



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:

In December equity markets showed an overall positive performance. Particularly the beginning of the month showed a surge in equity prices. Released US macro data were unobtrusive but confirmed the view of a rather stable economic development. High debt ratios of industrialised countries - both in the US and in parts of Euroland - are still regarded as a major problem for the future development. Fears about a worsening in the crisis of the European Currency eased off towards the end of the year. Markets were backed by ongoing substantial liquidity inflows provided by central banks. Both Fed and ECB are expected to keep interest rates low in the near future. The price for crude oil rose slightly in the market environment illustrated above, while the Euro stabilised and reached a level around 1.32 versus the US currency.

All sustainable themes performed well in December. While sectors like solar, alternative transport and energy efficiency showed the best performances, wind and fuel cells lagged somewhat behind.

Sustainable international indices performed very strong in December while their sustainable counterparts lagged a bit behind. European sustainable equity indices lagged behind their 'conventional' counterparts. The Austrian equity market outperformed the international and the European markets quite remarkably in December, with the sustainable VÖNIX Index performing slightly better than the broader ATX Prime Index and the ATX Index.

Index comparison (December 2010)			
↑ FTSE 4 Good Global Index	7.4%	↑ FTSE 4 Good Europe 50	4.7%
↑ Dow Jones Sustainability World TR	5.0%	↑ Dow Jones STOXX 50	5.0%
↑ Ethical Index Global Top 30	5.6%	↑ Dow Jones STOXX 600	5.8%
↑ Ethical Index Global Tradeable Return	3.5%	↑ MSCI Europe	5.6%
↑ MSCI World Total Return	5.8%	↑ VÖNIX	12.01%
		↑ ATX Prime	11.9%
		↑ ATX	11.4%

Fixed Income:

The economic data released in the USA suggested a continuation of the moderately positive development of the economy. Data from the industrial sector (Purchasing Manager Index, ISM Manufacturing, etc.) together with private consumption continued to indicate a stable environment. The recovery of the labour market still lags behind. Europe continued to show diverging developments. Data such as the IFO index and PMI's from Euro-Zone "core countries" continued to provide positive surprises, whereas the situation in the highly indebted peripheral countries of Greece, Portugal, Ireland, Spain, and Italy remained strained. Inflation was moderately up. The market still expects very low key lending rates from the ECB and FED in the months to come. Risk appetite increased on the capital markets in December, although liquidity was gradually falling on the fixed income markets.

Spreads of Corporate and Covered Bonds trended sideways in December. While sectors like Utilities, Automobiles and Telecoms outperformed, issues from Spanish Issuers in general and Issues of Financials with weak fundamental data showed poor performances.

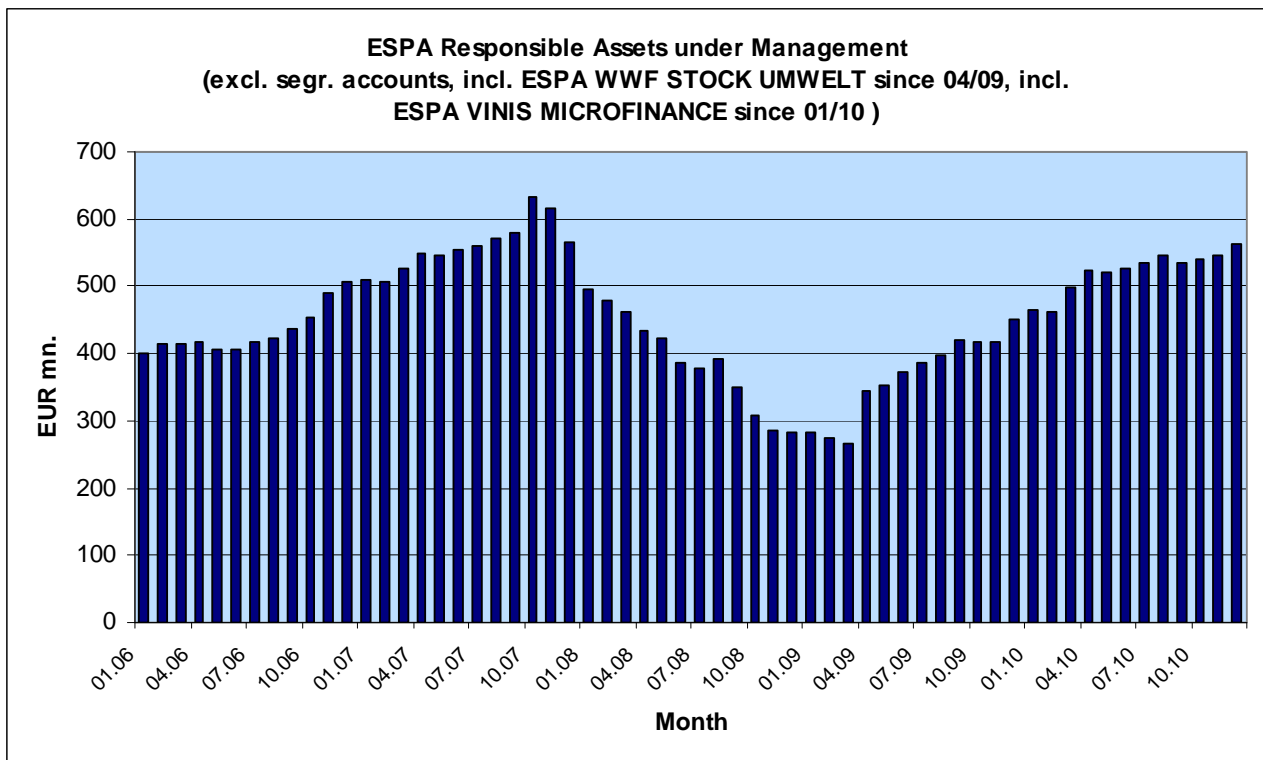
The Bund Futures contract continued its correction during the first trading days of December and afterwards went on to trade in low volumes in a range between 125.50 and 123.80. The interest rate curve steepened (10Y - 2Y government bonds: 210bps). While short maturities recorded falling yields, bonds with longer maturities posted an increase in yields of up to 30bps.

Performance data for the ESPA Responsible Investment funds

Performance data per 12/30/10 Sustainability Funds	2010 YTD	2010 YTD vs. Benchmark	MTD 12/10	fund volume in mn. EUR
ESPA VINIS STOCK GLOBAL	16.6%	-4.9%	6.5%	218.7
ESPA VINIS STOCK EUROPE	9.4%	3.1%	8.5%	23.2
ESPA VINIS STOCK AUSTRIA	16.6%	-0.2%	11.9%	27.5
ESPA VINIS STOCK EUROPE EMERGING	16.7%	-12.2%	7.5%	15.8
ESPA VINIS BOND	1.7%	-0.6%	-0.8%	132.5
ESPA VINIS CASH	2.2%	1.5%	-0.3%	41.7
Performance data per 12/30/10 Environmental Funds	2010 YTD		MTD 12/10	fund volume in mn. EUR
ESPA WWF STOCK CLIMATE CHANGE	3.2%		5.8%	22.7
ESPA WWF STOCK UMWELT	14.3%		6.0%	50.3
Performance data per 12/15/10 Microfinance Funds **)	2010 YTD		MTD 12/10 **)	fund volume in mn. EUR
ESPA VINIS MICROFINANCE *)	0.6%		-0.2%	30.1
Total Assets under Management				562.5

*) inception 01/04/2010, **) latest available NAV

ESPA Responsible Investment funds: Assets under Management



Latest developments within the ESPA Responsibility Team

Media appearance of ESPA Responsibility Team

- Top Gewinn articles "Sustainable investment funds on the check", "At the ready for financial crisis in the future" and "Microcredits in adolescence" („Nachhaltige Investmentfonds auf dem Prüfstand“, „Weiße Weste gegen künftige Finanzkrisen“ und „Mikrokredite in der Pubertät“) from November 2010
- Finanztreff.de article "Introduced: ESPA WWF STOCK UMWELT" („Vorgestellt: der ESPA WWF STOCK UMWELT Fonds“) from 12/10/2010
http://www.finanztreff.de/green/news_news.htn?u=5610268&sektion=facundagreenartikel&id=32736092
- Die Presse article "Liquid assets from blue gold" from 12/15/2010
- ORF Report to the topic "Sustainable Investments" from 12/21/2010

Proceedings & development

- Participation of ESPA Responsibility Team at the following conferences in January / February 2011:
 - CEE-Symposium hosted by Erste Sparinvest 01/20/2011 in Vienna
 - Forum Nachhaltige Geldanlagen - Dialogue 02/01/2011 in Zurich
 - HSBC Sustainability-Conference February 2011 in Frankfurt

Changes in the investment universe (January 2011)

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:

- A123 Systems, Deutsche Biogas, Enel Green Power, SGS, Terna Rete Elettrica Nazionale, Tieto, Valence Technology - company included in research universe
- ElectrolouX, Fiat, Michelin, Nike, Royal Philips - abolition of exclusionary criteria
- West Japan Railway - improvement regarding stakeholder & environment-related performance

Excluded - Reasons:

- Cisco Systems - violation of exclusionary criteria

ESPA VINIS Investment Board highlights

(last Meeting 11/18/2010)

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:

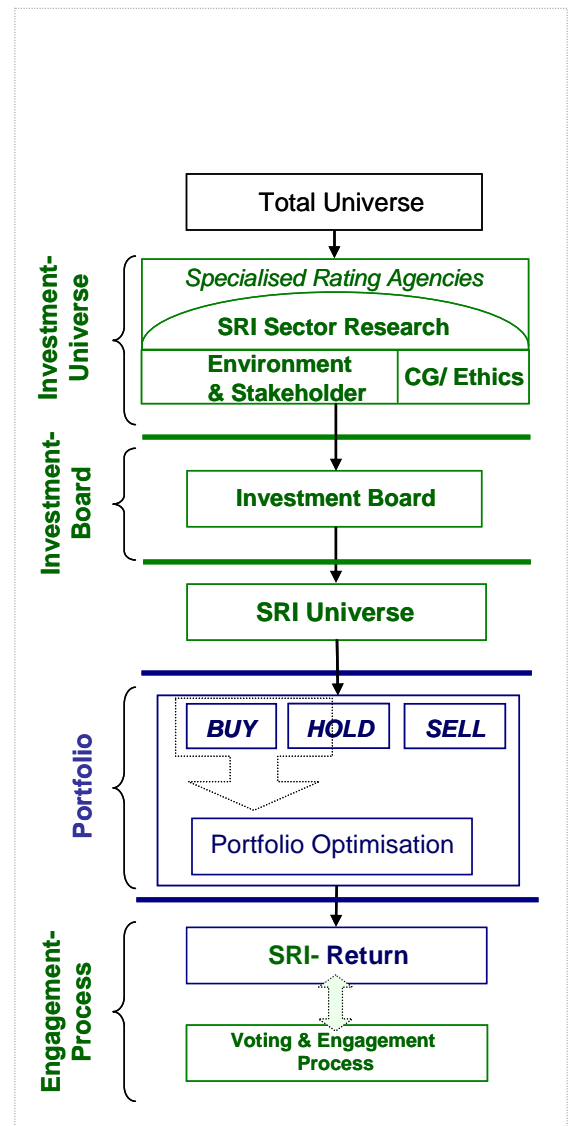
- What is the ratings agencies opinion on the (cargo) shipping industry from a sustainable point of view?
- How do the rating agencies assess the environmental impact of hydroelectric power plants and hydroelectric power production (e.g. environmental damage to the landscape, etc.)?
- Are there plans to further enlarge the coverage of stocks and other issuers from emerging markets by the rating agencies?
- How can the rating agencies prompt agencies/government sponsored issuers to provide meaningful information?
- How important is a company's reporting for its sustainability rating? Does the existence of a sustainability report (vs. a sustainability newsletter) make a difference?

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 Kapsch TrafficCom and Mayr-Melnhof



Stock on the watch

BT Group PLC

(Telephone-Integrated)
 ISIN:
 Last price (01/19/11)
 Market capitalisation (in mn.)
 P/E (Price-earning ratio) estimate
 Dividend yield
 Financial rating (Moody's / S&P)

BL/A LN

GB0030913577
 GBp 179.3
 GBP 13915.22
 9.39
 3.90%
 Baa2 / BBB-

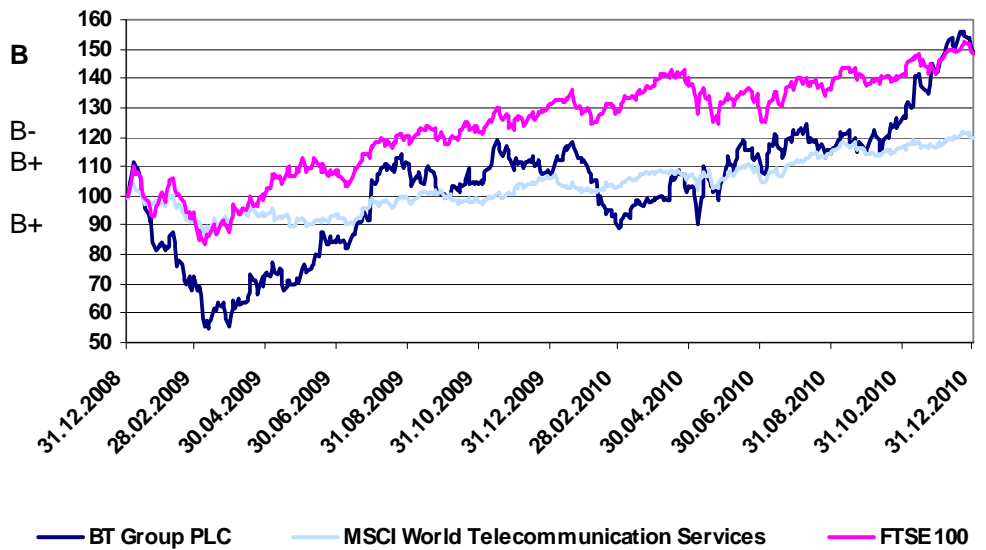
SRI-Rating (total):

(Range A-D)

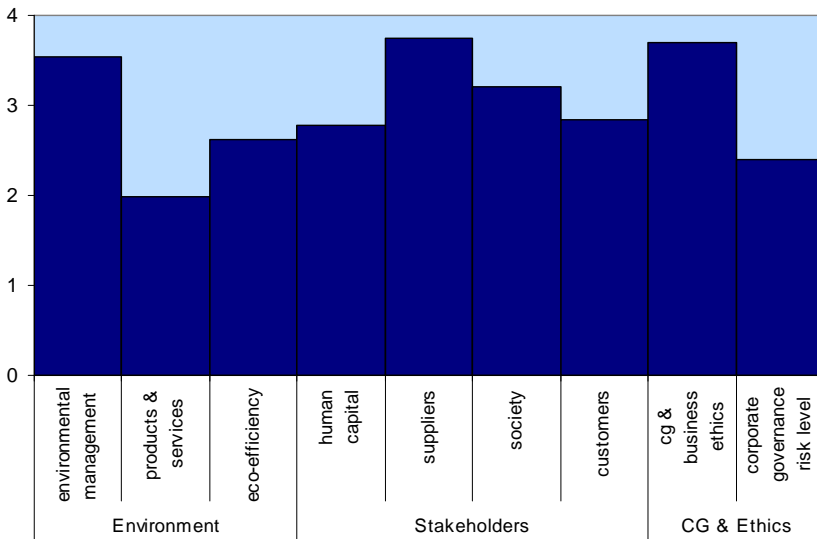
Environment rating (Range A-D): B-
 Stakeholder rating (Range A-D): B+
 Corporate Governance / Ethics Rating (Range A-D): B+

Invested in funds as follows:
 ESPA VINIS STOCK GLOBAL

Performance since 12/2008



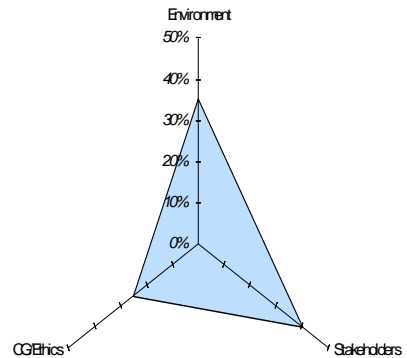
ESPA VINIS SKYLINE (Company level)



(4: best rating; 0: worst rating)

ESPA VINIS STAR (Sector level)

Environment: 35.00%
 Stakeholders: 40.00%
 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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