

# Raiffeisen European SmallCap

## **Annual fund report**

Financial year 2010-2011

**Note:**

The audit opinion issued by KPMG Austria GmbH only applies for the full German-language version.

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# Report for the financial year from 1 August 2010 to 31 July 2011

The fund mainly invests in small and medium cap stocks in Europe, focusing on the EMU area, issued by companies in a wide variety of sectors with high long-term growth potential. The fund is subject to very strong price fluctuations and marginal currency fluctuations but offers exceptional potential returns.

## General fund information

Tranche	Launch date	ISIN
ISIN income-distributing (R) (A)	25/7/2003	AT0000638986
ISIN income-retaining (R) (T)	25/7/2003	AT0000638994
ISIN full income-retaining (outside Austria) (R) (V)	28/10/2003	AT0000639000
ISIN full income-retaining (outside Austria) (I) (V)	1/2/2011	AT0000A0LQ44
ISIN savings fund income-distributing (R) (A)	25/7/2003	AT0000639018
ISIN savings fund income-retaining (R) (T)	25/7/2003	AT0000639026

## Fund characteristics

Fund currency:	EUR
Financial year:	1 August – 31 July
Distribution/payment/reinvestment date:	15 October
EU directive compliance:	EU directive-compliant (public fund investing pursuant to § 20 of the Austrian Investment Fund Act)
Fund type:	Target fund (up to 10 % subfunds)
Target group:	Public fund
Custodian bank:	Raiffeisen Bank International AG <sup>1</sup>
Asset management company:	Raiffeisen Kapitalanlage-Gesellschaft m. b. H. Schwarzenbergplatz 3, A-1010 Vienna Tel. +43 1 71170-0, Fax +43 1 71170-1092 www.rcm.at Companies register number: 83517 w
Fund management:	Raiffeisen Kapitalanlage-Gesellschaft m. b. H.
Auditor:	KPMG Austria GmbH

<sup>1</sup> On 10 October 2010 Raiffeisen Bank International AG assumed the commercial customer business previously handled by Raiffeisen Zentralbank Österreich AG (including its custodian bank function) by way of universal succession.

## Specific fund information during the financial year

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Change of custodian bank: to 9 October 2010: Raiffeisen Zentralbank Österreich AG

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### Legal notice

The current version of the published prospectus (excluding special funds) – plus any amendments since its initial publication – is available to potential investors at [www.rcm.at](http://www.rcm.at).

All data and information has been compiled and checked with the greatest care. No liability or guarantee can be assumed for the recentness, correctness and completeness of the information provided. We consider the sources used to be reliable. The software used performs calculations on the basis of more than the two decimal places displayed. Minor discrepancies cannot be ruled out due to further calculations using published results.

The value of a unit is calculated by dividing the entire value of the investment fund inclusive of its income by the number of units. The total value of the investment fund is calculated on the basis of the current market prices of the securities, money market instruments and subscription rights in the fund plus the value of the fund's financial investments, cash holdings, credit balances, receivables and other rights net of its payables. That value will be calculated by the custodian bank.

The net assets are calculated in accordance with the following principles:

- a) In principle, the value of assets quoted or traded on a stock market or on another regulated market will be determined on the basis of the most recently available price.
- b) Where an asset is not quoted or traded on a stock market or another regulated market or where the price for an asset quoted or traded on a stock market or another regulated market does not appropriately reflect its actual market value, the prices provided by reliable data providers or, alternatively, market prices for equivalent securities or other recognized valuation methods shall be used.

Dear unit holder,

Raiffeisen Kapitalanlage-Gesellschaft m. b. H. is pleased to present its annual fund report for Raiffeisen European SmallCap for the financial year from 1 August 2010 to 31 July 2011.

## Fund details in EUR

	31/7/2010	31/7/2011
Fund assets	70,533,125.82	70,170,501.72
Net asset value/unit (R) (A)	148.26	162.56
Issue price/unit (R) (A)	155.67	170.69
Net asset value/unit (R) (T)	151.19	167.33
Issue price/unit (R) (T)	158.75	175.70
Net asset value/unit (R) (V)	155.11	171.65
Issue price/unit (R) (V)	162.87	180.23
Net asset value/unit (I) (V)	-	172.50
Issue price/unit (I) (V)	-	181.13
	15/10/2010	17/10/2011
Distribution/unit (R) (A)	1.48	1.63
Outpayment/unit (R) (T)	0.00	0.15
Reinvestment/unit (R) (T)	0.00	0.00
Reinvestment/unit (R) (V)	0.00	0.00
Reinvestment/unit (I) (V)	-	4.23

The distribution will occur free-of-charge at the fund's paying agents. Payment will be made by the custodian banks.

## Units in circulation

	(R) A	(R) T	(R) V	(I) V
Units in circulation on 31/7/2010	38,408.758	310,133.390	115,697.712	-
Sales	3,298.475	92,671.916	14,846.729	10.000
Repurchases	- 9,083.501	- 120,937.543	- 27,444.511	0.000
Units in circulation	32,623.732	281,867.763	103,099.930	10.000
<b>Total units in circulation on 31/7/2011</b>				<b>417,601.425</b>

## Fund details in EUR for last 5 financial years

The performance calculation assumes wholesale reinvestment of distributed/paid-out amounts at their net asset value on the distribution/payment date. Pursuant to the terms of the 2007 Austrian Securities Supervision Act, no indication is provided for a performance of less than twelve months. We apologize for any inconvenience.

<b>Distributing units (R)</b>	<b>31/7/2007</b>	<b>31/7/2008</b>	<b>31/7/2009</b>	<b>31/7/2010</b>	<b>31/7/2011</b>
Total fund assets	174,676,465.31	94,980,897.63	68,370,256.61	70,533,125.82	70,170,501.72
Net asset value/unit	252.24	165.98	122.64	148.26	162.56
Distribution	2.50	1.10	0.79	1.48	1.63
Performance as %	36.92	- 33.53	- 25.46	21.55	10.66

<b>Reinvested units (R)</b>	<b>31/7/2007</b>	<b>31/7/2008</b>	<b>31/7/2009</b>	<b>31/7/2010</b>	<b>31/7/2011</b>
Total fund assets	174,676,465.31	94,980,897.63	68,370,256.61	70,533,125.82	70,170,501.72
Net asset value/unit	254.30	168.40	124.51	151.19	167.33
Amount used for reinvestment	19.13	15.46	0.00	0.00	0.00
Outpayment as per § 13 (3) InvFG	0.94	1.03	0.15	0.00	0.15
Performance as %	36.92	- 33.53	- 25.46	21.55	10.66

<b>Fully reinvested units (R)</b>	<b>31/7/2007</b>	<b>31/7/2008</b>	<b>31/7/2009</b>	<b>31/7/2010</b>	<b>31/7/2011</b>
Total fund assets	174,676,465.31	94,980,897.63	68,370,256.61	70,533,125.82	70,170,501.72
Net asset value/unit	257.54	171.19	127.61	155.11	171.65
Amount used for full reinvestment	20.31	16.75	0.00	0.00	0.00
Performance as %	36.92	- 33.53	- 25.46	21.55	10.66

<b>Fully reinvested units (I)</b>	<b>31/7/2011</b>
Total fund assets	70,170,501.72
Net asset value/unit	172.50
Amount used for full reinvestment	4.23
Performance as %	-

The performance is calculated by Raiffeisen Kapitalanlage-Gesellschaft m. b. H. using the method developed by OeKB (Österreichische Kontrollbank AG), on the basis of data supplied by the custodian bank (where outpayment of the redemption price is suspended, with use of indicative values). Individual costs such as the subscription and redemption fees, other fees, commission and other charges are not included in the performance calculation. They would lead to a reduced performance. Past results do not permit any inferences as to the future performance of an investment fund. Note for investors whose domestic currencies differ from the fund's currency: We would like to point out that the yield may rise or fall due to currency fluctuations.

## Development of the fund assets and income statement in EUR

### Performance in financial year (fund performance)

#### Distributing units (R)

Net asset value per unit at start of financial year	148.26
Distribution on 15/10/2010 (net asset value: EUR 159.03) of EUR 1.48, corresponds to 0.0093 units	
Net asset value per unit at end of financial year	162.56
Total value incl. units purchased through distribution (1.0093 x 162.56)	164.07
Net income/net reduction per unit	15.81

#### Reinvested units (R)

Net asset value per unit at start of financial year	151.19
Net asset value per unit at end of financial year	167.33
Net income/net reduction per unit	16.14

#### Fully reinvested units (R)

Net asset value per unit at start of financial year	155.11
Net asset value per unit at end of financial year	171.65
Net income/net reduction per unit	16.54

**Performance of one unit during the financial year as %** **10.66**

#### Fully reinvested units (I) (from 1/2/2011)

Net asset value per unit at start of short financial year	183.41
Net asset value per unit at end of short financial year	172.50
Net income/net reduction per unit	- 10.91

### Development of fund assets

<b>Fund assets on 31/7/2010 (464,239.860 units)</b>	<b>70,533,125.82</b>
Distribution on 15/10/2010 (EUR 1.48 x 36,298.085 distributing units)	- 53,721.17
Issuance of units	19,185,619.12
Redemption of units	- 27,488,674.74
Pro rata income adjustment	115,979.93
<b>Overall fund result</b>	<b>7,878,172.76</b>
<b>Fund assets on 31/7/2011 (417,601.425 units)</b>	<b>70,170,501.72</b>

## Fund result in EUR

### A. Realized fund result

#### Ordinary fund result

<b>Income (excl. closing price)</b>		
Interest income	14,933.44	
Interest expenses	- 831.04	
Dividend income (incl. dividend equivalent)	1,857,355.82	<b>1,871,458.22</b>
<b>Expenses</b>		
Management fees	- 1,570,957.63	
Custodian bank fees	- 70,743.14	
Auditing expenses	- 5,520.00	
Tax consulting fees	- 2,400.00	
Custodian fee	- 30,725.03	
Other fees	- 15,210.55	<b>- 1,695,556.35</b>
<b>Ordinary fund result (excl. income adjustment)</b>		<b>175,901.87</b>
<b>Realized closing price</b>		
Profits realized from securities	4,635,683.52	
Losses realized from securities	- 5,461,833.60	
<b>Realized closing price (excl. income adjustment)</b>		<b>- 826,150.08</b>
<b>Realized fund result (excl. income adjustment)</b>		<b>- 650,248.21</b>

### B. Unrealized closing price

Change in unrealized closing price	<b>8,644,400.90</b>
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### C. Income adjustment

Income adjustment for income during financial year	171,120.67	
Income adjustment during financial year for profit carryovers	- 287,100.60	<b>- 115,979.93</b>
<b>Overall fund result</b>		<b>7,878,172.76</b>

## Appropriation of the fund result in EUR

Distribution (EUR 1.63 x 32,623.732 distributing units (R))		53,176.68
Outpayment as per § 13 clause 3 InvFG (EUR 0.15 x 281,867.763 reinvested units (R))		42,280.16
Reinvested amount (R) (reinvestment)		0.00
Reinvested amount (R) (full reinvestment)		0.00
Reinvested amount (I) (full reinvestment)		42.29
<b>Total</b>		<b>95,499.13</b>
Realized fund result (incl. income adjustment)		- 766,228.14
<b>Asset-based loss and expense allowance</b>		<b>485,556.43</b>
Profit carryover from previous year	1,898,707.82	
Profit carryover into following period	1,522,536.98	376,170.84
<b>Total</b>		<b>95,499.13</b>

## Capital market report

Events in the month of July seamlessly followed on from the various adverse factors which shaped the 1<sup>st</sup> half of the year. This included the political upheavals in several North African countries and the associated rise in the price of oil and the natural disaster in Japan and the resulting nuclear contamination. The public debt problem also continues to recurrently flare up and the Eurozone countries continue to diverge strongly in terms of their economic performance. German industry increased its output by an average of 10 % in the 1<sup>st</sup> half of the year while Spanish industry is stagnating. The economic situation in Portugal, Ireland and Greece is even worse. The USA has also reported disappointing economic data since June, and the publication of its 2<sup>nd</sup>-quarter GDP figures and the simultaneous adjustment of its growth data for the past few years have given rise to fears of a new recession. On the basis of the revised figures, economic output grew by just 0.4 % (quarterly, annualized) in the 1<sup>st</sup> quarter and by 1.3 % in the 2<sup>nd</sup> quarter. The growth rates already reported for the period from 2008 to 2010 also underwent a significant further downward adjustment. According to these new figures, the USA has not yet been able through its economic output to make up entirely for the collapse which it suffered due to the financial crisis. The outlook for the 2<sup>nd</sup> half of the year has also clouded over according to the key business climate index, the ISM. America's central bank has not been in any hurry to raise key interest rates in this context, but it still wound up quantitative easing II in June as planned. In contrast, the European Central Bank has already raised key interest rates twice this year by 25 basis points to the current 1.5 %. Some of the emerging markets are still struggling with higher inflation rates which are attributable to strong economic growth as well as high food and energy prices. Accordingly, the central banks of China, India and Brazil, for instance, have significantly tightened up their monetary policies through interest-rate hikes as well as higher minimum reserves. These countries have also allowed their currencies to appreciate against the US dollar. The latest figures thus indicate a weakening growth trend in these economies, too, which mainly reflects weakening export demand.

In Europe, fears of Greece's potential bankruptcy diminished in June as new funds were made available and a package reducing Greece's debt burden was issued. However, this quickly gave way to fears concerning Italy's situation and caused a new rise in yield markups within the Eurozone. In contrast, German Bund bonds were close to their most recent highs but American government bonds also recorded strong inflows and the US dollar gained significantly against the euro. The Swiss franc remains the quintessential crisis currency and has appreciated 11 % against the euro since the start of the year.

The stock markets performed well in the 1<sup>st</sup> half of the year – aside from the Fukushima-related crisis – but came under selloff pressure in late July. This was despite the fact the 2<sup>nd</sup>-quarter reporting season in the USA yielded better-than-expected results for 75 % of companies. The reporting season in Europe was also positive but only 50 % of its companies provided positive surprises.

Following an underperformance in the 1<sup>st</sup> quarter, from the 2<sup>nd</sup> quarter onwards the emerging markets stock markets roughly matched the developed stock markets' performance but recorded significantly stronger fluctuations in some cases.

Corporate bonds outperformed government bonds until the debt crisis once again flared up severely. However, in the past two months corporate bonds have been unable to match German government bonds' performance and risk premiums have risen.

## Report on the fund's investment policy

Raiffeisen European SmallCap marginally outperformed the MSCI EMU Small Cap Index over the course of the year. The fund achieved growth of 10.66 % while the index rose by 9.16 %. The fund fared better in the 1<sup>st</sup> half of the year than in the 2<sup>nd</sup> half. It achieved an outperformance of 3 % in the 1<sup>st</sup> half but fell slightly short of the benchmark in the 2<sup>nd</sup> half. In the 2<sup>nd</sup> half of the year concerns over the economy returned, triggered by the excessive debt levels of Europe and the USA. In the 1<sup>st</sup> half of the year the fund achieved growth of 21 % but underwent a 7 % correction in the 2<sup>nd</sup> half of the year.

The outperformers in the 1<sup>st</sup> half of the year were the underperformers in the 2<sup>nd</sup> half of the year. TGS Nopec, Schoeller Bleckmann, Wood Group, Nokian Tyres, Fugro, Gerry Weber, Nemetschek, and Umicore were outperformers throughout the year. Oil service stocks and commodities were particularly strong. The fund also benefited from two takeovers, Tognum and Demag Cranes. Bekaert, Vallourec, Skanska, RHI, and Prosegur underperformed. In regional terms, Europe's peripheral markets were underperformers.

## Makeup of fund assets in EUR

Securities	Market value	%
Equities:		
EUR	61,345,209.98	87.43
GBP	1,917,921.43	2.73
CHF	1,625,886.76	2.32
NOK	1,614,842.08	2.30
SEK	1,160,072.34	1.65
<b>Total equities</b>	<b>67,663,932.59</b>	<b>96.43</b>
Subscription rights:		
EUR	98.00	0.00
Warrants:		
EUR	12,840.00	0.02
Real estate investment trusts:		
EUR	552,648.24	0.79
<b>Total securities</b>	<b>68,229,518.83</b>	<b>97.24</b>
<b>Bank balances</b>		
Bank balances in fund currency	1,939,146.32	2.76
Bank liabilities in foreign currency	- 13,553.91	- 0.02
<b>Total bank balances</b>	<b>1,925,592.41</b>	<b>2.74</b>
<b>Accruals and deferrals</b>		
Interest claims (on securities and bank balances)	1,152.98	0.00
Dividends receivable	14,237.50	0.02
<b>Total accruals and deferrals</b>	<b>155,390.48</b>	<b>0.02</b>
<b>Total fund assets</b>	<b>70,170,501.72</b>	<b>100.00</b>

## Portfolio of investments in EUR

Dates indicated for securities refer to the issue and redemption dates. An issuer's right of premature redemption (where applicable) is not specified. The securities marked with a "Y" have an open-ended maturity.

ISIN	SECURITY TITLE	VOLUME 29/7/2011	PURCHASES ADDITIONS IN PERIOD UNDER REVIEW	SALES DISPOSALS	PRICE	MARKET VALUE IN EUR	% SHARE OF FUND ASSETS
<b>EQUITIES IN SWISS FRANCS</b>							
CH0100837282	KARDEX NAM.	3,422		15,578	19.000000	56,635.89	0.08
CH0038388911	SULZER NAM.	9,000			119.100000	933,710.80	1.33
CH0002088976	VALORA HLDG NA	3,000	1,500		243.200000	635,540.07	0.91
<b>EQUITIES IN EURO</b>							
NL0000852564	AALBERTS IND. NV	44,943		30,000	13.405000	602,460.92	0.86
DE0005408116	AAREAL BANK AG	40,600	11,600	7,000	20.800000	844,480.00	1.20
IT0001207098	ACEA S.P.A.	40,296			6.720000	270,789.12	0.39
AT0000603709	AGRANA BET.AG STAMM.O.N.	5,000			84.660000	423,300.00	0.60
EE3100034653	ARCO VARA AS	10,000	10,000		4.517000	45,170.00	0.07
NL0000334118	ASM INTL N.V.	30,000			20.440000	613,200.00	0.87
IT0003261069	ASTALDI S.P.A.	121,211			4.368000	529,449.65	0.76
AT0000969985	AT+S AUST. TECH.SYS.O.N.	52,277			12.690000	663,395.13	0.95
IT0003261697	AZIMUT HLDG S.P.A.	31,158		70,000	5.720000	178,223.76	0.25
BE0974258874	BEKAERT P.S.	15,000	15,000		48.195000	722,925.00	1.03
AT00000BENE6	BENE INH. AKT. O.N.	155,400		20,000	1.590000	247,086.00	0.35
NL0000339703	BETER BED HLDG	28,000	6,000		17.475000	489,300.00	0.70
NL0000335578	BINCKBANK N.V.	83,750			9.635000	806,931.25	1.15
IT0001050910	BREMBO S.P.A.	57,000		20,000	9.605000	547,485.00	0.78
NL0000343432	BRUNEL INTL NV	17,000	17,000		29.865000	507,705.00	0.72
IT0001347308	BUZZI UNICEM	52,000	25,000		8.040000	418,080.00	0.60
FI0009013429	CARGOTEC CORP. B	17,000			26.500000	450,500.00	0.64
DE0005407100	CENIT AG O.N.	35,000		5,000	5.001000	175,035.00	0.25
IT0000080447	CIR ORD.	260,000			1.645000	427,700.00	0.61
ES0117160111	CORP. FIN. ALBA INH.	15,700			37.330000	586,081.00	0.84
IT0003849244	DAVIDE CAMPARI-MIL.	100,000			5.865000	586,500.00	0.84
NL0009294552	DELTA LLOYD N.V.	55,000	55,000		15.350000	844,250.00	1.20
DE000A1KRMM9	DEMAG CRANES AG Z.VERK.	18,000	18,000		45.275000	814,950.00	1.16
DE0007480204	DEUTSCHE EUROSHOP AG O.N.	9,186	1,020		26.870000	246,827.82	0.35
GRS294003009	DUTY FREE SHOPS	78,668	78,669	1	9.250000	727,679.00	1.04
ES0112501012	EBRO FOODS NOM.	30,000	60,000	30,000	13.520000	405,600.00	0.58
GRS191213008	ELLAKTOR S.A.NAM.	118,824		50,000	2.700000	320,824.80	0.46
ES0130960018	ENAGOS INH.	24,000			15.880000	381,120.00	0.54
GRS359353000	EYDAP S.A. INH	48,495			4.310000	209,013.45	0.30
AT0000911805	FLUGHAFEN WIEN AKT. O.N.	10,500			34.915000	366,607.50	0.52
DE000A0Z2ZZ5	FREENET AG NA	150,000	170,000	20,000	8.360000	1,254,000.00	1.79
GRS346153000	FRIGOGLOSS NA	37,950			9.550000	362,422.50	0.52
NL0000352565	FUGRO NV CVA NAM.	21,058			54.520000	1,148,082.16	1.64
ES0143416115	GAMESA CORP.TEC.I.	18,161	151		5.143000	93,402.02	0.13
GRS145003000	GEK TERNA S.A.	35,000			1.900000	66,500.00	0.09
IT0001480323	GEMINA S.P.A.	700,468			0.715500	501,184.85	0.71
DE0003304101	GERRY WEBER INTERNAT.O.N.	45,552	25,276	18,000	23.190000	1,056,350.88	1.51
IE00B00MZ448	GRAFTON GROUP PLC UTS	152,300			2.965000	451,569.50	0.64
GRS419003009	GREEK O.FOOTB.INH	47,400			11.160000	528,984.00	0.75
DE0005865901	GRENKELEASING AG O.N.	30,710		5,000	42.105000	1,293,044.55	1.84
FR0000072910	GROUPE STERIA SCA INH.	42,478			17.665000	750,373.87	1.07
ES0130625512	GRUPO EMP.ENCE INH.	128,500	40,000		2.535000	325,747.50	0.46
DE000A0S8488	HAMBURG.HAFEN U.LOG.A-SP	14,000			28.275000	395,850.00	0.56
DE0008402215	HANN.RUECKVER.AG NA O.N.	21,000			36.280000	761,880.00	1.09
FR0000066755	HAULOTTE GROUP INH.	38,980			12.990000	506,350.20	0.72
GRS395363005	HELLENIC EXCHANGES SA NAM	79,540			4.800000	381,792.00	0.54
IT0001250932	HERA S.P.A.	210,000			1.400000	294,000.00	0.42
FR0000120859	IMERYS SA INH.	18,240			45.350000	827,184.00	1.18
IT0001413837	IMMSI S.P.A.	464,000			0.793500	368,184.00	0.53
PTIPROAM0000	IMPRESA SGPS SA NOM.	75,000		70,000	0.590000	44,250.00	0.06
NL0006055329	IMTECH N.V.	63,230			22.740000	1,437,850.20	2.05
IT0000076197	INDESIT COMPANY	60,800			5.455000	331,664.00	0.47
DE0007162000	K+S AG O.N.	12,000			55.770000	669,240.00	0.95

ISIN	SECURITY TITLE	VOLUME 29/7/2011	PURCHASES ADDITIONS IN PERIOD	SALES DISPOSALS UNDER REVIEW	PRICE	MARKET VALUE IN EUR	% SHARE OF FUND ASSETS
<b>EQUITIES IN EURO</b>							
NL0009432491	KON. VOPAK NV	38,862	4,000		34.785000	1,351,814.67	1.93
FI0009005870	KONECRANES OYJ O.N.	37,950		10,000	22.130000	839,833.50	1.20
NL0000337319	KONINK.BAM GP TOON.	100,064	20,479		3.959000	396,153.38	0.57
FR0000050353	LISI SA INH.	14,500			69.990000	1,014,855.00	1.45
IT0004251689	MAIRE TECNIMONT SPA ,34	50,000			1.141000	57,050.00	0.08
FR0000051070	MAUREL ET PROM INH.	30,000			16.235000	487,050.00	0.69
FR0000039620	MERSEN S.A. INH.	30,852			38.210000	1,178,854.92	1.68
GRS426003000	MOTOR OIL (HELL.)	26,700		2,500	7.840000	209,328.00	0.30
DE000A0D9PT0	MTU AERO ENGINES NA O.N.	25,000	25,000		51.090000	1,277,250.00	1.82
DE0006452907	NEMETSCHEK AG O.N.	50,500		2,500	31.450000	1,588,225.00	2.26
FR0000044448	NEXANS INH.	20,934		4,000	61.780000	1,293,302.52	1.84
FI0009005318	NOKIAN RENKAAT OYJ	20,000		10,000	32.760000	655,200.00	0.93
NL0000375400	NUTRECO N.V.	24,975	654	15,000	47.910000	1,196,552.25	1.71
BE0003876936	NYRSTAR	59,500	44,500		9.475000	563,762.50	0.80
ES0142090317	OBRASCON INH.	30,000			22.510000	675,300.00	0.96
FI0009002422	OUTOKUMPU OY A	30,100			7.535000	226,803.50	0.32
AT0000758305	PALFINGER AKT.O.N.	8,800		18,000	23.800000	209,440.00	0.30
GRS014013007	PIRAEUS BANK	44,054			0.900000	39,648.60	0.06
FR0000124570	PLASTIC OMNIUM INH.	18,540	18,540	21,180	24.500000	454,230.00	0.65
FI0009003222	POHJOLA BK A	43,500			8.380000	364,530.00	0.52
AT0000APOST4	POST AG AKT.O.N.	10,000			20.985000	209,850.00	0.30
ES0175438235	PROSEGUR NOM.	26,900			32.910000	885,279.00	1.26
GRS434003000	PUBL.POWER GR.INH.	32,200			8.700000	280,140.00	0.40
DE0006969603	PUMA SE	1,760			219.250000	385,880.00	0.55
IT0003828271	RECORDATI SPA	58,948		20,000	7.625000	449,478.50	0.64
PTREL0AM0008	REN-REDES ENERGET.	70,000			2.320000	162,400.00	0.23
DE0007030009	RHEINMETALL AG	10,800		4,000	59.340000	640,872.00	0.91
AT0000676903	RHI AG AKTIEN O.N.	54,257	12,000		18.880000	1,024,372.16	1.46
DE0007042301	RHOEN-KLINIKUM O.N.	62,666	10,000		17.525000	1,098,221.65	1.57
NL0000360618	SBM OFFSHORE N.V.	25,537			16.965000	433,235.21	0.62
AT0000946652	SCHOELLER-BL.OIL	20,900		14,000	67.860000	1,418,274.00	2.02
PTSEM0AM0004	SEMAPA SGPS NAM.	81,433			7.000000	570,031.00	0.81
ES0178165017	TECNICAS REUNIDAS	8,000			30.780000	246,240.00	0.35
FR0000051807	TELEPERFORMANCE INH.	49,000			20.855000	1,021,895.00	1.46
BE0003555639	TESSENDERLO CHEM. P.S.	13,000			28.050000	364,650.00	0.52
GRS428003008	THES. WATER S.+S.	124,170			4.330000	537,656.10	0.77
GRS074083007	TITAN CEMENT NAM.	9,560			14.600000	139,576.00	0.20
DE000A1KRPA7	TOGNUM AG Z.VERK.	29,992	29,992		25.800000	773,793.60	1.10
GRS492003009	TT HELLENIC POSTBANK S.A.	47,400			2.560000	121,344.00	0.17
ES0132945017	TUBACEX INH.	130,000			2.230000	289,900.00	0.41
BE0003884047	UMICORE S.A. NEW	18,210		4,000	36.030000	656,106.30	0.94
NL0000389096	UNIT4	26,400			23.520000	620,928.00	0.89
NL0000354488	USG PEOPLE N.V.	72,485	953		10.420000	755,293.70	1.08
FR0000120354	VALLOUREC INH.	12,432		3,000	69.990000	870,115.68	1.24
AT0000746409	VERBUND KAT.A O.N.	23,000	30,000	7,000	29.090000	669,070.00	0.95
FR0000031577	VIRBAC SA	7,500			123.610000	927,075.00	1.32
DE0007667107	VOSSLOH AG O.N.	3,810		2,500	88.200000	336,042.00	0.48
DE0007507501	WASHTEC AG O.N.	52,621			10.410000	547,784.61	0.78
DE000A0CAYB2	WINCOR NIXDORF O.N.	17,000	6,000		43.790000	744,430.00	1.06
NL0000395903	WOLTERS KLUWER NAM.	50,625	50,625		14.600000	739,125.00	1.05
FI0009800643	YIT OYJ	29,200			15.510000	452,892.00	0.65
AT0000837307	ZUMTOBEL AG AKT.O.N.	35,000		20,000	16.900000	591,500.00	0.84
<b>EQUITIES IN BRITISH POUNDS</b>							
GB0007365546	CARILLION PLC	50,667	667		3.685000	213,222.06	0.30
GB00B0HZP136	GREENE KING PLC	130,000	130,000		4.908000	728,647.29	1.04
GB00B5N0P849	JOHN WOOD GR.	70,000	70,000		6.785000	542,397.08	0.77
GB00B079W581	MICRO FOCUS INTERNATIONAL	130,000	130,000		2.921000	433,655.00	0.62
<b>EQUITIES IN NORWEGIAN CROWNS</b>							
NO0010227036	CAMILLO EITZEN + CO.	74,250			5.990000	57,502.33	0.08
NO0010019649	EDB ERGOGROUP ASA	107,000		20,000	12.700000	175,691.05	0.25
NO0003078800	TGSNOP.GEOPHYSICAL	67,000		10,000	159.500000	1,381,648.70	1.97
<b>EQUITIES IN SWEDISH CROWNS</b>							
SE0000102378	BETSSON AB B	10,000	10,000		149.000000	164,306.82	0.23
SE0000163594	SECURITAS AB B FR.	140,000	140,000		64.500000	995,765.52	1.42

ISIN	SECURITY TITLE	VOLUME 29/7/2011	PURCHASES ADDITIONS IN PERIOD UNDER REVIEW	SALES DISPOSALS IN PERIOD UNDER REVIEW	PRICE	MARKET VALUE IN EUR	% SHARE OF FUND ASSETS
<b>SUBSCRIPTION RIGHTS IN EURO</b>							
BE0005644183	NYRSTAR NV STRIP WVPR	24,500	24,500		0.004000	98.00	0.00
<b>WARRANTS IN EURO</b>							
FR0010897082	ETABL.MAUREL+PROM BDS14	30,000			0.428000	12,840.00	0.02
<b>REAL ESTATE INVESTMENT TRUSTS IN EURO</b>							
GRS491003000	EUROBANK PROP.REAL EST.I.	99,756		100,000	5.540000	552,648.24	0.79
<b>TOTAL SECURITIES PORTFOLIO</b>					<b>EUR</b>	<b>68,229,518.83</b>	<b>97.24</b>
<b>BANK BALANCES</b>							
EUR BALANCES		EUR	1,939,146.32				
LIABILITIES IN OTHER EU CURRENCIES							
NOK		EUR	-13,553.91		EUR	1,925,592.41	2.74
<b>ACCRUALS AND DEFERRALS</b>							
INTEREST CLAIMS		EUR	1,152.98				
DIVIDENDS RECEIVABLE		EUR	14,237.50		EUR	15,390.48	0.02
<b>TOTAL FUND ASSETS</b>					<b>EUR</b>	<b>70,170,501.72</b>	<b>100.00</b>
<b>NET ASSET VALUE PER UNIT</b>							
TRANCHE R INCOME-DISTRIBUTING					EUR	162.56	
TRANCHE R INCOME-RETAINING					EUR	167.33	
TRANCHE R FULL INCOME-RETAINING					EUR	171.65	
TRANCHE I FULL INCOME-RETAINING					EUR	172.50	
<b>UNITS IN CIRCULATION</b>							
TRANCHE R INCOME-DISTRIBUTING					UNITS	32,623.732	
TRANCHE R INCOME-RETAINING					UNITS	281,867.763	
TRANCHE R FULL INCOME-RETAINING					UNITS	103,099.930	
TRANCHE I FULL INCOME-RETAINING					UNITS	10.000	
<b>EXCHANGE RATES</b>							
FOREIGN CURRENCY ASSETS WERE CONVERTED INTO EUR ON THE BASIS OF THE EXCHANGE RATES APPLICABLE ON 28/7/2011:							
<b>CURRENCY</b>	<b>UNIT</b>	<b>PRICE</b>					
SWISS FRANC	1 EUR =	1.148000	CHF				
BRITISH POUND	1 EUR =	0.875650	GBP				
NORWEGIAN CROWN	1 EUR =	7.734600	NOK				
SWEDISH CROWN	1 EUR =	9.068400	SEK				

SECURITIES PURCHASES AND SALES DURING THE PERIOD UNDER REVIEW NOT LISTED UNDER THE PORTFOLIO OF ASSETS:

ISIN	SECURITY TITLE	PURCHASES ADDITIONS	SALES DISPOSALS
<b>EQUITIES IN SWISS FRANCS</b>			
CH0012324627	SWISSLOG HLDG NA		381,778
<b>EQUITIES IN DANISH CROWNS</b>			
DK0060083210	DAMPSKIBSS. NORDEN		9,300
DK0060082915	TORM A/S NAM.		19,800
<b>EQUITIES IN ESTONIAN CROWNS</b>			
EE3100034653	ARCO VARA AS		10,000
<b>EQUITIES IN EURO</b>			
ES0105200416	ABENGOA INH.		29,300
NL0000350106	ACCELL GRP NV CVA		3,144
IL0010837248	ADVANCED VISION T. IS 2		26,788
NL0000339760	BE SEMICON.INDS INH.		38,360
BE0003780948	BEKAERT P.S.		5,000
FR0000120164	CGG VERITAS SA INH.		8,085
GRS104003009	COCA COLA HELL.BO.		11,600
AT0000697750	CONWERT IMMO. AKT. O.N.		15,035
DE000DCAG010	DEMAG CRANES AG		18,000
DE000A0HN5C6	DEUTSCHE WOHNEN AG INH		19,000
BE0003669802	DIETEREN P.S.		871
GRS294183009	DUTY FREE SHOP		30,868
LU0011904405	ESPIRIT.SAN.FINL GRP		38,100
ES0171996012	GRIFOLS SA INH.		15,000
DE000A0EQ578	HELMA EIGENHEIMBAU AG		1,559
FI0009006308	HKSCAN OYJ A		12,900
DE0006335003	KRONES AG O.N.		8,800
DE0006204407	KUKA AG		22,800
NL0009103530	MEDIQ N.V. A		16,000
PTMENOAE0005	MOTA-ENGIL INH.		166,219
FI0009013296	NESTE OIL CORP.		19,000
AT0000625108	OBERBANK STAMMAKT. O.N.		10,400
DE0006764749	PFLIEDERER AG		27,000
AT0000606306	RAIFF.BK.INT. AG INH.AKT.		5,600
FI0009003552	RAUTARUUKKI OY		10,500
PTSON0AM0001	SONAE S.A. NAM.		280,000
DE0007251803	STADA ARZNEIMITT.VNA O.N.		18,000
DE000A0N4P43	TOGNUM AG		39,992
FR0005691656	TRIGANO SA INH.		9,350
FR0000130338	VALEO SA INH.		10,500
FR0000125684	ZODIAC AEROSPACE		14,606
<b>EQUITIES IN BRITISH POUNDS</b>			
GB0006872096	INNOVATION GRP PLC		340,000
GB0031575839	JOHN WOOD GROUP		130,000
<b>EQUITIES IN HUNGARIAN FORINT</b>			
HU0000061726	ORSZAGOS TAKAR. KER.BK RT		21,000
<b>EQUITIES IN NORWEGIAN CROWNS</b>			
NO0003097503	AKVA GROUP ASA		10,000
NO0005668905	TOMRA SYSTEMS ASA		50,000
IL0010838154	VIZRT LTD.		125,610
<b>EQUITIES IN SWEDISH CROWNS</b>			
SE0001852419	LINDAB AB		56,500
SE0000113250	SKANSKA AB B FRIA		64,300
SE0000120669	SSAB AB -B- FRIA		22,200
<b>EQUITIES IN EURO</b>			
GRS287003016	FOLLIFOLLIE NAM		42,488
<b>EQUITIES IN BRITISH POUNDS</b>			
GB00B4LKZ230	JOHN WOOD N.C.IRR.PREF.C	90,000	90,000

ISIN	SECURITY TITLE	PURCHASES ADDITIONS	SALES DISPOSALS
<b>EQUITIES IN SWEDISH CROWNS</b>			
SE0002423814	BETSSON REDEMPT.CL.B	10,000	10,000
<b>SUBSCRIPTION RIGHTS IN EURO</b>			
DE000A1KRLB4	AAREAL BANK AG BZR	29,000	29,000
DE000A1E8NX7	DEUTSCHE EUROSHOP AG BZR	8,166	8,166
ES0643416912	GAMESA CORP.TEC. -ANR.-	18,010	18,010
NL0009704659	KONINK.BAM GP TOON.-ANR.-	79,585	79,585
NL0009539212	NUTRECO N.V. -ANR.W.D.-	35,321	35,321
BE0970124278	NYRSTAR -ANR.-	35,000	35,000
GRX014003024	PIRAEUS BANK -ANR.-	44,054	44,054
NL0009704592	WOLTERS KLUWER-ANR.WAHL.-	15,000	15,000
<b>SUBSCRIPTION RIGHTS IN NORWEGIAN CROWNS</b>			
NO0010591134	EDB ERGOGROUP ASA	69,850	69,850


Raiffeisen Kapitalanlage-Gesellschaft m. b. H. complies with the quality standards of the Association of Austrian Investment Companies (*Vereinigung Österreichischer Investmentgesellschaften, VÖIG*).

Vienna, 14 October 2011

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

  
 Dr. Mathias Bauer

  
 Mag. (FH) Dieter Aigner

  
 Mag. Gerhard Aigner

## Audit opinion

### Unqualified audit opinion

We have audited the annual fund report including the accounting as of 31 July 2011 issued by Raiffeisen Kapitalanlage-Gesellschaft m. b. H., Vienna, for its fund Raiffeisen European SmallCap, a jointly owned fund as per § 20 of the Austrian Investment Fund Act, for the financial year from 1 August 2010 to 31 July 2011. The annual fund report was prepared on the basis of the legal situation applicable as of the balance-sheet date pursuant to the 1993 Austrian Investment Fund Act (InvFG), as amended.

### Responsibility of the statutory representatives for the annual fund report, management of the asset portfolio and the accounting

The statutory representatives of the management company/the custodian bank are responsible for the accounting, valuation of the asset portfolio, calculation of withholding taxes, preparation of the annual fund report and management of the asset portfolio in accordance with the provisions of the Austrian Investment Fund Act, the supplementary provisions in the fund regulations and the tax regulations. This responsibility includes the setup, execution and maintenance of an internal control system where this is significant for the registration and valuation of the asset portfolio and preparation of the annual fund report so that this report is free from significant factual misstatements due to intentional or unintentional errors; selection and application of suitable valuation methods; performance of estimates which appear appropriate with consideration of the applicable outline conditions.

### Responsibility of the bank auditor and description of the type and scope of the statutory audit of the annual fund report

We are responsible for providing an audit opinion for this annual fund report on the basis of our audit.

We performed our audit pursuant to § 49 para. 5 of the Austrian Investment Fund Act whilst complying with the applicable Austrian statutory regulations and principles of proper balance-sheet auditing. These principles require our compliance with rules of professional conduct and our planning and execution of the audit so that we are able to form an opinion with a reasonable degree of certainty on whether the annual fund report is free from significant factual misstatements.

An audit includes the performance of audit activities to obtain documentation of the figures and other disclosures in the annual fund report. The audit activities are chosen at the discretion of the bank auditor, with consideration of its assessment of the risk of significant factual misstatements due to intentional or unintentional errors. In performing the risk assessment, the bank auditor gives consideration to the internal control system where this is of significance for preparation of the annual fund report and valuation of the asset portfolio, so as to specify suitable audit activities with consideration of the applicable outline conditions. No audit opinion is provided on the effectiveness of the internal control measures implemented by the management company and the custodian bank, however. The audit also includes an assessment of the appropriateness of the valuation methods used and the key estimates made by the statutory representatives as well as an evaluation of the overall statement provided in the annual fund report.

In our opinion we have obtained sufficient and suitable documentation for our audit, so that it provides an adequate degree of certainty on which to base our judgment.

### **Audit outcome**

Our audit has not met with any objections. On the basis of our audit findings, in our view the annual fund report as of 31 July 2011 for Raiffeisen European SmallCap, a jointly owned fund as per § 20 of the Austrian Investment Fund Act, complies with the statutory regulations.

### **Compliance with the Austrian Investment Fund Act and the fund regulations**

Pursuant to § 49 para. 5 InvFG our audit includes an assessment of whether this annual fund report complies with the Austrian Federal Act on Investment Funds (Austrian Investment Fund Act) and the fund regulations. We have implemented our audit in accordance with the above principles, so that we are able to determine with a sufficient level of certainty whether this annual fund report complies with the provisions of the Austrian Investment Fund Act and the fund regulations.

According to our audit findings, the provisions of the Austrian Federal Act on Investment Funds (Austrian Investment Fund Act) and the fund regulations have been complied with.

### **Report on activities performed during the past financial year**

We have undertaken a critical assessment of the disclosures provided by the management company's management in the annual fund report on its activities in the past financial year, but these were not subject to special audit activities in accordance with the above principles. Accordingly, our audit opinion does not include an evaluation of this information. In the context of the overall picture set out in this annual fund report, the disclosures concerning the financial year are consistent with the figures provided in the report.

Vienna, 14 October 2011

KPMG Austria GmbH, auditing and tax consulting company

Wilhelm Kovsca  
Auditor

pp. Franz Frauwallner  
Auditor

## **Tax treatment**

Please see our website [www.rcm.at](http://www.rcm.at) for detailed information on the fund's tax treatment, prepared on the basis of the audited annual fund report.

## Fund regulations

governing the legal relationship between the unit holders and Raiffeisen Kapitalanlage-Gesellschaft m.b.H., Vienna (hereafter: “the asset management company”) for the investment fund managed by the asset management company; these regulations shall apply in conjunction with the special fund regulations for the relevant investment fund.

### § 1 Basic situation

The asset management company is subject to the currently applicable version of the 1993 Austrian Investment Fund Act (“InvFG”).

### § 2 Fund units

1. Co-ownership of the assets of the investment fund is subdivided into equal fund units for each unit certificate class. There is no limit to the number of fund units.
2. The fund units are embodied in unit certificates with the character of financial instruments. In accordance with the special fund regulations, pursuant to § 5 para. 7 InvFG the unit certificates may be issued in multiple certificate classes (unit classes, tranches), particularly in respect of the appropriation of income, the subscription fee, the redemption fee, the currency of the unit value, the management fee or a combination of these items. The unit certificates shall be represented by global certificates (§ 24 of the currently applicable version of the Austrian Safe Custody of Securities Act) and/or by actual securities for each unit certificate class.
3. Each purchaser of a unit certificate in a given class shall acquire co-ownership aliquot of all of the fund's assets in the amount of his or her share of the investment fund units documented in the certificate. Each purchaser of a share of a global certificate shall acquire co-ownership aliquot of all of the investment fund's assets in the amount of his or her share of the fund units documented in the certificate.
4. With the consent of its supervisory board, the asset management company may split the fund units and issue additional unit certificates to the unit holders or exchange the old unit certificates for new ones if a unit split is deemed to be in the interests of the co-owners given the calculated value of the units (§ 6).

### § 3 Unit certificates and global certificates

1. Unit certificates are issued to bearer.
2. The global certificates shall bear the actual signatures of an executive or an authorized employee of the custodian bank and the actual or duplicate signatures of two executives of the asset management company.
3. The actual securities shall bear the actual signature of an executive or an authorized employee of the custodian bank and the actual or duplicate signatures of two executives of the asset management company.

### § 4 Management of the investment fund

1. The asset management company shall be entitled to dispose of the assets of the investment fund and to exercise the rights associated with these assets. The company shall act on its own behalf for account of the unit holders. In these activities the asset management company shall safeguard the unit holders' interests and the integrity of the market, use the care and diligence of an orderly businessman within the meaning of § 84 para. 1 of the Austrian Companies Act and observe the provisions of the Austrian Investment Fund Act as well as the fund regulations.  
The asset management company may involve third parties in the management of the investment fund and cede to these third parties the right to dispose of the assets on behalf of the asset management company or on their own behalf and for account of the unit holders.
2. The asset management company may not grant money loans or enter into any liabilities under a surety or guarantee agreement for account of an investment fund.
3. Other than in the cases stipulated in the special fund regulations, assets of the investment fund may not be pledged or otherwise encumbered or given in security or assigned.  
§ 4 para. 2 InvFG does not preclude the investment fund's grant of collateral in connection with derivative products pursuant to § 21 InvFG 1993, irrespective of whether such collateral is granted in the form of sight deposits, money market instruments or securities.
4. The asset management company may not for account of an investment fund sell any securities, money market instruments or other financial investments as per § 20 InvFG which do not form part of the fund assets at the time of the transaction.

### § 5 Custodian bank

The custodian bank (§ 13) appointed as per § 23 of the Austrian Investment Fund Act shall administer the cash accounts and securities accounts of the investment fund and exercise all other functions transferred to it in accordance with the Austrian Investment Fund Act and the fund regulations.

## § 6 Issuance and unit value

1. Whenever units are issued or redeemed, but at least twice a month the custodian bank shall calculate the value of a unit (unit value) for each unit certificate class and publish the issue and redemption prices (§ 7).  
The value of a unit in a given unit certificate class is calculated by dividing the value of the unit certificate class by the number of units issued in this unit certificate class.  
At the first-time issuance of units of a given unit certificate class, their value will be calculated on the basis of the value determined for the overall investment fund.  
Subsequently, the value of a unit certificate class will be calculated on the basis of the total pro rata net assets which are held by the investment fund and calculated for this unit certificate class.  
The total value of the investment fund is calculated on the basis of the current market prices and the fund's securities and subscription rights plus the value of the investment fund's money market instruments and financial investments, cash holdings, credit balances, receivables and other rights net of its liabilities. This value shall be calculated by the custodian bank.  
The market prices shall be calculated pursuant to § 7 (1) InvFG on the basis of the most recent stock exchange quotations and/or fixings.
2. The issue price shall be the unit value plus a markup for each unit to cover the issuing costs of the asset management company. The resulting price shall be rounded up. The amount of this markup or rounding-up is indicated in the special fund regulations (§ 23).  
The asset management company shall be entitled to introduce a graduated subscription fee.  
Please see the prospectuses for further details.
3. Pursuant to § 18 InvFG in connection with § 10 para. 3 of the Austrian Capital Market Act, the issue price and the redemption price shall be published electronically for each unit certificate class on the Internet website of the issuing asset management company ([www.rcm.at](http://www.rcm.at)).

## § 7 Redemption

1. At the request of a unit holder, his unit shall be redeemed out of the investment fund at the applicable redemption price, if appropriate against surrender of the unit certificate, those income coupons which are not yet due and the renewal certificate.
2. The redemption price shall be calculated on the basis of the value of a unit less any markdown and/or a rounding-off where this is stipulated in the special fund regulations (§ 23).  
The asset management company shall be entitled to introduce a graduated redemption fee.  
Please see the prospectuses for further details.  
If extraordinary circumstances exist that make it seem necessary – whilst taking into consideration the unit holders' legitimate interests – distributions at the redemption price and the calculation and publication of the redemption price as per § 6 may be temporarily suspended and made subject to the sale of investment fund assets and receipt of the proceeds from their sale if the Austrian Financial Market Authority is simultaneously notified and a relevant publication is made pursuant to § 10. Investors shall also be notified of the recommencement of redemption of unit certificates pursuant to § 10.  
This shall in particular be the case if 5 per cent or more of the investment fund's assets have been invested in assets whose market value manifestly and not just in individual cases fails to correspond to their fair value due to the current political or economic situation.

## § 8 Accounting

1. The asset management company shall publish an annual fund report in accordance with § 12 of the Austrian Investment Fund Act within four months of the expiry of the investment fund's accounting year.
2. The asset management company shall publish a semi-annual fund report in accordance with § 12 of the Austrian Investment Fund Act within two months of the expiry of the first six months of the investment fund's accounting year.
3. The annual and semi-annual fund reports shall be made available for inspection at the offices of the asset management company and the custodian bank and published on the website of the asset management company ([www.rcm.at](http://www.rcm.at)).

## § 9 Withdrawal period for income shares

Unit holders' entitlement to the distribution of income shares shall become time-barred after five years. After this period, such income shares shall be treated as income of the investment fund.

**§ 10 Publication**

§10 para. 3 and para 4 of the Austrian Capital Market Act shall apply in respect of all publications concerning the unit certificates except for the notice of the values calculated pursuant to § 6.

Publications shall occur either through the printing in full of such documents in the "Amtsblatt zur Wiener Zeitung" (Official Gazette) or else by making available free-of-charge a sufficient number of copies of this publication at the offices of the asset management company and the payment offices and announcing in the "Amtsblatt zur Wiener Zeitung" (Official Gazette) the date of publication and offices where this public announcement may be obtained or, pursuant to § 10 para. 3 item 3 of the Austrian Capital Market Act in electronic form on the website of the issuing asset management company.

Notifications pursuant to § 10 para. 4 of the Austrian Capital Market Act shall be made in the "Amtsblatt zur Wiener Zeitung" (Official Gazette) or in a newspaper circulated throughout Austria.

For prospectus changes pursuant to § 6 para. 2 InvFG, the notification pursuant to § 10 para. 4 of the Austrian Capital Market Act may merely be provided in electronic form on the website of the issuing asset management company.

**§ 11 Amendment to the Fund Regulations**

With the consent of its supervisory board and the custodian bank, the asset management company may amend the fund regulations.

Such amendment shall also require the approval of the Austrian Financial Market Authority. Such amendment shall be published. It shall come into force on the date indicated in the public announcement, but not earlier than three months since the public announcement.

**§ 12 Termination and liquidation**

1. The asset management company may terminate (§ 14 para. 2 InvFG) its management of the investment fund by providing a public announcement (§ 10) after obtaining the consent of the Austrian Financial Market Authority and whilst observing a notice period of at least six months (§ 14 para. 1 InvFG) or, if the fund assets are less than EUR 1,150,000, without observing a notice period. A termination pursuant to § 14 para. 2 InvFG shall not be permissible during a termination pursuant to § 14 para. 1 InvFG.
2. In case of the expiry of the right of the asset management company to manage the investment fund, this fund shall be managed or wound up in accordance with the relevant provisions of the Austrian Investment Fund Act.

**§ 12a Merger or transfer of fund assets**

Whilst observing § 3 para. 2 and § 14 para. 4 of the Austrian Investment Fund Act, the asset management company may merge the fund assets of the investment fund with fund assets of other investment funds or transfer the fund assets of the investment fund to fund assets of other investment funds or incorporate fund assets of other investment funds into the fund assets of the investment fund.

# Special fund regulations

for Raiffeisen European SmallCap, a jointly owned fund as per § 20 of the Austrian Investment Fund Act (hereafter: “the investment fund”).

The investment fund complies with Directive 85/611/EEC.

## § 13 Custodian bank

The custodian bank is Raiffeisen Bank International Aktiengesellschaft\*, Vienna (registered office).

## § 14 Payment and handover offices, unit certificates, unit certificate classes

1. The payment and handover offices for the unit certificates and the income coupons are Raiffeisen Bank International Aktiengesellschaft\*, Vienna, the regional Raiffeisen banks and Kathrein & Co Privatgeschäftsbank Aktiengesellschaft, Vienna.
2. Unit certificates may be issued for the investment fund with a variety of different characteristics, particularly with regard to the appropriation of income, the subscription fee, the redemption fee, the currency of the unit value, the management fee or a combination of these items.  
The asset management company may decide to establish new unit certificate classes or to issue units in a given unit certificate class. Income-distributing unit certificates, income-retaining unit certificates with capital gains tax deducted and income-retaining unit certificates without capital gains tax deducted may be issued for the investment fund.  
The costs arising at the introduction of new unit certificate classes for existing asset portfolios shall be deducted from the unit prices of the new unit certificate classes.  
Investment instruments may only be acquired uniformly for the entire investment fund, not for an individual unit certificate class or for a group of unit certificate classes.  
However, this does not apply for currency hedge transactions. These transactions may only be entered into in relation to a single currency class. Expenses and income resulting from a currency hedge transaction shall exclusively be allocated to the relevant currency class.  
In particular, forward exchange transactions, currency futures, currency options and currency swaps shall be permitted as currency hedge transactions.  
Please see the prospectuses for further details.
3. Income-retaining unit certificates without deducted capital gains tax (foreign tranche) may only be sold outside Austria.  
The unit certificates shall be represented by global certificates and – at the discretion of the asset management company – by actual securities.
4. Where the unit certificates are represented by global certificates, the distributions as per § 26 and the outpayments as per § 27 shall be accredited by the unit holder’s custodian bank.

## § 15 Investment instruments and principles

1. In accordance with §§ 4, 20 and 21 of the Austrian Investment Fund Act and §§ 16ff of the fund regulations, all types of securities, money market instruments and other liquid financial investments may be purchased for the investment fund if the principle of risk spreading is thereby taken into account and the legitimate interests of the unit holders are not violated.
2. The investment fund’s various assets shall be selected in accordance with the following investment principles:
  - **Securities (including securities with embedded derivative instruments)**  
The investment fund mainly invests in equities or equity-equivalent securities issued by small cap companies with a market capitalization of up to EUR 5 billion which are headquartered or mainly active in Europe. The investment fund also invests in straight bonds and in convertible and warrant bonds.
  - **Money market instruments**  
Money market instruments may account for up to 49 per cent of the investment fund’s assets.
  - **Units in investment funds**  
In accordance with § 17 of the fund regulations, units may be purchased in other investment funds for the investment fund up to an amount of 10 per cent of the fund assets.

\* On 10 October 2010 Raiffeisen Bank International AG assumed the commercial customer business previously handled by Raiffeisen Zentralbank Österreich Aktiengesellschaft (including its custodian bank and paying agent functions) by way of universal succession.

– **Sight deposits or deposits at notice**

In principle, up to 25 per cent of the investment fund's assets may consist of sight deposits or deposits at notice with notice periods not exceeding 12 months. However, the investment fund may contain a larger proportion of sight deposits or deposits at notice with notice periods not exceeding 12 months during fund portfolio restructuring or in order to lessen the effect of potential falls in prices for securities. No minimum bank balance is required.

– **Derivative instruments (including swaps and other OTC derivatives)**

As part of the investment scheme, derivative instruments are used to safeguard income, as a replacement for securities or to increase income. The overall risk for derivative instruments which are not held for hedging purposes is limited to 60 per cent of the overall net value of the fund assets.

3. If securities and money market instruments purchased for the investment fund have derivatives embedded in them, the asset management company shall take this into consideration with regard to its compliance with §§ 19 and 19a. Investments made by an investment fund in index-based derivatives shall not be taken into consideration in respect of the investment limits set out in § 20 para. 3 items 5, 6, 7 and 8d of the Austrian Investment Fund Act.
4. Not fully paid-in equities or money market instruments and subscription rights for such instruments or other not fully paid-in financial instruments may only be purchased up to an amount of 10 per cent of the fund assets.
5. Securities or money market instruments issued or guaranteed by a member state including its units of government, by a third country or by international organizations established under public law of which one or more member states are members may exceed 35 per cent of the fund assets if the fund assets are invested in at least six different issues, with an investment in any single issue not exceeding 30 per cent of the fund assets.

**§ 15a Securities and money market instruments**

**Securities** are

- a) Equities and other, equity-equivalent securities,
- b) Bonds and other securitized debt instruments,
- c) All other marketable financial instruments (e.g. subscription rights) which grant an entitlement to purchase financial instruments within the meaning of InvFG by means of subscription or exchange, with the exception of the techniques and instruments specified in § 21 InvFG.

The criteria laid down in § 1a para. 3 InvFG must be fulfilled in order to qualify as a security.

Within the meaning of § 1a para. 4 InvFG securities also include

1. units in closed funds in the form of an investment company or an investment fund,
2. units in closed funds in contractual form,
3. financial instruments in accordance with § 1a para. 4 item 3 InvFG.

**Money market instruments** are instruments normally traded on the money market which are liquid, whose value may be precisely determined at any time and which fulfill the requirements pursuant to § 1a para. 5 to 7 InvFG.

**§ 16 Stock exchanges and organized markets**

1. Securities and money market instruments may be purchased if they are
  - quoted or traded on a regulated market pursuant to § 2 item 37 of the Austrian Banking Act or
  - traded on another recognized and regulated securities market in a member state which is open to the public and operates regularly or
  - officially listed by a third country stock exchange listed in the Appendix or
  - traded on another recognized and regulated third country securities market which is open to the public and operates regularly and is listed in the Appendix or
  - their terms and conditions of issue include the obligation to apply for a license for official listing or for trading on one of the above-mentioned stock exchanges or for trading on one of the other above-mentioned markets and this license is granted within one year of the start of the issue of these securities.
2. Money market instruments which are not traded on a regulated market and which are freely transferable, are normally traded on a money market, are liquid and whose value may be determined precisely at any time and for which appropriate information is available – including information enabling an appropriate valuation of the credit risks associated with investing in such instruments – may be purchased for the investment fund if the issue itself or the issuer itself is subject to the provisions concerning protection of deposits and investors and these are either
  - issued or guaranteed by a central, regional or local unit of government or by the central bank of a member state, the European Central Bank, the European Union or the European Investment Bank, a third country or – for federal states – a member state of a federation or by an international institution established under public law of which at least one member state is a member or
  - issued by firms whose securities are traded on the regulated markets indicated in item 1 – excluding new issues – or

- issued or guaranteed by an institution which is subject to supervision in accordance with the criteria stipulated in Community law or issued or guaranteed by an institution which is subject to and complies with supervisory regulations which in the opinion of the Austrian Financial Market Authority are at least as stringent as those set out in Community law or
  - issued by other issuers belonging to a category licensed by the Austrian Financial Market Authority, where investor protection provisions apply for investments in these instruments which are equivalent to those set out in items a to c and where the issuer is either a company with shareholders' equity of at least EUR 10 m. which prepares and publishes its annual financial statements in accordance with the provisions set out in Directive 78/660/EEC or a legal entity which, within a business group comprising one or more stock exchange-listed companies, is responsible for the financing of this group or a legal entity which, in business, corporate or contractual form, is due to finance its securitization of liabilities through a credit line granted by a bank; such credit line must be guaranteed by a financial institution which itself fulfills the criteria specified in item 2 sec. 3.
3. Overall, up to 10 per cent of the fund assets may be invested in securities and money market instruments which do not comply with the conditions set out in items 1 and 2.

#### § 17 Units in investment funds

1. Units in investment funds (= investment funds and open-end investment companies) which comply with the provisions set out in Directive 85/611/EEC (UCITS) may be purchased where these funds do not invest more than 10 per cent of their assets in units in other investment funds.
2. Units in investment funds which do not comply with the provisions set out in Directive 85/611/EEC (UCI) and whose exclusive purpose is
  - for joint account and in accordance with the principle of risk spreading to invest publicly procured monies in securities and other liquid financial investments and
  - whose units are, at the request of the unit holders, repurchased or redeemed at the direct or indirect expense of the assets of the investment fund
 may be purchased for up to 10 per cent of the fund assets in total where
  - a) these funds do not invest more than 10 per cent of the fund assets in units in other investment funds and
  - b) they are licensed in accordance with legal provisions which make them subject to supervision which in the opinion of the Austrian Financial Market Authority is equivalent to supervision under Community law and there is an adequate guarantee of cooperation between the authorities and
  - c) the level of protection afforded the unit holders is equivalent to the level of protection afforded the unit holders in investment funds which comply with the provisions set out in Directive 85/611/EEC (UCITS) and, in particular, the provisions concerning separate safekeeping of the portfolio of assets, the take-up of loans, the extensions of loans and uncovered sales of securities and money market instruments are equivalent to the requirements set out in Directive 85/611/EEC and
  - d) the relevant business activity is the subject of annual and semi-annual reports which enable a judgment to be made as to the relevant assets and liabilities, income and transactions during the period under review.
 The criteria stated in § 3 of the Austrian Information and Equivalency Determination Ordinance (IG-FestV), as amended, shall be consulted for evaluation of the equivalency of the level of protection for unit holders within the meaning of item c).
3. Units may also be purchased for the investment fund in investment funds which are directly or indirectly managed by the same asset management company or by a company with which the asset management company is affiliated through joint management or subordination or a substantial direct or indirect investment.
4. Units in investment funds in accordance with § 17 item 1 in connection with § 17 item 2 of the fund regulations may be purchased for up to 10 per cent of the fund assets overall.

#### § 18 Sight deposits or deposits at notice

Bank balances in the form of sight deposits or deposits at notice with notice periods not exceeding 12 months may be held for the investment fund. No minimum bank balance is required. Bank balances may not exceed 25 per cent of the fund assets. However, the investment fund may contain a larger proportion of bank balances during fund portfolio restructuring or in order to lessen the effect of potential falls in security prices.

#### § 19 Derivatives

1. Derived financial instruments (derivatives) – including equivalent instruments which are settled in cash and traded on one of the regulated markets indicated in § 16 – may be purchased for the investment fund if the underlying instruments are instruments within the meaning of § 15a or financial indices, interest rates, exchange rates or currencies in which the investment fund is permitted to invest in accordance with its investment principles (§ 15). This also includes instruments for the transfer of the credit risk for the above-mentioned assets.

2. The overall risk associated with the derivatives may not exceed the overall net value of the fund assets. A calculation of this risk must take into consideration the market value of the underlying instruments, the default risk, future market fluctuations and the liquidity period for the positions.
3. The investment fund may purchase derivatives as part of its investment strategy within the limits stipulated in § 20 para. 3 items 5, 6, 7, 8a and 8d of the Austrian Investment Fund Act if the overall risk associated with the underlying instruments does not exceed these investment limits. The overall risk for derivative instruments which are not held for hedging purposes is limited to 60 per cent of the overall net value of the fund assets.

#### § 19a OTC derivatives

1. Derived financial instruments which are not traded on a stock exchange (OTC derivatives) may be purchased for the investment fund if
  - a) the underlying instruments are in accordance with § 19 item 1,
  - b) the counterparties are supervised institutions belonging to categories licensed by the Austrian Financial Market Authority by regulation,
  - c) the OTC derivatives are subject to reliable and verifiable daily valuation and at the initiative of the investment fund may at any time and at an appropriate current market value be sold, liquidated or balanced through an offsetting transaction and
  - d) these instruments are invested within the limits stipulated in § 20 para. 3 items 5, 6, 7, 8a and 8d InvFG and the overall risk associated with the underlying instruments does not exceed these investment limits.
2. The default risk for investment fund transactions involving OTC derivatives may not exceed the following levels:
  - e) if the counterparty is a credit institution, 10 per cent of the fund assets,
  - f) otherwise 5 per cent of the fund assets.

#### § 19b Value at risk

Not applicable.

#### § 20 Borrowing

The asset management company may take up short-term loans of up to 10 per cent of the fund assets for account of the investment fund.

#### § 21 Repos

Within the investment limits set out in the Austrian Investment Fund Act, the asset management company shall be permitted to purchase assets for account of the investment fund to be added to the fund's assets subject to an obligation on the seller to repurchase these assets at a predetermined time and for a predetermined price.

#### § 22 Securities lending

Within the investment limits laid down by the Austrian Investment Fund Act, the asset management company shall be entitled to transfer to third parties securities up to the amount of 30 per cent of the fund's assets within the framework of an acknowledged securities lending system and for a limited period, subject to the proviso that the third party shall be obliged to re-transfer the transferred securities after a predetermined loan period.

#### § 23 Issuance and redemption modalities

The unit value pursuant to § 6 shall be calculated in EUR or the currency of the unit certificate class.

The subscription fee to cover the company's issuing costs may not exceed 5 per cent.

For unit certificates of the investment fund sold outside Austria, to cover the issuing costs instead of the subscription fee a redemption fee of up to 5 per cent or a combination of a subscription fee and a redemption fee which may not exceed 5 per cent may be added to the calculated value.

The redemption price is based on the value of a unit.

Please see the prospectuses for further details.

Unit issuance shall not in principle be subject to limitation; however, the asset management company reserves the right temporarily or entirely to discontinue its issuance of unit certificates.

#### § 24 Accounting year

The investment fund's accounting year runs from August 1 through to July 31 of the following calendar year.

**§ 25 Management fee, reimbursement of expenses**

The asset management company shall receive for its management activity an annual remuneration of up to 2 per cent of the fund assets, calculated pro rata on the basis of the values at the end of each month.

The asset management company shall be entitled to introduce a graduated management fee.

Please see the prospectuses for further details.

The asset management company shall also be entitled to reimbursement for all expenses associated with its management of the fund, particularly costs associated with custodian bank fees, transaction costs, obligatory notices, custodian fees and auditing, consulting and fund report costs.

**§ 26 Appropriation of income in case of income-distributing unit certificates**

Once costs have been covered, the income received during the past accounting year (interest and dividends) may be distributed at the discretion of the asset management company, whilst taking into consideration the unit holders' legitimate interests. The distribution of income from the sale of assets of the investment fund including subscription rights shall likewise be at the discretion of the asset management company. A distribution from the fund assets is also permissible. In no case may the fund assets fall below EUR 1,150,000 through distributions. From October 15 of the following accounting year the amounts are to be distributed to the holders of income-distributing unit certificates, if appropriate against surrender of an income coupon. Any remaining balances shall be carried forward to a new account.

In any case, from October 15 an amount calculated in accordance with § 13 clause 3 InvFG shall be paid out, to be used where applicable to meet any capital gains tax commitments on the distribution-equivalent return on those unit certificates.

**§ 27 Appropriation of income in case of income-retaining unit certificates with capital gains tax deducted (income retention)**

Income during the accounting year net of costs shall not be distributed. Instead, from October 15 an amount calculated in accordance with § 13 clause 3 InvFG shall be paid out on income-retaining fund unit certificates to be used where applicable to meet any capital gains tax commitments on the distribution-equivalent return on those unit certificates.

**§ 27a Appropriation of income in case of income-retaining unit certificates without capital gains tax deducted (full income retention – domestic and foreign tranches)**

Not applicable.

**§ 27b Appropriation of income in case of income-retaining unit certificates without capital gains tax deducted (full income retention – foreign tranche)**

Income during the accounting year net of costs shall not be distributed. No payout as per § 13 clause 3 InvFG shall occur.

The asset management company shall ensure through appropriate proof from the custodians that at the time of the payout the unit certificates may only be held by unit holders who are either not subject to Austrian income or corporate income tax or who fulfill the requirements for an exemption as per § 94 of the Austrian Income Tax Act.

**§ 28 Liquidation**

Of the net liquidation proceeds, the custodian bank shall receive remuneration amounting to 0.5 per cent of the fund assets.

## Appendix to § 16

List of stock exchanges with official trading and organized markets

### 1. Stock exchanges with official trading and organized markets in the member states of the EEA

According to Article 16 of Directive 93/22/EEC (investment services in the securities field), each member state is obliged to maintain an up-to-date directory of its licensed markets. This directory is to be made available to the other member states and to the Commission. According to this provision, the Commission is obliged to publish once a year a directory of the regulated markets of which it has received notice.

Due to decreasing restrictions and to trading segment specialization, the directory of "regulated markets" is undergoing great changes. In addition to the annual publication of a directory in the official gazette of the European Communities, the Commission will therefore provide an updated version on its official internet site.

1.1 The current directory of regulated markets is available at:

[http://www.fma.gv.at/cms/site/attachments/0/9/6/CH0236/CMS1230557514954/27072009-liste\\_geregelte\\_maerkte.pdf](http://www.fma.gv.at/cms/site/attachments/0/9/6/CH0236/CMS1230557514954/27072009-liste_geregelte_maerkte.pdf)<sup>1</sup>  
in the "Verzeichnis der Geregelten Märkte (pdf)" ["Directory of Regulated Markets (pdf)"].

The following stock exchanges are to be included in the directory of Regulated Markets:

1.2.1 Luxembourg Euro MTF Luxembourg

1.3 Recognized markets in the EEA pursuant to § 20 para. 3 item 1 sec. b InvFG:

Markets in the EEA classified as recognized markets by the relevant supervisory authorities.

### 2. Stock exchanges in European states which are not members of the EEA

- |     |                       |   |
|-----|-----------------------|---|
| 2.1 | Bosnia & Herzegovina  | Sarajevo, Banja Luka                                |
| 2.2 | Croatia               | Zagreb Stock Exchange                               |
| 2.3 | Russia                | Moscow (RTS Stock Exchange)                         |
| 2.4 | Switzerland           | SWX Swiss Exchange                                  |
| 2.5 | Serbia and Montenegro | Belgrade  |
| 2.6 | Turkey                | Istanbul (for Stock Market, "National Market" only) |

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<sup>1</sup> The link may be modified by the Austrian Financial Market Authority (FMA). Please see the FMA's website, [www.fma.gv.at](http://www.fma.gv.at), for the current link, Providers, "Information on Providers within Austrian Financial Market", Stock Exchange, Overview, Downloads, Verzeichnis der Geregelten Märkte.

### 3. Stock exchanges in non-European states

3.1	Australia	Sydney, Hobart, Melbourne, Perth
3.2	Argentina	Buenos Aires
3.3	Brazil	Rio de Janeiro, Sao Paulo
3.4	Chile	Santiago
3.5	China	Shanghai Stock Exchange, Shenzhen Stock Exchange
3.6	Hong Kong	Hong Kong Stock Exchange
3.7	India	Bombay
3.8	Indonesia	Jakarta
3.9	Israel	Tel Aviv
3.10	Japan	Tokyo, Osaka, Nagoya, Kyoto, Fukuoka, Niigata, Sapporo, Hiroshima
3.11	Canada	Toronto, Vancouver, Montreal
3.12	Korea	Korea Exchange (Seoul, Busan)
3.13	Malaysia	Bursa Malaysia Berhad
3.14	Mexico	Mexico City
3.15	New Zealand	Wellington, Christchurch/Invercargill, Auckland
3.16	Philippines	Manila
3.17	Singapore	Singapore Stock Exchange
3.18	South Africa	Johannesburg
3.19	Taiwan	Taipei
3.20	Thailand	Bangkok
3.21	USA	New York, American Stock Exchange (AMEX), New York Stock Exchange (NYSE), Los Angeles/Pacific Stock Exchange, San Francisco/Pacific Stock Exchange, Philadelphia, Chicago, Boston, Cincinnati
3.22	Venezuela	Caracas
3.23	United Arab Emirates	Abu Dhabi Securities Exchange (ADX)

### 4. Organized markets in states which are not members of the European Community

4.1	Japan	Over the Counter Market
4.2	Canada	Over the Counter Market
4.3	Korea	Over the Counter Market
4.4	Switzerland	SWX Swiss Exchange, BX Berne Exchange; Over the Counter Market of the members of the International Securities Market Association (ISMA), Zurich
4.5	USA	Over the Counter Market in the NASDAQ System, Over the Counter Market (markets organized by NASD such as Over-the-Counter Equity Market, Municipal Bond Market, Government Securities Market, Corporate Bonds and Public Direct Participation Programs) Over-the-Counter-Market for Agency Mortgage-Backed Securities

**5. Stock exchanges with futures and options markets**

5.1	Argentina	Bolsa de Comercio de Buenos Aires
5.2	Australia	Australian Options Market, Australian Securities Exchange (ASX)
5.3	Brazil	Bolsa Brasileira de Futuros, Bolsa de Mercadorias & Futuros, Rio de Janeiro Stock Exchange, Sao Paulo Stock Exchange
5.4	Hong Kong	Hong Kong Futures Exchange Ltd.
5.5	Japan	Osaka Securities Exchange, Tokyo International Financial Futures Exchange, Tokyo Stock Exchange
5.6	Canada	Montreal Exchange, Toronto Futures Exchange
5.7	Korea	Korea Exchange (KRX)
5.8	Mexico	Mercado Mexicano de Derivados
5.9	New Zealand	New Zealand Futures & Options Exchange
5.10	Philippines	Manila International Futures Exchange
5.11	Singapore	The Singapore Exchange Limited (SGX)
5.12	Slovakia	RM System Slovakia
5.13	South Africa	Johannesburg Stock Exchange (JSE), South African Futures Exchange (SAFEX)
5.14	Switzerland	EUREX
5.15	Turkey	TurkDEX
5.16	USA	American Stock Exchange, Chicago Board Options Exchange, Chicago, Board of Trade, Chicago Mercantile Exchange, Comex, FINEX, Mid America Commodity Exchange, ICE Future US Inc. New York, Pacific Stock Exchange, Philadelphia Stock Exchange, New York Stock Exchange, Boston Options Exchange (BOX).