate fluctuation risk	Changes to the market interest rate have an impact on the price of securities. If market interest rates rise, then the prices of the fixed-interest securities or money market instruments will generally fall.
Capital risk	The risk relating to the investment fund's capital may apply in particular if the assets are sold more cheaply than they were purchased. This also covers the risk of exhaustion for repurchases and excessive distributions of investment yields.

A detailed presentation of risks, including general risks, which this fund is exposed to, is included in the prospectus, available under [www.rcm.at](http://www.rcm.at) in German language or under [www.rcm-international.com](http://www.rcm-international.com) in English language or your national language.

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5. Annex

# Why Raiffeisen-Sustainable-Equities



**Raiffeisen-  
Sustainable-Equities**

## Interesting Market segment

- Possibility to participate on the chances of global equity markets under the aspect of sustainability

## Expertise & long- standing know-how

- Wolfgang Pinner is a recognized expert in the fields of sustainability
- Raiffeisen KAG has more than 30 years of experience in managing funds

## Management team

- 3-person SRI core team
- In addition 6 active managers in each management team

## Investment process

- Active management
- Integration of a sustainability filter
- Optimization via scoring model
- Consideration of external research

# Key Facts

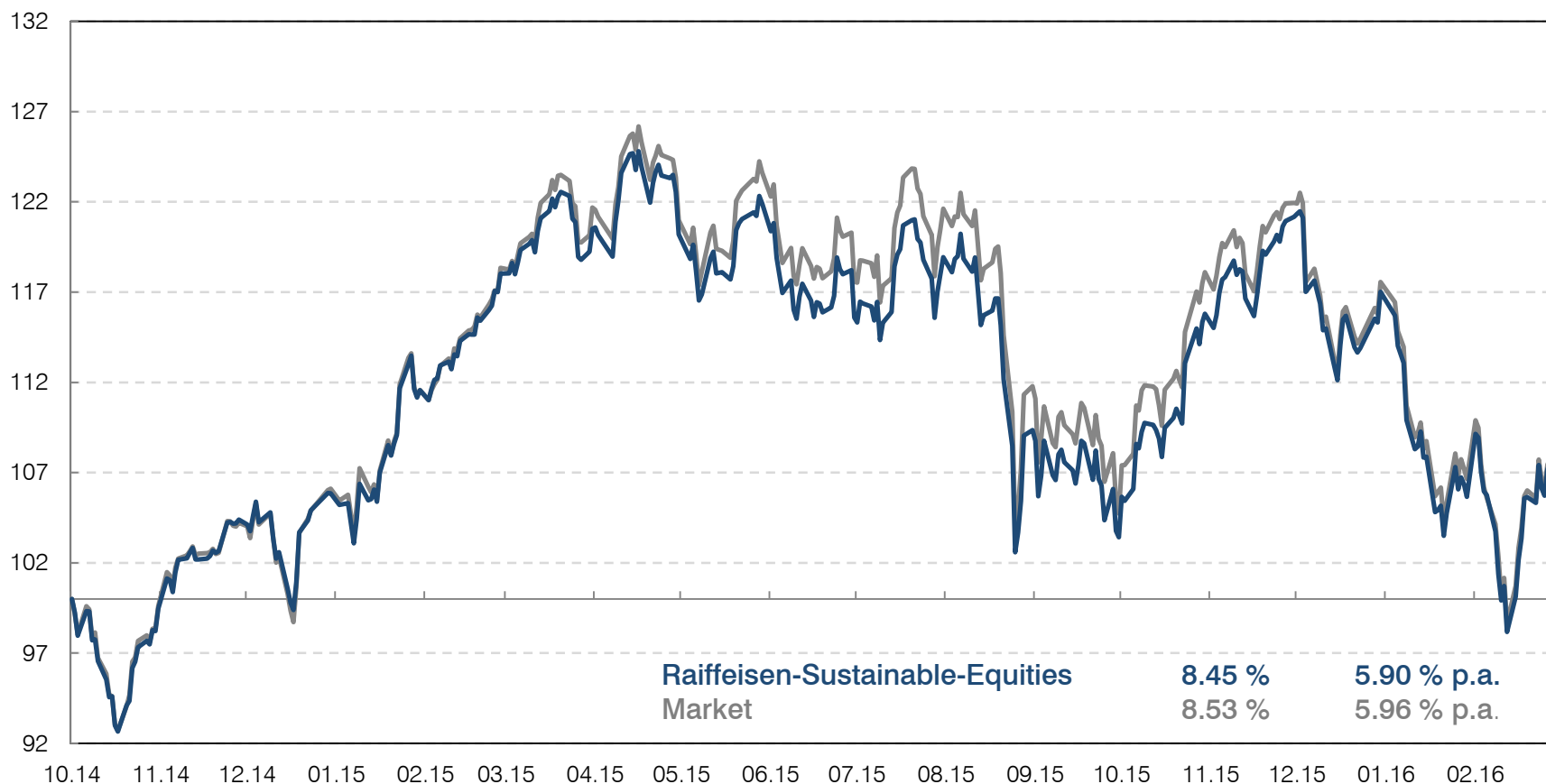
## Raiffeisen-Sustainable-Equities

Legal structure	UCITS IV mutual fund, open-end, Austrian domiciled, daily liquidity (subject to suspension due to exceptional circumstances)				
Inception date & ISIN	13 May 2002 / AT0000677919 (oldest share class available) (previously: Raiffeisen-Ethic-Equities)				
Date of adjustment	01 October 2014 (change of concept and name)				
Investment universe*	<ul style="list-style-type: none"><li>▪ Global equities of developed markets</li><li>▪ Use of derivatives for hedging purposes only</li></ul>				
Market	MSCI World Index				
Fund size	EUR 33m (as of February 29, 2016)				
Share class & fee	Retail	EUR	1.50 % p.a.	AT0000677901 AT0000677919 AT0000677927	Distributing Income-retaining Full income-retaining
	Institutional	EUR	0.75 % p.a.	AT0000A0LSJ0	Income-retaining
Minimum issue volume	Retail	No minimum investment			
	Institutional	EUR 500.000,-			
Countries of registration	AT, CZ, DE, IT, LI				

**The fund exhibits elevated volatility, meaning that unit prices can move significantly higher or lower during short periods of time, and it is not possible to rule out loss of capital.**

\*As of December 2015. The mentioned investment universe are internal, non-binding rules that can be changed any time without prior information to clients.

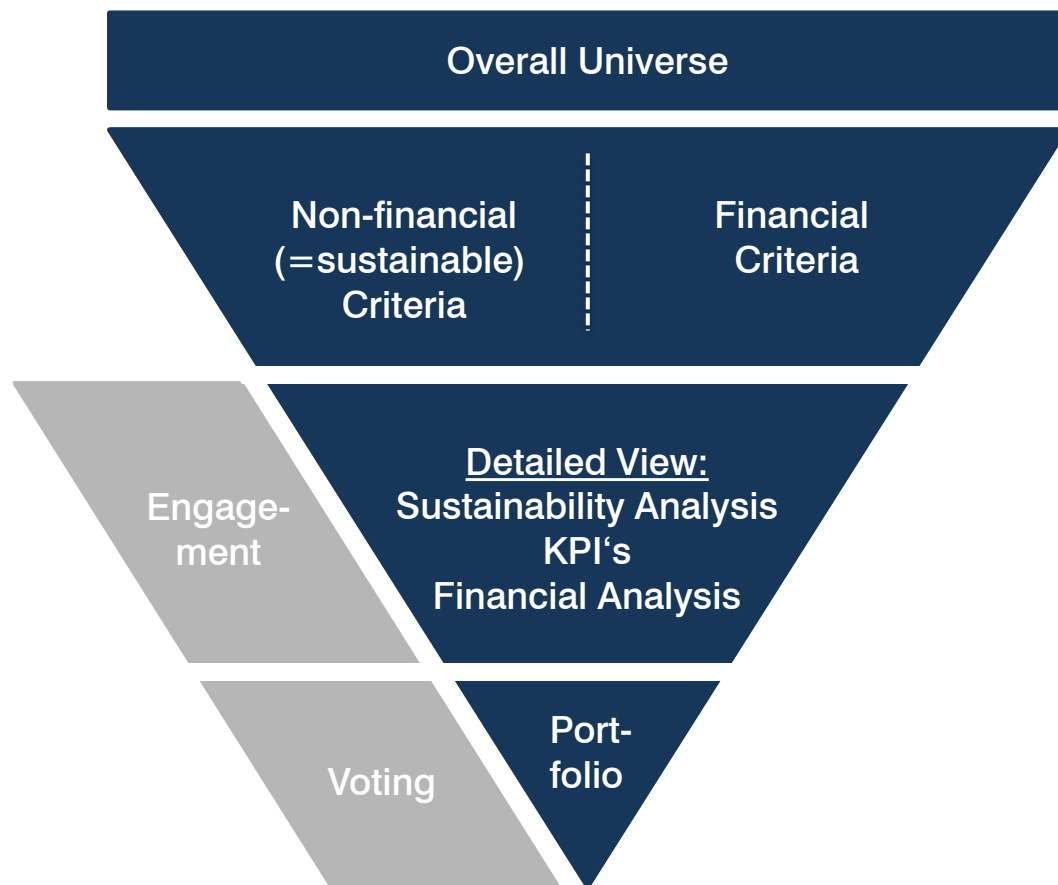
# Performance Since Change of Concept



Source: Raiffeisen KAG, own calculations, 01 October 2014 – 29 February 2016, indexed total return gross

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

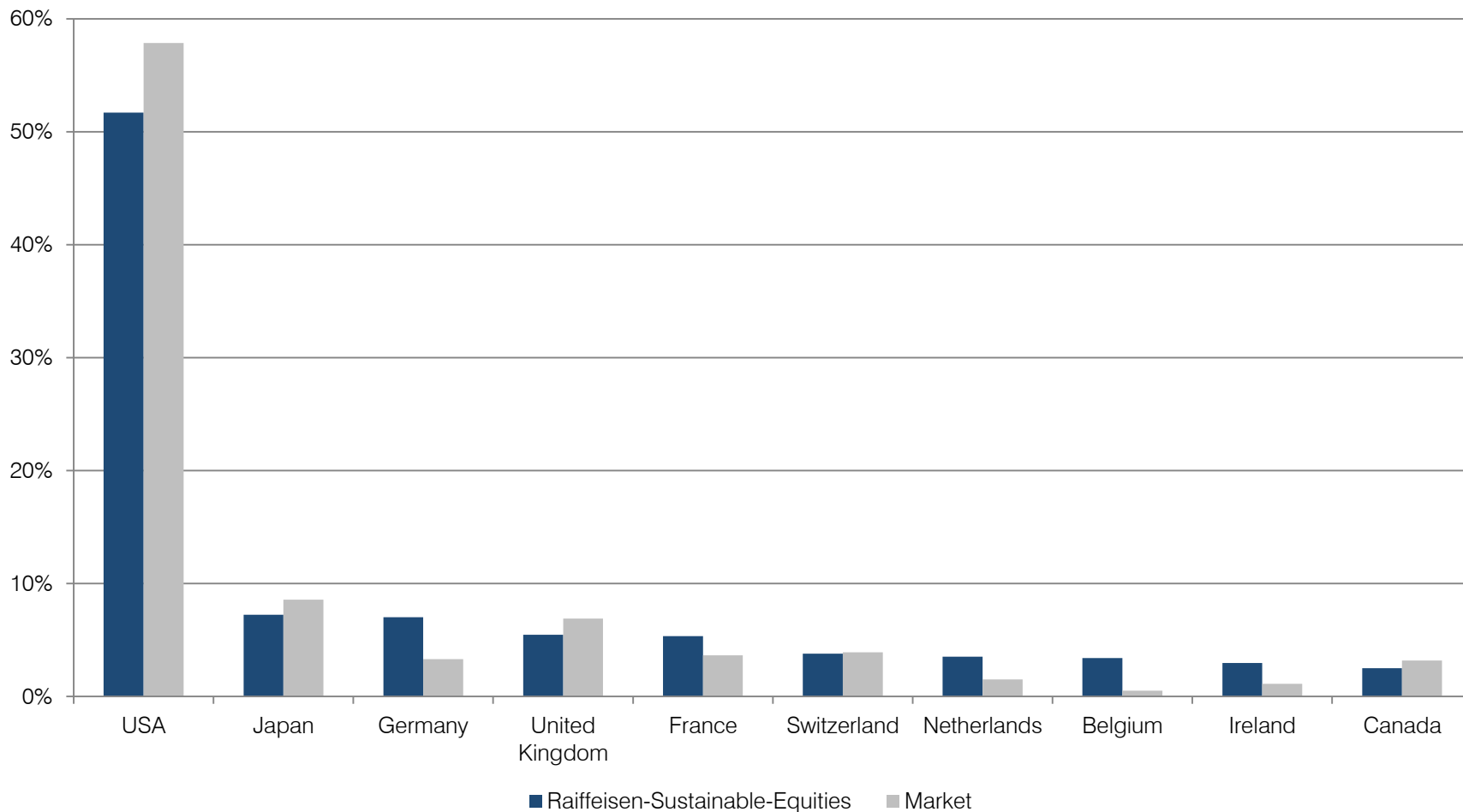
# Investment Process in Detail



- The investment universe consists of ~ 2.000 global equities.
- Exclusion of companies based on sustainability and financial aspects: ~1,800 stocks are remaining
- Detailed analysis based on sustainability and financial aspects: ~ 900 securities are remaining
- Construction of a broadly diversified portfolio (~ 100 equities)



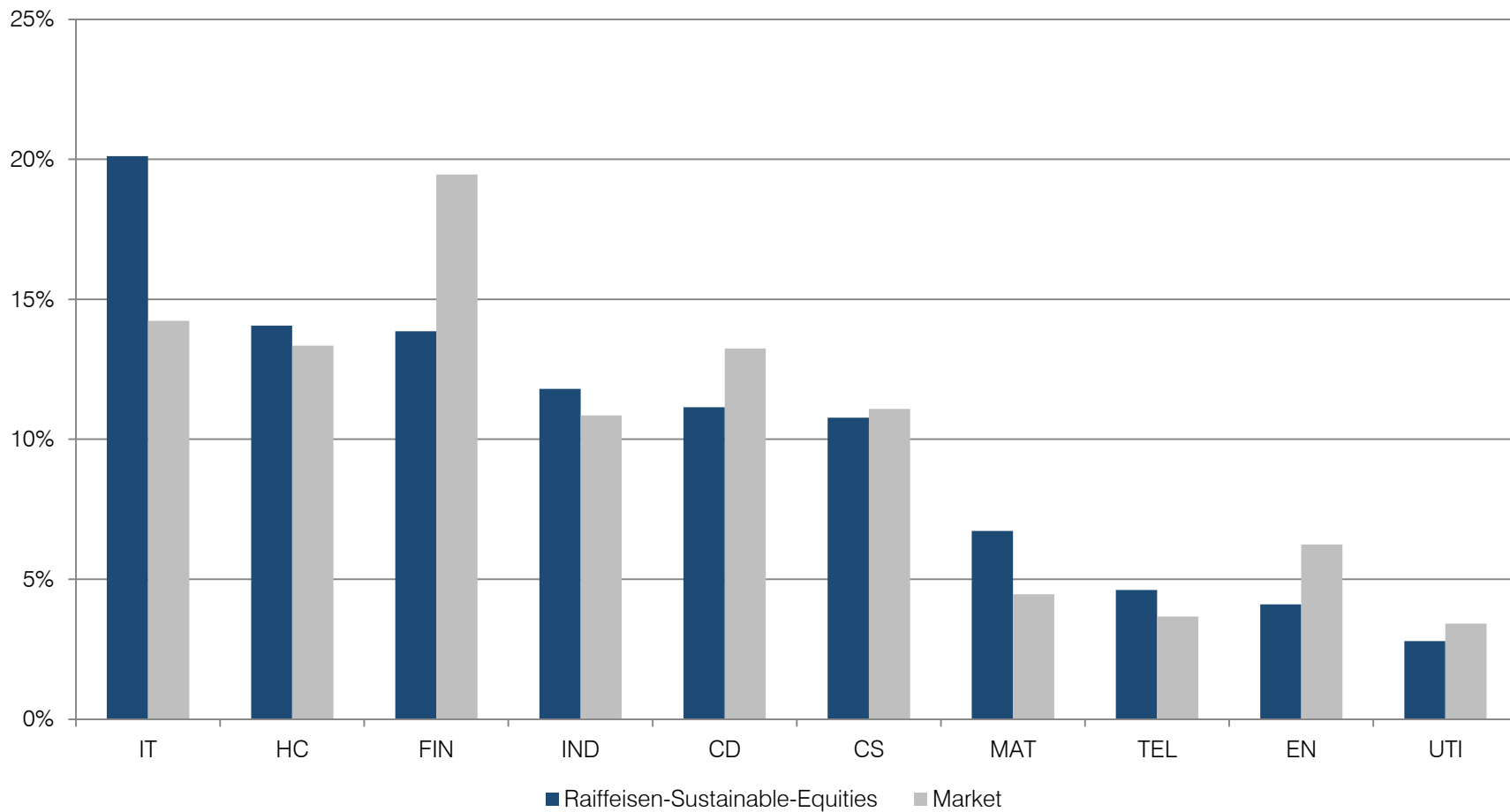
# Country Breakdown - Top 10



Source: Raiffeisen KAG, own calculations, 29 February 2016, based on the security structure of the fund

Further countries: Denmark, Finland, Norway, Australia, Austria

# Sector Breakdown



Source: Raiffeisen KAG, own calculations, 29 February 2016, based on the security structure of the fund

IT=Information Technology, FIN=Financials, CD=Consumer Discretionary, HC=Health Care, CS=Consumer Staples, IND=Industry, MAT=Materials, EN=Energy, TEL=Telecommunication Service, UTI=Utilities

# Highest Active Weights

Company	Sector	Country	Fund	Market	+/-
<b>Overweight</b>					
3M Co	Industry	United States of America	2.69 %	0.33 %	2.36
Campbell Soup Co	Consumer Staples	United States of America	2.34 %	0.04 %	2.30
Sysmex Corp	Health Care	Japan	2.03 %	0.03 %	2.00
Accenture PLC	Information Technology	Ireland	2.17 %	0.21 %	1.96
Muenchener Rueckversicherungs AG	Financials	Germany	1.98 %	0.11 %	1.87
<b>Underweight</b>					
Wells Fargo & Co	Financials	United States of America	0.00 %	0.78 %	-0.78
General Electric Co	Industry	United States of America	0.00 %	0.92 %	-0.92
Johnson & Johnson	Health Care	United States of America	0.00 %	0.97 %	-0.97
Exxon Mobil Corp	Energy	United States of America	0.00 %	1.13 %	-1.13
Apple Inc	Information Technology	United States of America	0.00 %	1.83 %	-1.83

Source: Raiffeisen KAG, own calculations, 29 February 2016, based on the security structure of the fund

# Top 10 Holdings

Company	Country	Sector	Weight
3M Co	United States of America	Industry	2.69 %
Campbell Soup Co	United States of America	Consumer Staples	2.34 %
Accenture PLC	Ireland	Information Technology	2.17 %
Procter & Gamble Co/The	United States of America	Consumer Staples	2.03 %
Sysmex Corp	Japan	Health Care	2.03 %
Roche Holding AG	Switzerland	Health Care	1.98 %
Muenchener Rueckversicherungs AG	Germany	Financials	1.98 %
Ecolab Inc	United States of America	Materials	1.95 %
Becton Dickinson and Co	United States of America	Health Care	1.93 %
Microsoft Corp	United States of America	Information Technology	1.84 %

Source: Raiffeisen KAG, own calculations, 29 February 2016, based on the security structure of the fund

# Risk Profile

## The following risks in particular apply for Raiffeisen-Sustainable-Equities:

Market risk	The performance of securities is particularly dependent on the development of the capital markets. For their part, these are affected by the general position of the world economy and by the economic and political outline conditions in the relevant countries.
Issuer risk	The price of a security is also affected by the individual behavior of the relevant issuer. Even where securities are selected with the utmost care it is not possible to exclude, for example, losses due to issuers' pecuniary losses.
Liquidity risk	Sales of individual securities in individual phases or in individual stock exchange segments may be problematic at the desired moment in time. There is also the risk that stocks traded in a somewhat tight market segment may be subject to considerable price volatility.
Currency risk	Where not otherwise stipulated, investment fund assets may be invested in currencies other than the relevant fund currency. There is therefore a currency risk which may adversely affect the value of the units where the investment fund invests in currencies other than the fund currency.
Valuation risk	Particularly in times of liquidity shortages experienced by market, price determination for certain securities and other financial instruments on capital markets may be restricted, hampering the fund's valuation.
Capital risk	The risk relating to the investment fund's capital may apply in particular if the assets are sold more cheaply than they were purchased. This also covers the risk of exhaustion for repurchases and excessive distributions of investment yields.

A detailed presentation of risks, including general risks, which this fund is exposed to, is included in the prospectus, available under [www.rcm.at](http://www.rcm.at) in German language or under [www.rcm-international.com](http://www.rcm-international.com) in English language or your national language.

# Agenda

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1. Overview on Raiffeisen Capital Management
2. Sustainability & Raiffeisen Capital Management
3. Our SRI-Investment Process
4. Our sustainable-fund-range
  1. Raiffeisen-GreenBonds
  2. Raiffeisen-Sustainable-ShortTerm
  3. Raiffeisen-Sustainable-Mix
  4. Raiffeisen-Sustainable-Equities

## 5. Annex

## **Raiffeisen Capital Management is the brand of:**

Raiffeisen Kapitalanlage-Gesellschaft m.b.H.  
Raiffeisen Immobilien Kapitalanlage-Gesellschaft m.b.H  
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