



Content

Market report from a responsible investor's view	2
Performance data for ESPA Responsible Investment funds	3
ESPA Responsible Investment funds: Assets under Management	3
News from the ESPA Responsibility Team	4
Changes in the investment universe	5
ESPA VINIS Investment Board highlights	5
Engagement activities	5
Stock on the watch	6
Glossary	7

Market report from a responsible investor's view

Equities:

After a positive start equity markets consolidated towards the end of January. Reasons for the shift in market sentiment were unconvincing macroeconomic and corporate data, primarily from the US side. Investors cast doubt upon the growth perspectives of the leading industrial countries. Markets were also hit by the statements of the US president with regards to a restructuring of the banking system and by China's attempt to tighten its credit markets. This market environment given, the price for crude oil came under pressure while the Euro precipitated to a level of below 1.40 versus the US currency.

Sustainable themes showed mixed performances in January. Whereas the majority of sectors such as solar, wind, energy efficiency, and fuel cells provided negative performance contributions, the water and the alternative transport segment performed positive. An essential element for the performance of the solar segment was the announcement of the reduction of the compensation for power feed-in into the grid in Germany, the largest photovoltaics market in the world.

In the past month international as well as European sustainable equity indices showed a more negative performance than their 'conventional' peers. For the Austrian equity market, which performed slightly better, sustainable VÖNIX performed in line with the ATX Prime but lagged behind the broader Austrian equity index.

Index comparison (January 10)			
↓ FTSE 4 Good Global Index	-4.9%	↓ FTSE 4 Good Europe 50	-4.1%
↓ Dow Jones Sustainability World TR	-2.2%	↓ Dow Jones STOXX 50	-4.1%
↓ Ethical Index Global Top 30	-3.3%	↓ Dow Jones STOXX 600	-2.7%
↓ Ethical Index Global Tradeable Return	-2.2%	↓ MSCI Europe	-2.9%
↓ MSCI World Total Return	-3.7%	↓ VÖNIX	-0.6%
		↓ ATX Prime	-0.6%
		↓ ATX	-0.1%

Fixed Income:

The existing economic picture continued in the first month of 2010 with a minor upswing in the developed markets. Although the USA reported stronger economic growth rates for the fourth quarter of 2009, the most recent economic indicators have been mixed. In January, labour market data and retail sales were disappointing, whereas industrial production, leading indicators, and consumer confidence increased. European data such as purchase manager indices as well as IFO and ZEW indices were almost unchanged and thus failed to provide much of a stimulus. Governments and central banks continued to signal the continuation of the support measures, although the central bank is expected to dial down the expansive monetary policy a bit in the course of the year. However, the Fed funds rate should remain unchanged for months to come. The inflation rate remained stable on low levels.

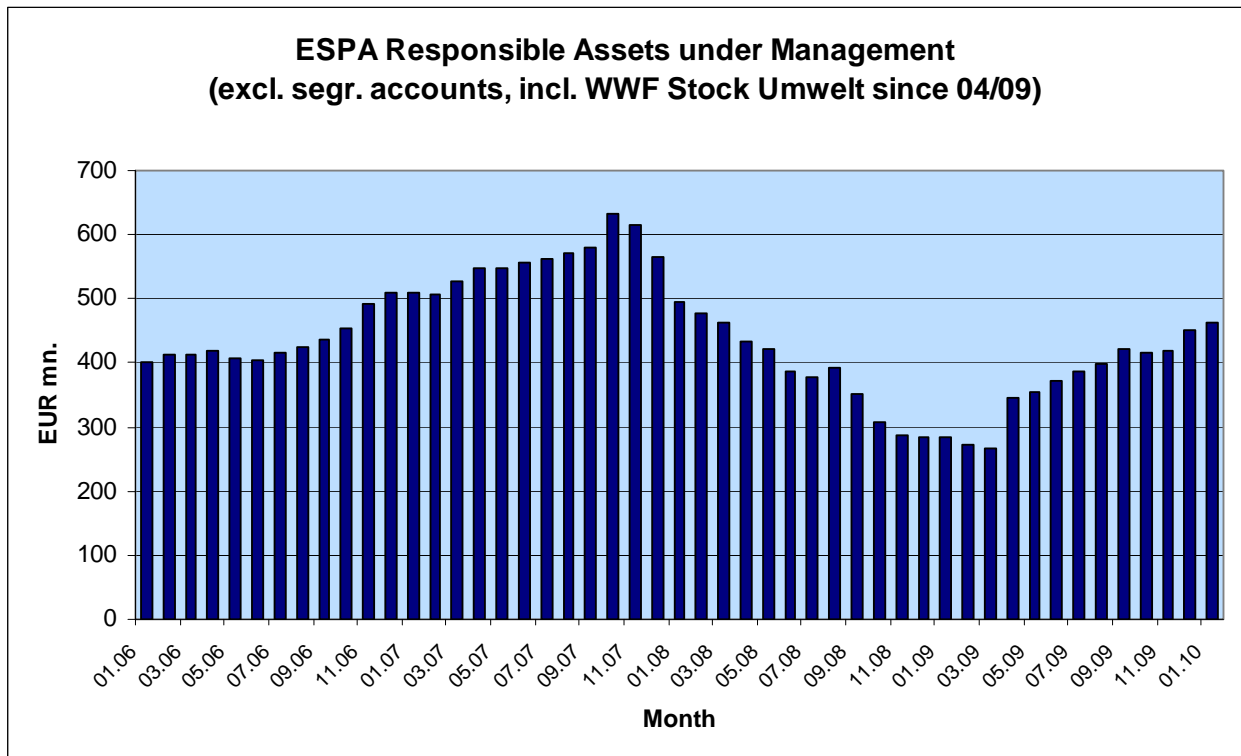
Issuing picked up decidedly after the Christmas holidays. Especially mortgage bonds and bonds issued by financial service providers recorded high volumes. Practically all industrialised nations were issuing bonds. The spreads of bonds issued by industrials and financial service providers were mixed in January. At the end of the month spreads widened again as a result of the increased risk aversion of investors (Greece!). The spreads of defensives such as Roche, Coca Cola, EVN, and Bewag narrowed, as did those of subordinate financial service providers. Senior financials and numerous telecom companies and car manufacturers lost some ground.

The Bund futures contract was rising continuously throughout the entire month and fluctuated within a range of 123.00 to 125.00 at the end of January. Government bond yields closed the month lower across the entire interest rate curve. 10Y German government bond yields were substantially down at 3.20% at the end of the month. The interest rate curve steepened slightly in January (10Y-2Y government bonds: 209bps).

Performance data for the ESPA Responsible Investment funds

Performance data per 01/29/10 Sustainability Funds	2010 YTD	2010 YTD vs. Benchmark	MTD 01/10	fund volume in mn. EUR
ESPA VINIS STOCK GLOBAL	-1.4%	-0.3%	-1.4%	156.9
ESPA VINIS STOCK EUROPE	-4.7%	0.6%	-4.7%	19.9
ESPA VINIS STOCK AUSTRIA	-1.3%	0.0%	-1.3%	25.4
ESPA VINIS STOCK EUROPE EMERGING	3.7%	-0.7%	3.7%	7.5
ESPA VINIS BOND	1.0%	0.2%	1.0%	101.9
ESPA VINIS CASH	0.8%	0.8%	0.8%	48.6
Performance data per 01/29/10 Environmental Funds	2010 YTD		MTD 01/10	fund volume in mn. EUR
ESPA WWF STOCK CLIMATE CHANGE	-4.5%		-4.5%	57.8
ESPA WWF STOCK UMWELT	-2.9%		-2.9%	45.5
Total Assets under Management				463.5

ESPA Responsible Investment funds: Assets under Management



Latest developments within the ESPA Responsibility Team

Media appearance of ESPA Responsibility Team

- Various articles on the launch of ESPA VINIS MICROFINANCE and its investment in European Fund for Southeast Europe (EFSE)
 - <http://www.syminvest.com/market/news/microfinance/microfinance-investment-fund-efse-acquires-additional-private-investor/2010/1/4/2202>
 - <http://www.microfinancefocus.com/news/2010/01/06/espa-vinis-microfinance-fund-to-invest-in-efse/>
 - http://www.ots.at/presseaussendung/OTS_20100104_OT0084/mikrofinanz-investmentfonds-efse-gewinnt-weiteren-oesterreichischen-privatanleger-oesterreichischer-mikrofinanz-dachfonds-espa-vinis-microfinance-investiert-in-den-european-fund-for-southeast-europe
 - <http://www.nachhaltigkeit.org/201001053823/mensch-gesellschaft/nachrichten/mikrofinanz-wird-attraktiver>
- foonds.com article "First microfinance fund of funds for retail customers comes from Austria" ("Erster Mikrofinanz-Dachfonds für Privatanleger kommt aus Österreich") from 01/04/2010
 - <http://www.foonds.at/article/4093>
- Der Standard article "Accept responsibility" ("Verantwortung übernehmen") from 01/02/2010
- Interview with ECOreporter.de about ESPA VINIS MICROFINANCE from 01/14/2010
 - http://www.ecoreporter.de/index.php?id=105&tx_ttnews%5Btt_news%5D=31948
- Finance & Ethics Research-Report "Sustainable equity funds with 20% performance in 2009" ("Nachhaltige Aktienfonds mit 20 Prozent Performance in 2009")
 - <http://www.fondsprofessionell.at/redsys/newsText.php?sid=254633&nlc=AT>
- Analysis by Stiftung Warentest "Managed funds for your depot" ("Gemanagte Fonds für das Depot") from 01/19/2010
 - <http://www.test.de/themen/geldanlage-banken/test/-Produktfinder-Investmentfonds/1538996/1538996/1538997/>

Proceedings & development

- Start of the first European Microfinance fund of funds at 01/04/2010
- Sustainable analysis of various ESPA-VINIS funds and ESPA WWF STOCK UMWELT by Stiftung-Warentest at 01/31/2010
- Participation of ESPA Responsibility Team at the following conferences in January/February 2010:
 - Erste-Sparinvest Savings bank conference 01/26/2010 in Innsbruck
 - Institutional Investors' Congress hosted by Opal Financial Group 02/22- 02/23 2010 in Vienna

Changes in the investment universe (February 2010)

The implementation of the SRI concept and the inclusion of SRI-research (oekom, Innovest, RiskMetrics/ former ISS und RFU) adaptations of the investment universe are made on a monthly basis. These adaptations are translated into our responsible investment funds. This means that a security that got excluded from the universe also has to be sold from all SRI-portfolios and on the other hand a security that is included in the SRI-universe can be invested into SRI-portfolios in the future.

Included - Reasons:

Ladbrokes, Standard Life - companies included in research universe
 BP, Hess Corporation - abolition of exclusionary criteria
 Berner Kantonalbank - improvement regarding stakeholder-related performance

Excluded - Reasons:

Deere & Company - deterioration regarding corporate governance-related performance
 GPT Group - deterioration regarding environment-related performance

ESPA VINIS Investment Board highlights

(last Meeting 01/21/10)

The ESPA VINIS Investment Board is hosted by the Responsible Investments Team of ESPA and joins financial specialists of ESPA as well as SRI-specialists of the SRI-rating agencies involved in our process. Topics of discussion are e.g. single issuers, sectors or criteria.

Discussion concerning the portfolio/ single issuers:

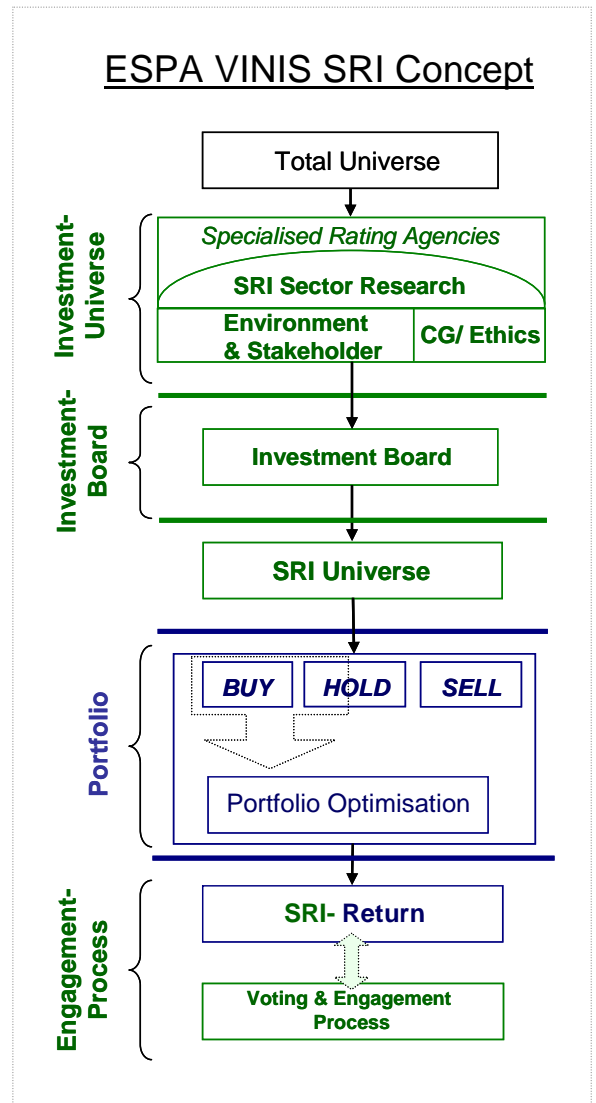
- How do the rating agencies assess pharmaceutical companies' business in Third World countries (with regards to pricing and and distribution practices)?
- Discussion of the ratings of Amazon in view of new products like 'Amazon Kindle' (electronic book device).
- Would it make sense to have companies split up their R&D expenditures into a sustainable and non-sustainable parte – also as part of sustainability accounting rules?
- How do the rating agencies differentiate in their rating process between accounting fraud and creative accounting, which is not necessary illegal but more an ethical issue (e.g. Solar Millennium)?

Engagement activities

ESPA Responsibility started a cooperation with the UK based investment- and research company F&C on engagement and voting on a global basis. F&C provides ESPA with their engagement activities and releases concerning holdings within the Responsible Investment funds of ESPA outside of Austria.

International: Cooperation with F&C, voting platform recently built up

Austria: Engagement with Zumtobel and Agrana



Stock on the watch

The Procter & Gamble Company
 (Cosmetics & Toiletries)
 ISIN:
 Last price (02/17/10)
 Market capitalisation (in mn.)
 P/E (Price-earning ratio) estimate
 Dividend yield
 Financial rating (Moody's / S&P)

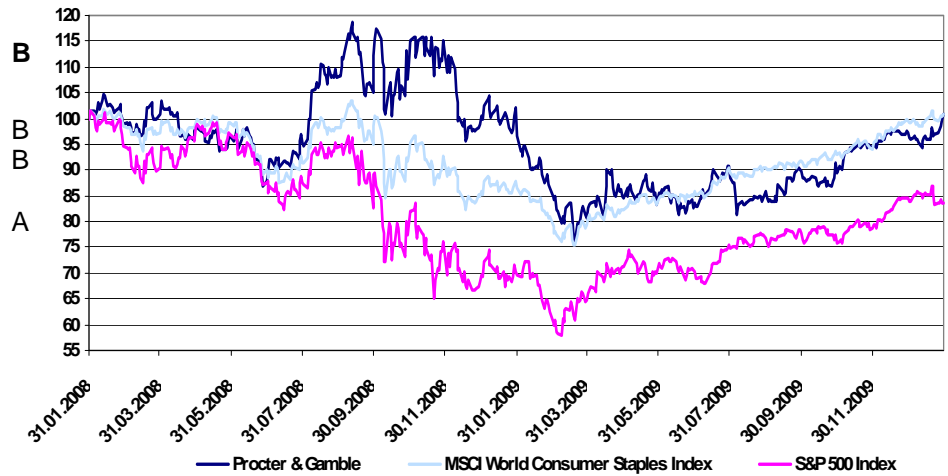
PG US
 US0079031078
 USD 62.85
 USD 182553.7
 16.67
 2.80%
 Aa3 / AA-

SRI-Rating (total):
 (Range A-D)

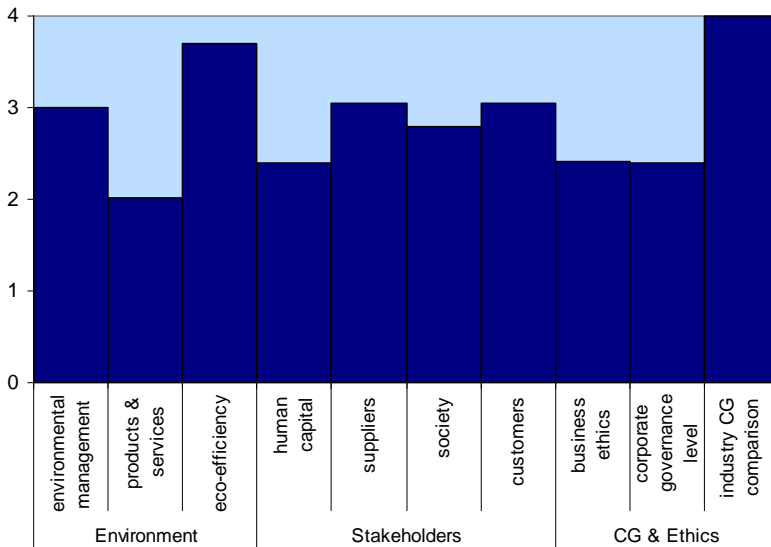
Environment rating (Range A-D): B
 Stakeholder rating (Range A-D): B
 Corporate Governance /
 Ethics Rating (Range A-D): A

Invested in funds as follows:
 ESPA VINIS STOCK GLOBAL

Performance since 01/2008



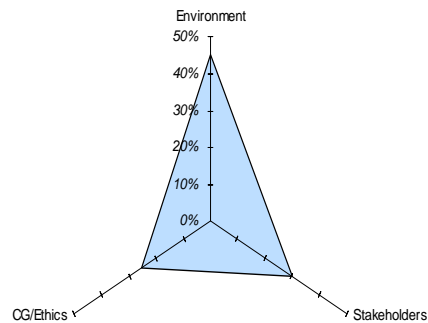
ESPA VINIS SKYLINE (Company level)



(4: best rating; 0: worst rating)

ESPA VINIS STAR (Sector level)

Environment: 45.00%
 Stakeholders: 30.00%
 CG / Ethics: 25.00%



Glossary

SRI – Socially Responsible Investment

YTD – year to date

SRI-Rating agency / SRI Rating – An SRI-rating agency or SRI-research agency analyses and rates the activities of companies according to social, ecological and ethical criteria (e.g. A = best grade to D = worst grade). By using SRI ratings investors can judge a company's exposure to environment and stakeholders. The ESPA Responsibility team has co-operations with several SRI-rating agencies (oekom research, RiskMetrics (former ISS), Innovest Strategic Value Advisors, RFU), which cover different key aspects. In contrast to SRI rating agencies, finance rating agencies (e. g. Moody's, Fitch, S&P, etc.) are focussing on companies' financial data only.

Investment universe – Each investor has a pool of companies (funds universe, investable universe) in which he is allowed to invest. Companies need to perform above average with regards to sustainability performance to become part of the ESPA responsible investment universe. In order to promptly react to changes on a company level, the ESPA Responsibility investment universe is updated on a monthly basis. Finally, the fund manager picks those companies with the best prospects according to fundamental financial data.

Coverage – The sum of all companies analysed by a rating agency is referred to as coverage. If a company is analysed for the first time this is called initial coverage.

Exclusionary criteria – No investments are made in particular sectors or companies, which violate certain (exclusionary) criteria (e. g. violation of labour regulation, nuclear energy, etc.). These criteria include ethical, social and governance risk factors.

ESPA VINIS Investment Board – In this board specialists in terms of sustainability meet financial experts. Together with the ESPA Responsibility team they discuss topical issues and current developments, IPOs, or the latest trends in different industry sectors.

Engagement – Engagement means that the investor tries to convince/persuade the management of a company to take actions in the fields of social responsibility, environment or transparency. On a national basis engagement is done by the ESPA Responsibility Team itself, on a global basis there exists a co-operation with F&C, who is specialised provider in this area.

Voting – Voting means the active exercise of the voting rights at shareholders' meetings. Possible targets are the increase in transparency in case of nominations for the board of directors, or more transparency in management compensation. In the area of voting, the ESPA Responsibility team also cooperates with F&C.

ESPA VINIS SKYLINE – ESPA VINIS SKYLINE illustrates the evaluation of single criteria for each company (e.g. environmental management, products & services, human capital, etc.). This evaluation is based on a rating score ranging from 0 (worst score) to 4 (best score). The single ratings are added up according to their weightings, which finally leads to a combined SRI rating.

ESPA VINIS STAR – Each sector has different areas of focus with regards to sustainability. The ESPA VINIS STAR shows the weightings of the three dimensions (environment vs. stakeholder vs. CG/ethics). The weighting of CG/ethics is held constantly at 25%. The weightings of the other two dimensions vary depending on the sector. For example, stakeholder issues are weighted higher in the service sector, whereas the importance of environmental issues is more dominant in the industrial sector.

Imprint

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