

Positive Contributors	FUND	Negative Contributors
<ul style="list-style-type: none"> On a company level: Petroleos Mexicanos, Logan Property Holdings Co LTD On a country level: China, Chile 		<ul style="list-style-type: none"> On a company level: Mexico City Airport Trust, PT Perusahaan Listrik Negara On a country level: Russian Federation, Turkey
Opportunities	MARKET	Challenges
<ul style="list-style-type: none"> Thanks to falling oil prices, Turkey posted a record-high current account surplus in October Banco Inbursa and Banco do Brasil trade 		<ul style="list-style-type: none"> Ongoing strong geopolitical tensions between the US and China Economic cool down in China

Update from the lead manager, Péter Varga

2018 was an extremely challenging year for investors. Geopolitics played such a major role like hardly ever before in the last 50-60 years, but also local news from EM countries caused extremely volatile trading days as well as performance. We are all the more pleased to report to our loyal current as well as future clients that our flagship strategy, **ERSTE BOND EMERGING MARKETS CORPORATE**, has been the **best fund in absolute terms** in the relevant peer group* (Morningstar), and not just for 2018, but also **over the last 5 and 10 years!** Clients who have entrusted us with their money have been able to benefit strongly from this exciting and long-term profitable asset class. A consistent, robust performance has been achieved that is second to none in the market... Again, many thanks for your trust in us!

What a year-end 2018! December broke records on the stock markets: only in the 1930s US stock markets have suffered such major losses at the end of the year as in December 2018. The White House's fear and helplessness led the finance minister to seek talks with bank directors in order to collect information on the current situation of the banks, while the presidential administration asked top investors for market advice as well. Unfortunately, these efforts were counterproductive, with markets falling by over 2%. Moreover, the FED hiked rates and contributed to the negative sentiment. The performance gap between EM and DM stock markets narrowed massively and the mispricing is now largely eliminated. Our investment universe achieved a performance of just under 1%, supported by tumbling US yields. Risk premia once again hit the 400-mark.

The ongoing strong geopolitical tensions between the US and China and the resulting uncertainty among decision-makers led to a decline in global economic activity. Nonetheless, Asian company bosses remain cautiously optimistic, but fears of a global trade war are still prevalent (see Chart 1). Taiwanese technology companies gave the bleakest outlook.

Commodity prices (except precious metals) continued their downward trend. Amongst others, the price of oil, which declined by a double-digit figure in December, took the lead (further background information can be found in the November Newsletter). Qatar surprised with the announcement to leave OPEC by 01.01.2019 – a step with high symbolic significance. Qatar continues to rely on its independence of Saudi Arabia and wants to drive forward its political and economic relations. As a result, S&P turned the Qatari banks' outlook from negative to stable.

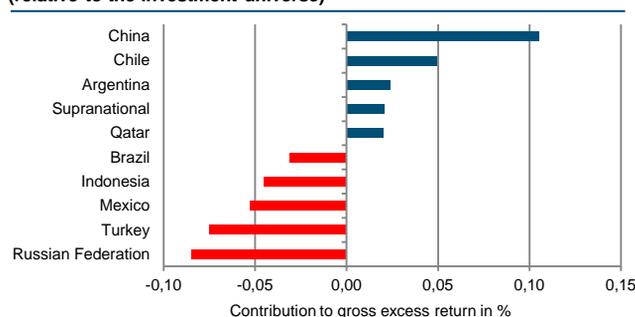
Thanks to falling oil prices, Turkey posted a record-high current account surplus in October, which will continue to improve over the coming months, particularly with regard to the oil price development. As expected, Ukraine received another USD 3.9 billion from the IMF due to its adopted laws.

* Peergroup: EM Corp Fund, hedged in EUR, without maturity restriction

Gross Performance	Dez 2018	YTD	1Y	3Y	5Y	10Y
ERSTE BOND EMERGING MARKETS CORPORATE						
Fund	0.90%	-3.40%	-3.40%	14.87%	20.93%	180.52%
Investment Universe*	0.88%	-5.25%	-5.25%	14.42%	14.41%	132.91%
Difference	0.02%	1.85%	1.85%	0.46%	6.52%	47.61%
ERSTE BOND EMERGING MARKETS CORPORATE IG						
Fund (USD)	1.32%	-0.76%	-0.76%	10.29%	16.73%	-
Investment Universe** (USD)	1.14%	-0.58%	-0.58%	12.98%	15.29%	-
Difference	0.19%	-0.19%	-0.19%	-2.69%	1.44%	-
ERSTE RESPONSIBLE BOND EMERGING CORPORATE						
Fund	0.47%	-4.58%	-4.58%	4.88%	13.96%	-
ERSTE BOND EMERGING MARKETS CORPORATE SHORT TERM						
Fund	0.55%	1.57%	1.57%	-	-	-
Investment Universe***	0.48%	1.77%	1.77%	-	-	-
Difference	0.07%	-0.19%	-0.19%	-	-	-

*BoA ML Q505 – Customized EM Corporate Credit Index
 **BoA ML Q608 – Bond EM exBB1 Total Return Index until 30.6.2016, JPM CEMBI Broad Diversified IG in USD from 1.7.2016
 ***JP Morgan CEMBI Broad Diversified (1–3 years)

Best and worst relative performance contributors by country (relative to the investment universe)



Source: Erste AM, December 2018

Selected new issues in December

Issuer	Coupon	Maturity	Rating	Region
Vanke Real Estate (Hong Kong) Co. Ltd.	5.35	11.03.2024	BBB+	Asia

Erste AM EMERGING MARKETS CORPORATE Strategies (in mn EUR)	
Pooled Funds	952.05
Special Mandates	563.13
Total	1,515.18

As of December 2018

Russia built a fence of over 60 kilometers between the north of the Crimea and Ukraine to once again demonstrate its stance. Furthermore, Russia has sent no New Year's wishes to the EU, the Baltic States and Poland, amongst others.

In the meantime, China tries to get the economic cool down under control by any means. Retail sales continued to slow down in November, rising by only 8.1% yoy. This is the worst figure since 2003. In particular, demand for cars and household goods was weak again. In November, industrial production fell to 5.4%, from 5.9% in October, with automotive production and textile sectors being particularly weak. The government tries to strengthen private consumption and businesses with tax cuts and cheaper refinancing options. At the same time, there is growing evidence that the government is trying to tackle critical, fact-based reporting on the slowdown of the economy by administrative measures. In November, Guangdong (a Chinese export hub) stopped publishing monthly economic indicators, as this was considered illegal by the central government. As a further step, the government has sent a list of topics (economic slowdown, provincial debt risk, declining consumer sentiment, etc.) and how to report about them to editors and journalists.

At a press conference, FBI Director Christopher Wray delivered the quote of the month: "China's goal, simply put, is to replace the US as the world's largest global superpower". In fact, China is pursuing a "copy paste" policy, which is clearly visible in the following example: not enough that parts of Iron Man 3 were shot in China, the Chinese even shot their own Iron Man titled "Armored Warfare God".

In December, the fund's performance was slightly ahead of the benchmark. We took profits of selected positions in Mexico (Santander, Pemex) and in China (loans from construction companies – see Chart 2 and 3), which performed well. As we expected, Banco Inbursa's bonds outperformed those of Banco do Brasil last month. But we still see potential in this trade. 2019 will offer good, long-term entry opportunities for risky asset classes, that is for sure.

Chart 1: Business sentiment index

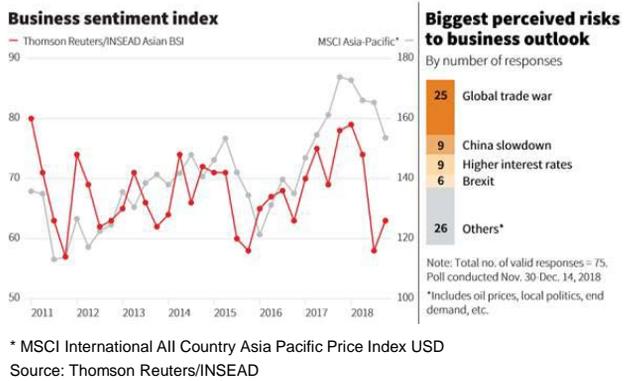


Chart 2: Shimao Property Holdings, 5.2% 30jan2025, USD

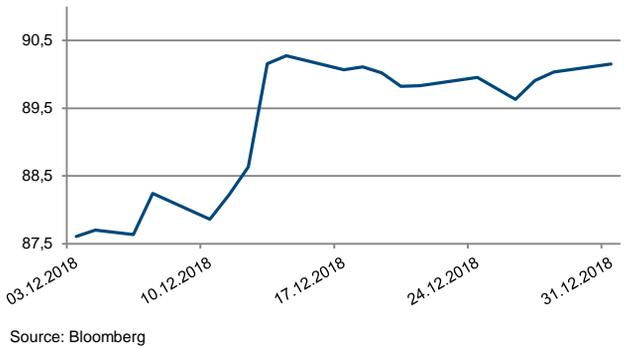
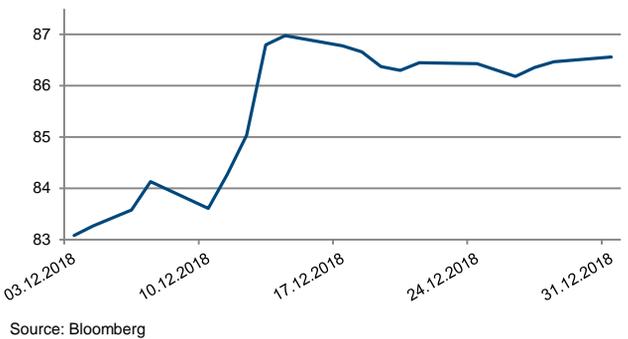


Chart 3: Logan Property Holdings, 5.25% 23feb2023, USD



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ABOUT US

From a strong Emerging Europe position Erste Asset Management, part of Erste Group, has become a successful global emerging market investment house over the last 10 years.

We believe that active management is the best way to generate value in inefficient markets. Emerging markets corporate bonds offer these kind of investment opportunities. Our clients appreciate and benefit from the integrative research and portfolio manager team approach that provide the basis for a structured and efficient decision making process. This stable process and our focus on excellence has made us the partner of choice for institutional clients all over Europe.

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The prospectus for UCITS (including any amendments) is published in Amtsblatt zur Wiener Zeitung in accordance with the provisions of the InvFG 2011 in the currently amended version. Information for Investors pursuant to § 21 AIFMG is prepared for the alternative investment funds (AIF) administered by Erste Asset Management GmbH, pursuant to the provisions of the AIFMG in connection with the InvFG 2011.

The fund prospectus, Information for Investors pursuant to § 21 AIFMG, and the key investor document/KID can be viewed in their latest versions at the web site www.erste-am.com or obtained in their latest versions free of charge from the domicile of the management company and the domicile of the custodian bank. The exact date of the most recent publication of the fund prospectus, the languages in which the key investor document is available, and any additional locations where the documents can be obtained can be viewed on the web site www.erste-am.com.

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Please consult the corresponding information in the fund prospectus and the Information for Investors pursuant to § 21 AIFMG for restrictions on the sale of fund shares to American citizens. Misprints and errors excepted.

Note for Switzerland: For interested parties the fund regulations or the articles of incorporation, the prospectus, Information for Investors pursuant to § 21 AIFMG and the key investor document (KID) in their current versions as well as the annual and semi-annual reports are provided free of charge at the offices of the management company and at the offices of the custodian banks and at the representative in Switzerland (ACOLIN Fund Services AG, Affolternstrasse 56, CH-8050 Zurich, www.acolin.ch). Paying agent in Switzerland is NPB Neue Privat Bank AG, Limmatquai 1/am Bellevue, Postfach, CH-8022 Zurich.

RISK NOTES

ERSTE BOND EMERGING MARKETS CORPORATE, ERSTE BOND EMERGING MARKETS CORPORATE IG and ERSTE RESPONSIBLE BOND EMERGING CORPORATE may exhibit increased volatility due to the composition of its portfolio: i.e. the unit value can be subject to significant fluctuations both upwards and downwards within short periods of time.