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Market report from a responsible investor's view

Equities:

In October, global equity markets showed a major upturn. After the sharp fall in August and the stabilisation in September, markets gained ground significantly. In expectation and in the aftermath of the decisions of the European Union on a debt cut in Greece, the enlargement of the Euro protective shield and the recapitalisation of European banks there was a boost in market sentiment. US macro data were somewhat improving, the fear about a recession receded. The price for crude was up in the market environment illustrated above and traded around the mark of 110 USD (Brent). The Euro appreciated and traded at a level of about 1.39 versus the US currency.

All sustainability themes delivered positive performances last month. Especially the segments of alternative transport and energy efficiency showed good performances. Solar energy and water were the poorest performers within sustainable themes.

After challenging months for the equity markets international equity indices as well as their sustainable counterparts showed very strong performances last month. Sustainable international equity indices delivered a slightly better performance than international indices. European sustainable equity indices slightly lagged behind their 'conventional' counterparts. The Austrian equity market showed a poorer performance with the broader ATX Prime Index and the ATX Index delivering positive performances while the sustainable VÖNIX Index ending in the red.

Indexcomparison (October 2011)			
↑ FTSE 4 Good Global Index	9,7%	↑ FTSE 4 Good Europe 50	7,6%
↑ Dow Jones Sustainability World TR	7,3%	↑ Dow Jones STOXX 50	7,3%
↑ Ethical Index Global Top 30	7,5%	↑ Dow Jones STOXX 600	7,7%
↑ Ethical Index Global Tradeable Return	6,2%	↑ MSCI Europe	7,8%
↑ MSCI World Total Return	8,5%	↓ VÖNIX	-1,6%
		↑ ATX Prime	1,8%
		↑ ATX	1,8%

Fixed Income:

The economic data published in the USA last month painted a slightly brighter picture for the state of the American economy. ISM data, labour market data and retail sales pointed towards a moderately growing economy. FED members were still in discussions about non-standard measures to stimulate the economy. European economic data were largely weak again. Purchasing Manager Indices, IFO and ZEW data continued to degrade. The European economy is likely to cool down substantially after a stronger performance in the previous quarters, putting an increased pressure on the ECB to retract the two earlier interest rate hikes of this year. The capital markets are still dominated by the debt crisis within the Eurozone - especially in Greece.

Bonds issued by the peripheral states of the Eurozone remained underperformers. Performance was strongly diverging between various issuers. While corporate bonds issued by rather defensive sectors and financials faced strong demand due to the increase in the willingness to assume risk, bonds issued by the Austrian and Slovenian government, some Supranationals and Agencies lost some ground.

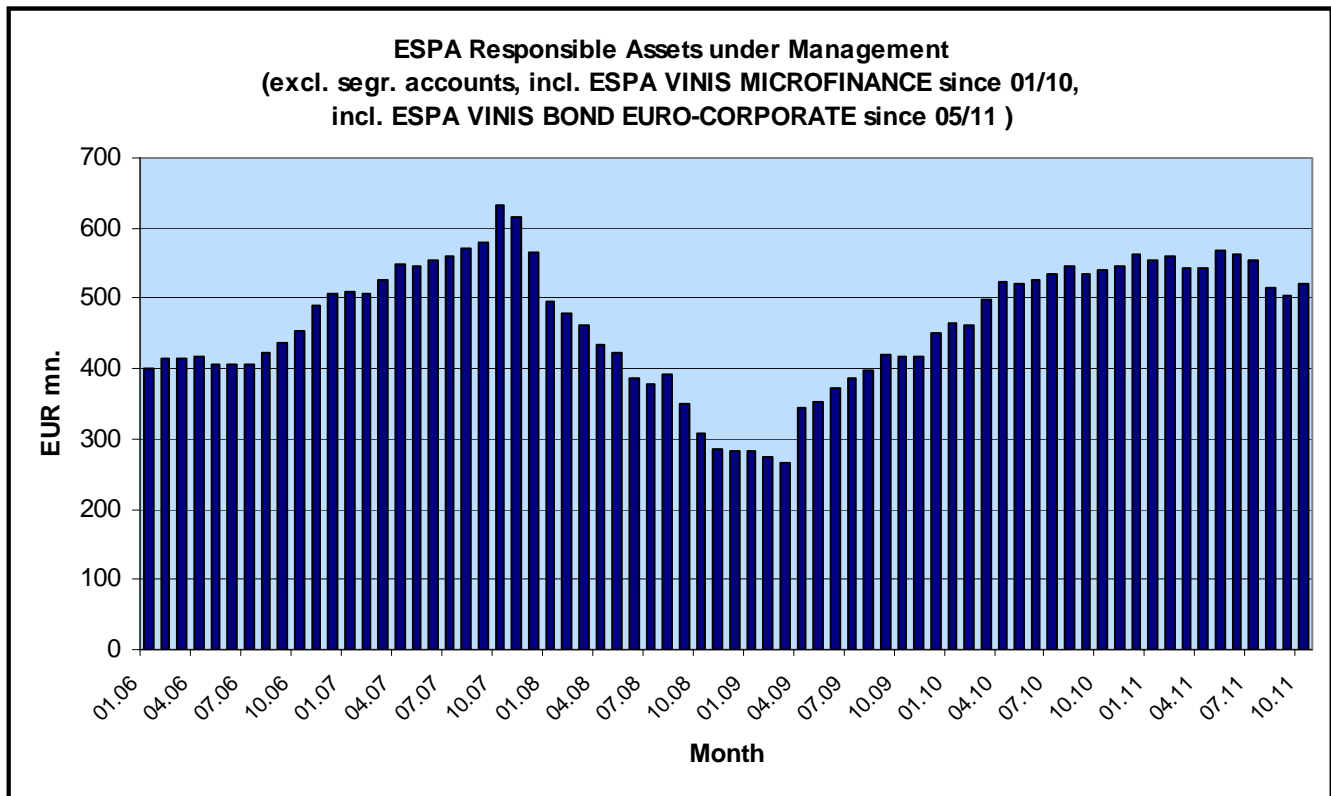
The Bund futures contract experienced a very volatile month again and traded in a broad range within 132.89 to 138.80. The euro interest rate curve steepened, the yields of longer maturities increased up to 20 bps.

Performance data for the ESPA Responsible Investment funds

Performance data per 10/31/11 Sustainability Funds	2011 YTD	2011 YTD vs. Benchmark	MTD 10/11	fund volume in mn. EUR
ESPA VINIS STOCK GLOBAL	-7.4%	0.0%	4.8%	189.9
ESPA VINIS STOCK EUROPE	-18.4%	-9.8%	9.1%	11.5
ESPA VINIS STOCK AUSTRIA	-32.0%	0.0%	-0.4%	4.5
ESPA VINIS STOCK EUROPE EMERGING	-24.2%	-1.9%	4.3%	7.6
ESPA VINIS BOND	0.6%	-2.3%	0.1%	129.2
ESPA VINIS CASH	0.9%	-0.1%	0.2%	71.3
ESPA VINIS BOND EURO-CORPORATE *)	-	-	1.4%	27.2
Performance data per 10/31/11 Environmental Funds	2011 YTD		MTD 10/11	fund volume in mn. EUR
ESPA WWF STOCK CLIMATE CHANGE	-22.7%		7.2%	11.5
ESPA WWF STOCK UMWELT	-21.6%		3.5%	36.7
Performance data per 09/30/11 Microfinance Funds **)	2011 YTD		MTD 09/11 **)	fund volume in mn. EUR
ESPA VINIS MICROFINANCE **)	1.3%		0.1%	30.9
Total Assets under Management				520.3

*) since 05/02/11, **) latest available NAV

ESPA Responsible Investment funds: Assets under Management



Latest developments within the ESPA Responsibility Team

Media appearance of ESPA Responsibility Team

- Handelsblatt-article „Doors open for microfinance“ („Tor für Mikrofinanz offen“) from 09/16/2011
- Top-Gewinn-article „Sustainability is no disadvantage for the return“ („Nachhaltigkeit ist kein Nachteil bei der Rendite“) from 10/2011
- Tiroler Tageszeitung-article „Tyroleans are saving less money“ („Tiroler sparen wieder weniger“) from 10/19/2011
- Salzburger Nachrichten-article „Saving 168 Euro per month“ („Monatlich 168 Euro auf die hohe Kante“) from 10/24/2011
- Vorarlberger Nachrichten-articles „Top when it comes to saving“ („Beim Sparen an der Spitze“) and „Clean investments advancing“ („Saubere Investments im Vormarsch“) from 11/09/2011
- FER Sustainability Report: Microfinance products are winner among performance and volume (Mikrofinanzprodukte Volumens- und Performancesieger) from 11/09/11
http://www.software-systems.at/wp-content/uploads/2011/11/FER-Nachhaltigkeitsreport_091111.pdf

Proceedings & development

- Participation in Social Business Study on behalf of European Commission and European Association of Public Banks
- Participation of ESPA Responsibility Team at the following conferences in November / December 2011:
 - 2. Finance & Science Congress 2011 November 17 at Stift St. Georgen
 - Sparkasse Feldkirch/Sparkasse Bludenz Investor´s Meeting „Invest with pure conscience“ November 21 in Feldkirch

Changes in the investment universe (November 2011)

The implementation of the SRI concept and the inclusion of SRI-research (oekom, RFU and MSCI (former Innovest and RiskMetrics)) 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:

Newmont Mining - abolition of exclusionary criteria

Excluded - Reasons:

- Nike - violation of exclusionary criteria
- Google, Eletropaulo Metropolitana de Sao Paulo - deterioration regarding stakeholder-related performance
- Panasonic - deterioration regarding stakeholder- & environment-related performance

ESPA VINIS Investment Board highlights

(last Meeting 09/29/2011)

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:

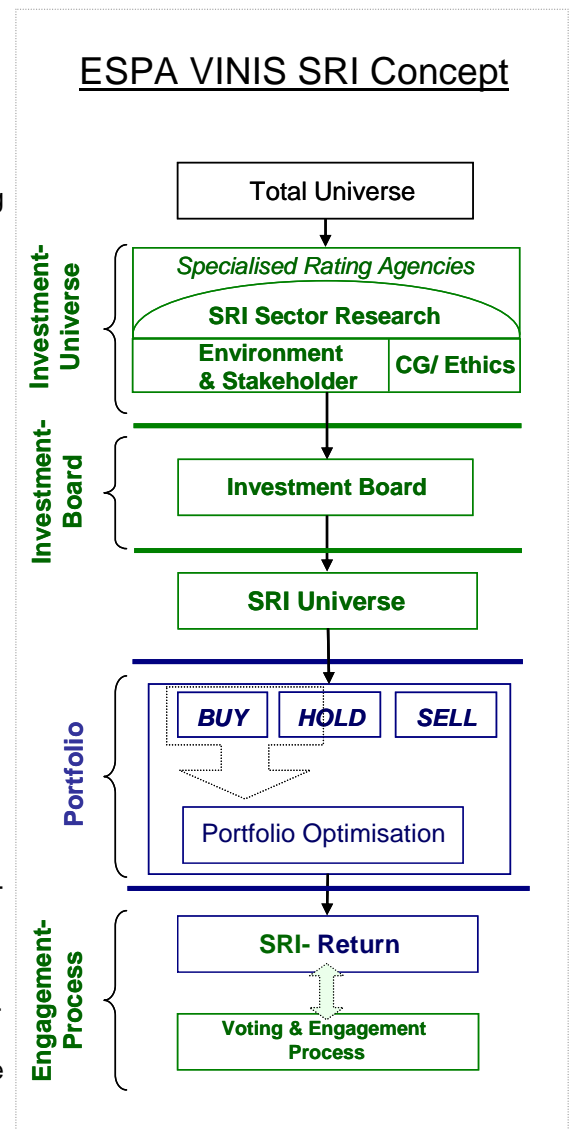
- Recently there has been a corruption issue on the Austrian company "Telekom Austria". How do the rating agencies handle past corruption issues in general?
- How, if at all, is the recent trading scandal at the Swiss company "UBS" assessed by the rating agencies?
- What are the major issues that are important from an CSR / ESG standpoint of view regarding gold mining companies? Have there been changes to these views in the last few years?
- Financial markets seem to price in an economic scenario similar to 2008/2009. Do the rating agencies see any changes from a sustainability point of view compared to this last major downturn on a company level, on an industry level or on a political level (e.g. importance of climate change issues, social issues, transparency issues, etc.)?

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 under development

Austria: Engagement with Kapsch TrafficCom, Mayr-Melnhof, Vienna Insurance Group and Wienerberger



Stock on the watch

REED ELSEVIER PLC

(Publishing - Books)

ISIN:

Last price (11/18/11)

Market capitalisation (in mn.)

P/E (Price-earning ratio) estimate

Dividend yield

Financial rating (S&P / Moody's)

REL LN

GB00B2B0DG97

GBp 517.5

GBP 6,265.27

11.20

4.01%

Baa1 / BBB+

SRI-Rating (total):

(Range A-D)

Environmental rating (Range A-D):

Stakeholder rating (Range A-D):

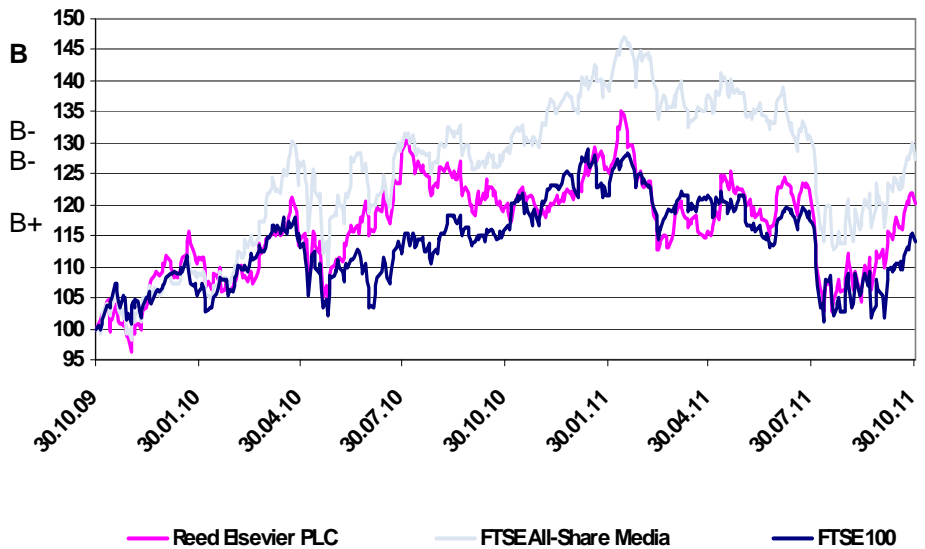
Corporate Governance /

Ethics Rating (Range A-D):

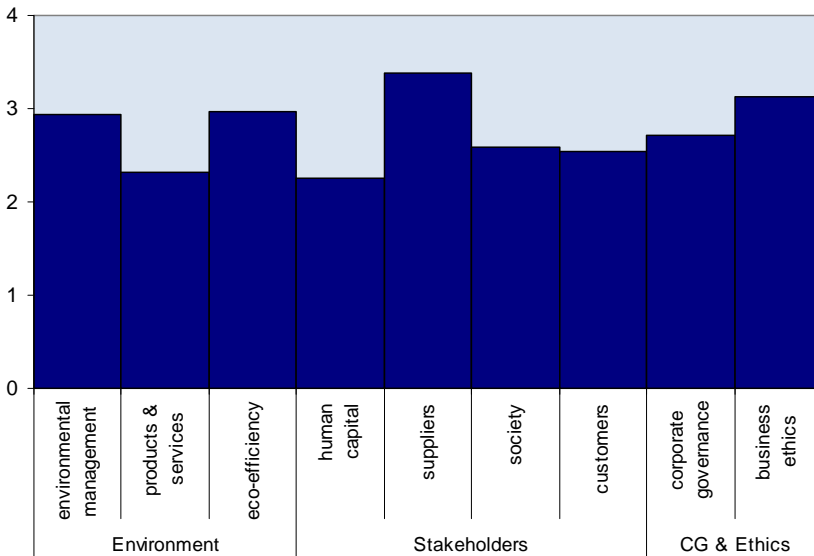
Invested in funds as follows:

ESPA VINIS STOCK GLOBAL

Performance since 10/2009

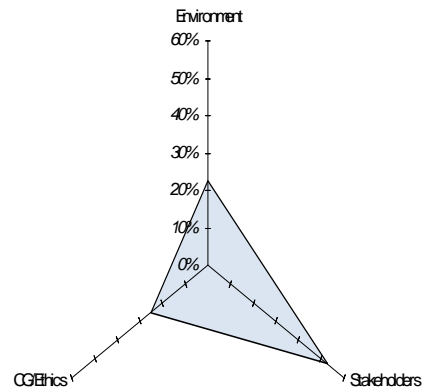


ESPA VINIS SKYLINE (Company level)



ESPA VINIS STAR (Sector level)

Environment: 22.50%
Stakeholders: 52.50%
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

ERSTE-SPARINVEST KAG

1010 Wien, Habsburgergasse 1a

VINIS Gesellschaft für nachhaltigen Vermögensaufbau und Innovation m.b.H.

1020 Wien, Obere Donaustraße 49 - 53

Contact

INSTITUTIONAL DISTRIBUTION - INTERNATIONAL

Tel: +43 (0) 50 100 19960

E-mail: institutional@erste-am.com

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