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## Market report from a responsible investor's view

### Equities:

In March, global equity markets showed a strong correction following the earthquake and nuclear disaster in Japan. Additionally, political uncertainties in the Arab World remained an issue. Nevertheless, most equity markets were able to recover until the end of the month. Doubts about the persisting growth scenario of the world economy were so far put into perspective by largely positive US macro data. The price for crude oil stabilised on high levels in the market environment illustrated above and traded around the mark of 115 USD (Brent). The Euro continued to gain slightly and rose to a level of about 1.41 versus the US currency.

Sustainable themes mostly delivered positive performances last month. While renewable energies, especially solar and wind, performed quite positive, themes like energy-efficiency, alternative transport, water and pollution control lagged somewhat behind.

Sustainable international indices underperformed their sustainable counterparts last month. European sustainable equity indices also lagged behind their 'conventional' counterparts. The Austrian equity market delivered a slightly better performance than international and European markets but also ended in the red. The ATX Index outperformed the sustainable VÖNIX Index and the broader ATX Prime Index.

<b>Indexvergleich (March 2011)</b>			
↓ FTSE 4 Good Global Index	-2,0%	↓ FTSE 4 Good Europe 50	-4,3%
↓ Dow Jones Sustainability World TR	-3,3%	↓ Dow Jones STOXX 50	-4,8%
↓ Ethical Index Global Top 30	-1,6%	↓ Dow Jones STOXX 600	-3,7%
↓ Ethical Index Global Tradeable Return	-3,9%	↓ MSCI Europe	-3,7%
↓ MSCI World Total Return	-1,5%	↓ VÖNIX	-0,5%
		↓ ATX Prime	-0,2%
		↓ ATX	-0,5%

### Fixed Income:

The economic data published in March pointed towards a continued recovery. Industrial and consumer data were stabilising on high levels. The labour market contributed positively as well, whereas the US property sector released disappointing data. Due to recent increases in commodity prices inflation figures were generally rising. This led central banks to reassess their expansive interest rate policy. The market has already priced in an initial interest rate hike by the ECB in April. Even some FED-Governors sent some hawkish signals in their statements. The highly indebted peripheral countries of the Euro-Zone drifted further apart - Greece, Ireland, and Portugal on the one side, and the recently stabilised Spain and Italy on the other side.

Risk appetite on the capital markets started to rise again towards the end of March. Bonds of financial service providers and mortgage bonds outperformed government bonds yet again.

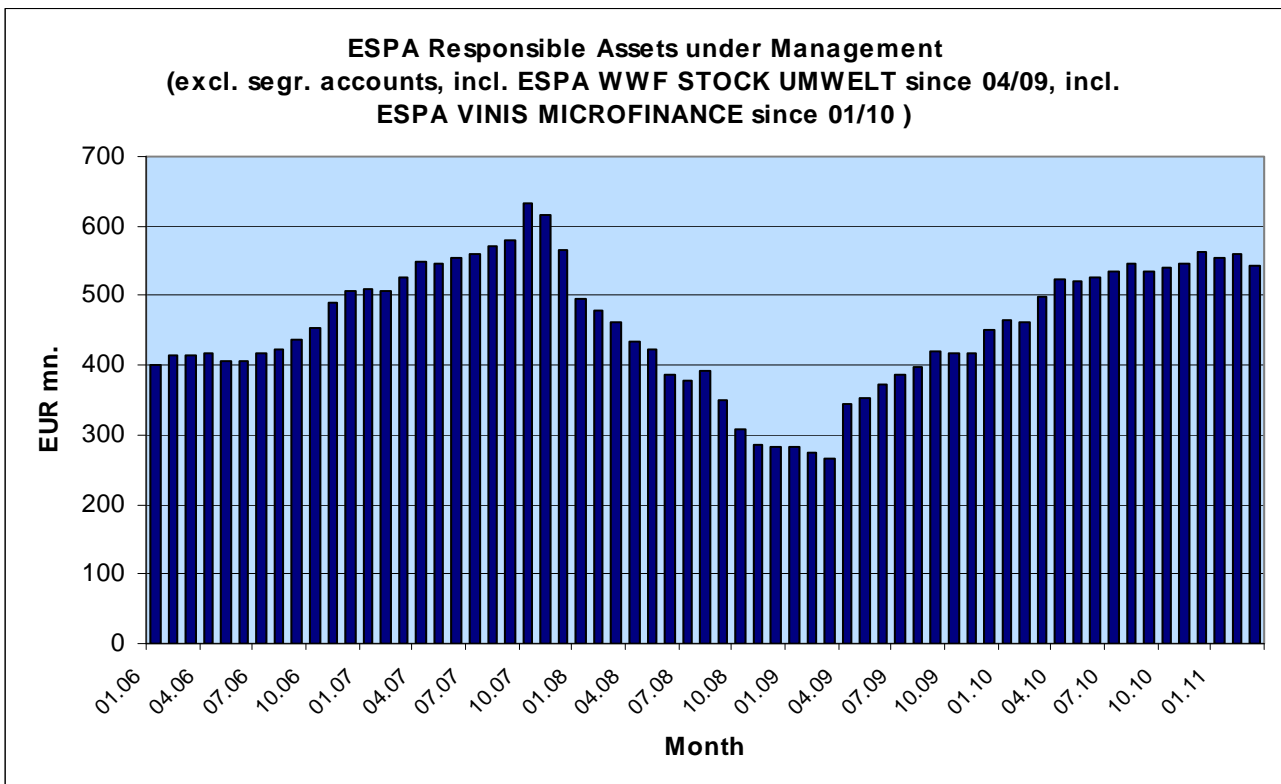
The performance of the Bund futures contract was influenced by geopolitical factors in March and remained locked in its downward trend in the second half of the month. The 10Y yield of German government bonds closed the month at around 3.35%. The bear-flattening of the euro interest rate curve continued. The entire yield curve increased by about 20bps.

### Performance data for the ESPA Responsible Investment funds

<b>Performance data per 03/31/11 Sustainability Funds</b>	2011 YTD	2011 YTD vs. Benchmark	MTD 03/11	fund volume in mn. EUR
ESPA VINIS STOCK GLOBAL	-1.5%	0.7%	-1.3%	205.7
ESPA VINIS STOCK EUROPE	1.2%	1.4%	-1.8%	23.7
ESPA VINIS STOCK AUSTRIA	-1.0%	-1.2%	0.1%	10.2
ESPA VINIS STOCK EUROPE EMERGING	0.9%	-2.1%	3.9%	15.0
ESPA VINIS BOND	-0.4%	-0.1%	-0.2%	131.0
ESPA VINIS CASH	0.8%	0.6%	0.3%	50.5
<b>Performance data per 03/31/11 Environmental Funds</b>	2011 YTD		MTD 03/11	fund volume in mn. EUR
ESPA WWF STOCK CLIMATE CHANGE	1.3%		2.0%	27.6
ESPA WWF STOCK UMWELT	-2.7%		1.7%	49.1
<b>Performance data per 03/15/11 Microfinance Funds *)</b>	2011 YTD		MTD 03/11 *)	fund volume in mn. EUR
ESPA VINIS MICROFINANCE *)	0.0%		-0.1%	30.3
Total Assets under Management				543.1

\*) latest available NAV

### ESPA Responsible Investment funds: Assets under Management



## Latest developments within the ESPA Responsibility Team

### Media appearance of ESPA Responsibility Team

- Format article "Aftershocks at stock exchanges" („Nachbeben an den Börsen"" from 03/18/2011)
- Die Presse article "Green investing and diversifying anyhow" („Grün investieren und trotzdem streuen") from 03/31/2011  
<http://diepresse.com/home/wirtschaft/boerse/meingeld/646276/Gruen-investieren-und-trotzdem-streuen?from=suche.intern.portal>
- Release of CareGroup's SRI-database [www.SRIFundAdvice.com](http://www.SRIFundAdvice.com)
- Öko-Test article "Radiating business" („Strahlende Geschäfte") from April 2011
- Die Presse article "Earn money having clear conscience" („Mit gutem Gewissen Geld verdienen") from 04/09/2011

### Proceedings & development

- ESPA VINIS STOCK GLOBAL ranked 3rd in the category „Equities sustainable, 5 years" at Austrian Fund Awards 2011 („Österreichischer Fondspreis 2011")
- Preparation for the launch of the sustainable corporate bond fund "ESPA VINIS BOND EURO CORPORATE" in the 2<sup>nd</sup> quarter 2011
- Participation of ESPA Responsibility Team at the following conferences in April /June 2011:
  - General Meeting and 10 year anniversary of FNG 04/07/2011 in Berlin
  - EFSE (European Fund for Southeast Europe) Annual Meeting June 6 - 8, 2011 in Tirana

## Changes in the investment universe (April 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:

- Koninklijke Wessanen, Tryg, Weyerhaeuser - company included in research universe
- Carnival - improvement regarding stakeholder & corporate governance-related performance
- Unilever, Waste Management - abolition of exclusionary criteria

### Excluded - Reasons:

- 3M, Ford, Johnson Controls - violation of exclusionary criteria
- TFS, Wolseley - deterioration regarding environment-related performance

## ESPA VINIS Investment Board highlights

(last Meeting 03/17/2011)

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:

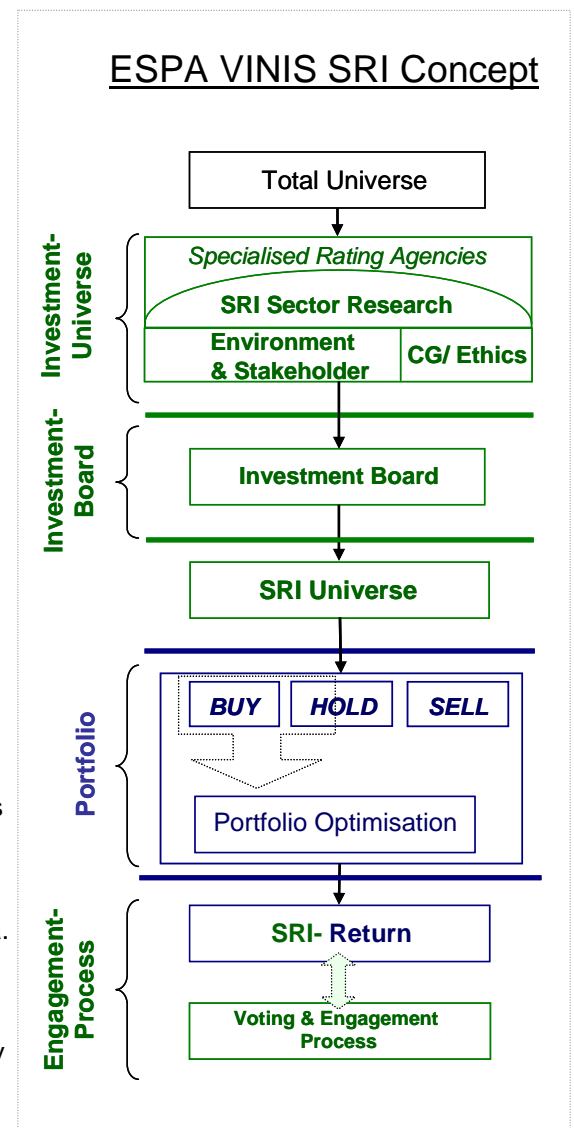
- The rating agencies have quite different ratings on the companies Shimano, Schneider Electric and Danone. Please elaborate on your views on the respective companies.
- What is the rating agencies view on the sustainability of winter sports - with a focus on skiing - and the related companies?
- Provision of a short rating on the expected new IPO "AMAG" in Austria.
- Rating agencies comment on german company Augusta Technology.
- How do protests in the Arab World influence or change the rating agencies ratings both on corporations and countries? Are topics like company ties to dictatorships (on the shareholder side or on the supply side), handling of protests, etc. evaluated during the rating process?

## 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, Mayr-Melnhof, Telekom Austria, Vienna Insurance Group, voestalpine and Wienerberger



## Stock on the watch

### Rentokil Initial PLC

(Diversified Operations / Commercial Services)  
 ISIN:  
 Last price (04/19/11)  
 Market capitalisation (in mn.)  
 P/E (Price-earning ratio) estimate  
 Dividend yield  
 Financial rating (Moody's / S&P)

### RTO LN

GB00B082RF11  
 GBp 90.15  
 GBP 1636.07  
 10.48  
 -  
 NR / BBB-

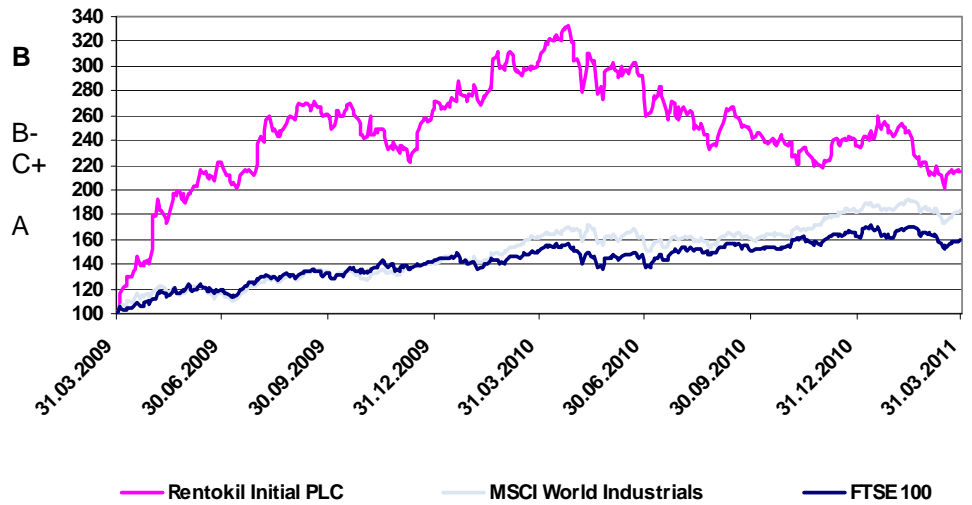
### SRI-Rating (total):

(Range A-D)

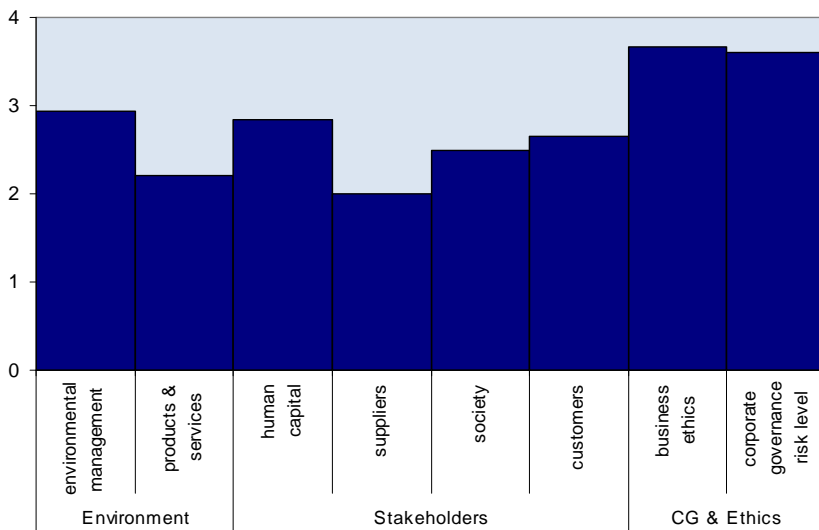
Environment rating (Range A-D): B-  
 Stakeholder rating (Range A-D): C+  
 Corporate Governance / Ethics Rating (Range A-D): A

Invested in funds as follows:  
 ESPA VINIS STOCK EUROPE  
 ESPA VINIS STOCK GLOBAL

Performance since 03/2009

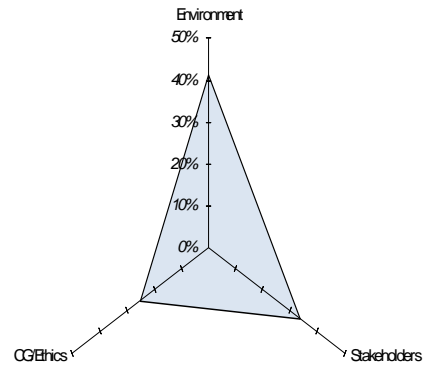


ESPA VINIS SKYLINE (Company level)



ESPA VINIS STAR (Sector level)

Environment: 41.25%  
 Stakeholders: 33.75%  
 CG / Ethics: 25.00%



(4: best rating; 0: worst rating)

## 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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