



Multi Asset Solutions

Raiffeisen Capital Managment

June 2016

The published prospectus as well as the key investor information of the Raiffeisen-GlobalAllocation-StrategiesPlus available at www.rcm-international.com in English language.

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Multi Asset Strategies@Raiffeisen



Kurt Schappelwein,
Deputy CIO,
Head of Multi Asset Strategies (MAS)
(17)

9 Investment Professionals
16 Years Industry experience (average)

Strategic Asset Allocation



Thomas Bichler, CFA
SAA,
Real Assets, Quant
(14)



Peter Schlagbauer, CFA
SAA,
Real Assets, Quant
(18)



Josef Wolfesberger, CIIA
SAA, Real Assets
(10)

Tactical Asset Allocation & Quantitative Strategies



Peter Fischer, PhD, CFA
TAA
Quant.
(9)



Georg Linzer
TAA
Quant, Capital Protection
Strategies (21)



Harald Methlagl, CFA
TAA
Quant
(15)



Oliver Schwabe
TAA
(23)



Burkhard Weiss
TAA
(20)

Industry experience in brackets
Source: Raiffeisen KAG, June 2016

Agenda

Raiffeisen 337

The value-based approach to Strategic Asset Allocation

Raiffeisen-Income

Hunting for income in a low-yielding world

Dachfond Südtirol

The cautious core investment

Raiffeisen Dynamic-Assets

Momentum-based Asset Allocation

Raiffeisen Inflation-Shield

The multi asset inflation protection



Active Risk Parity

The value based approach to Strategic Asset Allocation

June 2016

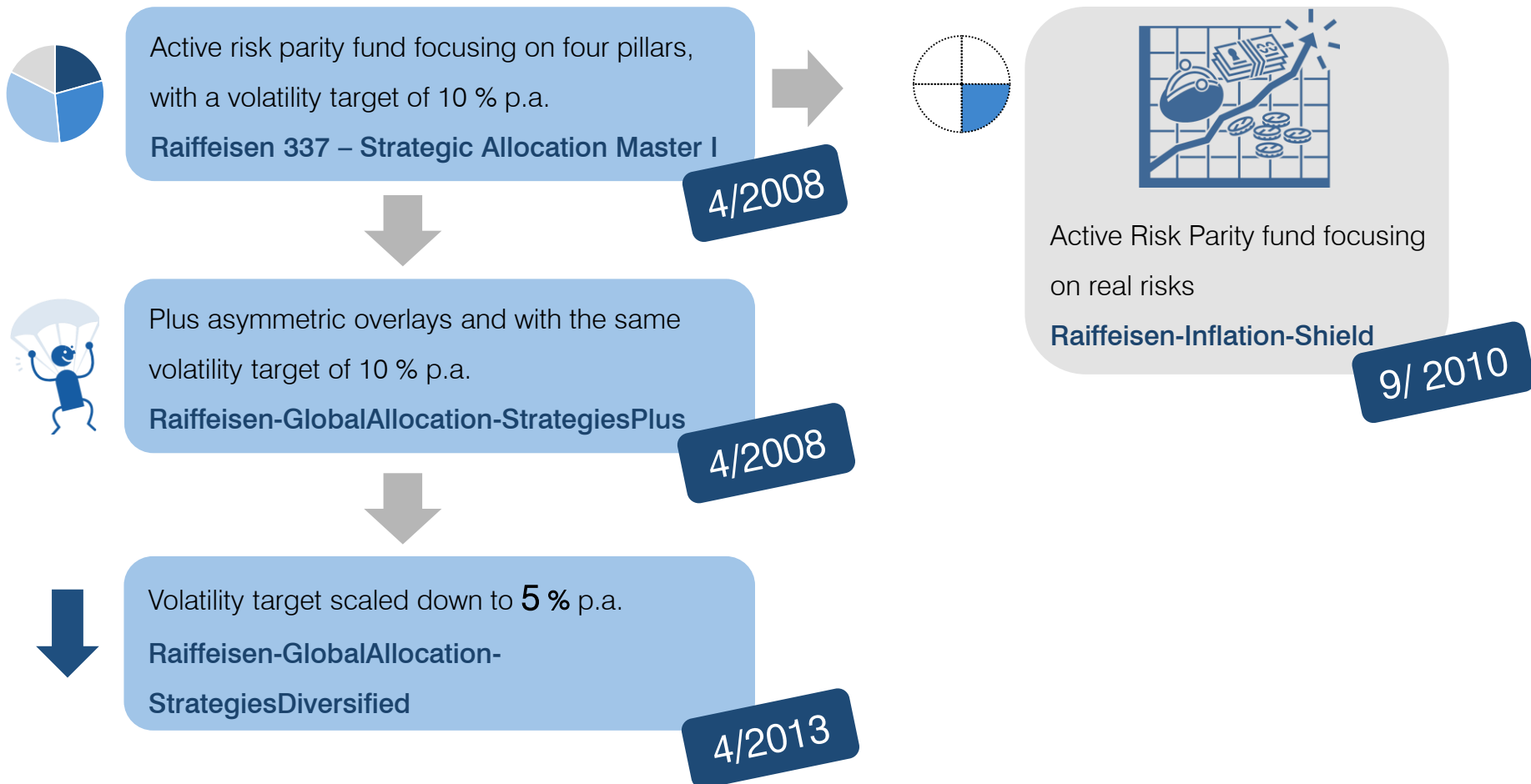
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Raiffeisen Active Risk Parity Family



Agenda

- Active Risk Parity Process & Performance 2016
- Current Positioning and Portfolio Update
- Market View

Risk Parity – What is It All About?

- Diversified portfolios offer better long term return-risk ratios compared to concentrated portfolios
- Diversification across different economic scenarios – not a bet on a single asset class or some expected short term economic development
- We **actively** deviate from static risk parity portfolio based on our risk/return expectations

Risk & return sources



The Classical 60/40 (Concentrated) Portfolio

Government Bond Yields for different maturities										
	1 Y	2 Y	3 Y	4 Y	5 Y	6 Y	7 Y	8 Y	9 Y	10 Y
Germany	-0,65	-0,65	-0,65	-0,63	-0,55	-0,51	-0,42	-0,34	-0,22	-0,09
Austria	-0,59	-0,56	-0,48	-0,45	-0,34	-0,28	-0,24	-0,17	0,13	0,30
Netherlands	-0,61	-0,60	-0,55	-0,52	-0,34	-0,32	-0,21	-0,09	0,06	0,18
Finland	-0,62	-0,55	-0,54	-0,43	-0,38	-0,24	-0,16	-0,02	0,08	0,26
Belgium	-0,55	-0,55	-0,48	-0,42	-0,31	-0,21	-0,11	0,06	0,23	0,38
France	-0,55	-0,51	-0,44	-0,38	-0,27	-0,20	-0,08	0,04	0,21	0,35
Spain	-0,08	0,02	0,13	0,29	0,49	0,56	0,82	1,20	1,35	1,53
Italy	-0,05	0,06	0,16	0,27	0,48	0,69	0,89	1,16	1,36	1,54
Portugal	0,15	0,88	1,47	1,88	2,15	x	0,89	3,07	3,14	3,32

Source: Bloomberg Finance L.P.; x no bond available

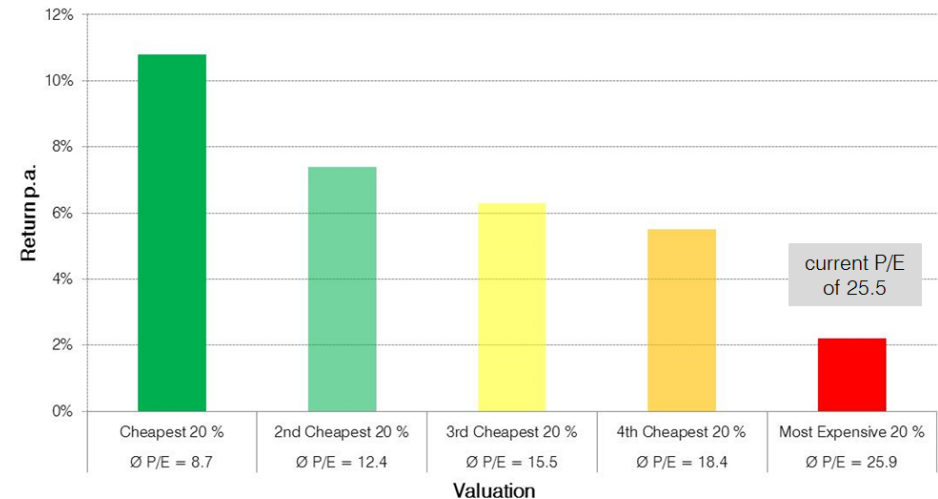
The „return free“ asset class

+

Expensive US equities



US Equity Market Valuations and subsequent 10 year returns*



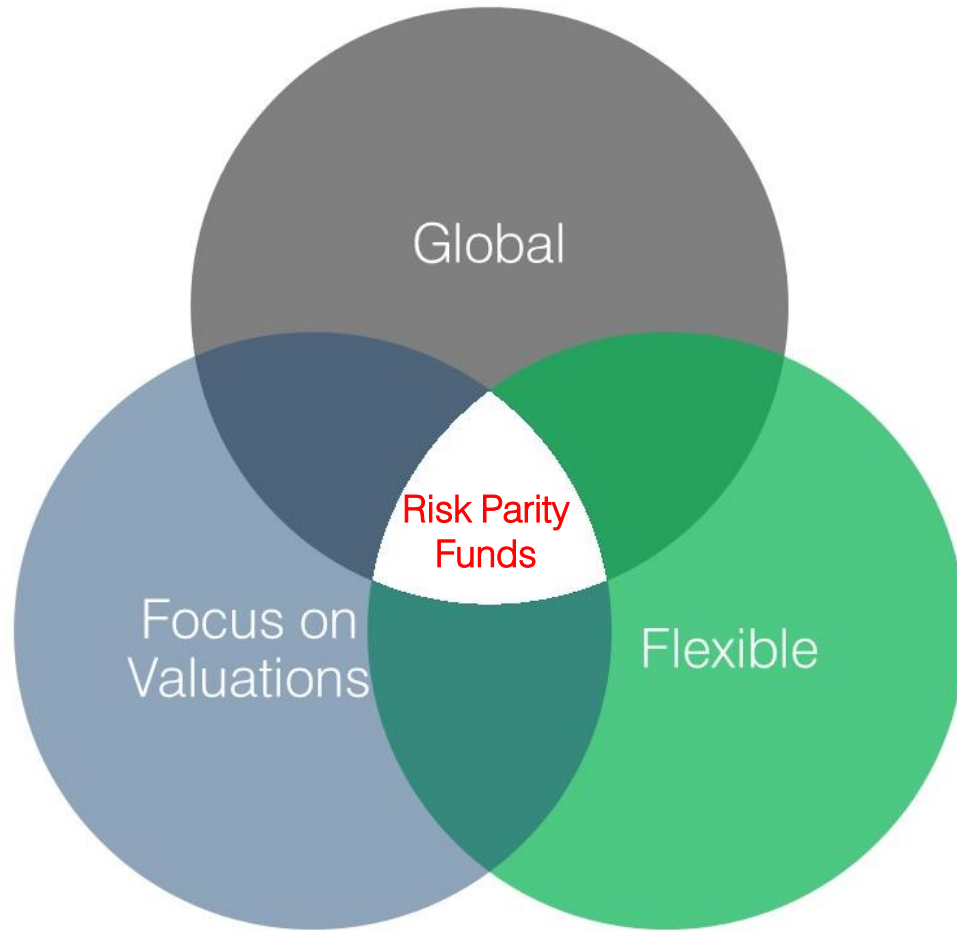
*Data from January 31, 1881 to March 31, 2016, P/E ratio based on trailing 10 year earnings, Return = real total return (incl. dividends)
Source: Ned Davis Research, Raiffeisen KAG, June 9, 2016

x – no bond available

Source: Bloomberg Finance L.P., Raiffeisen KAG, June 27, 2016

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Characteristics of our Active Risk Parity Funds

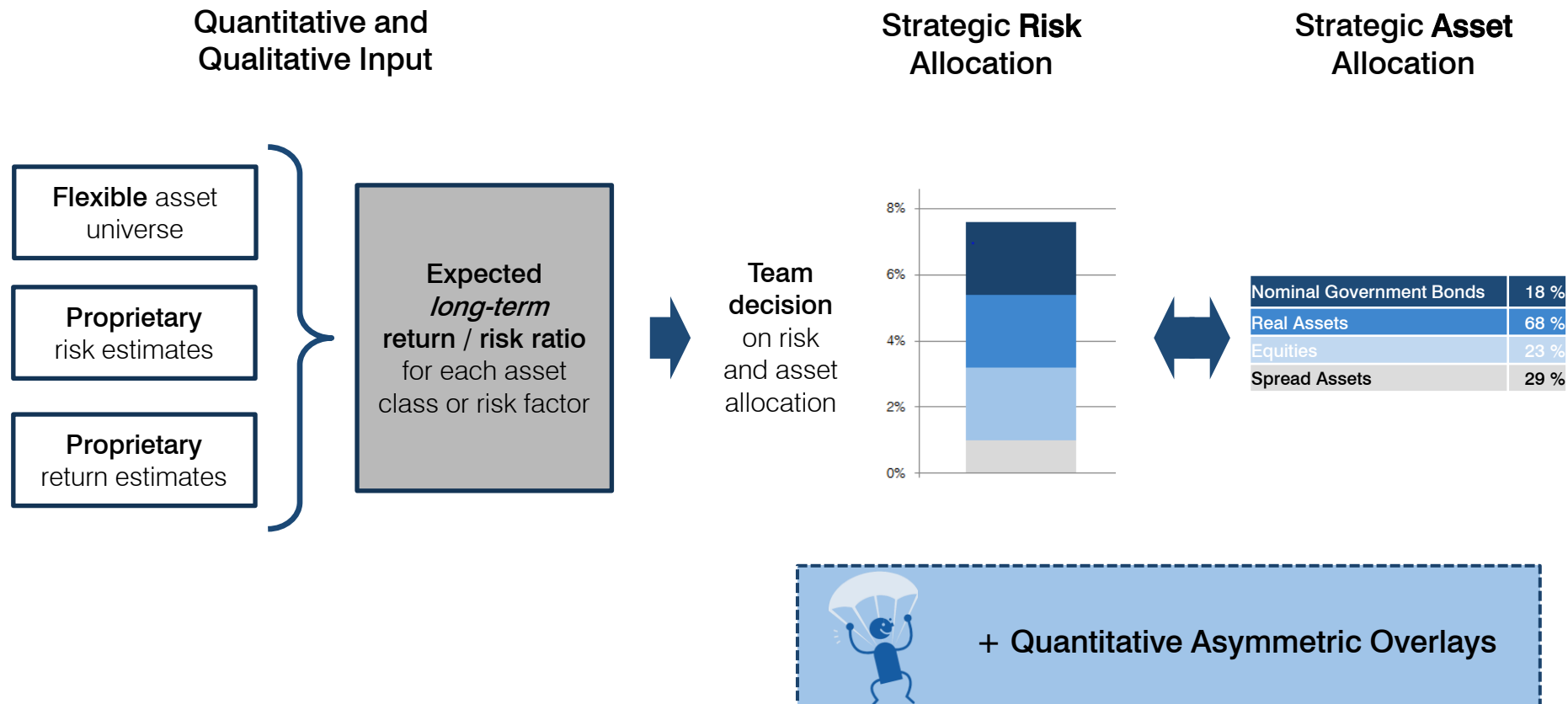


Globally diversified
portfolios of different
asset classes

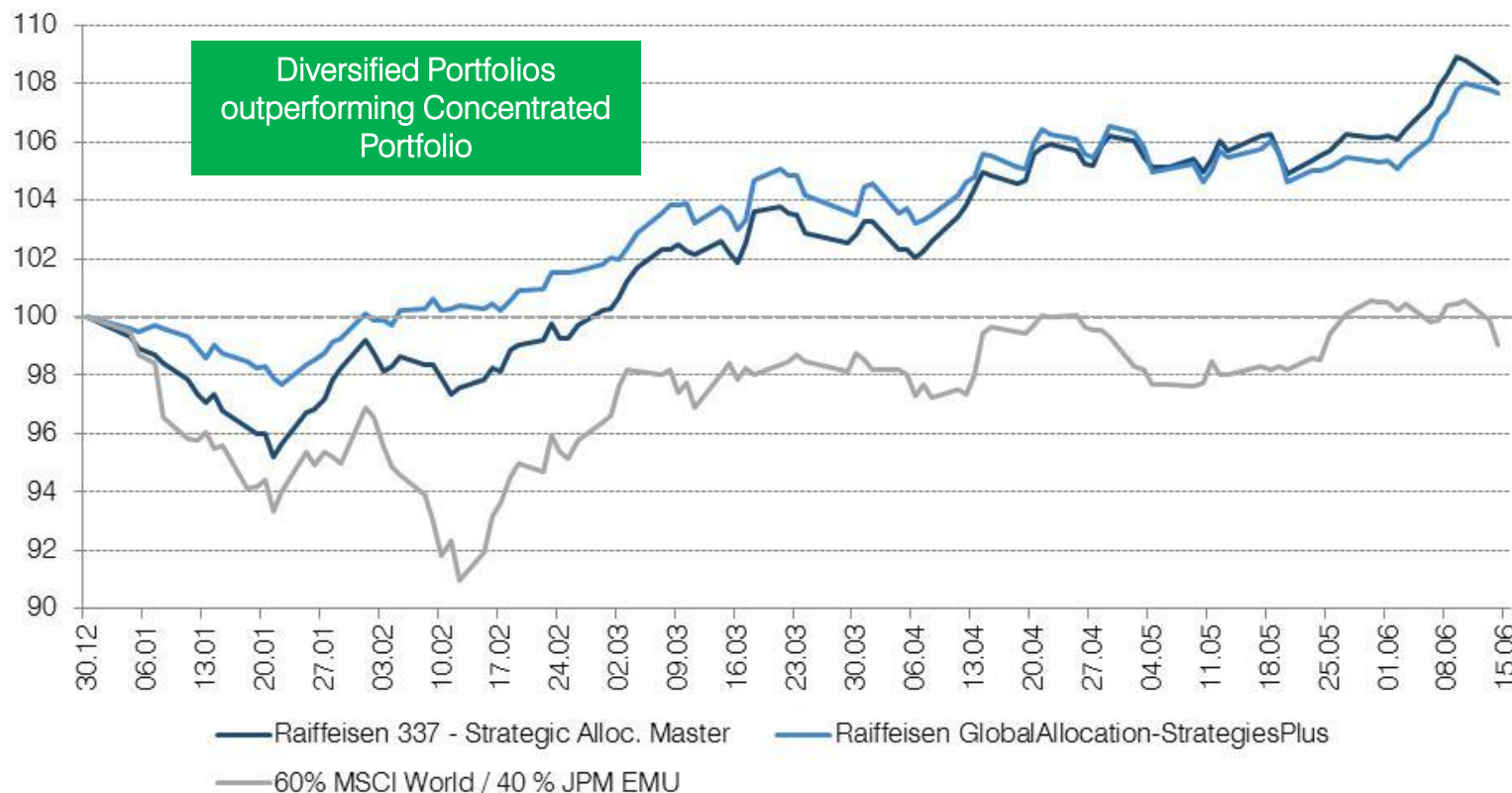
No predefined asset
allocation – full flexibility
in the allocation

Valuations are driving
the allocations, long
term horizon important

Investment Process in a Nutshell



Diversification@Work



The mentioned funds exhibit elevated volatility, meaning that unit prices can move significantly higher or lower in short periods of time, and it is not possible to rule out loss of capital. As a part of the investment strategy, it is possible to invest to a significant degree (with regard to the related risk) in derivatives. The Fund Regulations of the mentioned funds have been approved by the FMA. The funds may invest more than 35 % of the fund's volume in securities/money market instruments of the following issuers: Austria, Germany, Belgium, Finland, France, Netherlands. Source: Raiffeisen KAG, Datawarehouse, daily data from 30 December 2014 through 15 June 2016, fund performance gross of fees and performance shifted to include the same market, MSCI World net div. invested in EUR. The performance is calculated by Raiffeisen KAG on the basis of published fund prices, using the method developed by OeKB (Österreichische Kontrollbank AG). Past results do not permit any reliable inferences as to the future performance of the fund

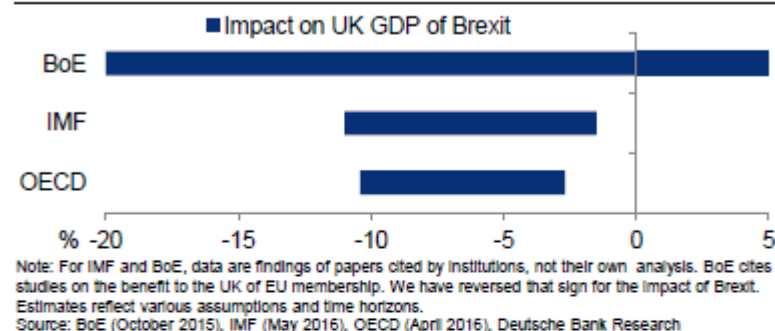
BREXIT



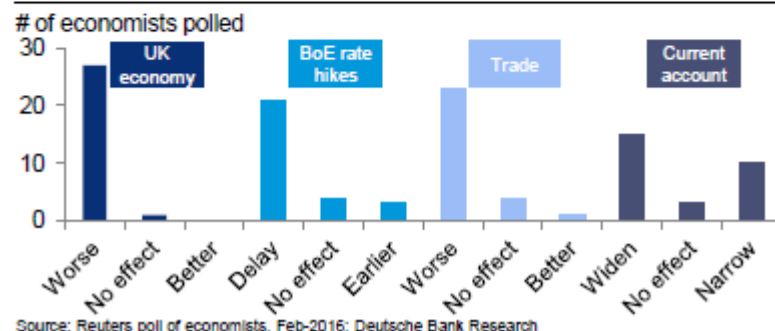
UK-Exposure in the Active Risk Parity Funds & Possible Consequences of a BREXIT Vote

- UK-Nominal Government Bonds: 16 %
 - negative effects for economic growth
 - weaker currency (increasing inflation expectations)
 - Crisis Management by Bank of England (liquidity measures)
 ⇒ supports UK-bonds
- UK-IL-Bonds: app. 7,5 % (duration hedged)
 - weaker currency increases inflation expectations
 - negative growth effects dampen inflation expectations
 ⇒ effects not clear
- UK-Equities 3 % FTSE (local)
 - short term spike in risk aversion (negative)
 - weaker currency could support equities in the mid term
 => short term clearly negative
- No GBP exposure

The macro impact of Brexit on the UK economy is very difficult to gauge – estimates range from slightly positive to very negative



Economists polled by Reuters believe Brexit would hurt the economy and trade, and delay Bank of England rate increases



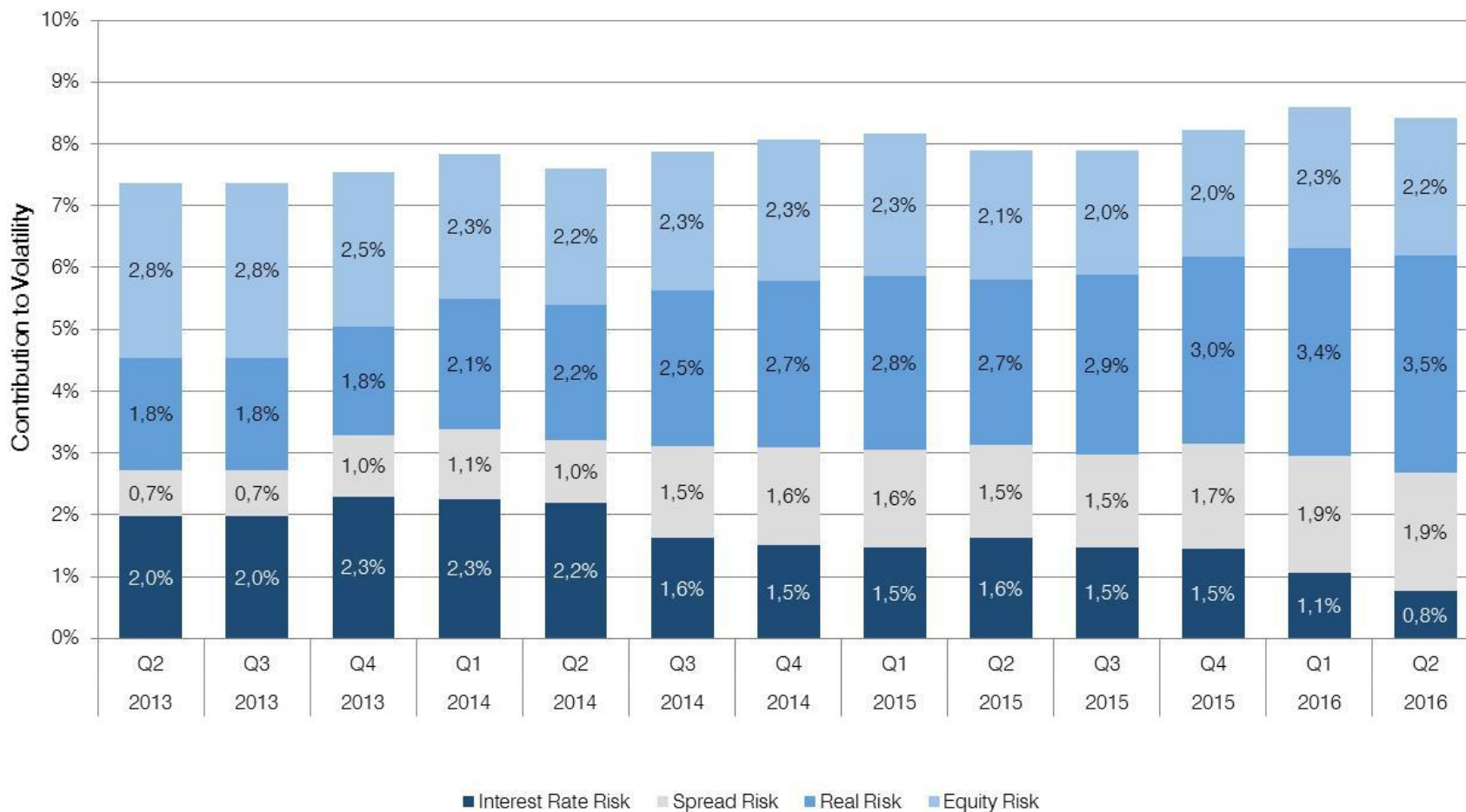
Note: All data is indicative for the strategic model portfolio with a long term target volatility of 10 % p.a.; actual exposures and risk weights in funds might deviate

Source: Picture: Credit Suisse, February 22, 2016; Deutsche Bank, May 23, 2016

Agenda

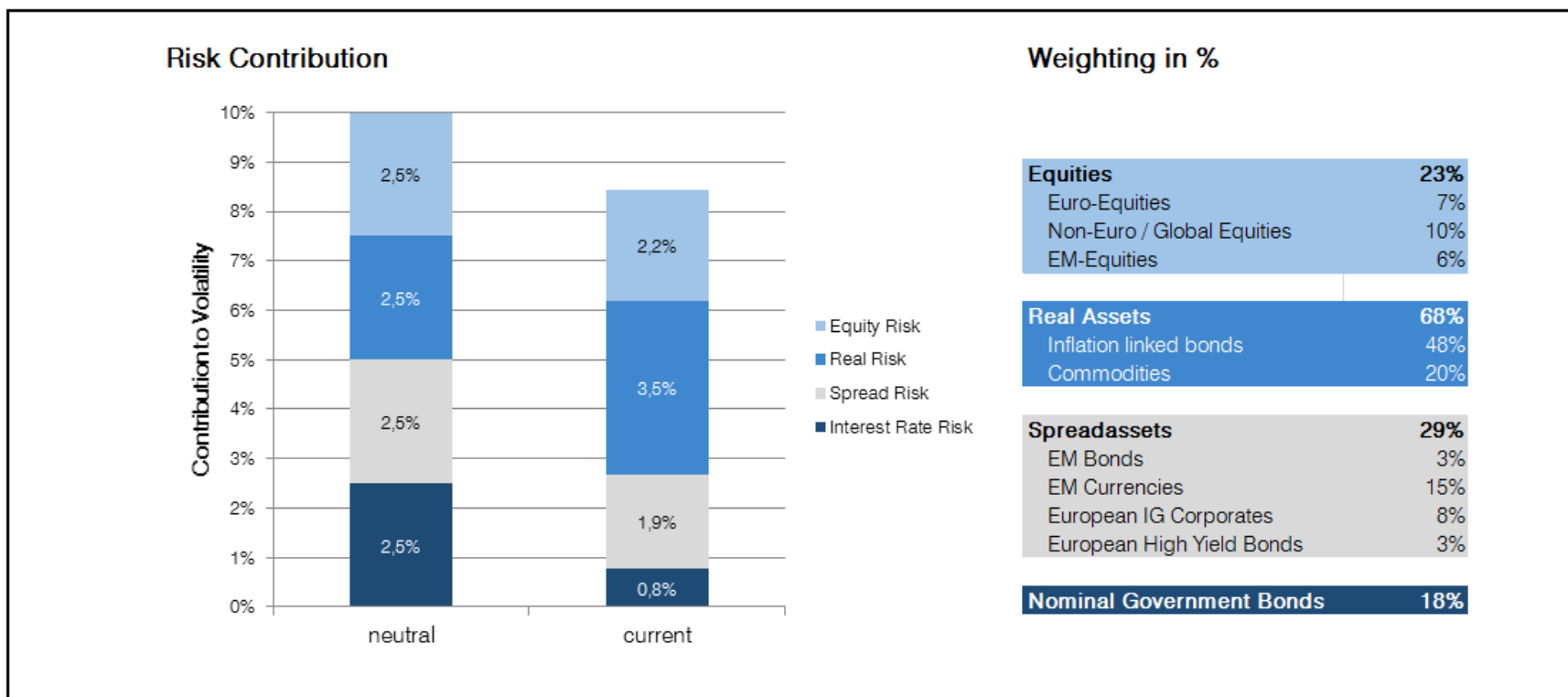
- Active Risk Parity Process & Performance 2016
- **Current Positioning and Portfolio Update**
- Market View

Risk Allocation over Time



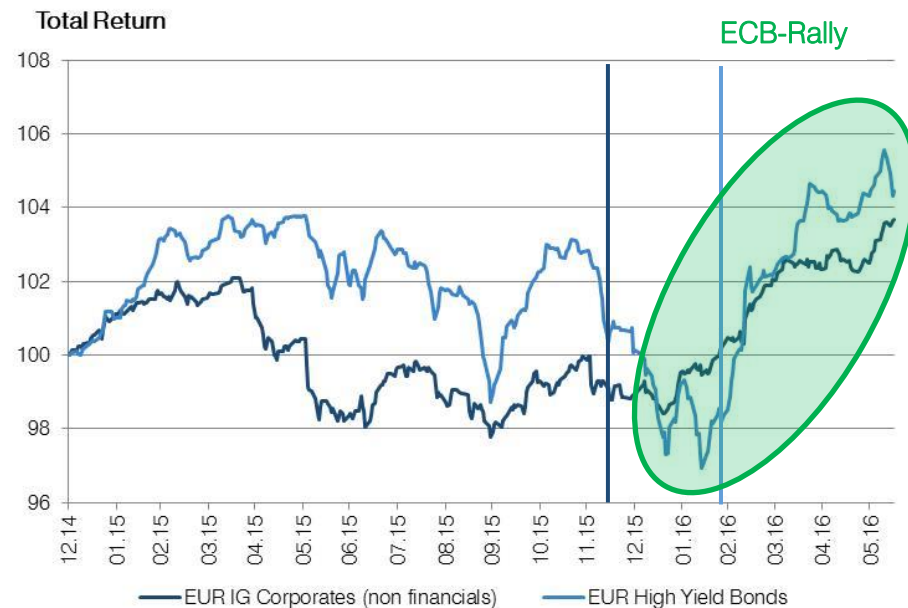
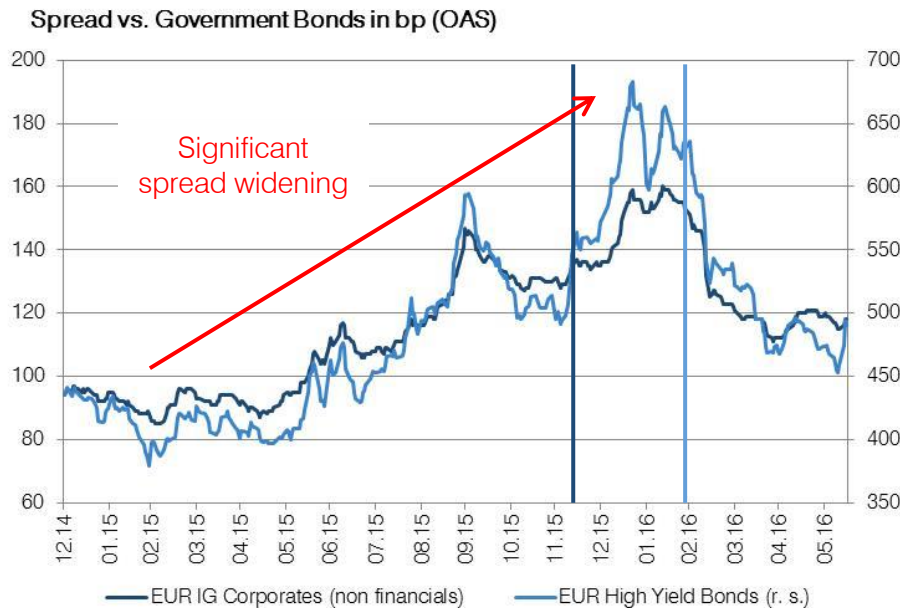
Source: Raiffeisen KAG, risk contribution based on long term risk and correlation estimates as of June 2016; Note: All data is indicative for the strategic model portfolio with a long term target volatility of 10 % p.a.; actual exposures and risk weights in funds might deviate

Risk Allocation & Asset Allocation



Source: Raiffeisen KAG, risk contribution based on long term risk and correlation estimates as of June 2016; Note: All data is indicative for the strategic model portfolio with a long term target volatility of 10 % p.a.; actual exposures and risk weights in funds might deviate

With a little help from my friends (...at the ECB)



Bought 8 % EUR IG Corporates

Bought 3 % EUR High Yield Bonds

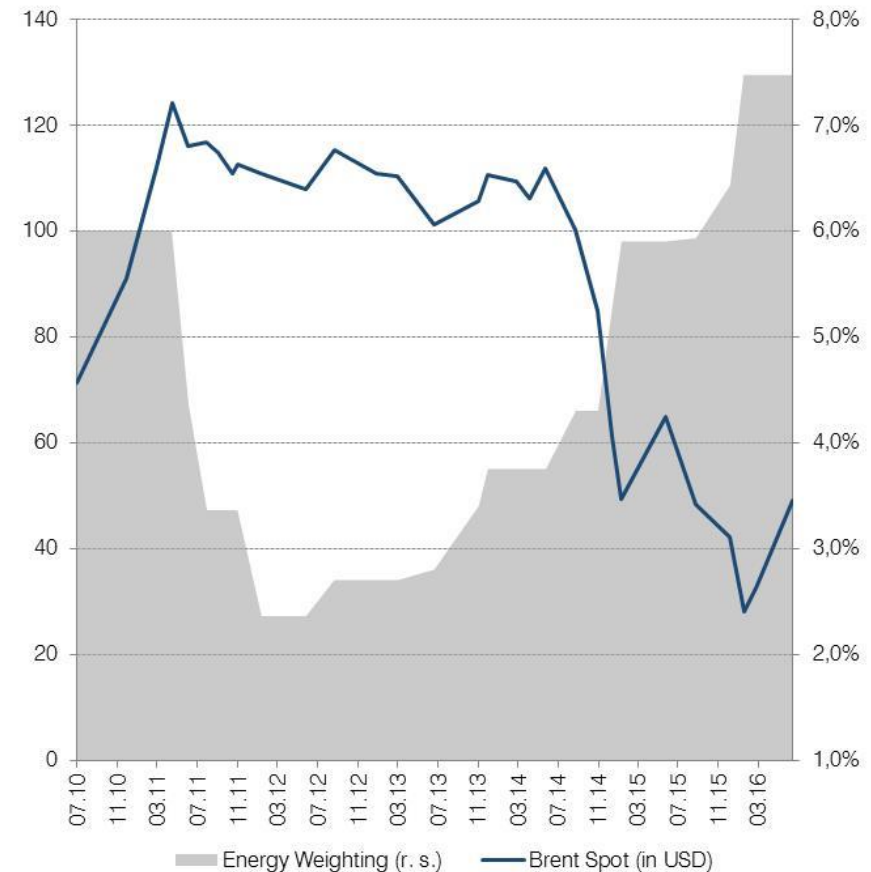
Source: Bloomberg Finance L.P., Raiffeisen KAG, June 16, 2016

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Investment Process @ Work



- Mean Reversion („investment pig cycle“), marginal cost of production and supply/demand shifts driving returns
- High inventory and record levels of OPEC production (+ return of Iran on international oil markets) left oil markets significantly oversupplied
- Investment case
 - broad based capex cuts and significant financial stress for US-frackers
 - oil prices trading on (or below) cash costs
 - capex cuts will lead to lower supply, demand picture healthy



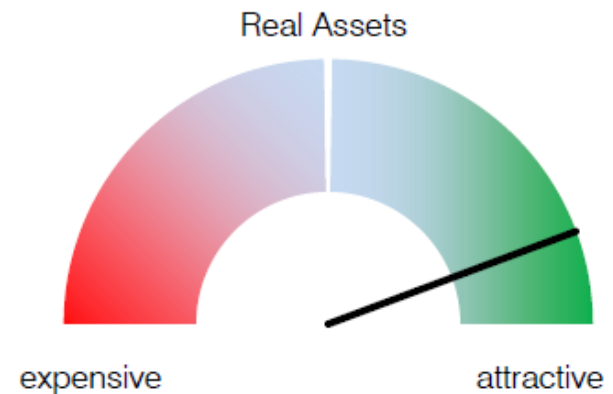
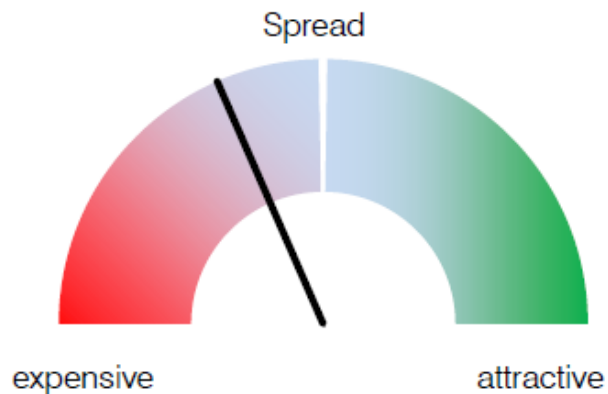
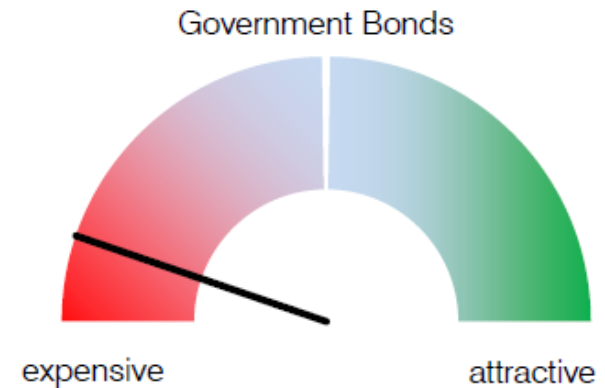
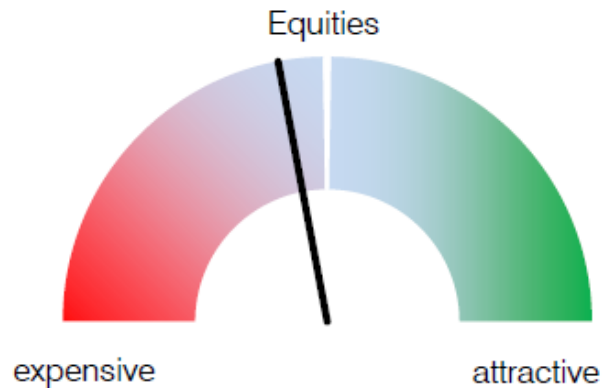
Picture Source: Societe Generale, March 2016

Source: Bloomberg Finance L.P., Raiffeisen KAG, June 16, 2016; Strategic Weight Energy Commodities in Raiffeisen Risk Parity Funds

Agenda

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- **Market View**

Our Current Asset Class View



Equities = Global Equities; Government Bonds = Government Bonds Developed Countries

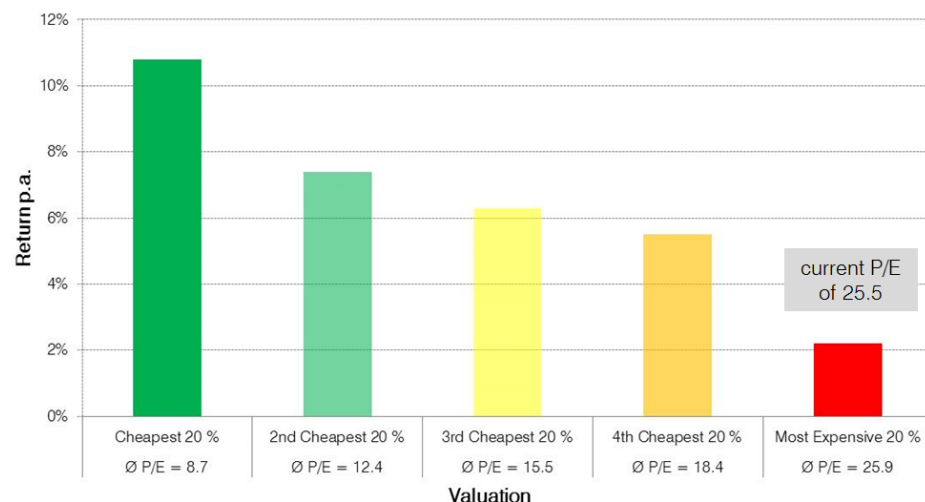
Spread = Corporate Bonds, EM-Bonds, EM-FX; Real Assets = Inflation Linked Bonds, Commodities

Source: Raiffeisen KAG, June 2016

Equities

- Focus on valuations (cyclically adjusted valuations) – on a mid term horizon (5 years) the dominant driver of future returns
- We see the US stock market as being very expensive; European equities and EM equities still feature attractive valuations
- Regional Allocation: European Equities 10 %, EM-equities 5,5 %, Japan 4 % and inflation sensitive global equities 3 %
- Reduced European equities slightly in Q2 based on a quantitative model input

US Equity Market Valuations and subsequent 10 year returns*



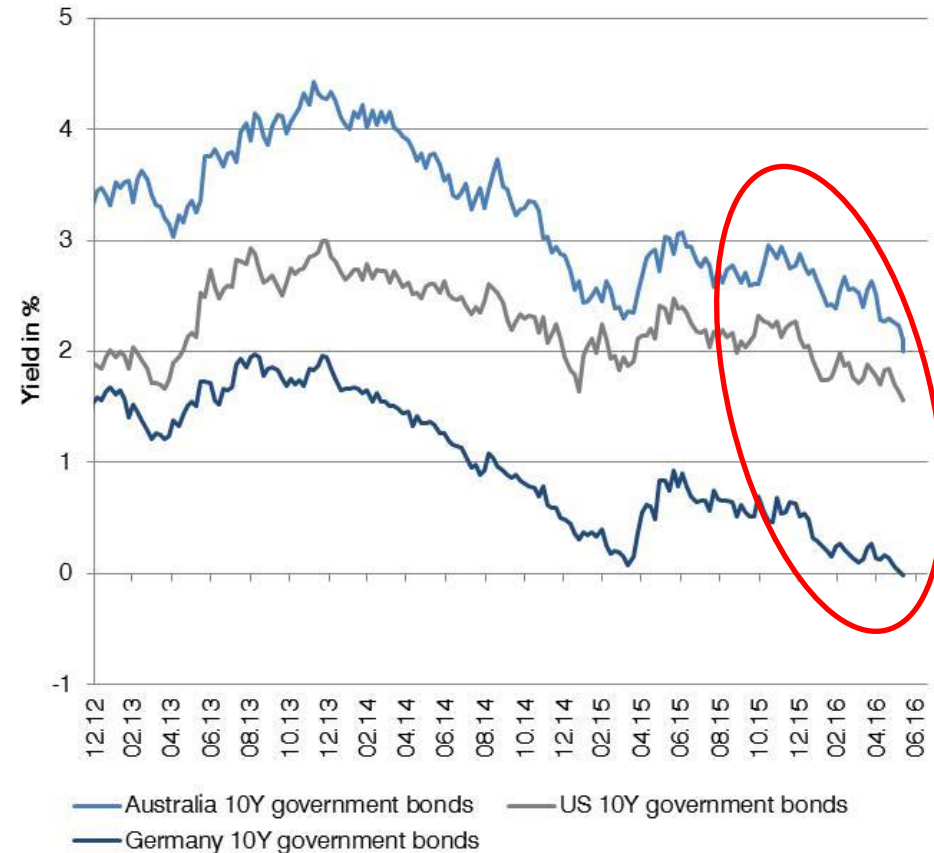
*Data from January 31, 1881 to March 31, 2016, P/E ratio based on trailing 10 year earnings, Return = real total return (incl. dividends)
Source: Ned Davis Research, Raiffeisen KAG, June 9, 2016



Inflation Trend
Currency Development
Interest Rate Trend
Seasonality

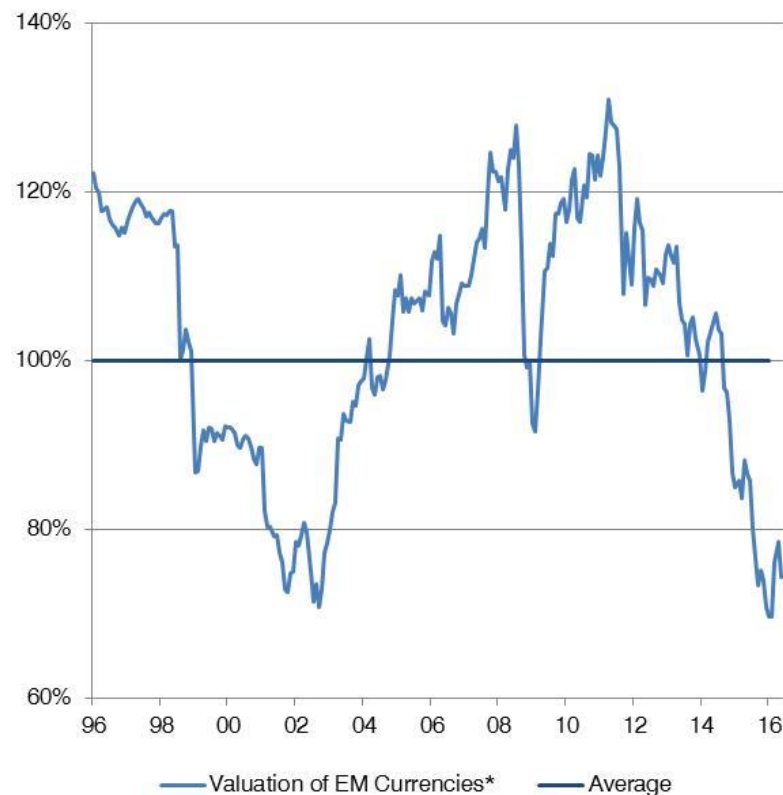
Nominal Government Bonds

- Further reduction in government bond yields in the last few months (dampened global growth expectations and declines in inflation expectations)
- Return potential quite limited (or negative) on current yield levels, diversification reasons increasingly the main reason for inclusion
- Reduced German government bonds (zero exposure in Bunds) and Non-Euro government bond exposure (US government bonds and Australian government bonds)



Spread Assets

- Added IG EUR Corporate Bonds (8 % in Q4) and High Yield bonds (3 % in Q1) because of higher spread levels
- “ECB-front running” led to significant spread tightening
- Stick to our positions in credits, but are inclined to reduce our exposure if spread tighten further
- EM hard-currency bonds and EM FX (attractive currency valuations and high yield levels)



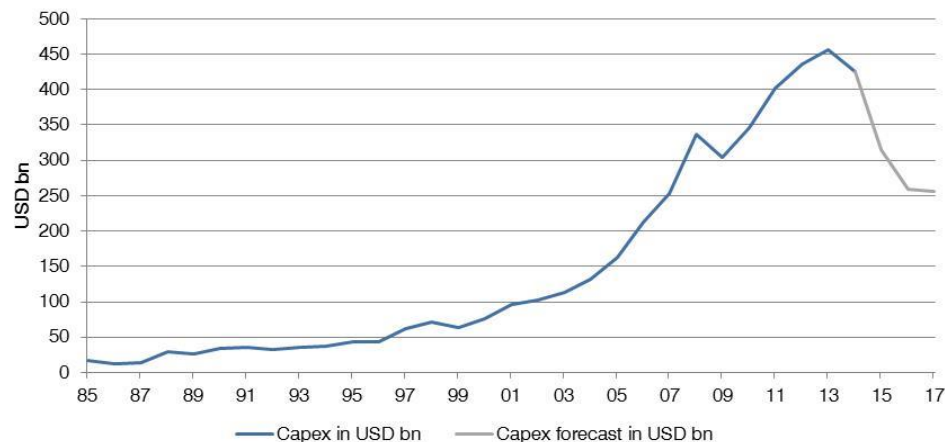
* Real Effective Exchange Rate vs. USD adjusted for relative growth trends

Source: Bloomberg Finance L.P., Raiffeisen KAG, June 9, 2016

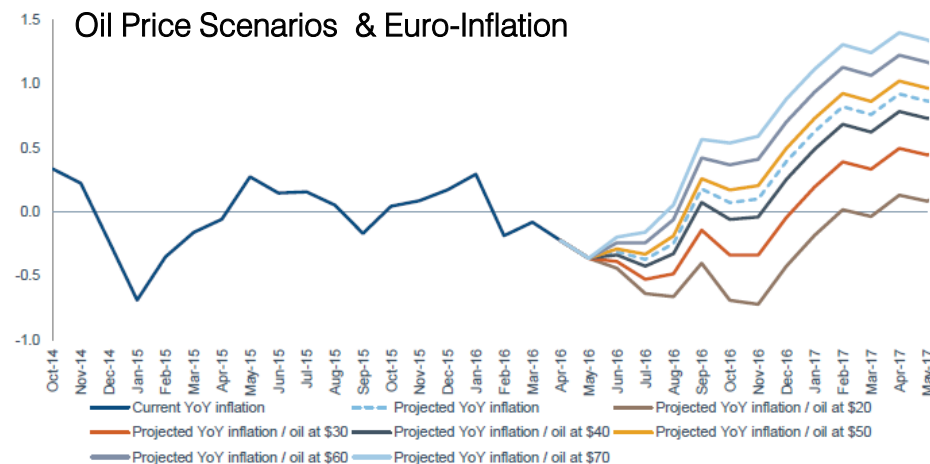
Real Assets

- CAPEX cuts across the commodity universe will lead to lower future supply
- Base effects will kick in for inflation rates in H2
- Inflation pressure building in the US (despite the most recent weaker employment report)
- Exposure in Commodities (Precious Metals, Energy and Industrial Metals), IL Bonds (EUR, US and UK) and inflation sensitive equities
- Increased our exposure especially in energy related topics in the last 12 months

CAPEX - Global Energy Companies



Oil Price Scenarios & Euro-Inflation



* Source Bloomberg Finance L.P., Capex for biggest 24 global energy companies in USD, Raiffeisen KAG, June 2016

Source: Fidelity, May 2016

Performance Analysis

	2008	2009	2010	2011	2012	2013	2014	2015	YTD 2016
Nominal Interest Rate Risk	672	156	874	1.067	328	-295	814	252	385
Real Risk	-	283	661	150	-41	-618	-452	-684	315
Equity Risk	-1,552	1,225	448	-267	508	351	51	96	-216
Spread Risk	-924	1,010	595	51	342	121	243	-60	258
Sum Strategic Positions	-1,804	2,674	2,579	1,001	1,137	-441	656	-395	742
Bonds Overlay	37	-586	-519	169	-284	27	79	-4	-11
Equities Overlay	682	192	-130	31	-137	-116	-370	-232	42
Commodities Overlay	-	-	-	-	-	-18	85	163	-38
Sum Asymmetry	719	-394	-649	200	-421	-108	-205	-74	-6
Sum in total (Strategic Positions & Asymmetry)	-1,085	2,280	1,929	1,202	717	-549	451	-469	735

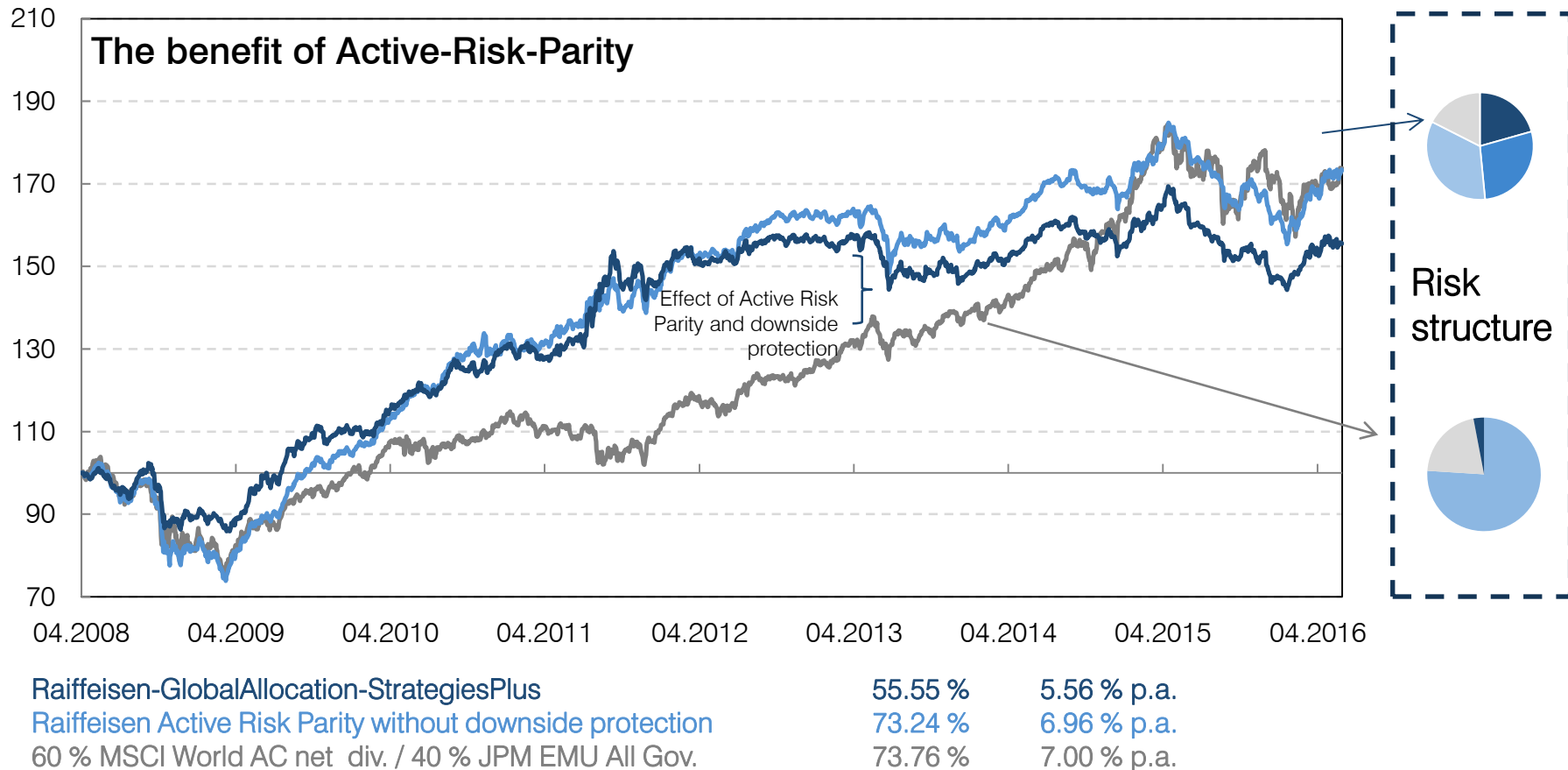
Source: Raiffeisen KAG, own calculations, 15 June 2016, gross in bp, arithmetical differences, calculated for our Raiffeisen-GlobalAllocation-StrategiesPlus. The performance is calculated by Raiffeisen KAG in accordance with the method developed by the OeKB (Österreichische Kontrollbank AG) on the basis 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.

Performance Analysis

	2008	2009	2010	2011	2012	2013	2014	2015	YTD 2016
Nominal Interest Rate Risk	664	192	896	1,052	379	- 230	491	207	303
Real Assets	0	348	575	187	79	- 432	-77	-466	394
Equities	-1,552	1,209	541	- 303	346	143	103	20	-86
Spread Assets	- 954	1,047	620	37	385	124	228	-50	247
Sum Strategic Positions	-1,842	2,796	2,633	973	1,188	- 395	746	-289	859

Source: Raiffeisen KAG, own calculations, 15 June 2016, gross in bp, arithmetical differences, calculated for our Raiffeisen 337 – Strategic Allocation Master I. 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.

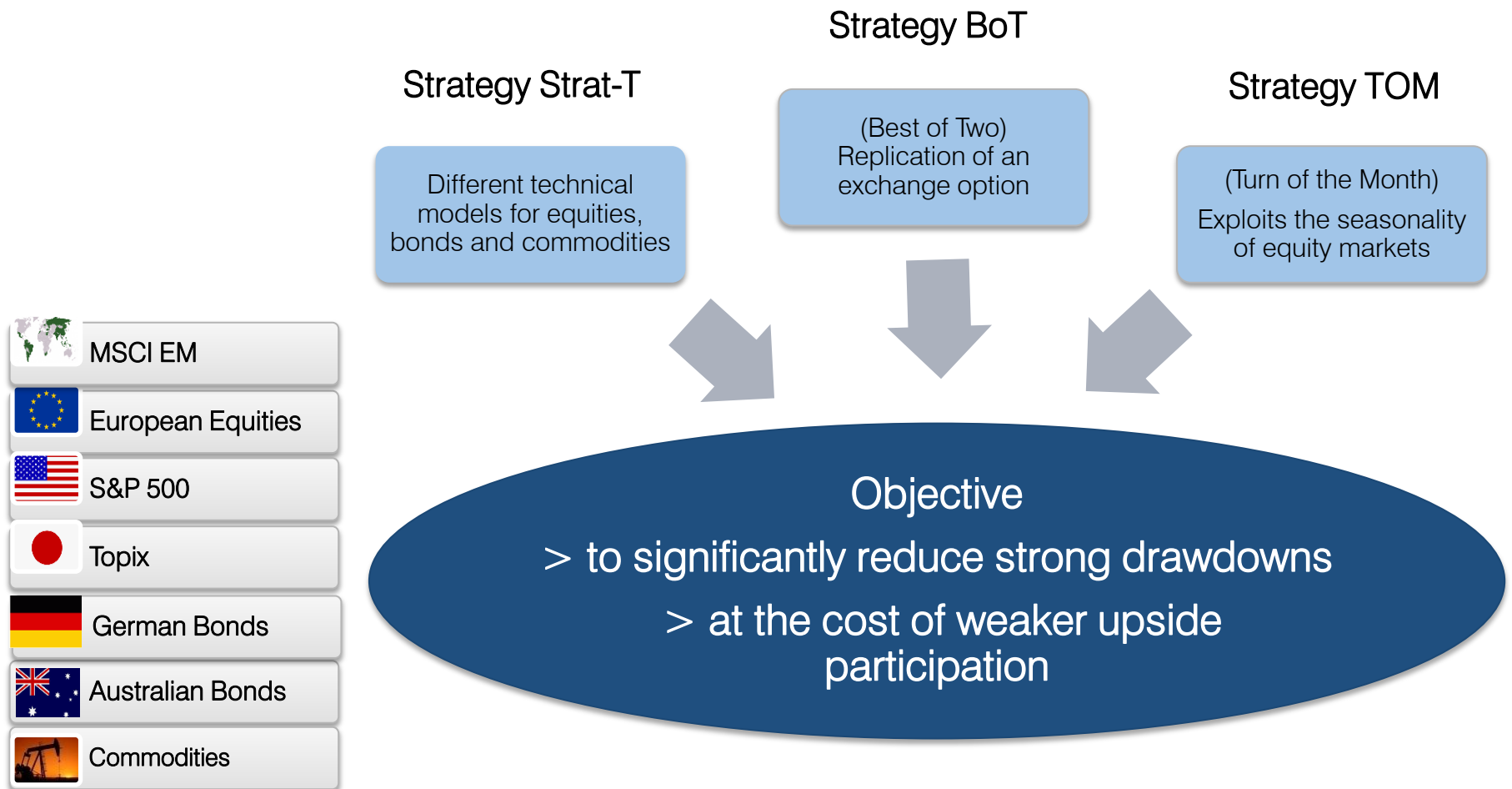
Performance Since Launch



Source: Raiffeisen KAG, own calculations, 04 April 2008 – 31 May 2016, total return indexed gross

The performance is calculated by Raiffeisen KAG in accordance to 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

Quantitative Asymmetric Overlays

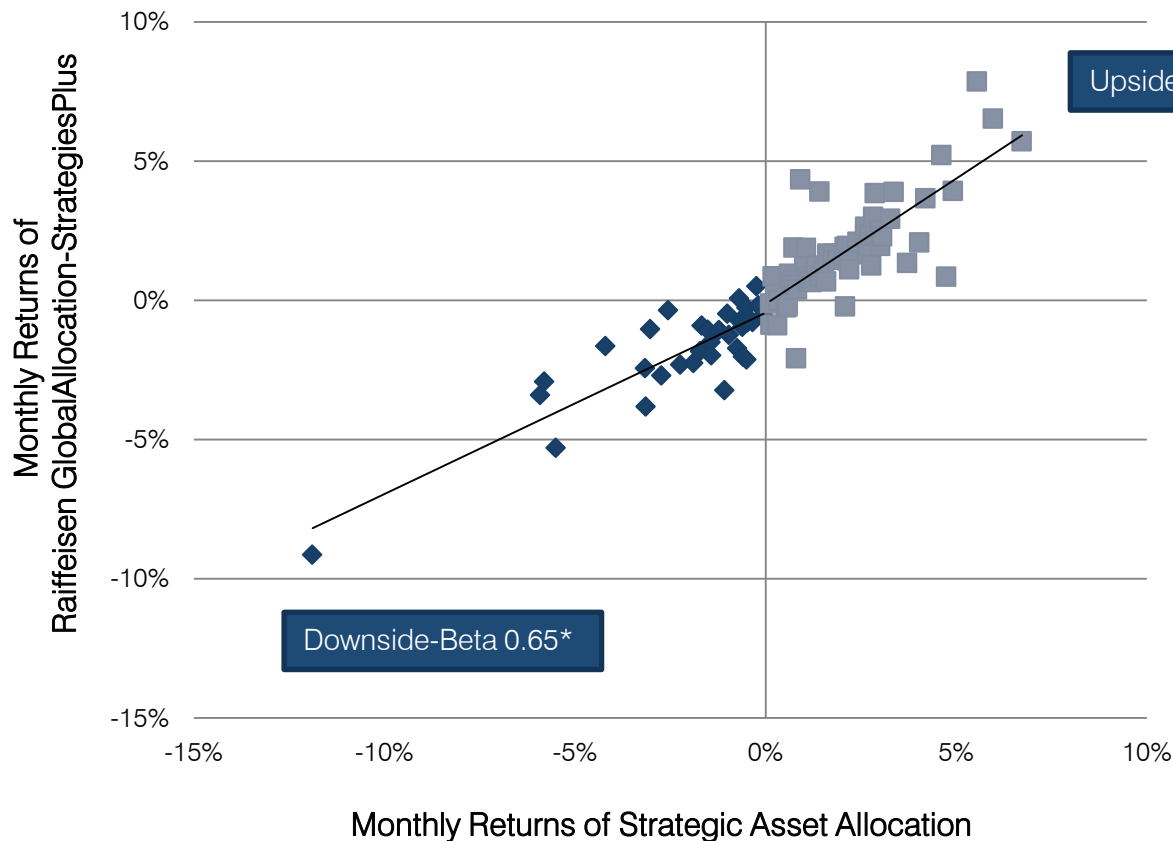


Source: Raiffeisen KAG; as of February 2016; models and markets might change without further communication



Asymmetric Strategies for Loss Reduction

Live track record of existing Active-Risk-Parity funds of Raiffeisen Capital Management with a target volatility of 10 % p.a.



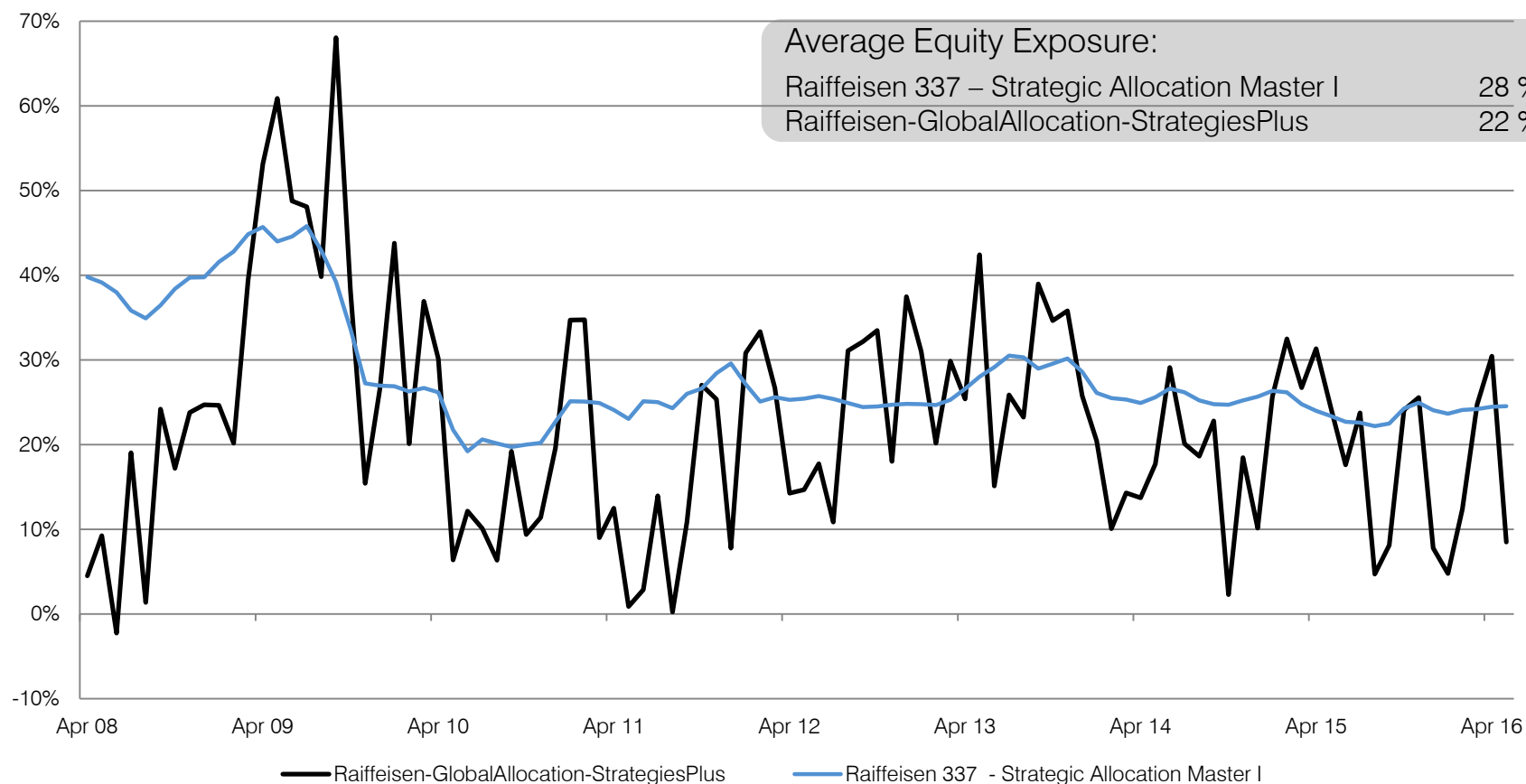
90 % „participation“ in months with rising markets

but only 65 % „participation“ in months with declining markets

Source: Raiffeisen KAG, own calculations, *calculated using monthly data before costs from 30 April 2008 until 31 May 2016



The Effect of the Overlay on the Equity Exposure



Source: Raiffeisen KAG, monthly data from April 2008 - May 2016; for illustrative purpose only



Raiffeisen-Income

Hunting for income in a low-yielding world

June 2016

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Picture: iStockphoto.com



There is a New Kid on the Block

Dachfonds Südtirol



Strategic 80/20

Long Track Record

Conservative Core

Raiffeisen 337



Focus on Valuations

Risk-Parity

Top-Down

Raiffeisen-Income



Focus on Income

Unconstrained

Close Interaction Top-Down/Bottom-Up

Source: Raiffeisen KAG

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What to expect from Raiffeisen-Income

Predictability

Income of EUR 30* p.a. per fund share (First NAV EUR 1000)

Regularity

monthly Distribution

Broad
Diversification

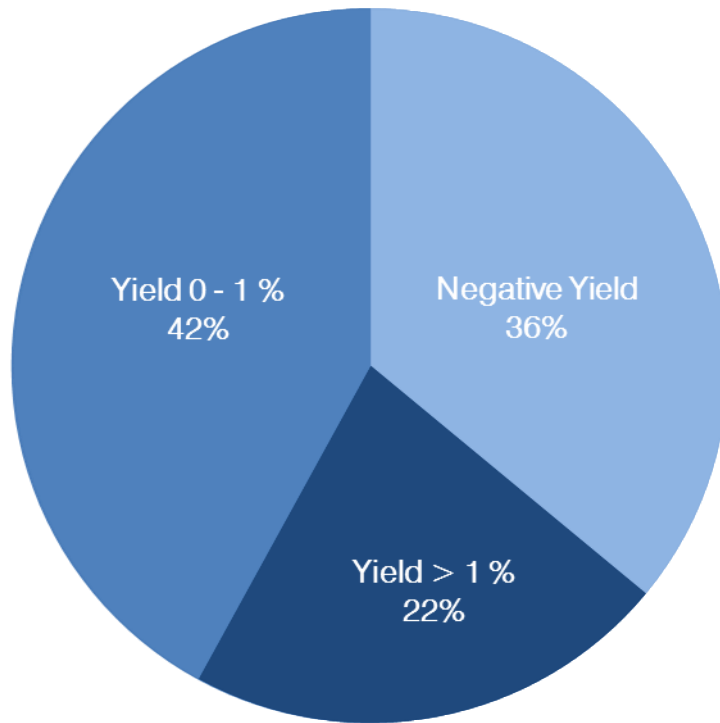
Investment in single-securities of different asset classes

* Before tax / after costs; regular evaluation and adaption to current capital markets

Source: Raiffeisen KAG

Where has all the „Income“ gone

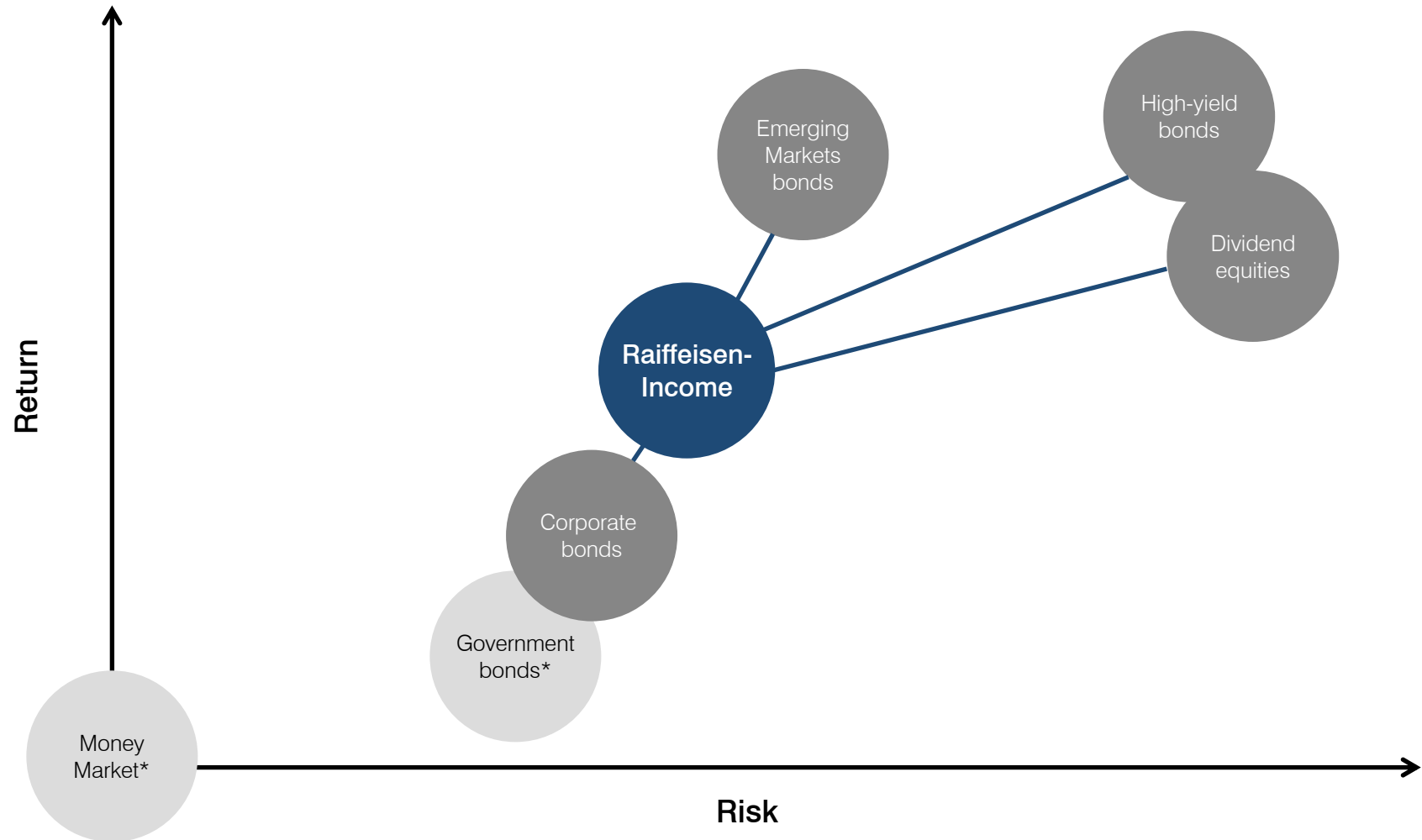
EUR-Government-Benchmark



- No Income from EUR-Government-Bonds
- Substantial Part with negative Income
- Benchmark-Investor has little room to deviate actively

Source: Raiffeisen KAG; Bloomberg Finance L.P.; ML EUR Government Index

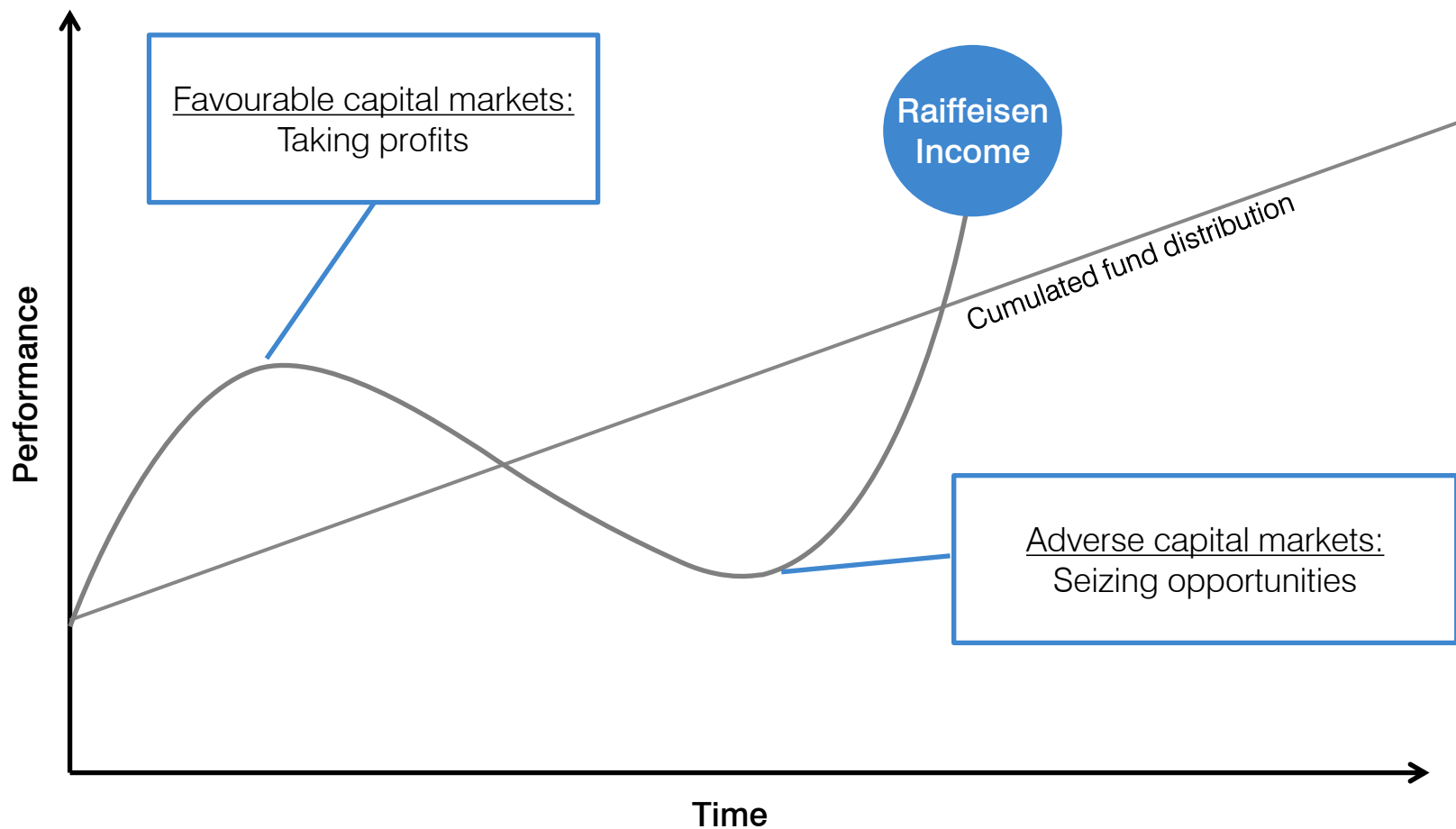
Assets with attractive Income



* Currently not part of the strategic allocation of Raiffeisen-Income; Money Market only for active management reasons

Source: Raiffeisen KAG

Counter-Cyclical Asset Allocation



Please note that neither the fund distributions nor the performance of the fund are guaranteed.

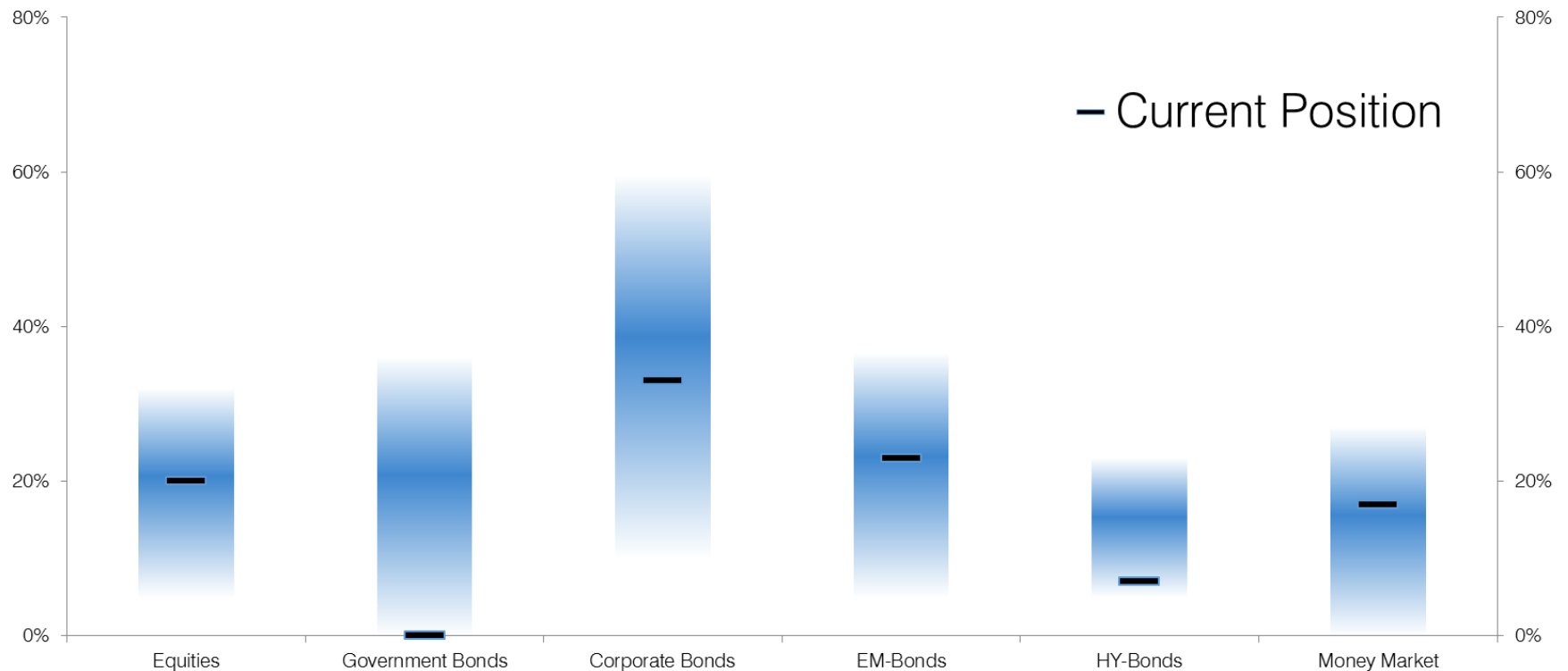
Source: Raiffeisen KAG, schematic illustration

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35



Income Asset-Class Range

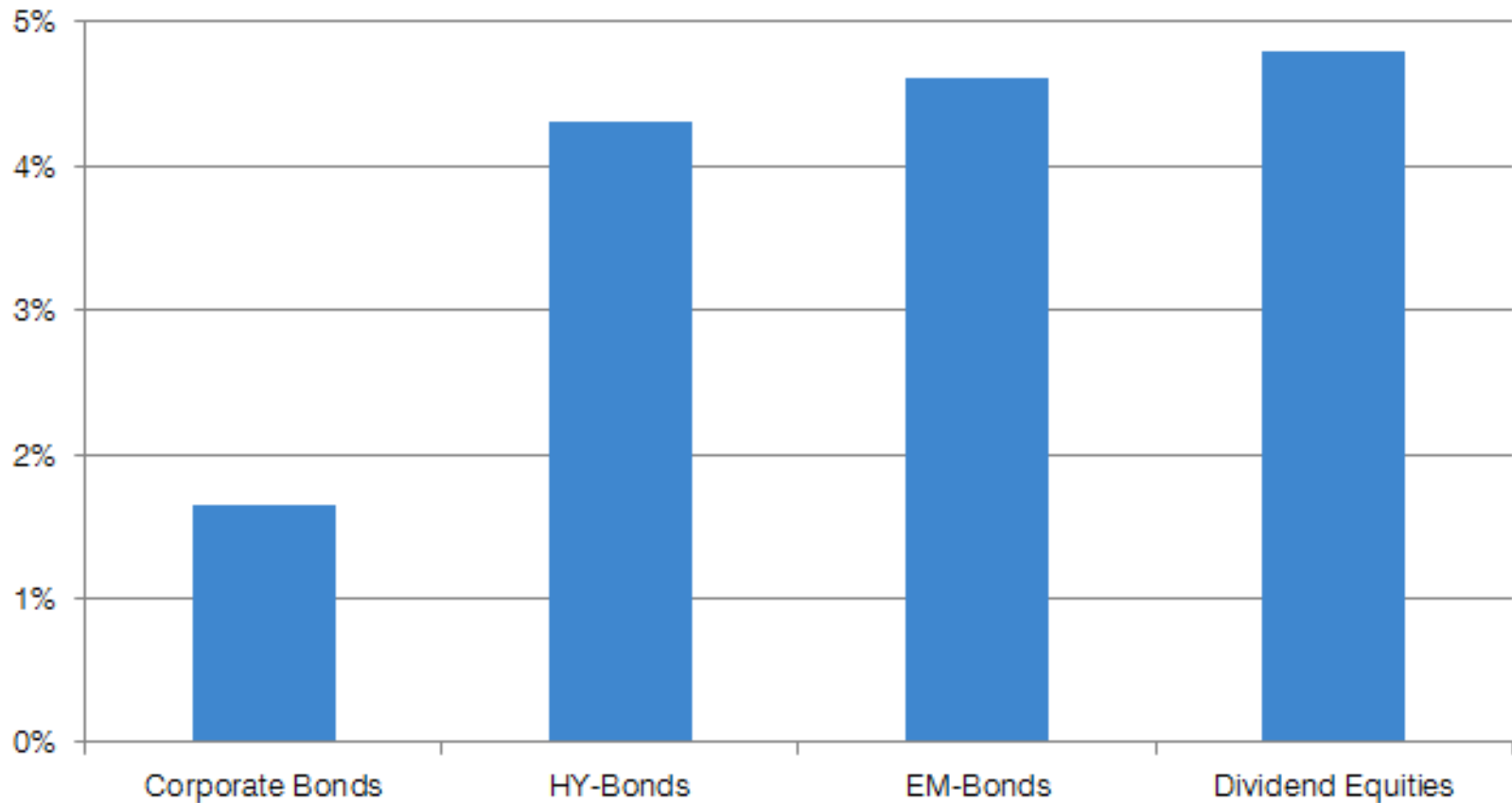


Source: Raiffeisen KAG; June 2016

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Current Yields – Raiffeisen-Income

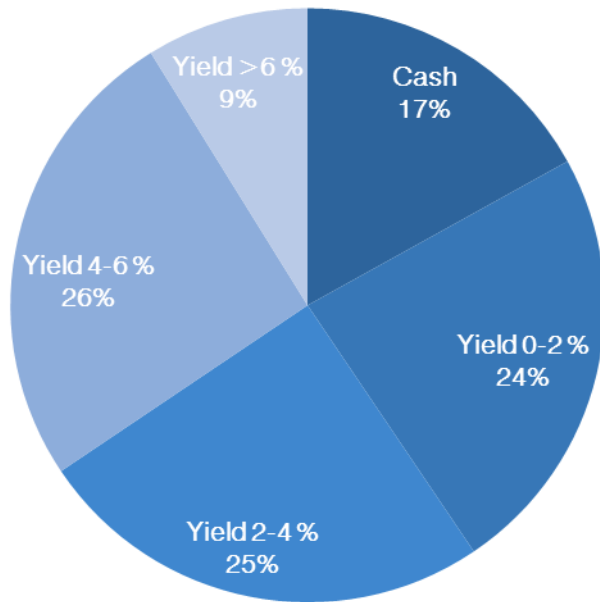


Source: Raiffeisen KAG; June 2016

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Raiffeisen-Income – Yield Structure

Portfolio Raiffeisen-Income



- Concentrated Portfolio
 - Approx. 200 Securities - 4 different asset classes
 - traditional Multi-Asset-Funds > 2000 Sec.
- No Benchmark-Restraint
 - High-Conviction Investments
 - Investments with attractive Income
- Asset-Allocation
 - Focus on Income
 - Counter-cyclical
 - Active, Global and Unconstrained

Management Team Raiffeisen-Income

Raiffeisen-Income
35 Investment Specialists with an Investment Experience
of 630 Years

Asset-Allocation

Funds Manager:
Josef Wolfesberger



Team of 9 Multi-Asset-Specialists with an average Investment Experience of 16 Years

Corporate Bonds

Asset-Class Manager
Paul Pawelka



Team of 7 Credit-Specialists with an average Investment Experience of 17 Years

Dividend Equities

Asset-Class Manager:
Norbert Janisch



Team of 15 Global-Equities-Specialists with an average Investment Experience of 21 Years

EM Bonds

Asset-Class Manager:
Stefan Grünwald



Team of 4 EM-Bond-Specialists with an average Investment Experience of 15 Years

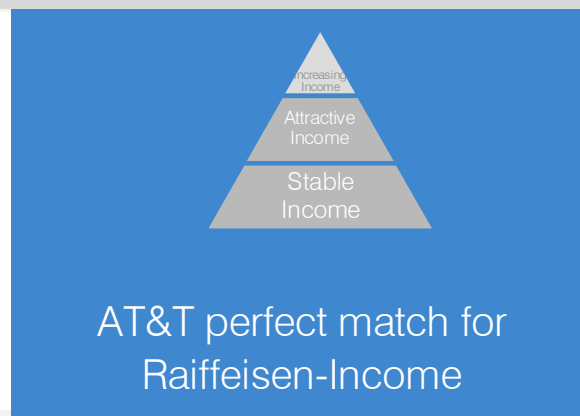
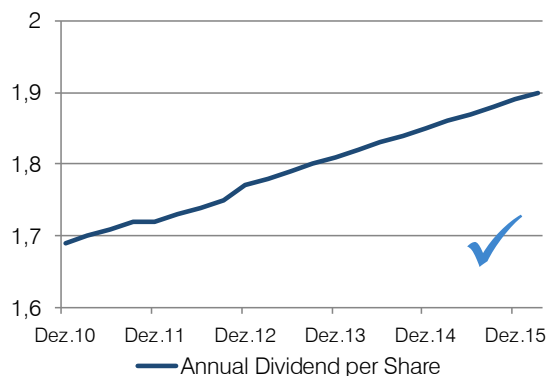
Income Case-Study Equities

AT&T

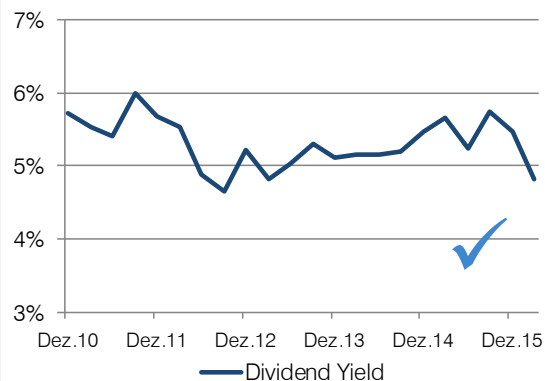
Company Info

AT&T is one of the biggest communication companies globally and is delivering phone-, data- und face-to-face telecommunication as well as mobile communications and internet services for private companies, households and government organisations.

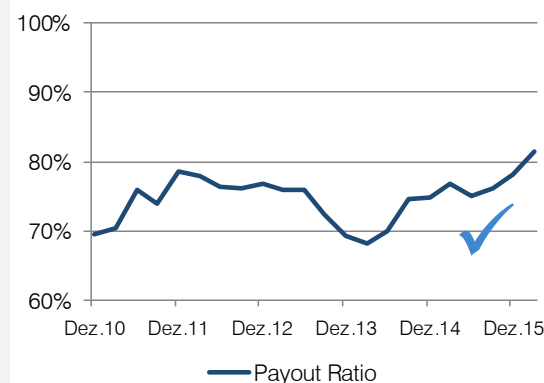
Stable Dividend Growth



Attractive Dividend Yield



Sustainable Dividend



Source: Raiffeisen KAG; Bloomberg Finance L.P

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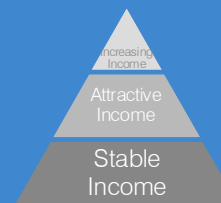
Income Case-Study Bonds

USD-Bond Brazil EUR-hedged

Economy

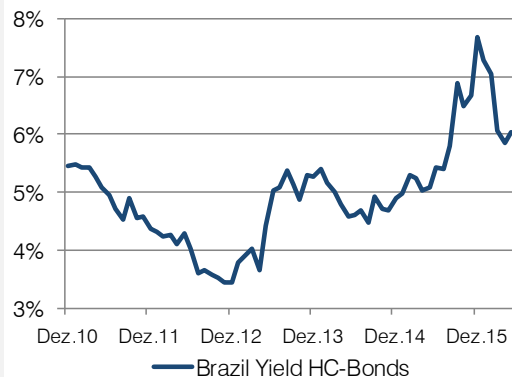
Brazil is the seventh-largest economy globally and one of the core Emerging Market countries. Brazil is one of the most important exporters of bulk commodities as well as of soft commodities. The last years economic growth slowed substantially, but other fundamental data like debt/GDP, FX Reserves, ... show a long-term sound situation.

Low Debt Levels



Brazil Bonds perfect match for Raiffeisen-Income

Attractive Yield



Sustainable FX-Reserves

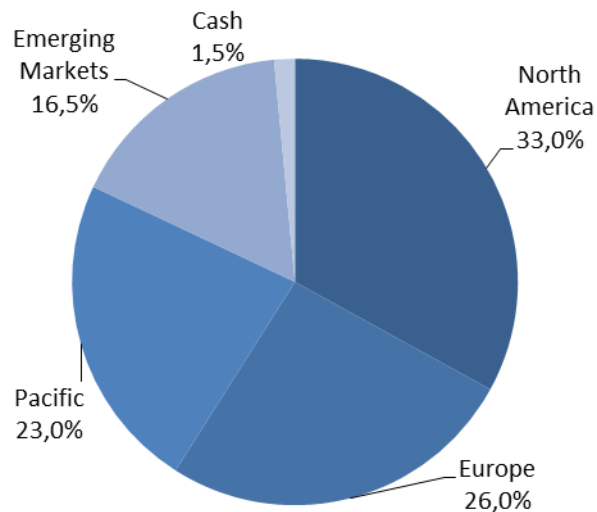


Source: Raiffeisen KAG; Bloomberg Finance L.P

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Top 10 Income-Equities

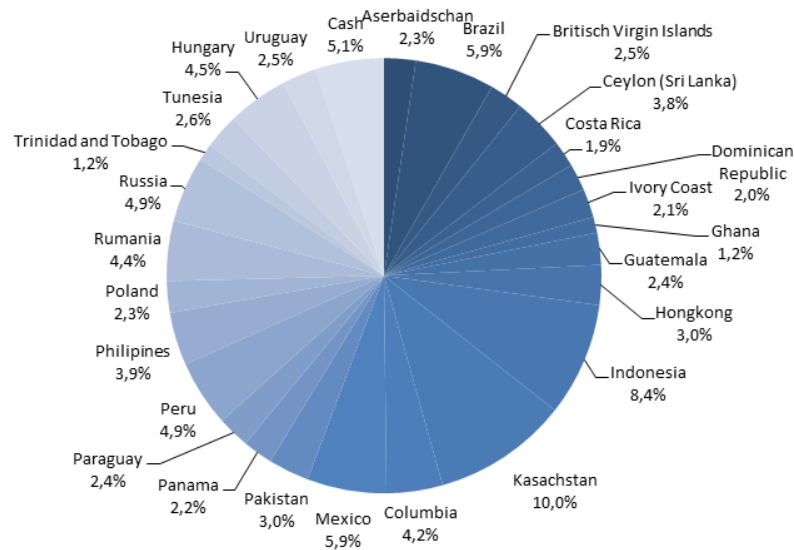
	Security	Country	Weighting	DY
1	BANK OF CHINA LTD-H3988	China	0,5%	7,0%
2	KOREA ELEC POWER CORP-SP ADR KEP	South Korea	0,4%	5,5%
3	SPECTRA ENERGY CORP SE	USA	0,4%	4,7%
4	ENTERGY CORP ETR	USA	0,4%	4,3%
5	HCP INC HCP	USA	0,4%	6,5%
6	DIGITAL REALTY TRUST INC DLR	USA	0,4%	3,4%
7	GENERAL MILLS INC GIS	USA	0,4%	2,7%
8	AT&T INC T	USA	0,4%	4,7%
9	SCENTRE GROUP SCG	Australia	0,4%	4,4%
10	TRANSCANADA CORP TRP	Canada	0,4%	3,9%



Source: Raiffeisen KAG

Top 10 Income-EM-Bonds

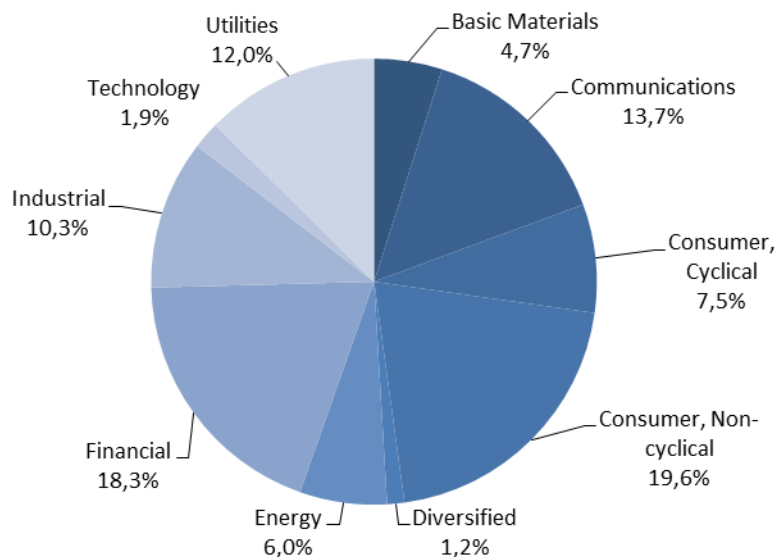
	Security	Country	Weighting	YtM
1	KAZMUNAY GAS NATIONAL CO KZOKZ 7 05/05/20	Kasachstan	1,5%	4,4%
2	RUSSIAN FEDERATION RUSSIA 4 7/8 09/16/23	Russia	1,1%	3,8%
3	PERTAMINA PERSERO PT PERTIJ 4 7/8 05/03/22	Indonesia	1,1%	4,2%
4	HUNGARY REPHUN 5 3/8 03/25/24	Hungary	1,0%	3,6%
5	ROMANIA ROMANI 4 7/8 01/22/24	Rumania	1,0%	3,4%
6	REPUBLIC OF COLOMBIA COLOM 5 06/15/45	Columbia	1,0%	5,2%
7	REPUBLIC OF PHILIPPINES PHILIP 4.2 01/21/24	Philippines	0,9%	2,2%
8	REPUBLIC OF SRI LANKA SRILAN 5 7/8 07/25/22	Ceylon	0,9%	6,5%
9	REPUBLIC OF KAZAKHSTAN KAZAKS 5 1/8 07/21/25	Kasachstan	0,9%	4,1%
10	REPUBLIC OF INDONESIA INDON 4 1/8 01/15/25	Indonesia	0,8%	3,9%



Source: Raiffeisen KAG

Top 10 Income-Corporate-Bonds

	Security	Sector	Weighting	YtM
1	AUCHAN HOLDING SA AUCHAN 13/4 04/23/21	Consumer, Non-cyclical	0,6%	0,4%
2	3M COMPANY MMM 0 3/8 02/15/22	Industrial	0,6%	0,4%
3	DVB BANK SE DVB 11/4 06/16/23	Financial	0,6%	1,3%
4	BMW US CAPITAL LLC BMW 11/8 09/18/21	Consumer, Cyclical	0,5%	0,4%
5	ANHEUSER-BUSCH INBEV NV ABIBB 0 7/8 03/17/22	Consumer, Non-cyclical	0,5%	0,5%
6	DAIMLER AG DAIGR 0 5/8 03/05/20	Consumer, Cyclical	0,5%	0,2%
7	BAT INTL FINANCE PLC BATSLN 105/23/22	Consumer, Non-cyclical	0,5%	0,7%
8	FEDEX CORP FDX 101/11/23	Industrial	0,5%	0,9%
9	AMERICAN INTL GROUP AIG 11/2 06/08/23	Financial	0,5%	1,5%
10	CESKE DRAHY CESDRA 17/8 05/25/23	Industrial	0,5%	1,9%



Source: Raiffeisen KAG



Dachfonds Südtirol

Stability in challenging markets

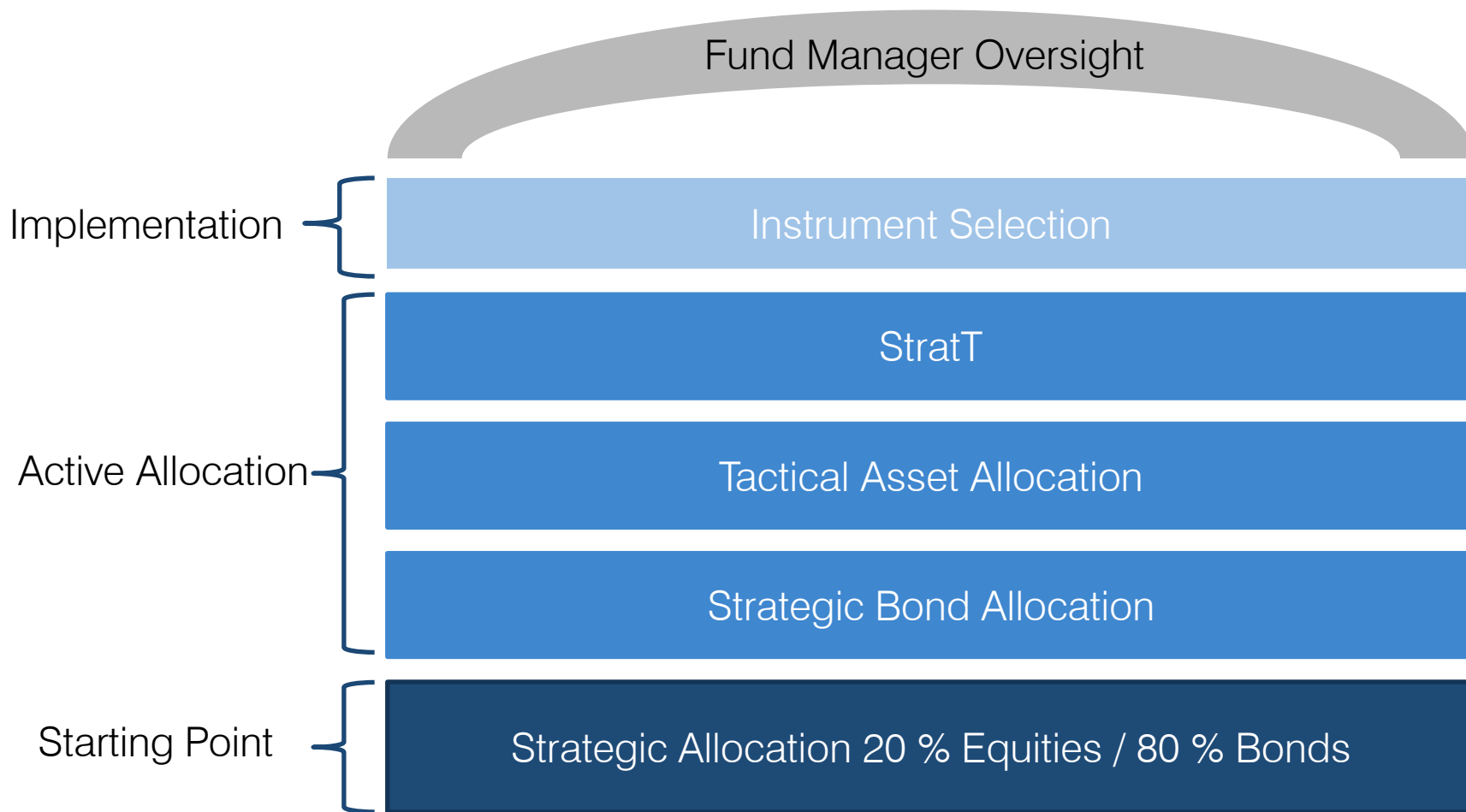
Kurt Schappelwein
Fund Manager

June 2016

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Performance drivers DAC

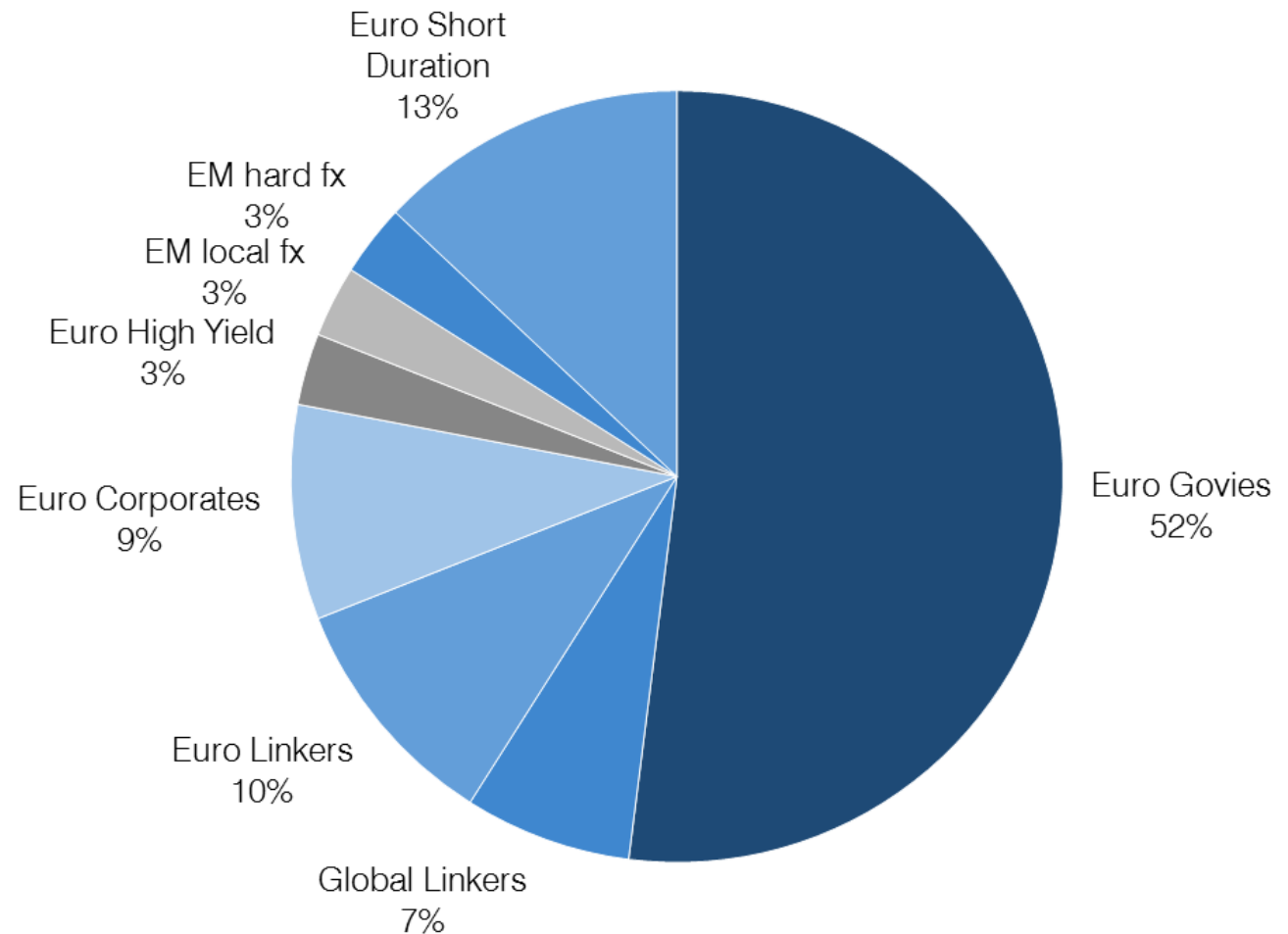


Strategic bond allocation

✓ Flexibility

✓ Diversification

✓ Yield



Source: Raiffeisen KAG, June 2016

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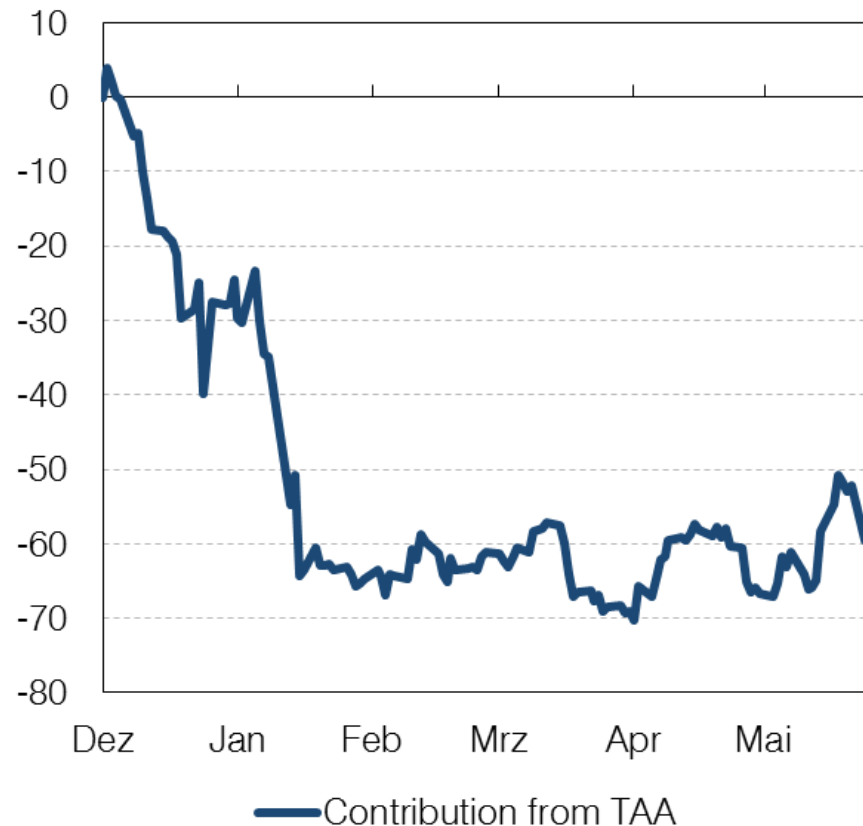
Active strategies: Tactical Asset Allocation (TAA)

- Main active strategy
- 3 decisions
 - Equity vs bond allocation
 - Allocation within equity markets
 - Allocation within bond segments
- Discretionary, team based decisions driven by
 - Macro (economy, inflation etc.)
 - Micro (corporate profits etc.)
 - Technical analysis and sentiment
 - Investment themes (geopolitics, central banks etc.)
- May increase/decrease equity weighting by 10 percentage points
- Implementation on fof level



Tactical Asset Allocation

- Negative contribution YTD
- Positive stance towards equities at the beginning of the year
- Closing overweight position due to risk management
- Underweight position since March



Source: Raiffeisen KAG, June 2016

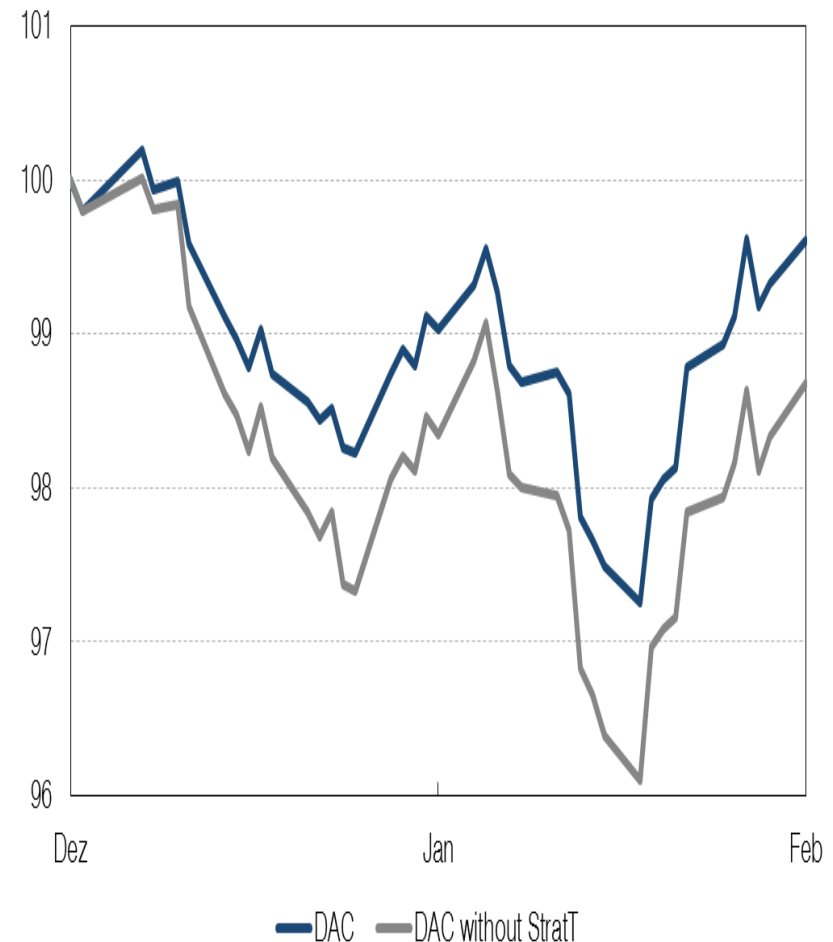
Active strategies: StratT

- Takes **hedging positions in adverse market environment** – may hedge up to 8 % of equity exposure and 20 % of fixed income exposure
- Increases allocation in positive/normal environment – may increase equities by up to 4 % and fixed income by 5 %.
- Expectation
 - Mitigate drawdowns
- In DAC since 2009



StratT

- StratT provided timely hedging signals at the beginning of the year
- During the equity market recovery StratT gave up its contribution
- In the most recent episode StratT helped again
- Therefore, decent contribution in terms of drawdown reduction, but no outperformance contribution



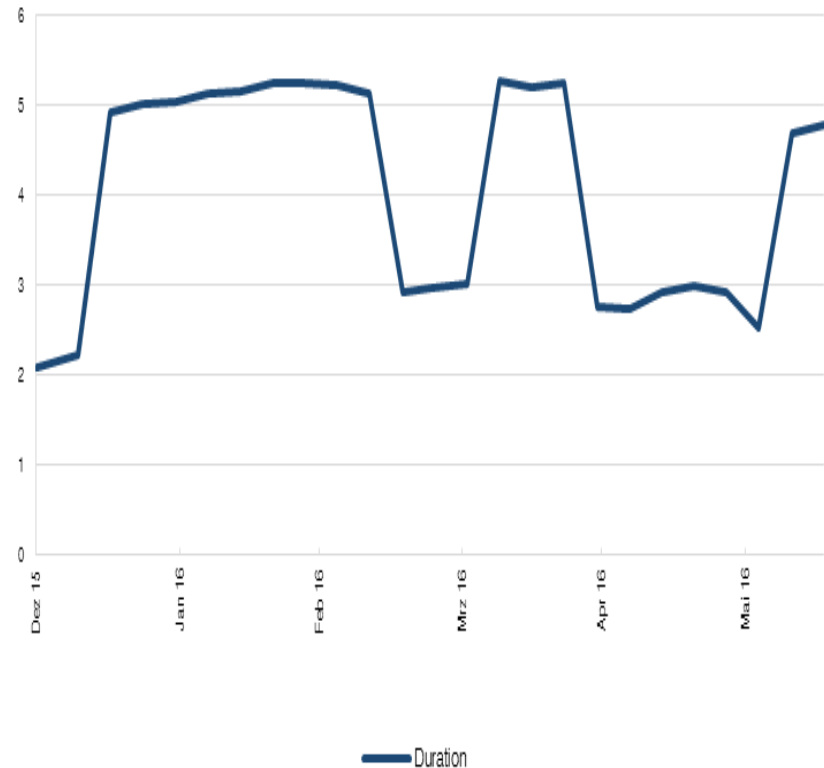
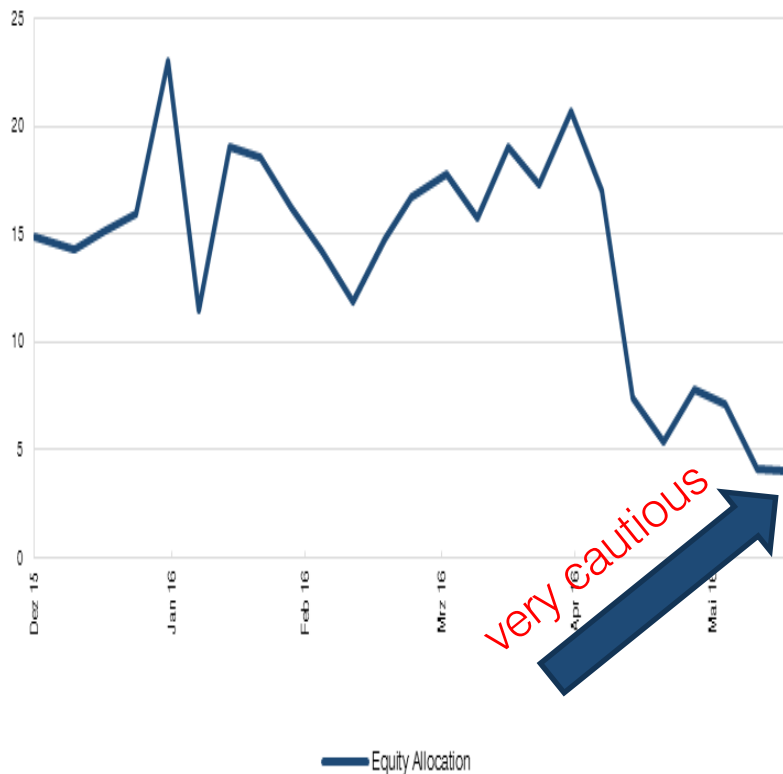
Source: Bloomberg, Raiffeisen KAG, June 2016

In a nutshell

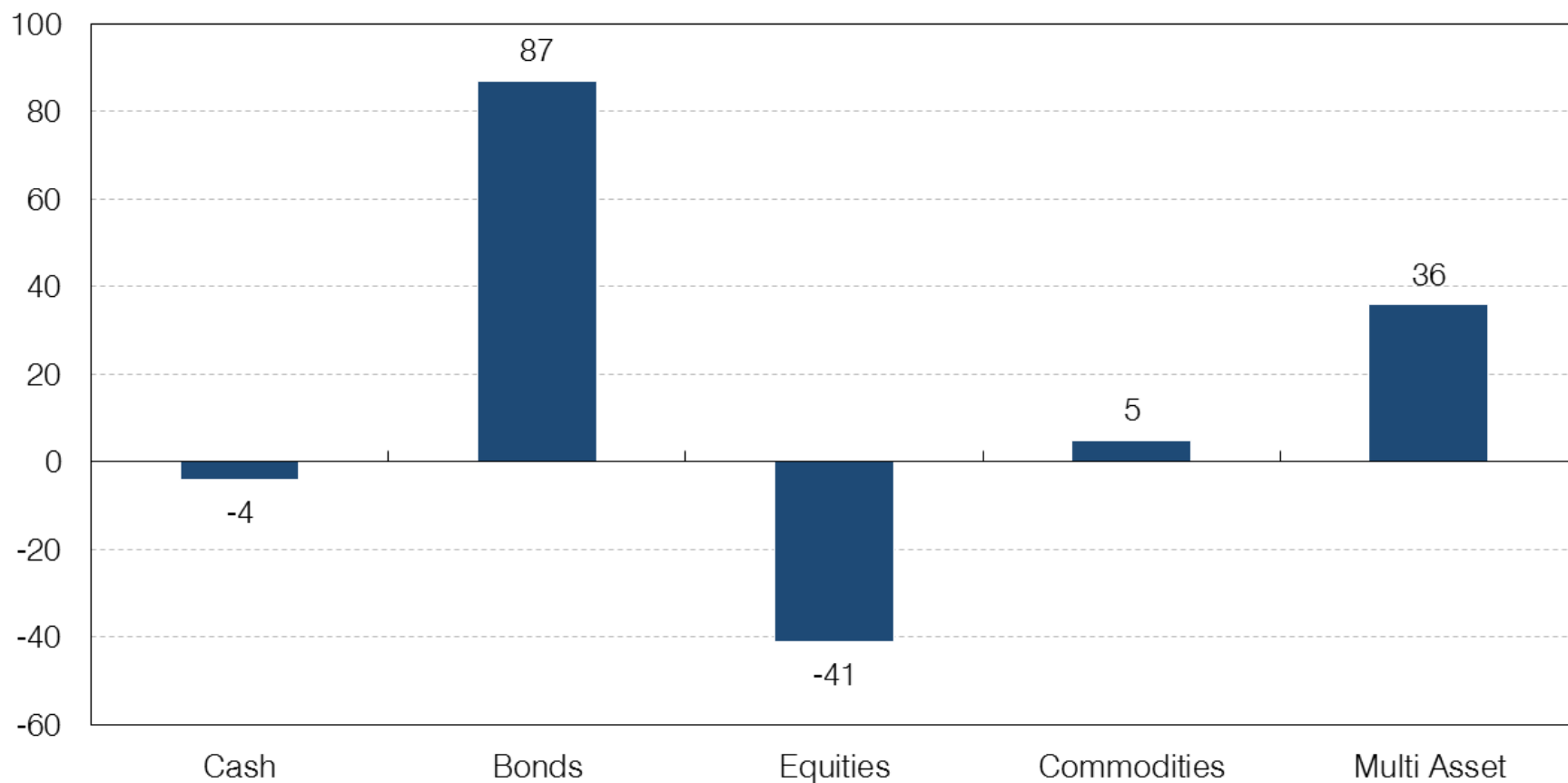
- Dachfonds Südtirol leans towards a benchmark (20/80) but has a very active management style
- In particular, clients are keen to have **asymmetry**, i.e. mitigation of drawdowns
- Therefore, it is fair to state that **DFST** is a crossover between a benchmarked fund and an absolute return fund



Aggregate position over time



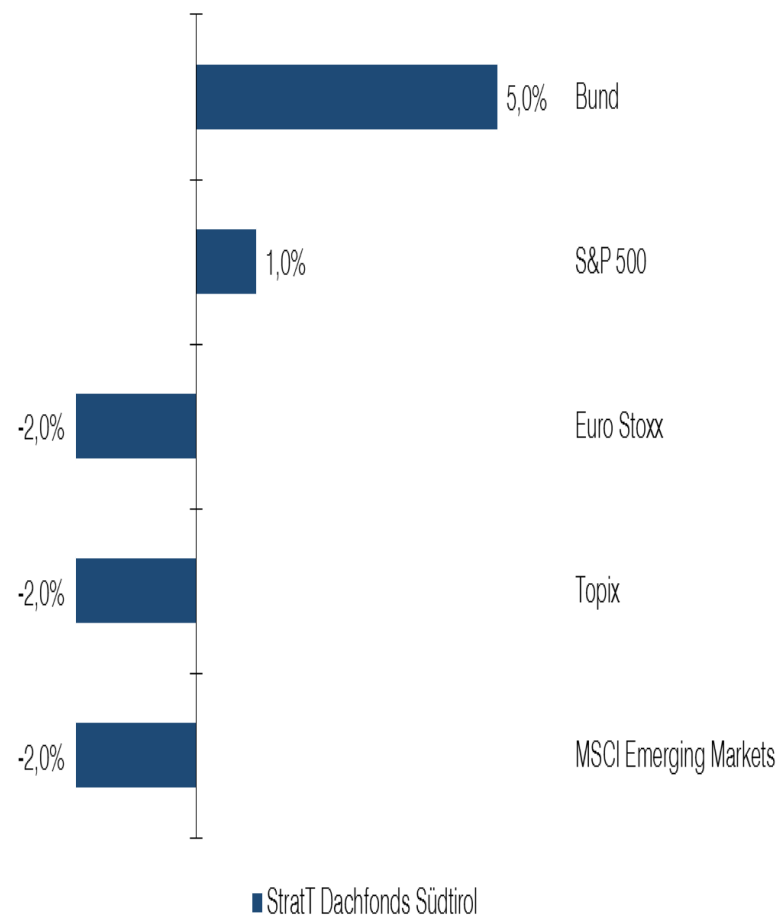
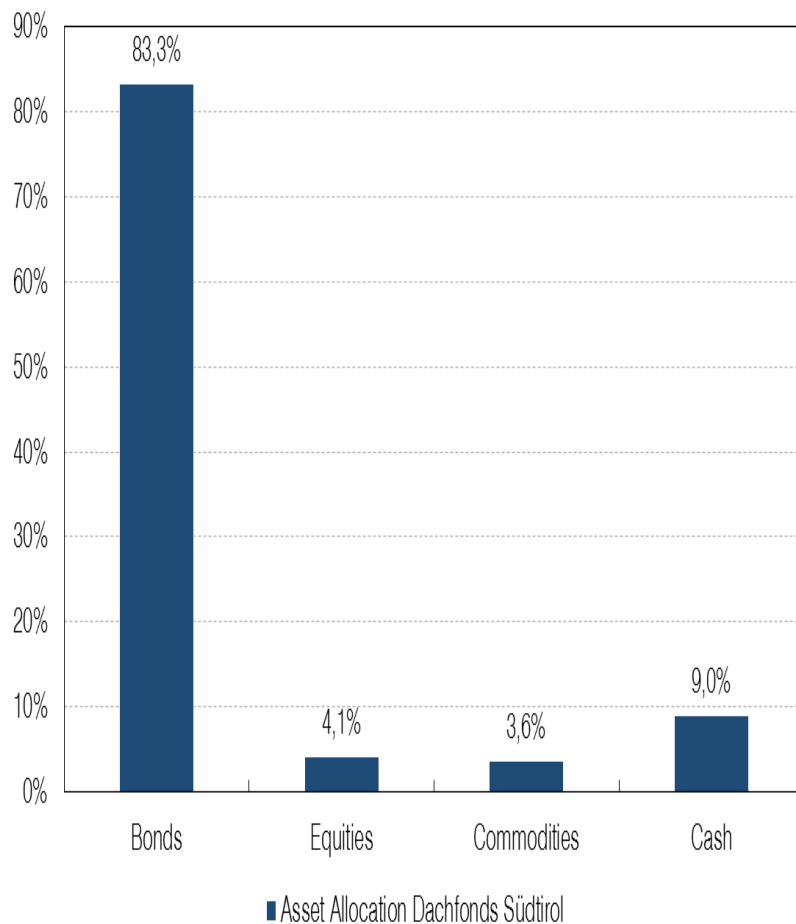
Performance attribution



Gross of fees, 2016 to 31.5.

Source: Raiffeisen KAG, June 2016

Current asset allocation



as of 20.6.2016

Source: Raiffeisen KAG, June 2016



Year to date performance



as of 27.11.2015

Source: Bloomberg, November 2015



Dachfonds Suedtirol since inception



Source: Bloomberg, June 2016



RAIFFEISEN Dynamic-Assets

Momentum based Asset Allocation

Kurt Schappelwein
Fund Manager

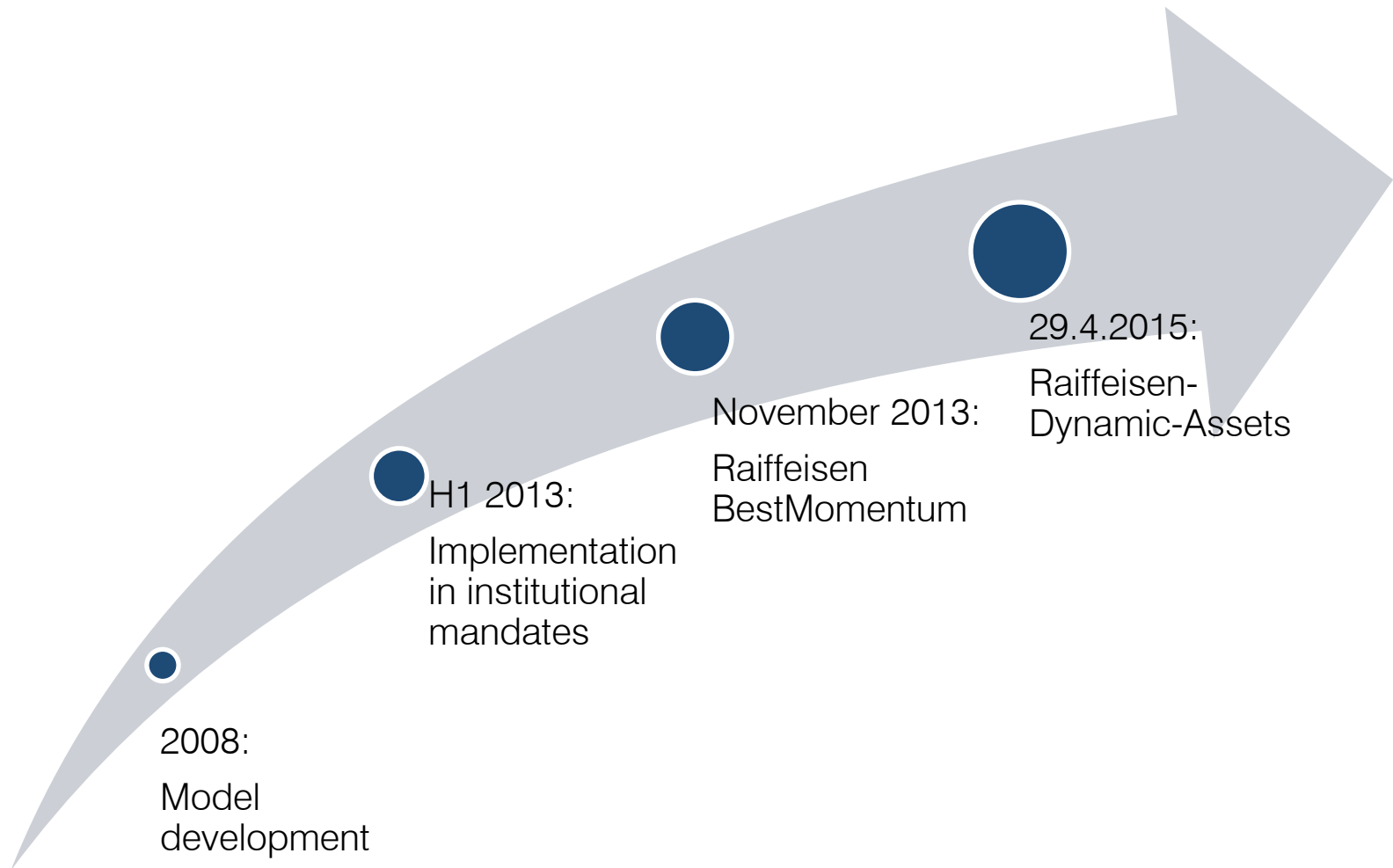
June 2016

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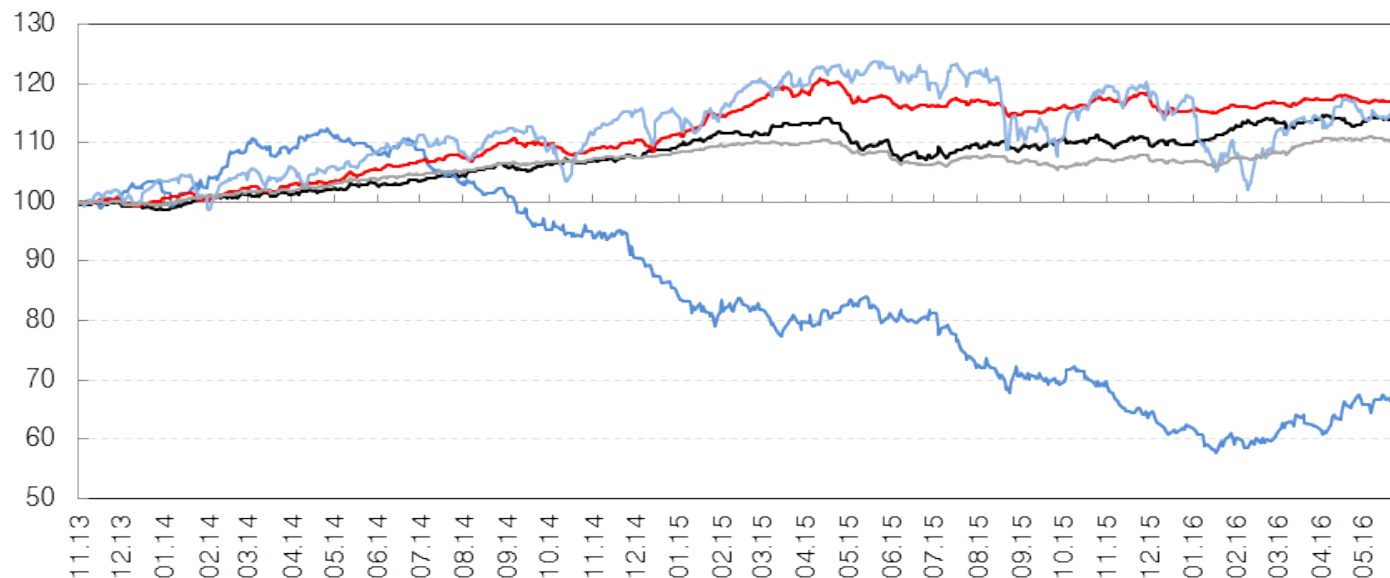
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Genesis Raiffeisen Dynamic-Assets



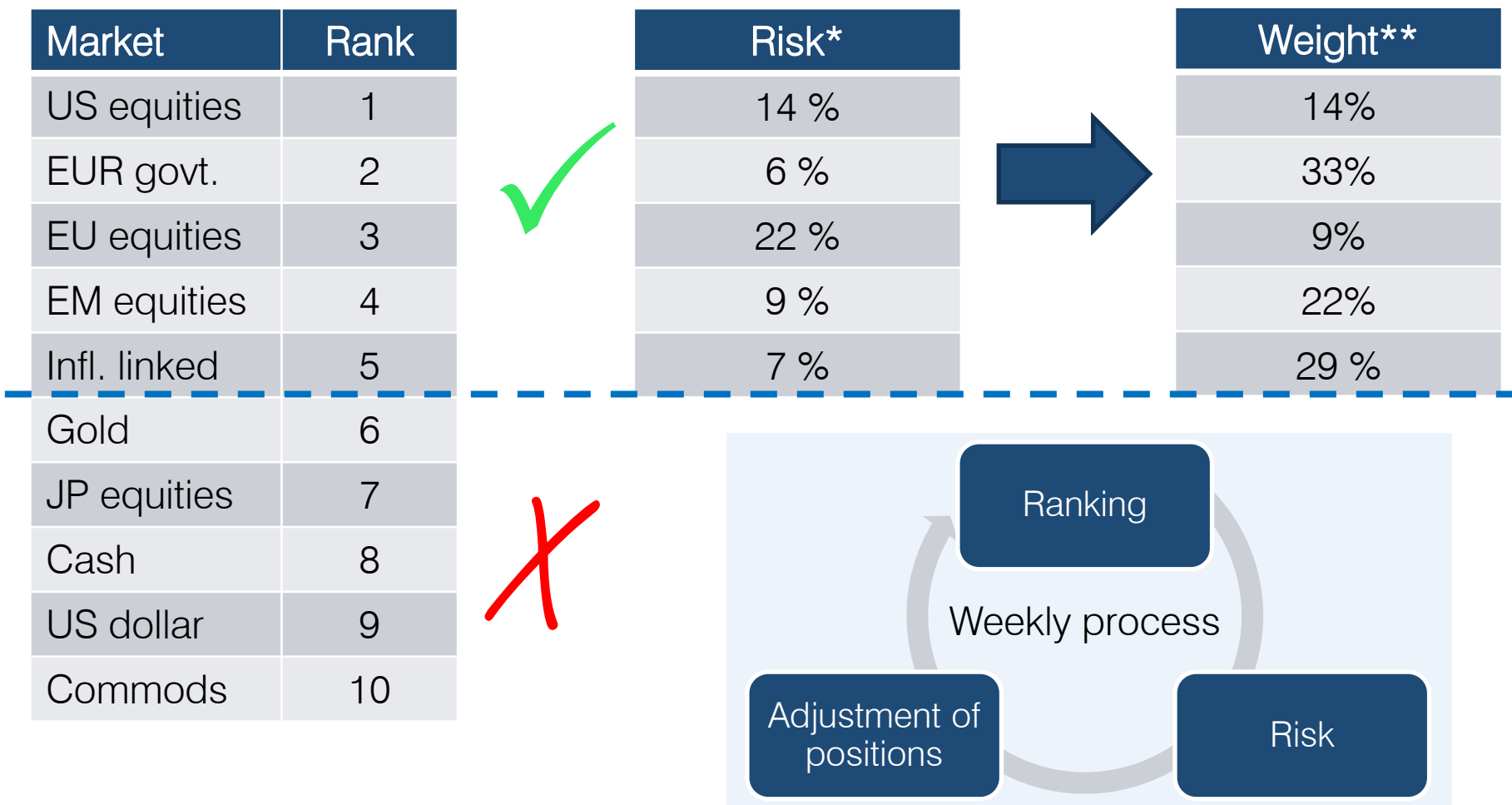
Best Momentum



	Gesamtertrag	Ertrag p.a.	Volatilität p.a.	Sharpe-Ratio
Raiffeisen BestMomentum	17,33 %	6,41 %	3,82 %	1,70
Commodities	-32,71 %	-14,29 %	13,75 %	-
Global Equities	17,47 %	6,47 %	12,55 %	0,52
Corporate Bonds	10,56 %	3,98 %	2,40 %	1,68
German Govies	13,80 %	5,16 %	4,12 %	1,26

Rohstoffe = Bloomberg Rohstoffindex hedged in EUR, Globale Aktien = MSCI World Net total return local, Unternehmensanleihen = iBoxx Euro Corporates Non-Financials, Deutsche Staatsanleihen = JPM German Government Bonds All Maturities. Quelle: Raiffeisen KAG, eigene Berechnungen, **täglich von 05.11.2013 bis 31.05.2016, brutto** - vor Berücksichtigung von Gebühren. Die Performance wird von der Raiffeisen KAG entsprechend der OeKB-Methode, basierend auf Daten der Depotbank, berechnet (bei der Aussetzung der Auszahlung des Rückgabepreises unter Rückgriff auf allfällige, indikative Werte). Performanceergebnisse der Vergangenheit lassen keine verlässlichen Rückschlüsse auf die künftige Entwicklung des Fonds zu.

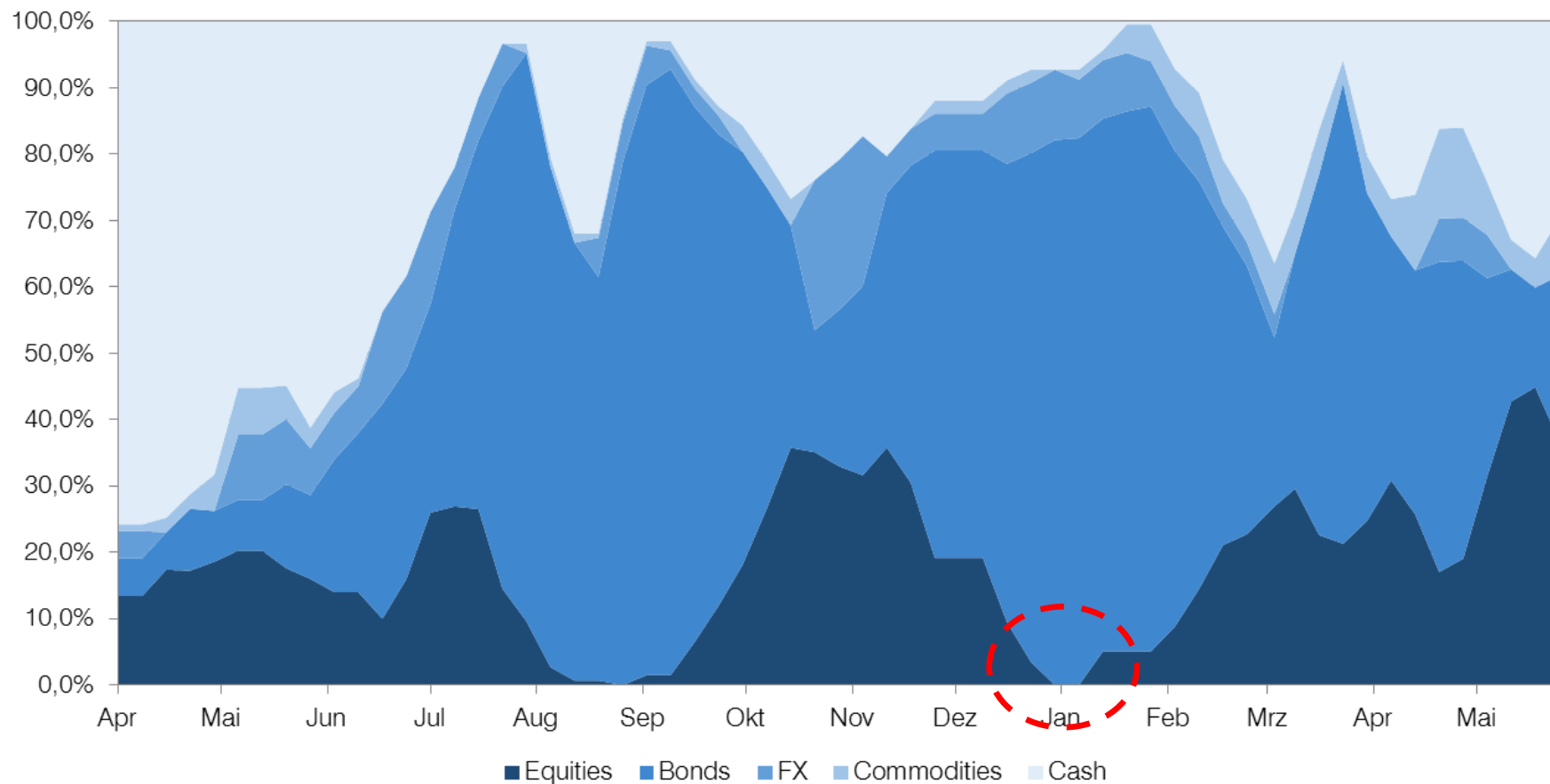
How does it work?



*Estimate for volatility; ** Weight in Dynamic-Assets

For illustration purposes; real universe for Dynamic-Assets is a lot more diversified; Source: Raiffeisen KAG

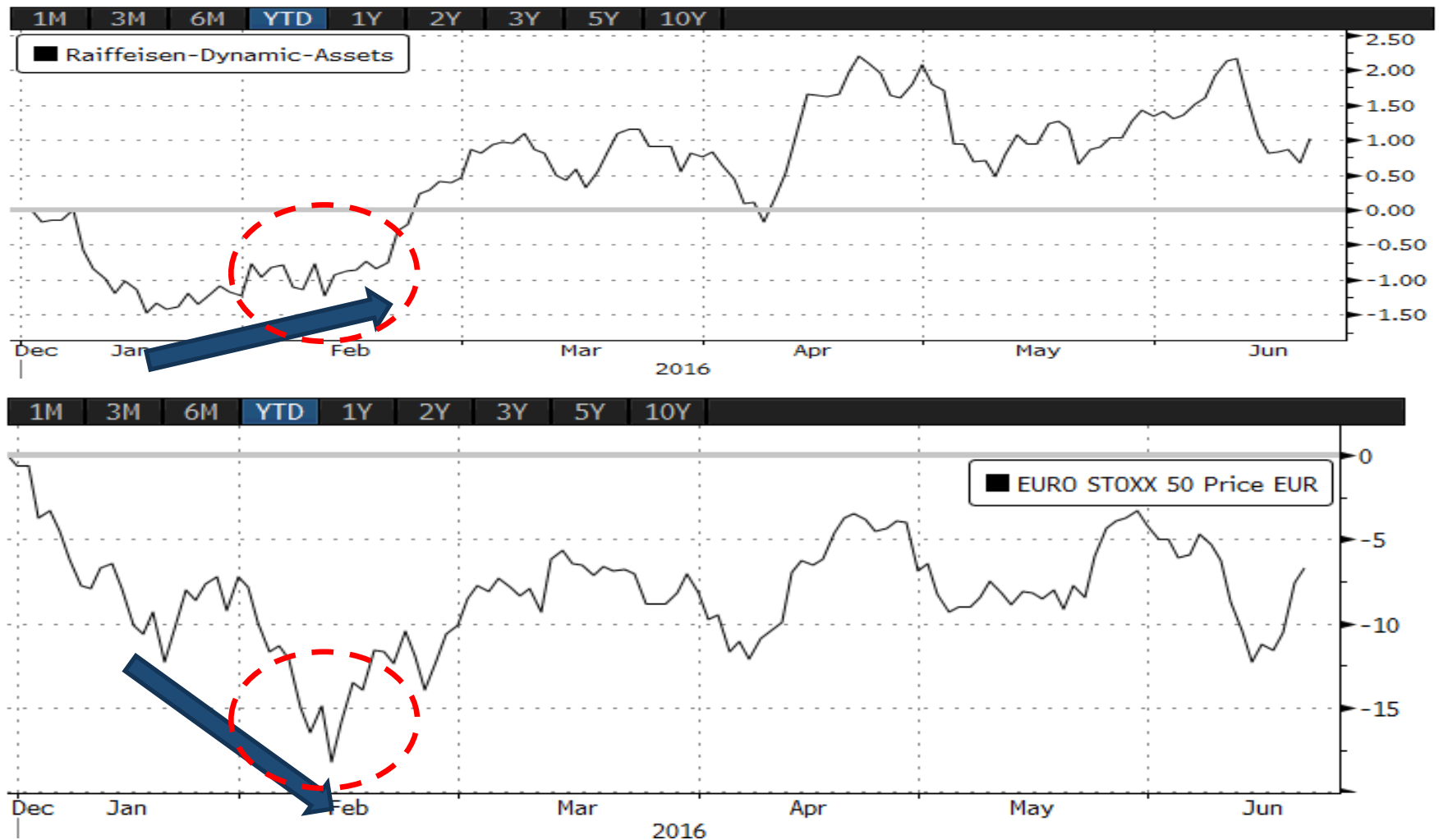
Flexible asset allocation



Source: Raiffeisen KAG, June 2016

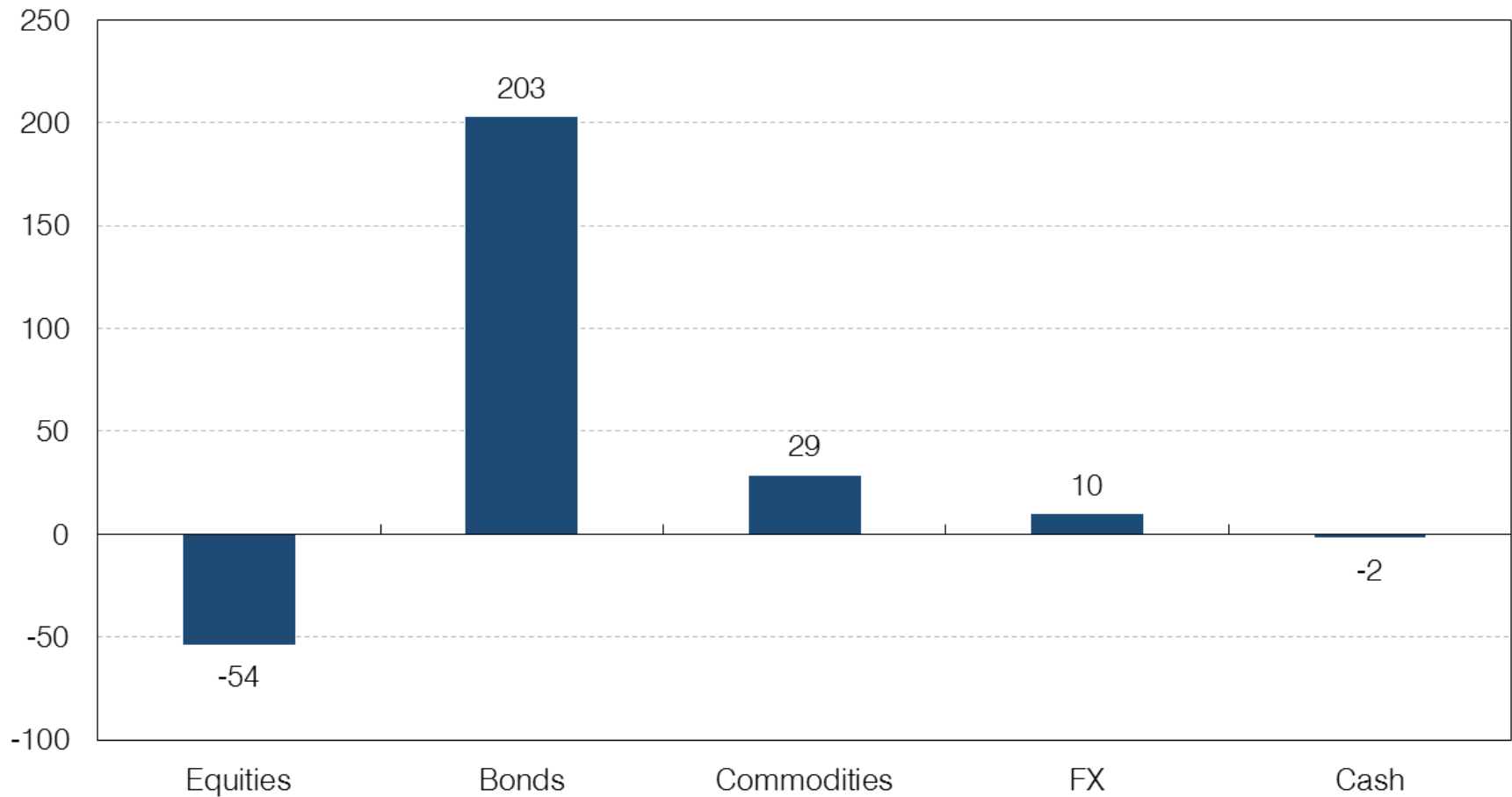
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Performance YTD



Source: Bloomberg, June 2016

Performance attribution YTD



gross as of 31.5.2016

Source: Raiffeisen KAG, June 2016

Peer group

Morningstar Flexible Allocation Global as of 31.5.2016	YTD	1 Year
Quartile	1	2
Rank	46	61
# of peers	218	212

Source: Morningstar, June 2016

Year to date review

- Reduced equity allocation to zero
- Avoided drawdown in February
- Positive Performance due to good bond market selection (e.g. EUR govies, Emerging Markets)
- Good peer group ranking – many multi asset peers under water year to date!





Raiffeisen-Inflation-Shield

The Multi Asset Inflation Protection

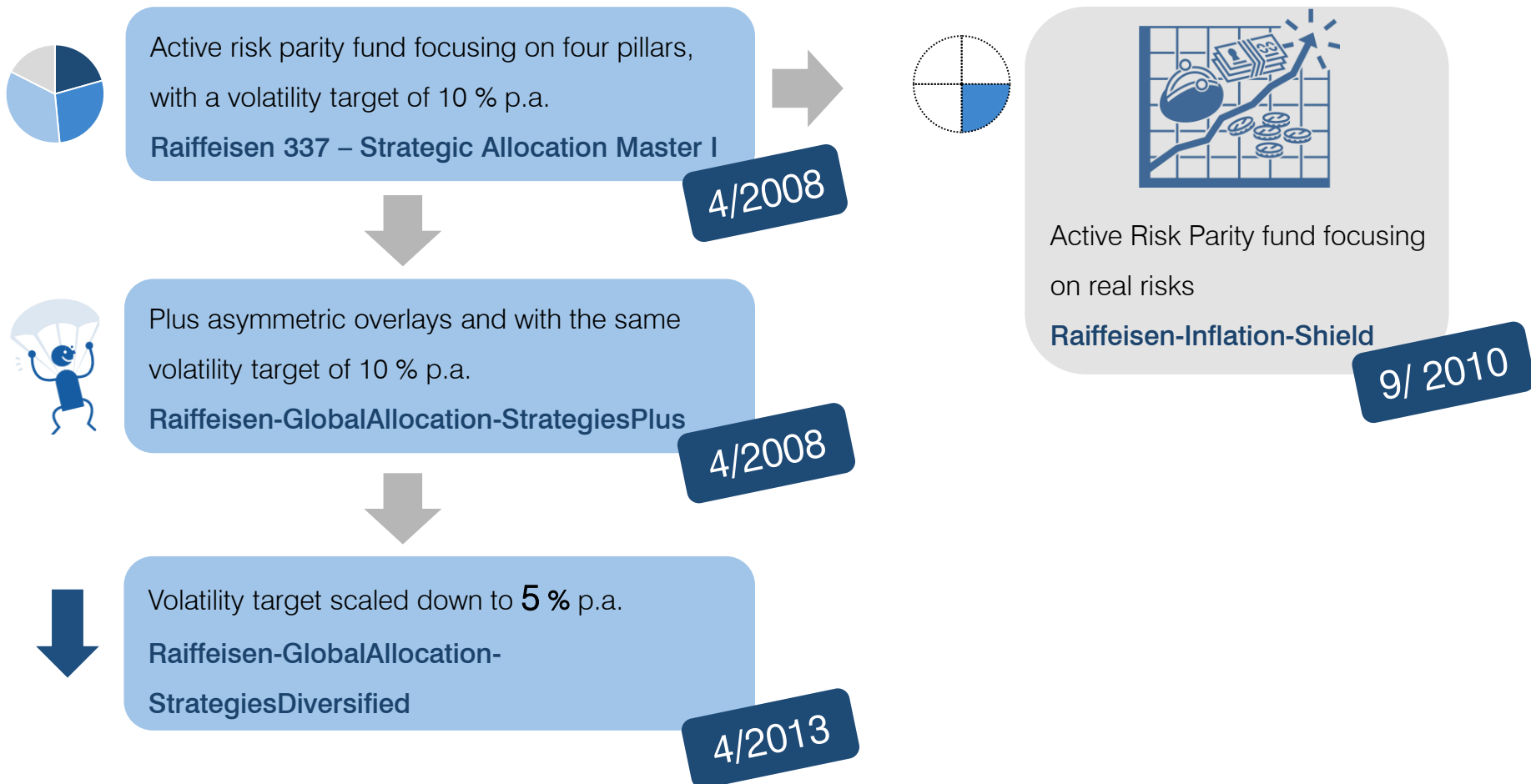
June 2016

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**Inflation can
harm your
economic
health**

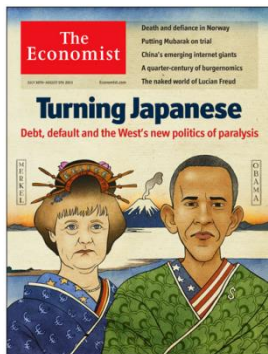
Raiffeisen Active Risk Allocation Family



Deflationary vs. Inflationary Forces

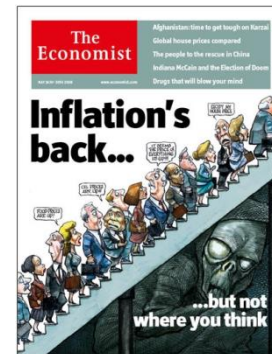
Deflation

- Deleveraging (banks, corporations, individuals)
- High output gaps, high unemployment rates in Europe
- Restrictive credit policy of banks, regulatory pressure
- Broad money market growth stagnating
- Technological changes
- Demographics¹



Inflation

- Extra ordinary monetary stimulus from central banks and introduction of negative interest rates (helicopter money)
- Significant increase of debt (private & public)
- Low inflation targets are increasingly questioned (e. g. IMF²)
- End of imported deflation from EM (rising wages)
- Falling productivity
- Demographics¹



¹ Juselius, Takats: "Can demography affect inflation and monetary policy?" (BIS Working Paper, February 2015)

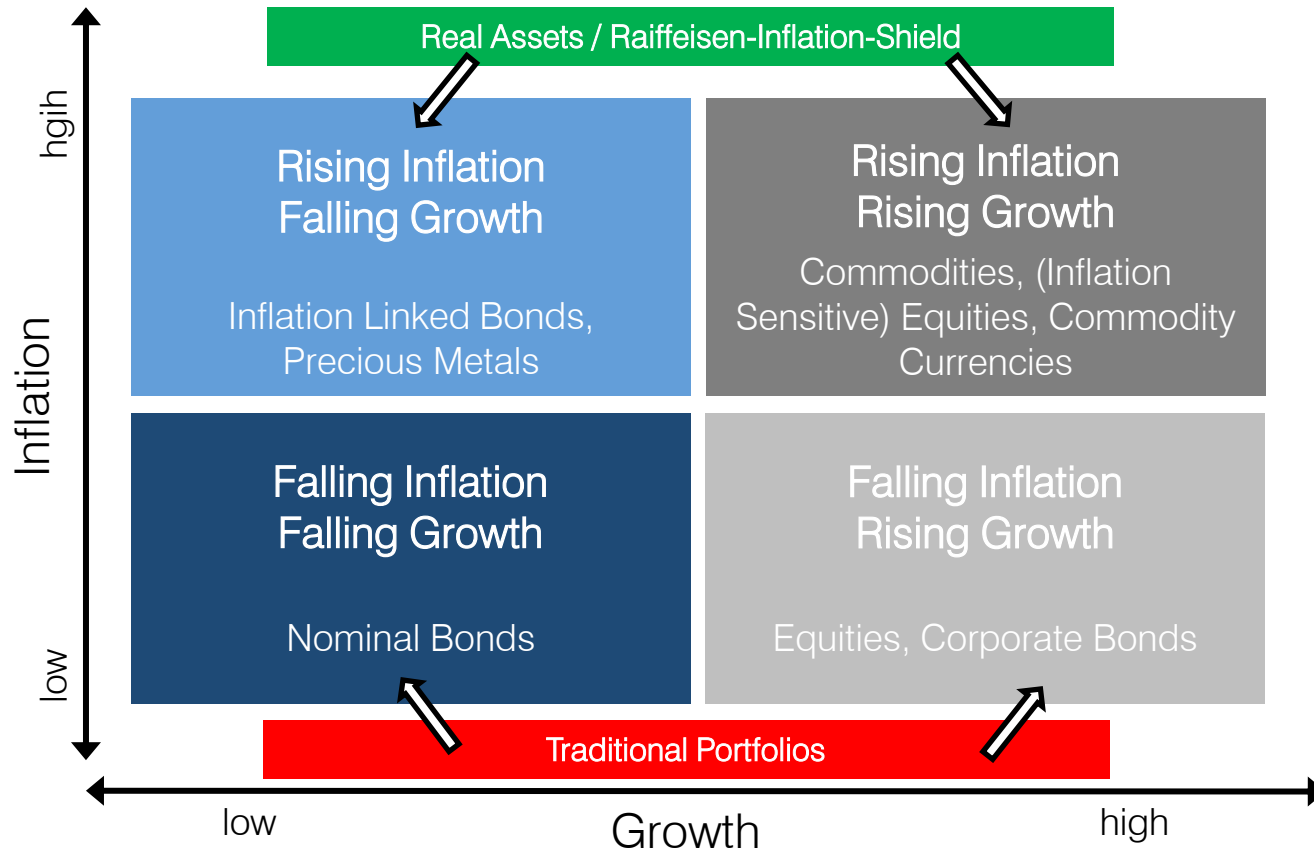
² Blanchard, Dell'Ariccia, Mauro: "Rethinking Macroeconomic Policy" (IMF Staff Position Note, 2010)

Picture Source: The Economist (July 2011 and May 2008)

Agenda

- Inflation Protection – Why (now)?
- Investment Process & Current Positioning
- Inflation Protection @ Work

What works in Growth / Inflation

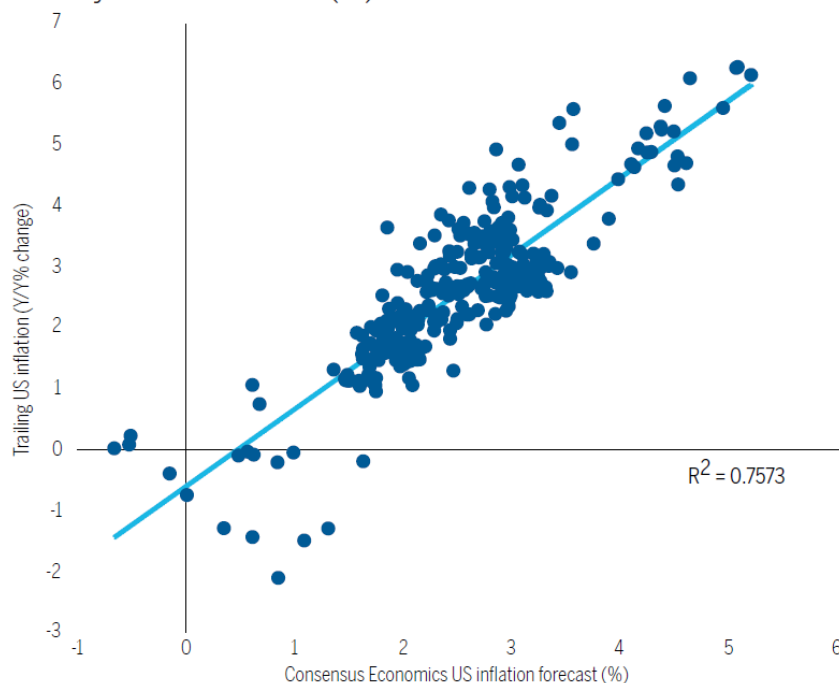


Inflation Forecasts...

... more about the past than the future!

Trailing US inflation vs expected US inflation¹

January 1990 – June 2015 (%)



Forward US inflation vs expected US inflation²

January 1990 – June 2015 (%)



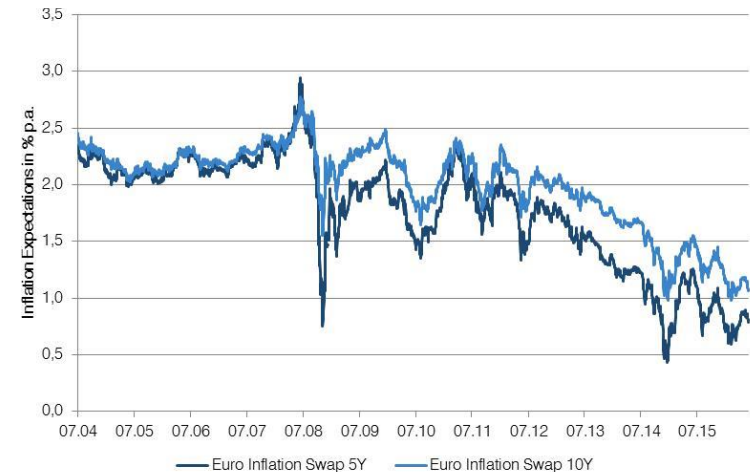
¹Trailing US inflation: Y/Y percent change headline US CPI; expected US inflation: Consensus Economics US inflation forecast. | ²Forward US inflation: Y/Y percent change headline US CPI; expected US inflation: Consensus Economics US inflation forecast. | Data used here is that of a third party. While data of the third party is believed to be reliable, no assurance is being provided as to its accuracy or completeness. | Sources: Consensus Economics, Datastream

Source: Wellington Management, September 2015

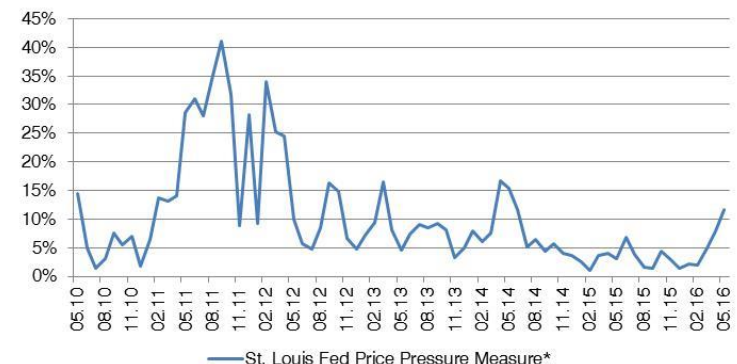
Attractive Entry Point for Inflation Protection

- Inflation expectations in the Eurozone significantly below ECB inflation target
 - ECB willing to force expectations higher or “act” if deflation signs are increasing
 - Base effects from lower oil prices will fade out
 - Credit growth picking up (5 % p.a. consumer credit growth)
- In the US signs of broadening price pressure
 - Falling unemployment rates
 - Rising wage growth
 - Service inflation increasing further
 - Productivity slowdown

Eurozone Inflation Expectations



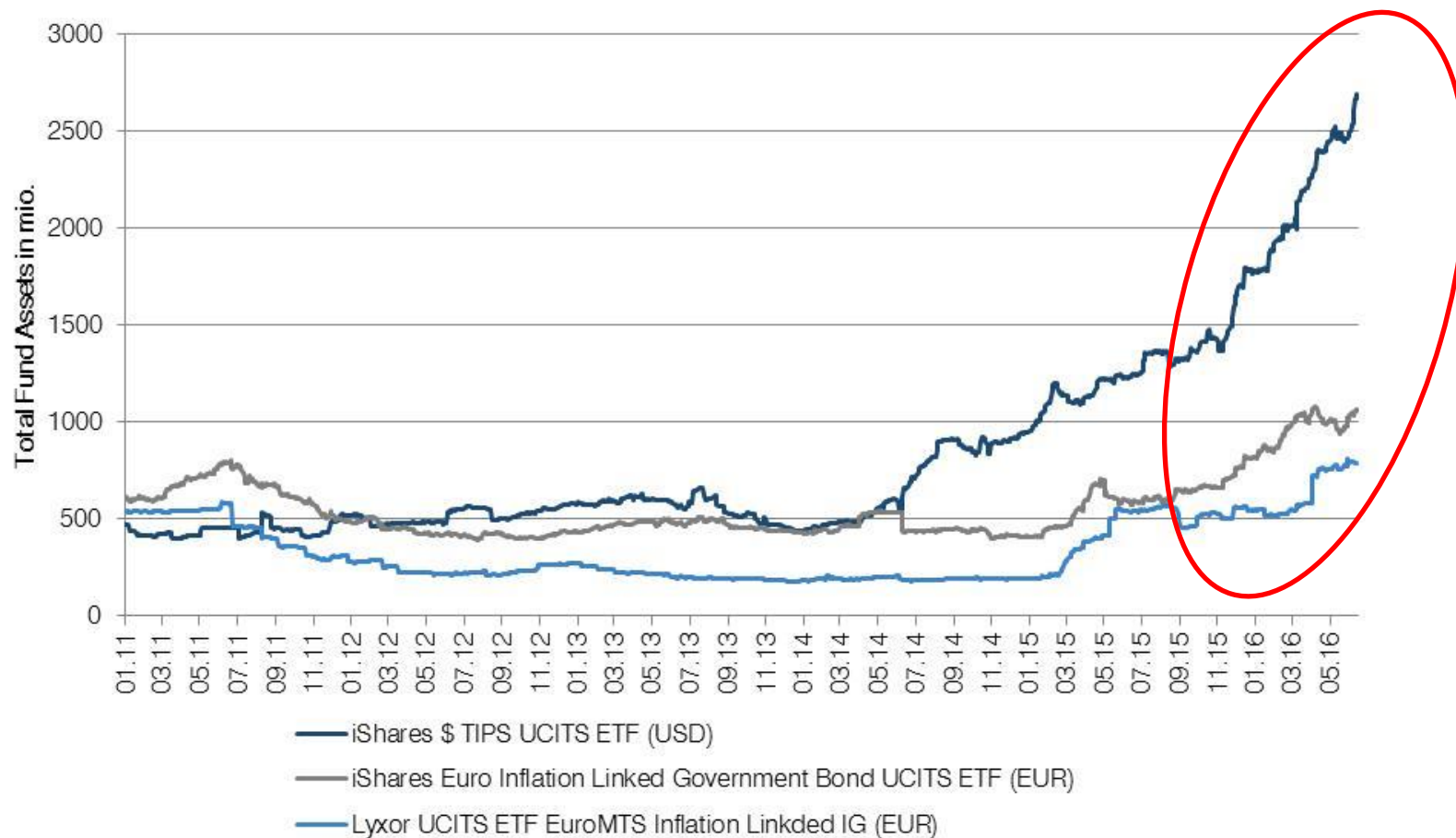
US Price Pressure



* Probability that the expected personal expenditure price index (PCEPI) inflation rate (12-month changes) over the next 12 months will exceed 2.5 percent

Source: Bloomberg Finance L.P. ; Raiffeisen KAG, June 16, 2016

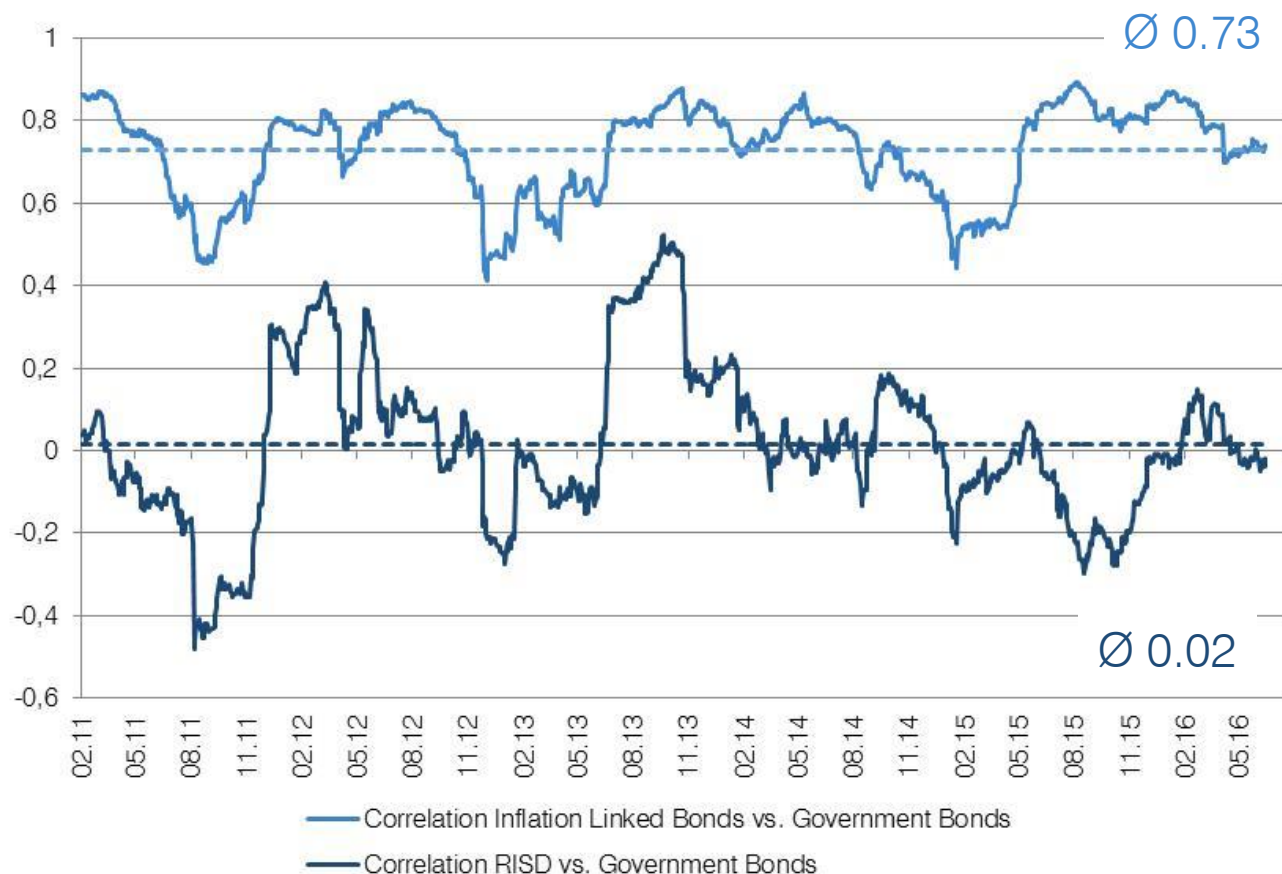
Inflation getting more Attention



Total Fund Assets for selected Inflation Linked Bond ETFs
Source: Bloomberg Finance L.P., Raiffeisen KAG, June 2016



Inflation Linked Bonds – Think Twice!



↓
The
„cleaner“
Inflation Play

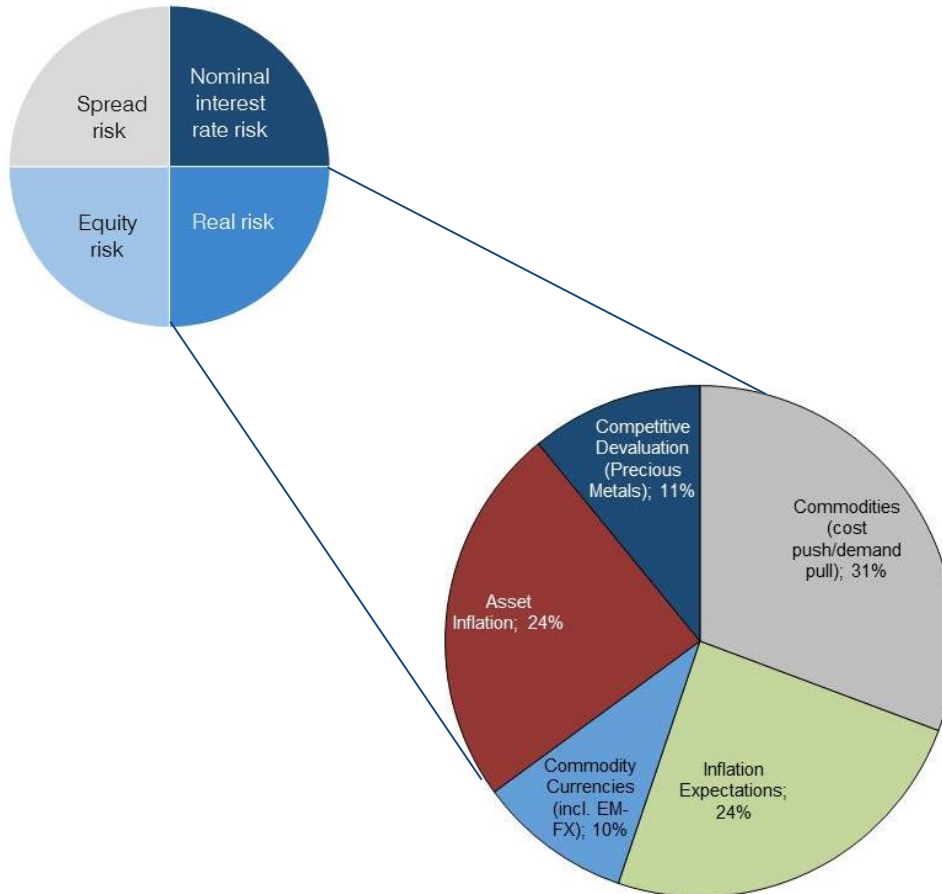
Rolling 90 day correlation; Government Bonds = JPM EMU Investmentgrade, Inflation Linked Bonds = Barclays Euro Government Inflation-Linked Bond All Maturities
Source: Bloomberg Finance L.P., Raiffeisen KAG, June 2016

Agenda

- Inflation Protection – Why (now)?
- **Investment Process & Current Positioning**
- Inflation Protection @ Work

RISD – the Diversified Inflation Protection

Risk & return sources

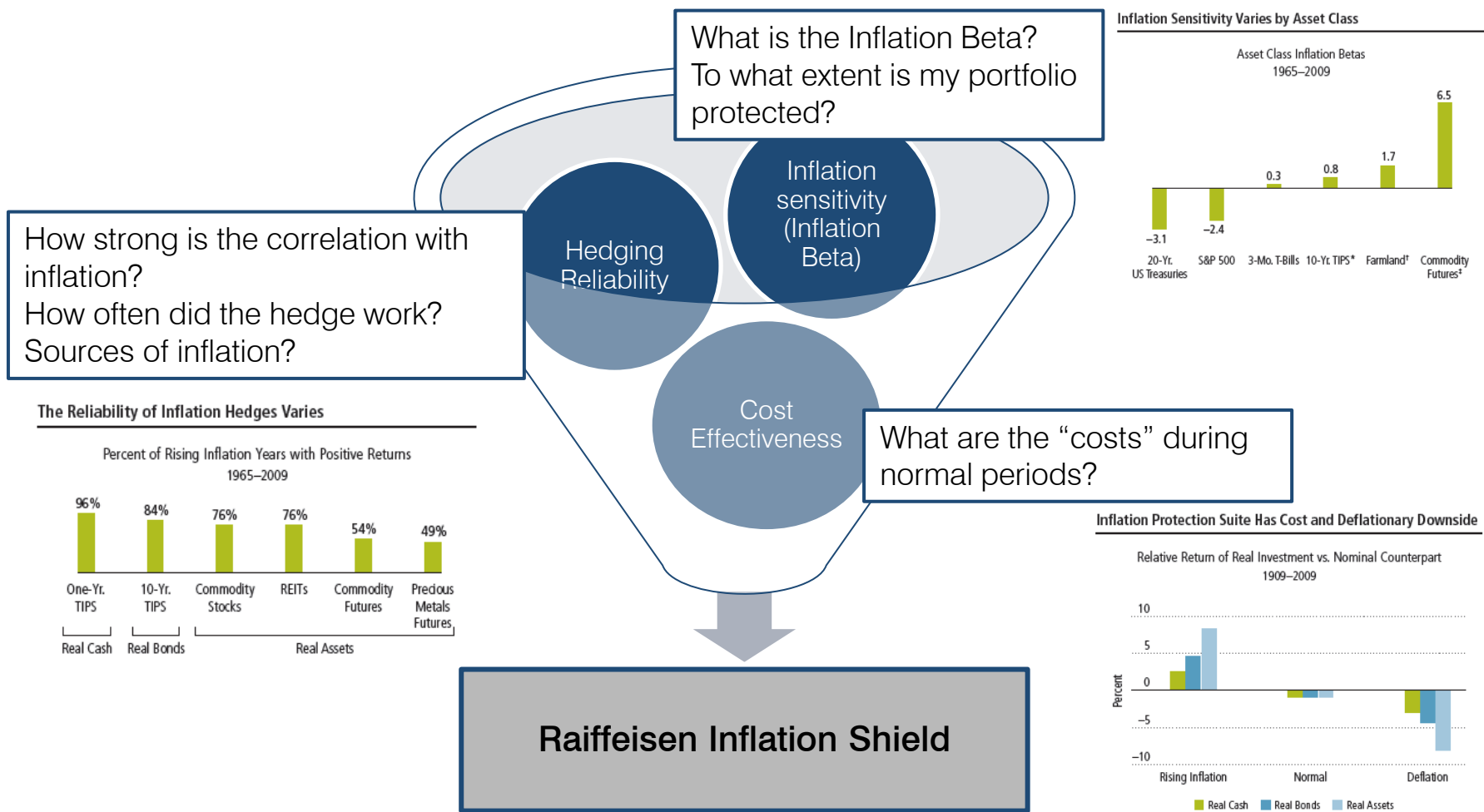


- RISD = Real Risk „building block“ within Strategic Asset Allocation
- Different sources of inflation protection (long and long/short strategies)
- Portfolio weights based on risk contribution

Risk Contribution = Relative Contribution to portfolio volatility, based on long term estimates

Source: Raiffeisen KAG

How to Choose the Right Assets?

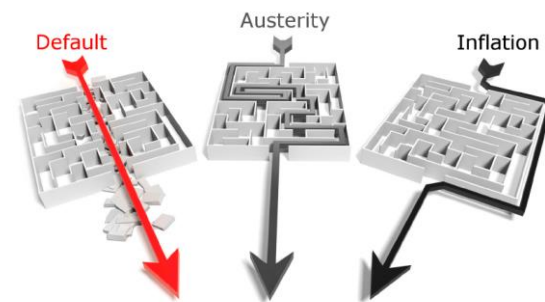
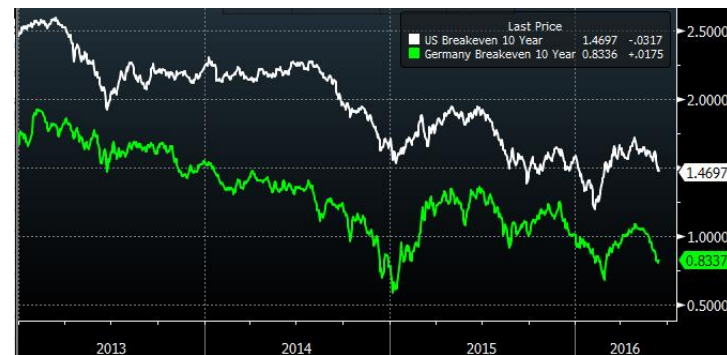


Source: Raiffeisen KAG, AllianceBernstein, April 2010

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Inflation Strategies - Examples

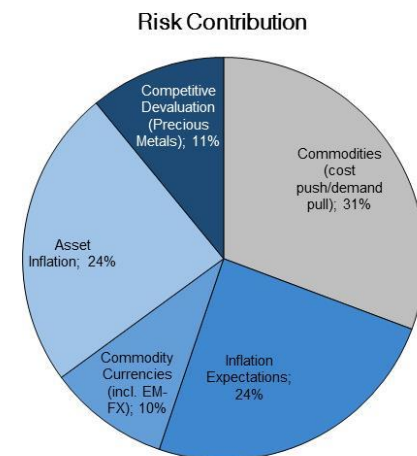
- Inflation expectations
 - Long inflation linked bonds (duration hedged)
 - Gain from increasing inflation expectations
- Commodities
 - Supply shocks or demand driven
 - Commodity Currencies & EM Currencies
- Asset inflation
 - Thematic equity investments
 - Companies with high pricing power
 - Resource companies, Agribusiness
- Competitive devaluation
 - Precious Metals
 - Tolerance for higher inflation



Source: Raiffeisen KAG, Bloomberg L.P., June 2016; Picture Sources: Threadneedle, June 2013; Societe Generale, 2010

Current Asset & Risk Allocation

Asset class	Implementation	Current Exposure
Precious Metals	derivative	5,0%
Inflation Linked Bonds	cash	88,0%
Money Market Futures	derivative	-30,0%
Fixed Income Futures	derivative	-76,0%
Currencies (Commodity Countries, EM, USD)	derivative	18,0%
Equity Relative Value	cash & derivative	3,5%
Equity Thematic	cash & derivative	6,0%
Commodities (exkl. Precious Metals)	derivative	8,5%



Source: Raiffeisen KAG, as of June 2016

Note: All data is indicative for the strategic model portfolio; actual exposures and risk weights in the fund might deviate; risk contribution based on long term risk and correlation estimates as of June 2016

Recent Changes to the Portfolio

- Increased Industrial Metals and Energy in February (commodity exposure)
 - Capital expenditures cut back aggressively
 - Financial stress for energy companies (e.g. bankruptcies of US-frackers)
 - Mine closures and asset sales
 - Rebalancing of the global oil market progressing
 - Low prices lead to higher demand – e.g. US gasoline demand
- Increased Energy Equities
 - Energy sector with sharp underperformance vs. broad market
 - Attractive valuations and free cash flows improving
 - Switch out of defensive sectors (with pricing power) into energy sector
- Regional shift within the inflation linked bonds (BE trade)
 - Increased US inflation linked bonds vs. UK- and EUR-Inflation
 - Inflation Momentum in the US seems to pick up (base effects from oil prices, strong USD fading out, first signs of wage pressure)

=> *Increase of the “Inflation Beta” of the portfolio to take advantage of the attractive valuations*

Agenda

- Inflation Protection – Why?
- Investment Process & Current Positioning
- Inflation Protection @ Work

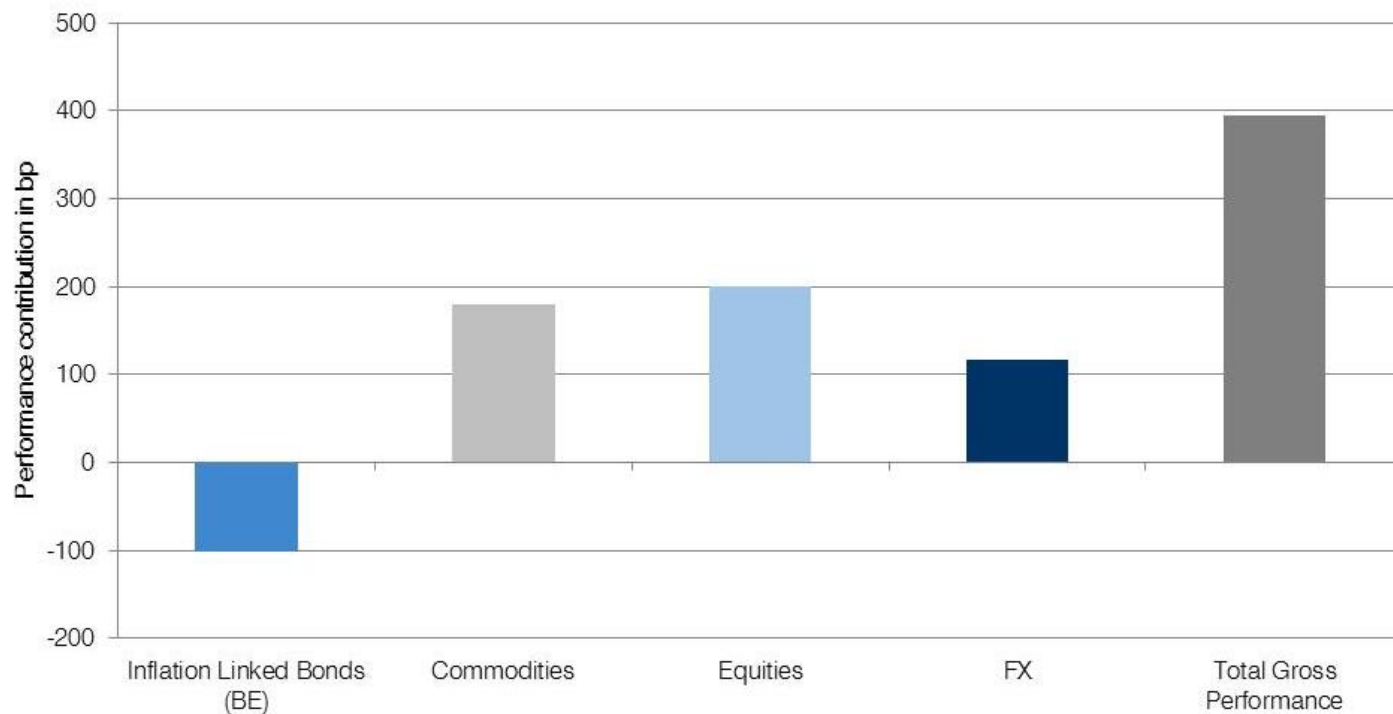
Inflation Protection @ Work

✓ Inflation Beta
 ✓ Hedging Reliability
 - Inflation Protection Costs



Source: Raiffeisen KAG, Bloomberg Finance L.P.; Raiffeisen-Inflation-Shield (RISD) Gross Return since inception to June 16, 2016

Performance Contribution 2016



Notes:

- All performance figures (returns as well as contributions) are presented gross of fees in basis points from 30 December 2015 to 15 June 2016
- Performance is measured from month-end to month-end without looking through subfunds.
- Performance figures are based on the overall fund portfolio (i.e., over all share classes).

Source: Raiffeisen KAG, own calculation, gross in bp, 15 June 2016, 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.

Why Raiffeisen Inflation Shield?

- Raiffeisen Inflation Shield provides portfolio diversification in an inflationary/stagflationary environment
 - **Portfolio diversification (especially for heavily bond loaded portfolios)**
 - **Inflation forecasts are more about the past than the future**
 - **Inflation protection currently very cheap**
- The Fund provides a purer „inflation beta“ compared to inflation linked bonds (which are exposed to nominal interest rate risk)
- Broadly diversified solution for the scenario of increasing inflation
- Portfolio does well in rising inflation rate environment but is sensitive to deflationary shocks!
- As any other investment, the Raiffeisen Inflation Shield is exposed to risk, e.g. capital market risks and volatility.

Raiffeisen Capital Management is the brand of:

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Raiffeisen Salzburg Invest Kapitalanlage GmbH

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