

**Raiffeisen fond globálních trhů,
otevřený podílový fond,
Raiffeisen investiční společnost a.s.**

**Annual Report
2016**

Raiffeisen investiční společnost 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 the Fund. 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 31 December 2016

As of 31 December 2016, the Company managed 12 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 CZ0008474848)
- Raiffeisen fond flexibilního růstu (ISIN CZ0008474871)

Special funds

- Raiffeisen chráněný fond ekonomických cyklů (ISIN CZ0008474038)
- 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 31 December 2016:

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

Raiffeisen fond globálních trhů (hereinafter the “Fund”)

Annual Report for the Period from 1 January 2016 to 31 December 2016

Currency:	CZK
ISIN capitalisation class:	CZ0008474442
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.

Master fund

Raiffeisen-Global-Aktien (ISIN AT0000A0LSS1), 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.

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.

Investment focus

The Fund is a feeder fund of the Master Fund. 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 6 based on the Synthetic Risk and Reward Indicator (SRRI).

Portfolio manager of the Fund

Jan Chytrý

Education	Student of the University of Economics and Management (VŠEM)
Courses/training	Broker licence, Ministry of Finance of the Czech Republic
Professional experience	9 years
Portfolio manager in RIS	since 1 March 2015

Commentary of the portfolio manager

Following the change in the Statute effective from 21 March 2016, the portfolio of Fond akciových trhů (now: Fond globálních trhů) 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-Global-Aktien. This master fund (held in EUR) is not restricted in terms or region or sector and invests the shareholders' funds globally. As of 30 June 2016, the portfolio of Fond globálních trhů (held in CZK) was approximately 65% hedged against CZK/EUR exchange rate fluctuations, as of the end of December 2016, it temporarily had no currency hedging.

No significant changes occurred during the reporting period in the information included in the prospectus as per Article 23 of Directive 2011/61/EU of the European Parliament and of the Council on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (hereinafter the "AIFMD Directive").

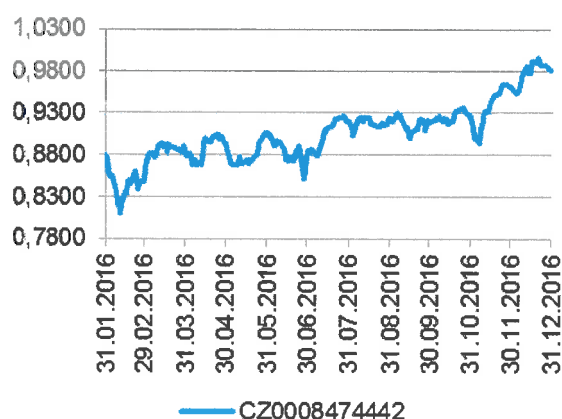
Financial indicators	31 Dec 2016	31 Dec 2015	31 Dec 2014
Mutual fund equity, in CZK '000	821 077	467 607	330 727
Equity per share certificate, in CZK	0.9814	0.9288	0.9537
Profit/loss after tax, in CZK '000	58 025	(18 692)	(6 642)
Number of share certificates, in pieces	836 638 207	503 450 433	346 798 209

Note: The dividend class CZ0008474459 was cancelled in January 2016.

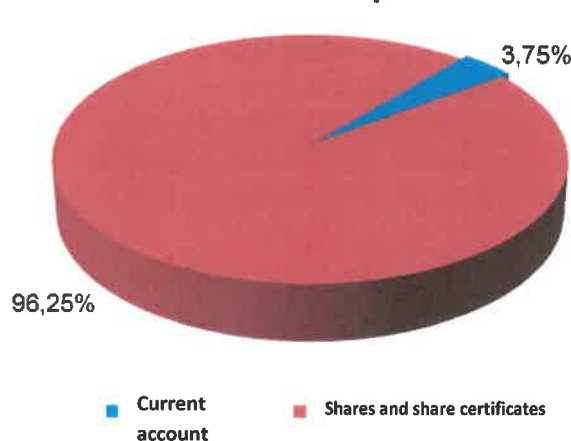
Number of share certificates issued and redeemed in the period from 1 January 2016 to 31 December 2016

ISIN	Issued share certificates		Redeemed share certificates		BALANCE (+/-)	
	in pieces	in CZK '000	in pieces	in CZK '000	in pieces	in CZK '000
CZ0008474442	568 331 979	511 045	235 144 205	215 600	333 187 774	295 445

Share certificate value curve



Asset composition



List of securities held in excess of 1% as of 31 December 2016

SECURITIES CURRENCY	COUNTRY	ISIN	SECURITY NAME	PURCHASE PRICE in CZK '000	FAIR VALUE in CZK '000	STAKE IN ASSETS in %
EUR	AT	AT0000A0LSS1	RAIFFEISEN-GLOBAL-AKT.	712 537	798 217	96.16
TOTAL				712 537	798 217	96.16

Information about deductions, surcharges or fees that will be paid from the feeder fund's assets in relation to its investments and whether a discount or a refund is applied to them as per par. 4 (b) of Annex 2 to Decree No. 244/2013 Coll.

No deductions or surcharges arise for the Fund in relation to the investments in the Master Fund. The Fund received an incentive in the amount of CZK 1,843 thousand for 2016 in relation to the investments in the Master Fund.

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

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

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

i) Information about the fee actually paid to the manager for managing the Fund, distinguishing information about payment for the performance of the activity of depository, administrator, primary supporter and auditor, and information about other fees or taxes.

This information is included in Notes 5. FEE AND COMMISSION EXPENSES and 7. ADMINISTRATIVE EXPENSES to the Financial Statements that form part of this report.

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 arranged 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 100% of the value of the Fund's assets. Financial derivatives were arranged particularly with UniCredit Bank Czech Republic and Slovakia, a.s. More information about quantitative restrictions and methods that were chosen for the assessment for risks related to techniques and instruments of the Fund is included in the financial statements which form a part of this report.

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.

Additional information

The Fund incurred no research and development expenses in 2016 nor did it perform any activities in the area of environmental protection and labour relations during the reporting period.

Material events subsequent to the balance sheet date

Aside from the material events included in the Fund's financial statements, the management of the Company is, as of the date of preparation of the financial statements, not aware of any material subsequent events that would affect the financial statements for the year ended 31 December 2016.

INDEPENDENT AUDITOR'S REPORT

To the Partners of Raiffeisen
fond globálních trhů, otevřený podílový fond,
Raiffeisen investiční společnost, a.s.

Having its registered office at: Hvězdova 1716/2b, 140 78 Praha 4- Nusle

Opinion

We have audited the accompanying financial statements of Raiffeisen fond globálních trhů, otevřený podílový fond, Raiffeisen investiční společnost, a.s. (hereinafter also the "Fund") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as of 31 December 2016, and the profit and loss account and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Raiffeisen fond globálních trhů, otevřený podílový fond, Raiffeisen investiční společnost, a.s. as at 31 December 2016, and of its financial performance for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund and Raiffeisen investiční společnost a.s. (hereinafter also the "Company") in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information in the Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors of Raiffeisen investiční společnost a.s. is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Fund obtained in the audit, on whether the other information contains any material misstatement of fact. As described in the Basis for Qualified Opinion section above, we have concluded that the other information is not materially misstated.

Responsibilities of the Board of Directors and Supervisory Board of Raiffeisen investiční společnost a.s. for the Financial Statements

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

In preparing the financial statements, the Board of Directors of Raiffeisen investiční společnost a.s. is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board of Raiffeisen investiční společnost a.s. is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and the Supervisory Board of Raiffeisen investiční společnost a.s. regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

In Prague on 10 March 2017

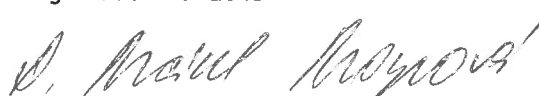
Audit firm:

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



Statutory auditor:

Diana Rádl Rogerová
registration no. 2045



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Name of the Company: Raiffeisen fond globálních trhů, 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:

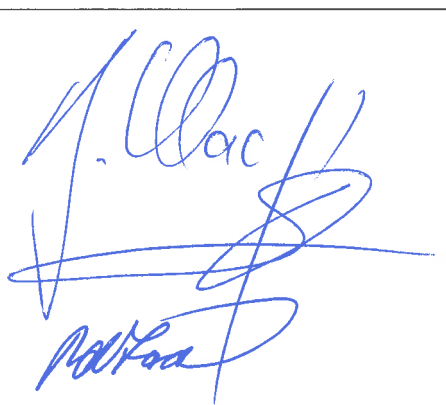
Balance Sheet

Profit and Loss Account

Statement of Changes in Equity

Notes to the Financial Statements

These financial statements were prepared on 10 March 2017.

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 globálních trhů
 Raiffeisen investiční společnost a.s.
 Seat: Hvězdova 1716/2b, Praha 4, 140 78
 Corporate ID: 29146739
 Principal activities: fund administration and management
 Financial statements preparation date: 4.1.2017

BALANCE SHEET
as of 31 December 2016

CZK thousand	Note	31.12.2016	31.12.2015
ASSETS			
3	Receivables from banks and cooperative credit unions	31 093	53 594
	<i>of which a) payable upon request</i>	31 093	53 594
6	Shares, share certificates and other investments	798 217	415 013
	<i>of which a) shares</i>	-	377 933
	<i>b) share certificates</i>	798 217	37 080
11	Other assets	802	965
Total assets		830 112	469 572

CZK thousand	Note	31.12.2016	31.12.2015
LIABILITIES			
4	Other liabilities	257	1 063
5	Accrued expenses and deferred income	7 580	902
6	Reserves	1 198	-
	<i>b) tax</i>	1 198	-
12	Capital funds	788 386	492 941
14	Retained earnings or accumulated loss brought forward	(25 334)	(6 642)
15	Profit or loss for the reporting period	58 025	(18 692)
Total liabilities		830 112	469 572

CZK thousand	Note	31.12.2016	31.12.2015
OFF BALANCE SHEET ITEMS			
Off balance sheet assets			
8	Values placed under management	829 309	468 607
Off balance sheet liabilities			

Business name: Raiffeisen fond globálních trhů

Raiffeisen investiční společnost a.s.

Seat: Hvězdova 1716/2b, Praha 4, 140 78

Corporate ID: 29146739

Principal activities: fund administration and management

Financial statements preparation date: 4.1.2017

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2016

CZK thousand	Note	31.12.2016	31.12.2015
3	Income from shares and equity investments	1 252	9 603
	<i>c) other income from shares and equity investments</i>	1 252	9 603
4	Fees and commission income	1 843	-
5	Fees and commission expenses	(18 604)	(9 132)
6	Profit or loss from financial operations	74 994	(17 731)
9	Administrative expenses	(50)	(97)
	<i>b) other administrative expenses</i>	(50)	(97)
19	Profit or loss for the reporting period from ordinary activities be	59 435	(17 357)
23	Income tax	(1 410)	(1 335)
24	Profit or loss for the reporting period after tax	58 025	(18 692)

Business name: Raiffeisen fond globálních trhů
 Raiffeisen investiční společnost a.s.
 Seat: Hvězdova 1716/2b, Praha 4, 140 78
 Corporate ID: 29146739
 Principal activities: fund administration and management
 Financial statements preparation date: 4.1.2017

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

CZK thousand	Capital funds	Retained earnings or accumulated loss brought forward	Profit (loss)	Total
Balance at 1. 1. 2015	337 376	-	(6 642)	330 734
Net profit/loss for the reporting period	-	-	(18 692)	(18 692)
Share certificates sold	240 071	-	-	240 071
Share certificates purchased	(84 506)	-	-	(84 506)
Transfer to funds	-	(6 642)	6 642	-
Balance at 31. 12. 2015	492 941	(6 642)	(18 692)	467 607

CZK thousand	Capital funds	Retained earnings or accumulated loss brought forward	Profit (loss)	Total
Balance at 1. 1. 2016	492 941	(6 642)	(18 692)	467 607
Net profit/loss for the reporting period	-	-	58 025	58 025
Share certificates sold	511 038	-	-	511 038
Share certificates purchased	(215 593)	-	-	(215 593)
Transfer to funds	-	(18 692)	18 692	-
Balance at 31. 12. 2016	788 386	(25 334)	58 025	821 077

1. GENERAL INFORMATION

(a) Fund characteristics

Fund emergence and characteristics

Raiffeisen fond globálních trhů, otevřený podílový fond, Raiffeisen investiční společnost a.s. (hereinafter the "Fund") represents an accounting entity without legal personality managed 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 kept by the Czech National Bank in accordance with Section 597 (b) of the Act, made on 21 May 2014. The Fund began its activity on 18 June 2014.

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

With effect from 7 January 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 A3 share certificates were released and the dividend Class A2 of the share certificates was cancelled. The Fund changed its original name from Raiffeisen fond akciových trhů to Raiffeisen fond globálních trhů.

Up to three different types of share certificates – classes – may be issued in keeping with the Fund Prospectus. The individual classes differ in the manner in which they handle the Fund 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 A2	Class A3
	Capitalisation	Dividend	RSTS *
Raiffeisen fond globálních trhů			
ISIN	CZ0008474442	CZ0008474459	CZ0008474467

*Class A3 share certificates may be distributed exclusively by Raiffeisen stavební spořitelna a.s.

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 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.

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).

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 critical 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-Global-Aktien (ISIN AT0000A0LSS1), 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 prices, excluding selected financial instruments valued at fair value.

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.

The current reporting period of the Fund is the calendar year ended 31 December 2016. Data from the previous reporting period, i.e. the year ended 31 December 2015, is used as comparative data.

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.

Debiting 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. INCOME FROM SHARES AND EQUITY INVESTMENTS

Income from shares and equity investments comprises dividends in the amount of CZK 1,252 thousand (2015: CZK 9,603 thousand).

4. FEES AND COMMISSION INCOME

The item 'Fees and commission income' includes the incentive received in relation to the investment in KAG funds in the amount of CZK 1,843 thousand.

5. FEES AND COMMISSION EXPENSES

CZK '000	2016	2015
Management fee	10 594	8 208
Fee for the appreciation of the Fund's assets	6 580	-
Depository fee	441	338
Securities administration	405	169
Other fees and commissions	584	417
Total	18 604	9 132

The management fee paid by the Fund to the Company amounts, according to the Fund Prospectus, to 1.35% of the average annual value of the Fund equity. The fee for the appreciation of the Fund's assets paid by the Fund to the Company amounts to 10% of profit/loss before tax.

Under the Depository Agreement, the Fund pays a fee in the amount of 0.0605% of the average annual value of the Fund equity.

6. PROFIT OR LOSS FROM FINANCIAL OPERATIONS

CZK '000	2016	2015
Loss from securities valued at fair value	74 354	(19 157)
Loss from exchange rate differences	1 225	(10)
Loss from spot and fixed term transactions	(585)	1 436
Total	74 994	(17 731)

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 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.

7. ADMINISTRATIVE EXPENSES

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

8. 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 31,093 thousand (2015: CZK 53,594 thousand).

Current accounts are payable upon request.

9. SHARES, SHARE CERTIFICATES AND OTHER INVESTMENTS

CZK '000	31 Dec 2016	31 Dec 2015
Shares	-	377 933
Share certificates	798 217	37 080
Net book value	798 217	415 013

10. OTHER ASSETS

CZK '000	31 Dec 2016	31 Dec 2015
Estimated receivable for dividends	-	158
Other receivables	605	-
Settlement with the state budget	197	807
Total	802	965

11. EQUITY

As of 31 December 2016, 836,638,207 share certificates of the Fund were issued (2015: 503,450,433).

The dividend class was cancelled in 2016. The value of the capitalisation class as of the last business day of 2016 amounted to CZK 0.9870 (2015: 0.9130). 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.

12. OTHER LIABILITIES

CZK '000	31 Dec 2016	31 Dec 2015
Other liabilities	257	1 063
Total	257	1 063

13. ACCRUED EXPENSES AND DEFERRED INCOME

The item 'Accrued expenses' primarily includes the uninvoiced management fee for the month of December in the amount of CZK 933 thousand (2015: CZK 780 thousand) and the fee for the appreciation of the Fund's assets in the amount of CZK 6,580 thousand (2015: CZK 0).

14. RESERVES

	Income tax	Total reserves
Balance at 1 January 2016	-	-
Creation	1 198	1 198
Usage	-	-
Balance at 31 December 2016	1 198	1 198

The Fund creates the income tax reserve because the financial statements are prepared prior to the date of determining the tax liability. In the following reporting period, the Fund will release the reserve and account for the established tax liability.

15. 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 31 December 2016 prior to the allocation of the profit for 2016	-	(25 334)
Profit for 2016	58 025	-
Proposed allocation of the profit for 2016:		
Transfer to retained earnings	(58 025)	58 025
Total	-	32 691

16. INCOME TAXATION

(a) Income Tax

CZK '000	2016	2015
Income tax reserve	1 198	23
Withholding tax	212	1 312
Total	1 410	1 335

(b) Income Tax – Tax Analysis

CZK '000	2016	2015
Profit or loss for the period before tax	59 435	(17 357)
Revenues that are not subject to tax	(1 253)	(9 603)
Tax non-deductible expenses	17	(17)
Other items (part of tax loss brought forward)	(34 227)	-
Subtotal	23 972	(26 977)
Tax calculated using the 5% tax rate	1 199	-

17. RELATED PARTY TRANSACTIONS

CZK '000	31 Dec 2016	31 Dec 2015
Assets		
Incentive related to investments in the Master Fund	605	-
Liabilities		
Management fee payable to the Company	933	780
Fee for the appreciation of the Fund's assets	6 580	-
<hr/>		
CZK '000	2016	2015
Expenses		
Management fee payable to the Company	10 594	8 208
Fee for the appreciation of the Fund's assets	6 580	-
Income		
Incentive related to investments in the Master Fund	1 843	-

CZK '000	31 Dec 2016	31 Dec 2015
Off-balance sheet assets		
Values placed under management	829 309	468 607

18. VALUES PLACED UNDER MANAGEMENT

The Fund has all its assets managed by the Company. The item entitled 'Values placed under management' covers both foreign and local securities, term deposits as well as current account balances.

19. 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 Prospectus, 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.

Residual maturity 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	Not specified	Total
As of 31 December 2016						
Receivables from banks	31 093	-	-	-	-	31 093
Shares, share certificates	-	-	-	-	798 217	798 217
Other assets	802	-	-	-	-	802
Total	31 895	-	-	-	798 217	830 112
Other liabilities	257	-	-	-	-	257
Accrued/deferred income and expenses	7 580	-	-	-	-	7 580
Reserves	-	1 198	-	-	-	1 198
Equity	-	-	-	-	821 077	821 077
Total	7 837	1 198	-	-	821 077	830 112
GAP	24 058	(1 198)	-	-	(22 860)	-
Cumulative GAP	24 058	22 860	22 860	22 860	-	-

Residual maturity of the Company'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	Not specified	Total
As of 31 December 2015						
Receivables from banks	53 594	-	-	-	-	53 594
Shares, share certificates	-	-	-	-	415 013	415 013
Other assets	965	-	-	-	-	965
Total	54 559	-	-	-	415 013	469 572
Other liabilities	1 063	-	-	-	-	1 063
Accrued/deferred income and expenses	902	-	-	-	-	902
Equity	-	-	-	-	467 607	467 607
Total	1 965	-	-	-	467 607	469 572
GAP	52 594	-	-	-	(52 594)	-
Cumulative GAP	52 594	52 594	52 594	52 594	-	-

The above tables show residual maturities of the book values 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 table below provides a summary of the mismatch between the Fund's assets and liabilities that are interest-rate sensitive. The table below includes data about the extent of Fund's interest rate risk based on the contractual maturity of the financial instruments.

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 2016					
Receivables from banks	31 093	-	-	-	31 093
Total	31 093	-	-	-	31 093

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					
Receivables from banks	53 594	-	-	-	53 594
Total	53 594	-	-	-	53 594

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

Financial position and cash flows are affected by the fluctuations of the valid exchange rate of foreign currencies.

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	PLN	CZK	Total
As of 31 December 2016					
Receivables from banks	352	390	352	29 999	31 093
Shares, share certificates	-	798 217	-	-	798 217
Other assets	155	42	-	605	802
Total	507	798 649	352	30 604	830 112
Other liabilities	-	-	-	257	257
Accrued/deferred income and expenses	-	-	-	7 580	7 580
Reserves	-	-	-	1 198	1 198
Equity	-	-	-	821 077	821 077
Total	-	-	-	830 112	830 112
Net foreign exchange position	507	798 649	352	(799 508)	-

Foreign exchange positions of the Fund

CZK '000	USD	EUR	PLN	CZK	Total
As of 31 December 2015					
Receivables from banks	3 951	658	1 319	47 666	53 594
Shares, share certificates	132 425	101 486	24 167	156 935	415 013
Other assets	508	414	41	2	965
Total	136 884	102 558	25 527	204 603	469 572
Other liabilities	-	-	-	1 063	1 063
Accrued/deferred income and expenses	-	-	-	902	902
Equity	-	-	-	467 607	467 607
Total	-	-	-	469 572	469 572
Net foreign exchange position	136 884	102 558	25 527	(264 969)	-

20. FINANCIAL INSTRUMENTS – CREDIT RISK

Credit risk represents the risk of financial loss the Fund faces if the counterparty in a financial instrument transaction does not 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 Master Fund – given that at least 85% of the Fund's assets will be invested in securities issued by the Master Fund, the risk profile of the Master fund has a substantial impact on the risk profile of the Fund.

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Distribution of assets based on geographical segments

As of 31 December 2016

CZK '000	Czech Rep.	EU	Other European Countries	Other	Total
Receivables from banks	31 093	-	-	-	31 093
Shares, share certificates and other investments	-	798 217	-	-	798 217
Other assets	802	-	-	-	802
Total	31 895	798 217	-	-	830 112

As of 31 December 2015

CZK '000	Czech Rep.	EU	Other European Countries	Other	Total
Receivables from banks	53 594	-	-	-	53 594
Shares, share certificates and other investments	85 850	196 738	-	132 425	415 013
Other assets	965	-	-	-	965
Total	140 409	196 738	-	132 425	469 572

Distribution of securities based on the issuer

CZK '000	31 Dec 2016	31 Dec 2015
Issued by financial institution	-	100 565
Issued by collective investment funds	798 217	37 080
Issued by non-financial institutions	-	226 896
Issued by insurance institutions	-	50 473
Total	798 217	415 014

21. POST BALANCE SHEET EVENTS

No events occurred subsequent to the balance sheet date on 31 December 2016 that would have a significant impact on the financial statements of the Fund.