

**Raiffeisen fond udržitelného rozvoje,
otevřený podílový fond,
Raiffeisen investiční společnost a.s.**

**Annual Report
2016**

**Raiffeisen fond udržitelného rozvoje, otevřený podílový fond,
Raiffeisen investiční společnost, a.s.
ANNUAL REPORT 2016
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FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

I. General Part

Raiffeisen investiční společnosti a.s. (hereinafter the “Company”)

Company name: Raiffeisen investiční společnost a.s.
Legal status: joint stock company
Registered office: Hvězdova 1716/2b,
140 78 Prague 4 – Nusle
Czech Republic
Corporate ID: 29146739
Register of Companies: File No. B18837 held by the Municipal Court in Prague
Registered Capital: CZK 40 000 thousand
Shareholder: Raiffeisenbank a.s., Hvězdova 1716/2b, 140 78 Prague 4 - Nusle

Company profile

Raiffeisen investiční společnost a.s. is an investment company administering and managing the assets of Raiffeisen fond udržitelného rozvoje. The Company was incorporated on 21 December 2012. The Company obtained operation authorisation based on Decision of the Czech National Bank No. 2013/4256/570 of 9 April 2013 which took effect as of that date. The Company is a 100% subsidiary of Raiffeisenbank a.s.

The Company was incorporated on 21 December 2012 as a company fully owned by the sole shareholder, Raiffeisenbank a.s. The Company was established with the goal of expanding the product portfolio of Raiffeisenbank a.s. and thus increase the bank's market share. Within a few years, the Company has become a respected asset administrator operating in Central Europe.

Contacts

Tel: +420 800 900 900
Fax: +420 234 402 223
The Company's website: www.rfis.cz

List of managed funds as of 30 September 2016

As of 30 September 2016, the Company managed 13 open-ended mutual funds.

Standard funds

- Raiffeisen fond dluhopisových příležitostí (ISIN CZ0008473998, ISIN CZ0008474921)
- Raiffeisen fond dluhopisové stability (ISIN CZ0008474293)
- Raiffeisen fond dluhopisových trendů (ISIN CZ0008474376)
- Raiffeisen fond globálních trhů (ISIN CZ0008474442)
- Raiffeisen fond udržitelného rozvoje (ISIN CZ0008474400, CZ0008474434)
- Raiffeisen fond high-yield dluhopisů (ISIN CZ000847848)
- Raiffeisen fond flexibilního růstu (ISIN CZ0008474871)

Special funds

- Raiffeisen chráněný fond ekonomických cyklů (ISIN CZ0008474038)
- Raiffeisen chráněný fond americké prosperity (ISIN CZ0008474087)

- Raiffeisen privátní fond dynamický (ISIN CZ0008474350)
- Raiffeisen fond alternativní (ISIN CZ0008474368, ISIN CZ0008474954)
- Raiffeisen fond optimálního rozložení (ISIN CZ0008474731)

Qualified investor fund

- LEONARDO (ISIN CZ0008474525)

Pursuant to the Management Agreement between the Company and Raiffeisen Kapitalanlage – Gesellschaft m.b.H. of 1 July 2013, the Company managed the following foreign fund as of 30 September 2016:

- Raiffeisen-Czech-Click Fund II (ISIN AT0000A0QRK9)

**Raiffeisen fond udržitelného rozvoje, otevřený podílový fond (hereinafter the "Fund")
Annual Report for the Period from 1 January 2016 to 30 September 2016**

Currency:	CZK
ISIN capitalisation class:	CZ0008474400
ISIN regular investment class:	CZ0008474434
Nominal value of share certificates:	None
Fund format:	Open-ended mutual fund
Type of fund based on AKAT:	Mixed
Date of incorporation:	21 May 2014

Fund administrator

The fund is managed by Raiffeisen investiční společnost a.s. The Company did not enter into any agreement regulating the activity of the Fund's principal supporting entity under Sections 85-91 of Act No. 240/2013 Coll, on Investment Companies and Investment Funds.

Fund depository

Depository services are provided by UniCredit Bank Czech Republic and Slovakia, a.s., Corporate ID 64948242, with its registered office at Želetavská 1525/1, 140 92 Prague 4, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 3608. The Depository also ensured the custody of the Fund's assets in the reporting period.

Auditor

The Fund is audited by Deloitte Audit s.r.o., corporate ID 49620592, with its registered office at Karolinská 654/2, 186 00 Prague 8 - Karlín, recorded in the Register of Companies held by the Municipal Court in Prague, File C, Insert 24349.

Master fund

Raiffeisen-Nachhaltigkeitsfonds-Mix(ISIN AT0000785381), hereinafter the "Master Fund", with its registered office at Mooslackengasse 12, 1190 Vienna, Austria. The Master Fund is administered by Raiffeisen Kapitalanlage-Gesellschaft m.b.h., with its registered office at Mooslackengasse 12, 1190 Vienna, Austria. Identification no.: 83517w – Register of Companies held by the Commercial Court in Vienna (Austria). Further information on the Master Fund including the latest annual and semi-annual reports are available at www.rfis.cz.

Investment focus

The investment strategy of the Fund aims to attain a moderate capital growth (measured in CZK) by means of investments in securities issued by the Master Fund, amounting to no less than 85% of the value of the Fund's assets. A smaller portion of assets (no more than 15% of the total value) may comprise financial derivatives arranged solely for hedging purposes and receivables for the payment of financial resources from accounts in CZK or a foreign currency. The Fund was classified in risk group 4 based on the Synthetic Risk and Reward Indicator (SRRI).

Portfolio manager of the Fund

Martin Zezula

Education	Faculty of Finance and Accounting of the University of Economics, Prague
Courses/training	Broker licence, Ministry of Finance of the Czech Republic
Professional experience	20 years
Portfolio manager in RIS	since 17 June 2013

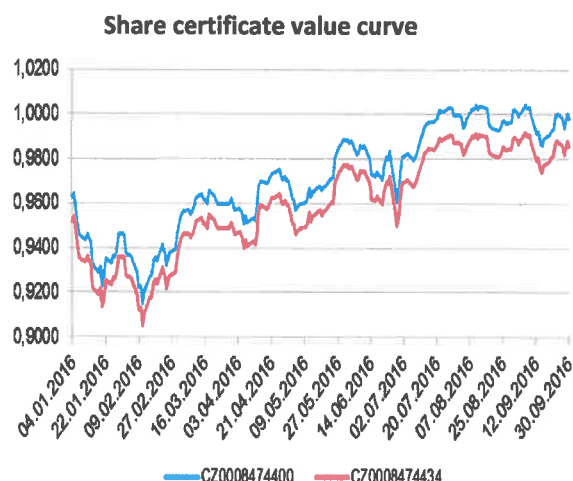
Commentary of the portfolio manager

Following the change in the Statute effective from 21 March 2016, the portfolio of Fond udržitelného rozvoje (former Fond pravidelných investic) was subject to complete restructuring in the last decade of March and the Fund started to make investments as the so-called feeder fund of the selected master fund – Raiffeisen-Nachhaltigkeitsfonds-Mix. This master fund (held in EUR) invests at least 51% of its assets in the shares of enterprises from, and bonds issued by, issuers residing in North America, Europe and Asia. It focuses on enterprises (issuers) classified as sustainable businesses based on social, environmental and ethical criteria; it does not invest in armament, Green Gene Technology and in businesses violating labour and human rights. The investments of Fond udržitelného rozvoje (primarily in CZK) in the master fund's investment units oscillated around 95% of assets over the course of the reporting period. Due to exceptionally favourable conditions for currency hedging in respect of CZK (additional revenue for the Fund), the majority of managed assets was secured against foreign exchange rate changes (as of 30 September 2016, approximately 81% of assets).

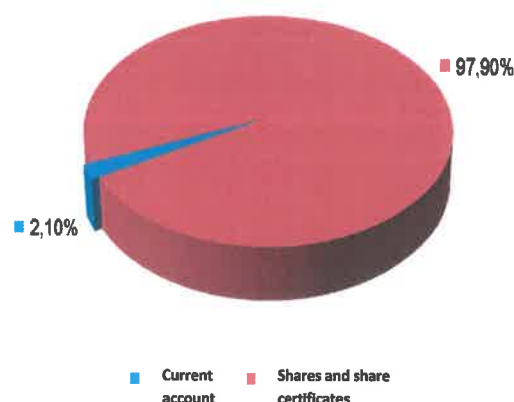
Financial indicators	30 Sep 2016	31 Dec 2015	31 Dec 2014
Profit / loss after tax (CZK '000)	11 979	(4 411)	(5 679)
CZ0008474400			
Mutual fund equity, in CZK	185 700	195 624	234 165
Equity per share certificate, in CZK	0,9976	0,9727	0,9822
Number of share certificates, in pieces	186 149 067	201 155 306	238 408 068
CZ0008474434			
Mutual fund equity, in CZK	295 189	173 524	98 031
Equity per share certificate, in CZK	0,9853	0,9620	0,9727
Number of share certificates, in pieces	299 584 690	180 379 677	100 779 052

Number of share certificates issued and redeemed in the period from 1 January 2016 to 30 September 2016

ISIN	Issued share certificates		Redeemed share certificates		BALANCE (+/-)	
	in pieces	in CZK '000	in pieces	in CZK '000	in pieces	in CZK '000
CZ0008474400	3 782 100	3 680	18 788 339	18 178	-15 006 239	-14 498
CZ0008474434	143 421 193	137 503	24 216 180	23 241	119 205 013	114 262



Asset composition



List of securities held in excess of 1% as of 30 September 2016

SECURITIES CURRENCY	COUNTRY	ISIN	SECURITY NAME	PURCHASE PRICE in CZK '000	FAIR VALUE in CZK '000	STAKE IN ASSETS in %
EUR	AT	AT0000785381	RAIFFEISEN NACHHLT.MIX.	453 769	471 427	97,64
TOTAL				453 769	471 427	97,64

Other material information according to Annex 2 to Regulation No. 244/2013 Coll.:

h) The Fund is a growth fund, ie all assets are reinvested.

g) In the reporting period, the Company did not participate in any legal dispute or arbitration proceedings on behalf of the Fund.

j) The Fund's investment activity carried out in the reporting period was in line with the investment strategy defined in the Fund's Statute and relevant legislation. The risk of financial derivatives involves a) the "basis" risk arising from different price developments of derivatives and hedging assets, b) counterparty default risk. The market value of financial derivatives a) for hedging purposes and the receivable for the payment of financial resources from accounts in CZK or a foreign currency may amount to no more than 50% of the value of the Fund's assets. Financial derivatives were arranged with UniCredit Bank Czech Republic and Slovakia, a.s.

In line with Article 13 (Section A of the Annex) of Regulation (EU) 2015/2365 of the European Parliament and of the Council, the Company states that no securities financing transactions (SFT) or total return swaps were performed in respect of the Fund in the reporting period.

II. Audit Report

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Raiffeisen fond udržitelného rozvoje, otevřený podílový fond, Raiffeisen investiční společnost, a.s.

Having its registered office at: Hvězdova 1716/2b, 140 78 Praha 4 - Nusle
Identification number: 291 46 739

We have audited the accompanying financial statements of Raiffeisen fond udržitelného rozvoje, otevřený podílový fond, Raiffeisen investiční společnost, a.s. prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as of 30 September 2016, the profit and loss account and the statement of changes in equity for the nine months then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

The Statutory Body of Raiffeisen investiční společnost a.s. is responsible for the preparation and fair presentation of these financial statements in accordance with accounting regulations applicable in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Raiffeisen fond udržitelného rozvoje, otevřený podílový fond, Raiffeisen investiční společnost, a.s. as of 30 September 2016, and of its financial performance for the nine months then ended in accordance with accounting regulations applicable in the Czech Republic.

Emphasis of Matters

We draw attention to Note 1 to the financial statements of Raiffeisen fond udržitelného rozvoje, otevřený podílový fond, Raiffeisen investiční společnost, a.s., describing that the financial statements were prepared as of 30 September 2016 for the period from 1 January 2016 to 30 September 2016. The information presented in the profit and loss account for the current period is not fully comparable to the information for the prior period from 1 January 2015 to 31 December 2015.

We draw attention to Note 1 to the financial statements of Raiffeisen fond udržitelného rozvoje, otevřený podílový fond, Raiffeisen investiční společnost, a.s., describing the change in the fund's name from Raiffeisen fond pravidelných investic, otevřený podílový fond, Raiffeisen investiční společnost, a.s. to Raiffeisen fond udržitelného rozvoje, otevřený podílový fond, Raiffeisen investiční společnost, a.s. with effect from 21 March 2016. As of that date, the fund became a feeder fund of the master fund Raiffeisen-Nachhaltigkeitsfonds-Mix.

Our opinion is not modified in respect of these matters.

Other Information

The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of opinion thereon. However, in connection with our audit of the financial statements, our responsibility is to read the other information and consider whether the other information in the annual report is not materially inconsistent with the financial statements or our knowledge obtained in the audit, the annual report has been prepared in accordance with the applicable legal requirements, or the other information does not otherwise appear to be materially misstated. If, based on the work we have performed, we conclude that the above is not true, we are required to report such facts.

Based on the work we have performed, we have nothing to report in this regard.

In Prague on 24 January 2017

Audit firm:

Deloitte Audit s.r.o.
registration no. 079

Statutory auditor:

Diana Rádl Rogerová
registration no. 2045



III. Financial Statements for the Period Ended 30 September 2016

**FINANCIAL STATEMENTS FOR
30 SEPTEMBER 2016**

Name of the Company: Raiffeisen fond udržitelného rozvoje, otevřený
podílový fond, Raiffeisen investiční společnost, a.s.

Registered Office: Hvězdova 1716/2b, 140 78 Praha 4 - Nusle

Corporate ID: 291 46 739

Components of the Financial Statements:


Balance Sheet

Profit and Loss Account

Statement of Changes in Equity

Notes to the Financial Statements

These financial statements were prepared on 25 November 2016.

Statutory body of the reporting entity:	Signature
On behalf of the statutory body: Ing. Jaromír Sladkovský Ing. Michal Ondruška Individual in charge of the accounting records: Petra Paďourová	

Business name: Raiffeisen fond udržitelného rozvoje
 Raiffeisen investiční společnost a.s.
 Registered office: Hvězdova 1716/2b, Praha 4, 140 78
 Corporate ID: 29146739
 Principal activities: fund administration and management
 Balance sheet date: 7 October 2016

BALANCE SHEET
as of 30 September 2016

CZK thousand	Note	30.9.2016	31.12.2015
ASSETS			
2 Treasury bonds and other securities accepted by the central bank for refinancing	9	-	170 435
<i>of which a) issued by government institutions</i>		-	170 435
3 Receivables from banks and cooperative credit unions	10	10 117	8 945
<i>of which a) payable upon request</i>		10 117	8 945
5 Debt securities	11	-	33 557
<i>of which a) issued by government institutions</i>		-	8 200
<i>b) issued by other entities</i>		-	25 357
6 Shares, share certificates and other investments	12	471 427	156 883
<i>of which a) shares</i>		-	122 974
<i>b) share certificates</i>		471 427	33 909
11 Other assets	13	1 287	382
Total assets		482 831	370 202

CZK thousand	Note	30.9.2016	31 Dec 2015
LIABILITIES			
4 Other liabilities	15	105	468
5 Accrued expenses and deferred income	16	1 776	587
6 Reserves	18	60	-
<i>b) for taxes</i>		60	-
12 Capital funds	14	479 001	379 237
14 Retained earnings or accumulated loss brought forward		(10 090)	(5 679)
15 Profit or loss for the reporting period	19	11 979	(4 411)
Total liabilities		482 831	370 202

CZK thousand	Note	30.9.2016	31 Dec 2015
OFF BALANCE SHEET ITEMS			
Off balance sheet assets			
4 Receivables from fixed term operations		379 945	-
8 Values placed under management		481 544	369 820
Off balance sheet liabilities			
12 Payables from fixed term operations		379 496	-

Business name: Raiffeisen fond udržitelného rozvoje
 Raiffeisen investiční společnost a.s.
 Registered office: Hvězdova 1716/2b, Praha 4, 140 78
 Corporate ID: 29146739
 Principal activities: fund administration and management
 Balance sheet date: 7 October 2016

PROFIT AND LOSS ACCOUNT
for the nine months ended 30 September 2016

CZK thousand	Note	1.1.-30.9.2016	1.1.-31.12.2015
1 Interest income and similar income	3	238	1 207
<i>of which: interest from debt securities</i>		238	1 207
3 Income from shares and equity investments	4	414	3 642
<i>c) other income from shares and equity investments</i>		414	3 642
4 Fees and commission income	5	1 882	24
5 Fees and commission expenses	6	(5 526)	(6 292)
6 Profit or loss from financial operations	7	15 144	(2 391)
9 Administrative expenses	8	(50)	(97)
<i>b) other administrative expenses</i>		(50)	(97)
19 Profit or loss for the reporting period from ordinary activities before tax		12 102	(3 907)
23 Income tax		(123)	(504)
24 Profit or loss for the reporting period after tax		11 979	(4 411)

Business name: Raiffeisen fond udržitelného rozvoje
 Raiffeisen investiční společnost a.s.
 Registered office: Hvězdova 1716/2b, Praha 4, 140 78
 Corporate ID: 29146739
 Principal activities: fund administration and management
 Balance sheet date: 7 October 2016

STATEMENT OF CHANGES IN EQUITY
as of 30 September 2016

CZK thousand	Capital funds	Retained earnings or accumulated loss brought forward	Profit (loss)	Total
Balance at 1.1. 2015	337 875	-	(5 679)	332 196
Net profit/loss for the reporting period	-	-	(4 411)	(4 411)
Share certificates sold	100 059	-	-	100 059
Share certificates purchased	(58 696)	-	-	(58 696)
Transfer to funds	-	(5 679)	5 679	-
Balance at 31.12.2015	379 238	(5 679)	(4 411)	369 148

CZK thousand	Capital funds	Retained earnings or accumulated loss brought forward	Profit (loss)	Total
Balance at 1.1.2016	379 238	(5 679)	(4 411)	369 148
Net profit/loss for the reporting period	-	-	11 979	11 979
Share certificates sold	141 183	-	-	141 183
Share certificates purchased	(41 420)	-	-	(41 420)
Transfer to funds	-	(4 411)	4 411	-
Balance at 30.9.2016	479 001	(10 090)	11 979	480 890

1. GENERAL INFORMATION

(a) Fund characteristics

Fund emergence and characteristics

Raiffeisen fond udržitelného rozvoje, otevřený podílový fond, Raiffeisen investiční společnost a.s. (hereinafter the “Fund”) represents an accounting entity without legal personality established by Raiffeisen investiční společnost a.s. (hereinafter the “Company”) pursuant to Act No. 240/2013 Coll., on management companies and investment funds (hereinafter the “Act”). The Fund came into existence on the day of its entry into the list held by the Czech National Bank in accordance with Section 597 (b) of the Act, made on 21 May 2014. The Fund commenced its activity on 17 June 2014.

The fund is a standard securities fund in accordance with the Act, complying with all legal requirements of the European Communities.

As of 10 December 2014, the Fund merged with Raiffeisen – Český balancovaný fond and Raiffeisen-CZK-LifeCycle Fund 2040 (hereinafter the “Dissolved Funds”). Based on the dissolution without liquidation, the Dissolved Funds transferred all their net assets to the Fund. Shareholders of the Dissolved Funds were issued share certificates of the Fund based on the determined exchange ratio.

With effect from 21 March 2016, a change in the Fund’s Statute was made which enabled the Fund to invest as a feeder fund of the Master Fund. Furthermore, the Fund’s Class A2 and A3 share certificates were released from the Statute and the Fund changed its original name from Raiffeisen fond pravidelných investic to Raiffeisen fond udržitelného rozvoje.

Up to two different types of share certificates – classes – may be issued in keeping with the Fund’s Statute. The individual classes differ in the manner in which they handle the Fund’s profit, the amount of the entry charge (surcharge), the minimum invested amount, and the distribution channels. Each such type of share certificate has been assigned a separate ISIN.

Type of share certificate	Class A1	Class A4
	Capitalisation	Regular investment
	Raiffeisen fond udržitelného rozvoje	
ISIN	CZ0008474400	CZ0008474434

Neither the number of issued share certificates nor the duration of the Fund are limited.

The Fund has no employees and all administration relating to the business activities of the Fund is supplied by the Company.

Information about the management company

The Fund assets are administered and managed by Raiffeisen investiční společnost a.s., Corporate ID 29146739, with its registered office at Hvězdova 1716/2b, Praha 4 – Nusle, 140 78.

The Company is a management company in the sense of the existing legislation and it acts in the capacity of a legal entity, which collects cash from both legal entities and natural persons (individuals), in order to use them to participate in business (collective investing).

The Company was incorporated on 21 December 2012. The Company obtained operation authorisation based on Decision of the Czech National Bank No. 2013/4256/570 of 9 April 2013 which took effect on 9 April 2013.

Principal activity of the Company

Under the Act, the Company is authorised, in the scope of the authorisation of the Czech National Bank, to:

- Manage investment funds or foreign investment funds;
- Exceed the relevant limit; and
- Administer investment funds or foreign investment funds.

Depository information

Depository services are provided by UniCredit Bank Czech Republic and Slovakia, a.s., Corporate ID 64948242, with its registered office at Želetavská 1525/1, Praha 4, 140 92 (hereinafter the “Depository”) under the Depository Agreement dated 6 February 2014.

Master Fund information

Raiffeisen-Nachhaltigkeitsfonds-Mix (ISIN AT0000785381), hereinafter the “Master Fund”, with its registered office at Mooslackengasse 12, 1190 Vienna, Austria. The Master Fund is administered by Raiffeisen Kapitalanlage-Gesellschaft m.b.h., with its registered office at Mooslackengasse 12, 1190 Vienna, Austria. Identification no.: 83517w – Register of Companies held by the Business Court in Vienna (Austria). More details on the Master Fund including the latest published annual and biannual reports are available at www.rfis.cz.

(b) Basis for the Preparation of the Financial Statements

The financial statements have been prepared based on accounting records maintained in line with:

- Accounting Act No. 563/1991, as amended;
- Regulation No. 501/2002 issued by the Ministry of Finance, as amended; and
- Czech Accounting Standards for financial institutions as published by the Ministry of Finance.

The financial statements have been prepared in compliance with the accruals principle and historical costs, excluding selected financial instruments valued at fair value.

With effect from 21 March 2016, the Fund became a feeder fund with the first reporting period ended 30 September 2016. For this reason, comparative data is not provided. The reporting period from 1 January 2016 to 30 September 2016 is hereinafter referred to as “2016” in respect of the profit and loss account items.

The financial statements are based on the going concern assumption and assuming that no facts exist that would restrict the Fund or prevent it from carrying out its activity in the foreseeable future.

These financial statements are presented in thousands of Czech crowns (‘CZK’) unless stated otherwise. Figures in brackets are negative.

These financial statements are unconsolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Transaction Date

Depending on the transaction type, the transaction date is predominantly:

- Date of payment or receipt of money in circulation;
- Date of purchase or sale of foreign currency, foreign exchange or securities;
- Date of payment;
- Date of crediting (foreign currency) funds based on the account statement;

- Date of arrangement and settlement of spot transactions, namely purchase or sale of financial instruments or commodities with such a delivery date where the period between the trade date and the settlement date is no more than five days; and
- Trade date and settlement date of derivative transactions.

Spot transactions (i.e. purchases and sales of financial assets with a usual term of delivery) of the Fund are reported directly in the relevant asset or liability at the trade date.

The Fund will derecognise a financial asset or any part thereof from the balance sheet if control over the contractual rights to such a financial asset or any part thereof is lost. The loss of control occurs if the Company exercises its rights to contractual benefits, if such rights expire or should the Fund waive these rights.

If a financial liability or any part thereof expires (such as when a contractual obligation is met, cancelled or expires), the financial liability or a part thereof will no longer be recognised in the Fund's balance sheet. The difference between the carrying amount of the financial liability or a part thereof that has expired or has been transferred to another entity and the amount paid for the respective debt shall be reported through expenses or revenues as appropriate.

(b) Securities

In compliance with the Fund strategy, all securities have been classified as securities valued at their fair value. Securities are re-valued on a daily basis during the reporting period, pursuant to Decree no. 244/2013 Coll., of the Ministry of Finance of the Czech Republic, on detailed issues related to the Act on Management Companies and Investment Funds, as amended (hereinafter the "Decree"). Pursuant to the Decree, securities are valued at prices derived from public markets, which may be further adjusted in keeping with the provisions of the Decree. If no market price is available, such value shall be applied as determined according to valuation models based on discounted future cash flows according to the yield curve.

Upon their initial recognition, securities are valued at acquisition cost. Acquisition cost also includes direct transaction costs related to the acquisition of securities.

Interest income

The term 'interest income' means the following:

- a) as regards debt securities with coupon, the accrued coupon as determined in the issue terms and conditions and the accrued difference between the nominal value and the net acquisition cost, known as a premium or discount;
- b) as regards debt securities without coupon and bills of exchange, the accrued difference between the nominal value and the acquisition cost.

Interest income on debt securities is reported in the profit and loss account commencing on the purchase using the effective interest rate method.

Derecognition of securities

Upon sales of securities, the Fund values such securities disposals using the 'average price method'.

(c) Receivables and Provisions

Operating receivables are recognised at their nominal value net of provisions, if any. Bad debts are written off after the completion of the debtor's bankruptcy proceedings or when it is highly unlikely for the bad debt to be settled.

Provisions are recognised as expenses; the utilisation of a provision is recognised in the profit and loss account along with expenses or losses arising from asset disposals. The release of a provision due to redundancy is recognised in revenues.

(d) Financial derivatives

Derivatives are financial instruments meeting the following conditions:

- a) their fair value varies depending on changes in interest rates, security prices, commodity prices, foreign exchange rates, price indices, credit assessments (ratings) or indices, and/or depending on any other variables (so-called underlying assets);
- b) as compared to other types of contracts, which show similar responses to changing market conditions, they require little or no initial investments;
- c) they will be settled in the future and the period from the trade date to settlement exceeds that of spot transactions.

Derivatives are reported in the balance sheet at their fair values. Positive fair values of derivatives are reported in assets under 'Other assets'. Negative fair values of derivatives are reported in liabilities under 'Other liabilities'.

Fair value of financial derivatives is determined as the present value of future cash flows from these transactions. The present value is determined with the help of parameters identified on the active market, such as exchange rates, interest rates for a given maturity based on the yield curve, etc.

In the off-balance sheet, derivatives are reported at contractual undiscounted values of the underlying instrument under 'Receivables from fixed-term operations' and 'Payables from fixed-term operations'.

(e) Funds invested by shareholders

The Fund has no share capital. The share certificates have been assigned no nominal value. The Fund does not account for share premium.

Capital funds

The selling price of share certificates is determined as a ratio of the equity of the class and the number of issued share certificates of the class. Share certificates are sold to investors for selling prices determined on a daily basis.

(f) Reserves

Reserves represent probable cash outflows of uncertain timing and amount. Reserves are charged to expenses in such amounts which are the best estimate of expenditures required in order to settle existing liabilities.

Reserves are created if the following criteria are met:

- a) A performance obligation (legal or constructive) exists as a result of past events;
- b) It is probable or certain that an event will occur and will require an outflow of resources representing economic benefits, where "probable" means probability greater than 50%; and
- c) It is possible to make a reliable estimate of such fulfilment.

(g) Foreign Currency Translation

Transactions denominated in foreign currencies are translated into the local currency using the exchange rate of the Czech National Bank effective on the date of the transaction.

Assets and liabilities denominated in foreign currencies along with foreign-currency spot transactions before their due dates are translated into the local currency using the exchange rate of the Czech National Bank effective at the balance sheet date. Any profit or loss resulting from the translation of assets and liabilities denominated in foreign currencies, excepting equity investments in foreign currencies, or items hedging against foreign currency risk arising from contracts not yet recognised in the Fund's balance sheet, or from anticipated future transactions is recognised in the profit and loss account as "Profit or loss from financial operations".

(h) Taxation

Tax payable

The corporate tax base is calculated from the profit for the current period before tax, increased by non-deductible expenses, less the revenues that are not subject to income tax, and further adjusted for tax allowances and relevant credits, if any. Based on valid tax regulations, corporate income tax for mutual funds amounts to 5%.

Deferred tax

Deferred tax is based on all temporary differences between the carrying and tax values of assets and liabilities, using the anticipated tax rate effective for the following period. A deferred tax asset will be only recognised if there is no doubt as to its recovery in the following reporting periods.

(i) Interest income and interest expense and dividend income

Interest income and interest expense are reported on an accrual basis.

Dividend income is reported on the effective date of entitlement to receive its payment (ex-dividend date). Dividend income from domestic securities is reported after the deduction of withholding tax.

Dividend income from foreign securities is reported prior to the deduction of withholding tax.

3. INTEREST INCOME AND SIMILAR INCOME

Interest income and similar income include interest from debt securities amounting to CZK 238 thousand (2015: CZK 1,207 thousand).

4. INCOME FROM SHARES AND EQUITY INVESTMENTS

Income from shares and equity investments includes dividends amounting to CZK 414 thousand (2015: CZK 3,642 thousand).

5. FEES AND COMMISSION INCOME

The item 'Fees and commission income' includes the incentive received in relation to the investment in the Master Fund in the amount of CZK 1,882 thousand (2015: CZK 24 thousand).

6. FEES AND COMMISSION EXPENSES

CZK '000	1 Jan - 30 Sep 2016	1 Jan - 31 Dec 2015
Management fee	3 439	5 430
Asset appreciation fee	1 338	-
Depository fee	241	306
Securities administration	157	96
Other fees and commissions	351	460
Total	5 526	6 292

The management fee paid by the Fund to the Company amounts, according to the Fund's Statute, to 0.09% of the average annual value of the Fund's equity. The asset appreciation fee paid by the Fund to the Company amounts to 10% of the Fund's profit before tax.

Under the Depository Agreement, the Fund pays a fee in the amount of 0.05% of the average annual value of the Fund equity.

7. PROFIT OR LOSS FROM FINANCIAL OPERATIONS

CZK '000	1 Jan - 30 Sep 2016	1 Jan - 31 Dec 2015
Loss from securities stated at fair value	14 494	(916)
Profit from exchange rate differences	213	(1 507)
Loss from spot and fixed term transactions	437	32
Total	15 144	(2 391)

Profit or loss from securities valued at fair value mainly represents daily revaluation of securities to fair value.

Profit or loss from exchange rate differences mainly represents both realised and unrealised exchange rate differences from revaluation of bond securities and balances on foreign currency current accounts.

Profit or loss from spot and fixed term transactions includes profit and loss from settlements of spot transactions and fixed term transactions with financial instruments as well as revaluation of open derivatives at fair value.

8. ADMINISTRATIVE EXPENSES

Administrative expenses include audit expenses in the amount of CZK 50 thousand (2015: CZK 97 thousand).

9. TREASURY BONDS WITHOUT COUPON AND OTHER SECURITIES ACCEPTED BY THE CENTRAL BANK FOR REFINANCING

All securities held by the Fund are listed on the Prague Stock Exchange or on foreign stock exchanges. All securities are included in the portfolio of securities at fair value.

CZK '000	30 Sep 2016	31 Dec 2015
Treasury bonds	-	170 435
Net book value	-	170 435

10. RECEIVABLES FROM BANKS AND COOPERATIVE CREDIT UNIONS

Receivables from banks include current accounts maintained by Unicredit bank Czech Republic and Slovakia, a.s., amounting to CZK 10,117 thousand (2015: CZK 8,945 thousand).

Current accounts are payable upon request.

11. DEBT SECURITIES

CZK '000	30 Sep 2016	31 Dec 2015
Bonds issued by government institutions	-	8 200
Bonds issued by other entities	-	25 357
Net book value	-	33 557

12. SHARES, SHARE CERTIFICATES AND OTHER INVESTMENTS

CZK '000	30 Sep 2016	31 Dec 2015
Shares	-	122 974
Share certificates	471 427	33 909
Net book value	471 427	156 883

13. OTHER ASSETS

CZK '000	30 Sep 2016	31 Dec 2015
Positive value of derivatives	354	-
Receivable from an incentive received in terms of investments made in the Master Fund	865	10
Other receivables	68	372
Total	1 287	382

14. EQUITY

Number of issued share certificates

(in pieces)	30 Sep 2016	31 Dec 2015
Regular investment class	299 584 690	180 379 677
Capitalisation class	186 149 067	201 155 306
Total	485 733 757	381 534 983

No other classes were issued in 2015.

Equity according to share certificate classes

CZK '000	30 Sep 2016	31 Dec 2015
Regular investment class	295 189 435	173 524
Capitalisation class	185 700 327	195 624
Total	480 889 762	369 148

The value of a share certificate of the capitalisation class as of the last business day of 2016 amounted to CZK 0.9976 (2015: CZK 0.9680). The value of the regular investment class as of the last business day of 2016 amounted to CZK 0.9853 (2015: CZK 0.9576). This is the last value of a share certificate in the respective year for which purchases and re-purchases of the Fund's share certificates were made.

15. OTHER LIABILITIES

CZK '000	30 Sep 2016	31 Dec 2015
Negative value of derivatives	9	-
Other liabilities	96	468
Total	105	468

16. ACCRUED EXPENSES AND DEFERRED INCOME

The item 'Accrued expenses' primarily includes the uninvoiced management fee for September in the amount of CZK 362 thousand (December 2015: CZK 462 thousand) and the uninvoiced fee for asset appreciation in the amount of CZK 1,338 thousand (September 2015: CZK 0).

17. FINANCIAL DERIVATIVES

Nominal value of derivatives:

CZK '000	30 Sep 2016		31 Dec 2015	
	Receivable	Payable	Receivable	Payable
Currency forwards	379 945	379 496	-	-
Total	379 945	379 496	-	-

Off-balance sheet assets and liabilities represent the nominal (contractual) undiscounted values. All the above financial instruments were concluded on the inter-bank market (OTC).

Fair value of derivatives:

CZK '000	30 Sep 2016		31 Dec 2015	
	Positive	Negative	Positive	Negative
Currency forwards	354	9	-	-
Total	354	9	-	-

All currency derivatives mature within one year.

18. RESERVES

	Income tax	Total reserves
Balance at 1 January 2016	-	-
Creation	60	60
Usage	-	-
Balance at 30 September 2016	60	60

19. PROPOSED ALLOCATION OF PROFIT

The Company's Board of Directors proposes the allocation of the profit for 2016 as follows:

CZK '000	Profit / loss	Retained earnings or accumulated loss brought forward
Balance at 30 Sep 2016 before the profit distribution for 2016	-	(10 090)
Profit for 2016	11 979	-
Proposed profit distribution for 2016:	-	-
Transfer to retained earnings	(11 979)	11 979
Total	-	1 889

20. INCOME TAXATION

(a) Income Tax

CZK '000	1 Jan - 30 Sep 2016	1 Jan -31 Dec 2015
Tax payable for the current period*	60	-
Withholding tax	63	504
Total	123	504

(b) Income Tax – Tax Analysis

CZK '000	1 Jan - 30 Sep 2016	1 Jan - 31 Dec 2015
Profit or loss for the period before tax	12 102	(3 907)
Revenues that are not subject to tax	(414)	(3 642)
Tax non-deductible expenses	-	-
Other items (a portion of the tax loss of prior years)	(11 688)	-
Subtotal	-	(7 549)
Tax calculated using the 5% tax rate (for 2015: 5%)*	60	-
Tax relief applied	-	-
Withholding tax	63	504
Total	123	504

*for ISIN CZ0008474434

21. RELATED PARTY TRANSACTIONS

CZK '000	30 Sep 2016	31 Dec 2015
Assets		
Incentive related to investments in the Master Fund	865	10
Liabilities		
Management fee payable to the Company	362	462
Fee for the Fund's assets appreciation payable to the Company	1 338	-
<hr/>		
CZK '000	1 Jan - 30 Sep 2016	1 Jan - 31 Dec 2015
Expenses		
Management fee payable to the Company	3 439	5 430
Fee for the Fund's assets appreciation payable to the Company	1 338	-
Income		
Incentive related to investments in the Master Fund	1 882	24
<hr/>		
CZK '000	30 Sep 2016	31 Dec 2015
Off-balance sheet assets		
Values placed under management	481 544	369 820

22. VALUES PLACED UNDER MANAGEMENT

The Fund has all its assets managed by the Company. The item entitled 'Values placed under management' covers foreign securities of the Master Fund, current account balances excluding accounts used for receiving shareholders' deposits. These current accounts are not included because they represent a payable for share certificates as yet unissued.

23. FINANCIAL INSTRUMENTS – MARKET RISK

The Fund is exposed to market risks arising from open positions in interest rate, equity and currency instrument transactions that are sensitive to changes in financial market conditions. The risk profile of the Fund corresponds to the risk profile of the Master Fund.

(a) Risk management

The basic risk management instrument is represented by imposing limits on the ratio of different types of financial instruments in the portfolio, which are determined in accordance with legal requirements, the Fund's Statute, and its investment strategy. The key risks, which are evaluated on a daily basis, include foreign currency exposures and sensitivity to interest rate fluctuations.

Market risks are measured using the Value at Risk ("VaR") method. Value at Risk represents a potential loss resulting from unfavourable developments on the market within a certain time period and at a certain level of reliability. The 'Value at Risk' is measured on the basis of a one-year holding period and a 95% reliability level.

(b) Liquidity risk

'Liquidity risk' represents the risk that the Fund will not have sufficient cash resources to meet its commitments associated with its financial contracts. Liquidity is monitored and managed on the basis of expected cash flows; in this context, the structure of the securities and the term deposits portfolio is adjusted.

Raiffeisen udržitelného rozvoje, otevřený podílový fond,
Raiffeisen investiční společnost a.s.
Period Ended 30 September 2016

Residual maturity of the Fund's assets and liabilities

	Less than 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Not specified	Total
CZK '000						
As of 30 September 2016						
Receivables from banks	10 117	-	-	-	-	10 117
Shares, share certificates	-	-	-	-	471 427	471 427
Other assets	1 287	-	-	-	-	1 287
Total	11 404	-	-	-	471 427	482 831
Other liabilities	105	-	-	-	-	105
Accrued/deferred income and expenses	1 776	-	-	-	-	1 776
Reserves	-	60	-	-	-	60
Equity	-	-	-	-	480 890	480 890
Total	1 881	60	-	-	480 890	482 831
GAP	9 523	(60)	-	-	(9 463)	-
Cumulative GAP	9 523	9 463	9 463	9 463	-	-

Residual maturity of the Fund's assets and liabilities

	Less than 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Not specified	Total
CZK '000						
As of 31 December 2015						
Treasury bonds without coupon and other securities	605	3 441	117 553	48 835	-	170 435
Receivables from banks	8 945	-	-	-	-	8 945
Debt securities	2 828	130	25 227	5 372	-	33 557
Shares, share certificates	-	-	-	-	156 883	156 883
Other assets	382	-	-	-	-	382
Total	12 760	3 571	142 780	54 208	156 883	370 202
Other liabilities	468	-	-	-	-	468
Accrued/deferred income and expenses	587	-	-	-	-	587
Equity	-	-	-	-	369 147	369 147
Total	1 055	-	-	-	369 147	370 202
GAP	11 705	3 571	142 780	54 208	(212 264)	-
Cumulative GAP	11 705	15 276	158 056	212 264	-	-

The above tables show residual maturities of the carrying amounts of the individual financial instruments, rather than of all cash flows resulting from such instruments.

(c) Interest rate risk

The Fund is exposed to interest rate risk due to the impacts of fluctuations of the current interest rates on the market. On account of such changes, the fair value and income from financial assets may both increase and decrease.

The tables below provide a summary of the mismatch between the Fund's assets and liabilities that are interest-rate sensitive. The carrying value of these assets and liabilities is included in the period when they mature or the interest rate changes, whichever comes first.

Interest-rate sensitivity of the Fund's assets and liabilities

CZK '000	Less than 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Total
As of 30 September 2016					
Receivables from banks	10 117	-	-	-	10 117
Total	10 117	-	-	-	10 117

Interest-rate sensitivity of the Fund's assets and liabilities

CZK '000	Less than 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Total
As of 31 December 2015					
Treasury bonds without coupons and other securities	3 679	34 463	94 339	37 954	170 435
Receivables from banks	8 945	-	-	-	8 945
Debt securities	2 828	3 152	22 205	5 372	33 557
Total	15 452	37 615	116 544	43 327	212 937

The above summary only includes interest-rate sensitive assets and liabilities and, therefore, it is not identical to the values presented in the Fund's balance sheet.

(d) Currency risk

Foreign currency assets and liabilities including off-balance sheet participations represent the Fund's exposure to currency risks. Both realised and unrealised foreign exchange profit and loss is reported directly in the profit and loss account. The foreign exchange positions of the Fund in the most significant currencies are as follows:

Foreign exchange positions of the Fund

CZK '000	USD	EUR	CZK	Total
As of 30 September 2016				
Receivables from banks	-	185	9 932	10 117
Shares, share certificates	-	471 427	-	471 427
Other assets	54	369	864	1 287
Total	54	471 980	10 796	482 830
Other liabilities	-	9	96	105
Accrued/deferred income and expenses	-	-	1 776	1 776
Reserves	-	-	60	60
Equity	-	-	480 890	480 890
Total	-	9	482 821	482 830
Long off-balance instruments positions	-	-	379 945	379 945
Short off-balance instruments positions	-	379 496	-	379 496
Net foreign exchange position	54	92 475	(92 080)	-

Foreign exchange positions of the Fund

CZK '000	USD	EUR	PLN	CZK	Other	Total
As of 31 December 2015						
Treasury bonds without coupon and other securities	-	-	-	170 435	-	170 435
Receivables from banks	343	2 548	636	5 418	-	8 945
Debt securities	-	13 768	-	19 789	-	33 557
Shares, share certificates	51 699	52 469	10 908	39 067	2 740	156 883
Other assets	247	103	28	4	-	382
Total	52 289	68 888	11 572	234 713	2 740	370 202
Other liabilities	-	-	-	468	-	468
Accrued/deferred income and expenses	-	-	-	587	-	587
Equity	-	-	-	369 147	-	369 147
Total	-	-	-	370 202	-	370 202
Net foreign exchange position	52 289	68 888	11 572	(135 489)	2 740	-

24. FINANCIAL INSTRUMENTS – CREDIT RISK

Credit risk is the risk of a financial loss which the Fund is exposed to in case the counter-party to a transaction involving financial instruments fails to meet its contractual obligations.

Fund investments were implemented in 2015 so that the rating structure of the securities complies with the Fund's Statute and its investment strategy. Credit risk management includes the monitoring of diversification of investments in terms of their geographical distribution and in terms of exposure of individual issuers to credit risk. Since 2016, the Fund has been exposed to a risk arising from investments in the Management Fund – given that at least 85% of the Fund's assets will be invested in securities issued by the Management Fund, the risk profile of the Management fund has a substantial impact on the risk profile of the Fund.

Distribution of assets based on geographical segments

CZK '000	Czech Rep.	EU	Other European Countries	Other	Total
As of 30 September 2016					
Receivables from banks	10 117	-	-	-	10 117
Shares, share certificates and other investments	-	471 427	-	-	471 427
Other assets	1 287	-	-	-	1 287
Total	11 404	471 427	-	-	482 831

Distribution of assets based on geographical segments

CZK '000	Czech Rep.	EU	Other European Countries	Other	Total
As of 31 December 2015					
Treasury bonds without coupon and other securities	170 435	-	-	-	170 435
Receivables from banks	8 945	-	-	-	8 945
Debt securities	9 726	23 831	-	-	33 557
Shares, share certificates and other investments	20 282	84 356	833	51 412	156 883
Other assets	382	-	-	-	382
Total	109 770	108 187	833	51 412	370 202

<i>Distribution of securities based on the issuer</i>		
CZK '000	30 Sep 2016	31 Dec 2015
Issued by financial institution	-	43 986
Issued by collective investment funds	471 427	33 909
Issued by non-financial institutions	-	87 745
Issued by insurance institutions	-	16 599
Issued by government institutions	-	178 635
Total	471 427	360 874

25. POST BALANCE SHEET EVENTS

No events occurred subsequent to the balance sheet date on 30 September 2016 that would have a significant impact on the financial statements of the Fund.