

Positive Contributors	FUND	Negative Contributors
<ul style="list-style-type: none"> On a company level: Turkiye Is Bankasi AS, Cellulosa Arauco Y Construction On a country level: Turkey, China 		<ul style="list-style-type: none"> On a company level: Pemex, Turk Telekom AS On a country level: Indonesia, Mexico
Opportunities	MARKET	Challenges
<ul style="list-style-type: none"> Elections outcome in Ukraine positive for the market Chinese economy is recovering Lower US yields 		<ul style="list-style-type: none"> Turkish currency reserves will not suffice to service short-term debt Macro situation (high inflation, no growth) continues to put pressure on valuations

Update from the lead manager, Péter Varga

The market moved higher in March, with spreads widening by 15 basis points to set at the end of the month at 339 basis points. This is in line with our expectation for a local market top, which we already had at the beginning of the month. The total return of around 1% was largely due to lower US yields. In the 10-year range they narrowed by 30 basis points to 2.42%.

Macro

The FED meeting in March showed that central bankers are expecting hardly any interest rate hikes until the end of 2020 - a somewhat milder outcome than expected. This fact, supported by further weakening macro figures, boosted US government bonds. A small probability of a rate cut (!) is already priced into the yield curve for 2019. Kudlow even wants to see an immediate interest rate cut of 50 bps from the FED - so the attempts to influence central bank policy continue. German 10-year Bunds have breached the 0% yield mark and traded down to -0.08% before stabilising again. The search for yields is therefore likely to continue with renewed vigour... The US negotiations with China are going well, but will be delayed further into the summer. Trump, however, could make better use of this information right before the US elections, rather than now. China has made concessions in the IT sector that have never been on the table in this way before. President Xi confirmed at the end of the month that China had bottomed out - the economy is recovering.

At the country level, the following news was decisive:

In March, Turkey's foreign reserves suffered a decline of approximately USD 15 billion, to approximately USD 25 billion net. This news came as a shock to the market. Bond prices then fell by around 5-10 points and there was hardly any liquidity. A possible explanation, also confirmed by the banks, is that retail investors bought USD before the elections. It was also somewhat worrying that among the sellers there were only state banks that were more or less trying to support the currency, which also reacted very negatively. Chart 1 illustrates the situation and shows that currency reserves will not suffice to service short-term debt. Turkey is depending on the refinancing of these debts. Meanwhile, local elections were held on 31 March. The preliminary result is that the ruling party has won a majority via the rural areas. In Istanbul, Ankara and Izmir, on the other hand, the opposition is likely to achieve a narrow majority. In the meantime the recounting of the votes in Istanbul has started as demanded from AKP....

Elections were also held in the Ukraine on 31 March. Zelensky and Poroshenko are likely to reach the second round - a positive outcome for the market.

In Brazil, on the other hand, President Bolsonaro finds it somewhat more difficult to find a majority for his long-awaited and very important pension reform. The markets reacted slightly negatively, which is hardly surprising. Brazil is the country with the largest overweight among the majority of investors. As a result, valuations were relatively unattractive, which is why we are underweight Brazil in the fund.

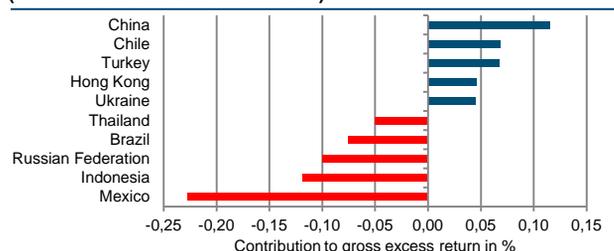
Gross Performance	Mar 2019	YTD	1Y	3Y	5Y	10Y
ERSTE BOND EMERGING MARKETS CORPORATE						
Fund	0.89%	4.69%	2.67%	16.20%	23.96%	162.45%
Investment Universe*	1.06%	4.76%	1.03%	15.20%	17.27%	123.89%
Difference	-0.17%	-0.07%	1.64%	1.00%	6.69%	38.56%
ERSTE BOND EMERGING MARKETS CORPORATE IG						
Fund (USD)	1.82%	4.71%	5.59%	12.71%	19.31%	-
Investment Universe** (USD)	1.84%	4.89%	5.67%	14.16%	18.07%	-
Difference	-0.02%	-0.18%	-0.07%	-1.45%	1.25%	-
ERSTE RESPONSIBLE BOND EMERGING CORPORATE						
Fund	0.88%	3.46%	0.51%	5.73%	14.76%	-
ERSTE BOND EMERGING MARKETS CORPORATE SHORT TERM						
Fund	0.43%	2.64%	4.18%	-	-	-
Investment Universe***	0.47%	2.58%	4.31%	-	-	-
Difference	-0.04%	0.06%	-0.13%	-	-	-

*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, March 2019

Selected new issues in March

Issuer	Coupon	Maturity	Rating	Region
PPF Arena 1 B.V.	3.125	27.03.2026	BBB-	Europe
Sappi Papier Holding GmbH	3.125	15.04.2026	BB	Africa
Petrobras Global Finance B.V.	6.9	19.03.2049	BB-	Latin America
Cemex S.A.B. de C.V.	3.125	19.03.2026	BB	Latin America
International Airport Fin.S.A.	12	15.03.2033	B	Latin America

Erste AM EMERGING MARKETS CORPORATE Strategies (in mn EUR)

Pooled Funds	990.98
Special Mandates	577.05
Total	1568.03

As of March 2019

Companies

Chinese construction companies reported positive figures. In China, new apartments and houses worth USD 2.2 trillion were sold last year. The sector is therefore, as has often been reported, essential for the economy.

The Ukrainian companies Metinvest and MHP both reported positive figures and stable debt. We therefore remain convinced and overweight. The figures for Pampa, YPF from Argentina were also very satisfactory. However, the macro situation (high inflation, no growth) continues to put pressure on valuations.

Corruption corner

An old saying goes: "Everyone should put their own house in order."... Banks from the Baltic countries, as well as from Scandinavia, Germany and Austria were involved in transferring over USD 250 billion of Russian funds with unverified origin outside the country and the list of countries involved is getting longer every day...

About the fund

In Brazil, we bought the new issue of Petrobras 2049 into the fund and further increased it during the weakness. We did the same with the Klabin (paper industry) new issue.

In Turkey we were able to reduce our position in time (-2/3 points) and later tactically increased it with Turkish government bonds (2047) and Türkcell 28 (see Chart 2). These positions are currently up 3%.

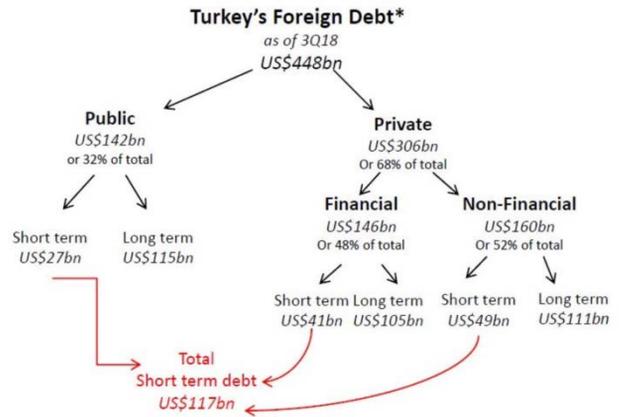
In Argentina, we slightly reduced our position and in China, we sold the longer dated bonds of Evergrande and Kaisa due to possible new issues and valuation. On the other hand, we increased short-term bonds due to the carry with a yield of 5.5-11%.

We bought the new issue of Romania (2049 maturity) for several funds and mandates as these were extremely cheap. These bonds are now trading 4 points higher.

Pemex did very well in March due to further positive news from the government and a stabilising production. Our increase last month was right on target, but the general underweight (over 10% in the BM) cost us performance.

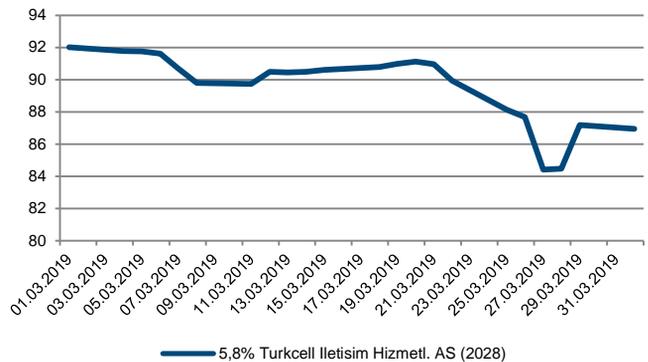
Performance was slightly lower than the benchmark, which was mainly due to our shorter duration (our long-term bonds in the fund are less sensitive to yield changes) and the underweight in Pemex.

Chart 1: Turkey's short term debt



Source: CBT, Turkish Treasury

Chart 2: Turkcell 2028



Source: Bloomberg

CONTACT

Erste Asset Management GmbH
Am Belvedere 1, A-1100 Vienna, Austria
Tel.: +43 50100-14298

www.erste-am.com
institutional@erste-am.com

Disclosure according to § 25 MedienG see www.erste-am.com/en/imprint

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.

DISCLAIMER

This document is an advertisement. All data is sourced from Erste Asset Management GmbH, unless indicated otherwise. Our languages of communication are German and English.

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.

This document serves as additional information for our investors and is based on the knowledge of the staff responsible for preparing it at the time of preparation. Our analyses and conclusions are general in nature and do not take into account the individual needs of our investors in terms of earnings, taxation, and risk appetite. Past performance is not a reliable indicator of the future performance of a fund. Please note that investments in securities entail risks in addition to the opportunities presented here. The value of shares and their earnings can rise and fall. Changes in exchange rates can also have a positive or negative effect on the value of an investment. For this reason, you may receive less than your originally invested amount when you redeem your shares. Persons who are interested in purchasing shares in investment funds are advised to read the current fund prospectus(es) and the Information for Investors pursuant to § 21 AIFMG, especially the risk notices they contain, before making an investment decision.

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.