

**Raiffeisen fond high-yield dluhopisů,
otevřený podílový fond,
Raiffeisen investiční společnost a.s.**

**Annual Report
for the Period from 1.2.2017 to 31.1.2018**

General information of Raiffeisen investiční společnost a.s. (hereinafter the “Company”)

Business name: Raiffeisen investiční společnost a.s.
Legal form: joint-stock company
Registered office: Hvězdova 1716/2b,
Praha 4 – Nusle, Postal Code 140 78
Czech Republic
Company no. (IČO): 29146739
Company register: Insert B18837, administered by the Municipal Court in Prague
Registered capital: CZK 40,000,000.00
Shareholder: Raiffeisenbank a.s., Hvězdova 1716/2b, Praha 4 - Nusle, Postal Code 140 78

Company description

Raiffeisen investiční společnost a.s., Company no. (IČ): 29146739, with registered office at Hvězdova 1716/2b, Praha 4 – Nusle, Postal Code 140 78, acts as the investment company administering and managing the Fund assets. The company was founded on 21 December 2012. The relevant licence to act as an investment company was issued by the Czech National Bank, by way of Decision Ref. no. 2013/4256/570, dated 9 April 2013, that acquired legal force on 9 April 2013. The Company is a 100% owned subsidiary of Raiffeisenbank a.s.

Raiffeisen investiční společnost a.s. was founded on 21 December 2012 as a company fully owned by its sole shareholder, Raiffeisenbank a.s. The Company was established in order to extend the scope of products offered by Raiffeisenbank a.s., thus increasing the bank's market share. Within a few years, the Company has become a respected asset administrator with regional impacts in Central Europe.

Contacts

Tel: +420 800 900 900
Fax: +420 234 402 223
web: www.rfis.cz

List of funds managed as of 31 January 2018

Raiffeisen investiční společnost a.s. managed a total of 17 open-ended mutual funds as of 31 January 2018.

Standard funds

- Raiffeisen fond dluhopisových příležitostí (ISIN CZ0008473998, ISIN CZ0008474921)
- Raiffeisen fond dluhopisové stability (ISIN CZ0008474293)
- Raiffeisen fond dluhopisových trendů (ISIN CZ0008474376)
- Raiffeisen fond globálních trhů (ISIN CZ0008474442)
- Raiffeisen fond udržitelného rozvoje (ISIN CZ0008474400)
- Raiffeisen fond high-yield dluhopisů (ISIN CZ0008474848)
- Raiffeisen fond flexibilního růstu (ISIN CZ0008474871)
- Raiffeisen fond amerických akcií (ISIN CZ0008475175)
- Raiffeisen fond evropských akcií (ISIN CZ0008475266)
- Raiffeisen fond emerging markets akcií (ISIN CZ0008475274)

Special funds

- Raiffeisen chráněný fond ekonomických cyklů (ISIN CZ0008474038)
- Raiffeisen privátní fond dynamický (ISIN CZ0008474350)
- Raiffeisen fond alternativní (ISIN CZ0008474368, ISIN CZ0008474954)
- Raiffeisen fond optimálního rozložení (ISIN CZ0008474731)
- Raiffeisen fond dividendový (ISIN CZ0008475027)
- Raiffeisen realitní fond (ISIN CZ0008475100)

Qualified investors' funds

- LEONARDO (ISIN CZ0008474525)

An agreement on partial management of the investment fund named Raiffeisen-Czech-Click Fund II (ISIN AT0000A0QRK9) concluded by and between the Company and Raiffeisen Kapitalanlage – Gesellschaft m.b.H. on 1 July 2013 was terminated as of 31 December 2016. Certain additional payments continued to result from the agreement in the course of 2017.

Raiffeisen fond high-yield dluhopisů (hereinafter the “Fund”)

Annual Report for the period of 1 February 2017 – 31 January 2018

Currency:	CZK
Capitalisation class ISIN:	CZ0008474848
Nominal value per share certificate:	none
Fund format:	open-ended mutual fund
AKAT-type fund:	bond fund
Date of establishment:	30 October 2015

Fund manager

The Fund has been managed by Raiffeisen investiční společnost a.s. The Company has not concluded any contracts with any other persons or entities covering activities of a senior supporter of the Fund pursuant to Sections 85 to 91 of Act no. 240/2013 Collection of Laws (“Coll.”), on Investment Companies and Investment Funds.

Fund depositary

The services of a depositary have been provided by UniCredit Bank Czech Republic and Slovakia, a.s., Company no. (IČ): 64948242, with registered office at Želetavská 1525/1, Praha 4, Postal Code 140 92, incorporated in the Companies Register administered by the Municipal Court in Prague, Section B, Insert 3608. The Depositary has also been in charge of custody of the Fund assets throughout the recorded period.

Auditor

The Fund has been audited by Deloitte Audit s.r.o., Company no. (IČ): 49620592, with registered office at Karolinská 654/2, Praha 8 – Karlín, Postal Code 186 00, incorporated in the Companies Register administered by the Municipal Court in Prague, Section C, Insert 24349.

Master fund

Raiffeisen-Europa-HighYield (ISIN AT0000A0EY43), hereinafter the “Master Fund”, with registered office at Schwarzenbergplatz 3, A-1010 Wien, Austria. The Master Fund has been managed by Raiffeisen Kapitalanlage-Gesellschaft m.b.h., with registered office at Schwarzenbergplatz 3, A-1010 Wien, Austria. Identification number: 83517w – registered in the Companies Register administered by the Commercial Court in Vienna (Austria). For more information about the Master Fund, including its latest published annual and semi-annual reports, please, see the web site: www.rfis.cz.

Investment strategy

The Fund investment strategy is to achieve moderate growth of the capital measured in Czech crowns, by way of investing at least 85 percent of the value of its assets in securities issued by the Master Fund. The Fund may also invest (up to 15 percent of the Fund assets) in financial derivatives negotiated exclusively for hedging purposes, and in money-market instruments in the Czech currency or in foreign currencies. The Fund has been rated in Risk Group 4 according to the Synthetic Risk and Reward Indicator (SRRI).

Fund portfolio manager

Ing. Martin Zezula

Education: Finance and Accounting Faculty of the University of Economics in Prague
 Courses and training: Broker's licence issued by the Ministry of Finance of the Czech Republic
 Practical experiences: 20 years
 RIS portfolio manager: Since 17 June 2013

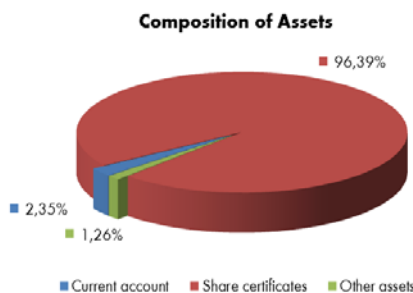
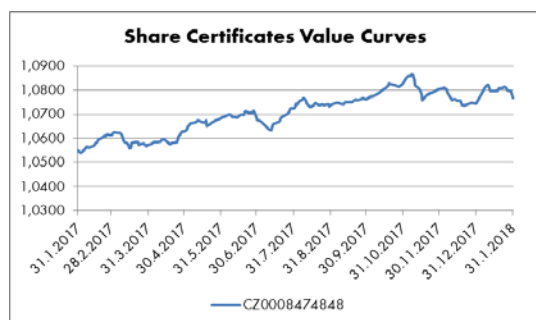
Portfolio manager's comments

The Fund invests in its capacity of a so-called 'feeder fund' to its Master Fund, Raiffeisen-Europa-HighYield; the Fund acquires share certificates issued by the Master Fund, with the goal of maintaining their share in the interval of 85-100 percent of the assets. Furthermore, the Fund may invest (up to 15 percent of the Fund asset value) in financial derivatives negotiated exclusively for the purposes of hedging, and in money-market instruments denominated in the Czech currency or in foreign currencies. The aim of the Fund is to generate moderate growth of its capital; its yield is achieved mainly by way of investments made by the Master Fund in higher-risk European bonds issued by lower credit rating corporations.

Financial indicators	31 January 2018	31 January 2017	% of currency
Shareholders' equity, in CZK'000	2,453,623	1,024,361	139.53
Shareholders equity per share certificate, in CZK	1.0768	1.0549	2.07
Profit/(loss) after tax, in CZK'000	30,023	24,975	20.21
Number of share certificates, in pieces	2,278,697,541	971,019,366	134.67

Number of issued and redeemed units in the period of 1 February 2017 to 31 January 2018

ISIN	Issued share certificates		Redeemed share certificates		BALANCE (+/-)	
	pieces	CZK'000	Pieces	CZK'000	pieces	CZK'000
CZ0008474848	1,560,834,058	1,671,210	253,155,883	271,970	1,307,678,175	1,399,240



List of securities held in excess of 1 percent as of 31 January 2018

CURRENCY	COUNTRY	ISIN	NAME	ACQUISITION PRICE In CZK'000	FAIR VALUE In CZK'000	SHARE IN ASSETS (%)
EUR	AT	AT0000A0EY43	RAIFFEISEN EUROPA-HI YD	2,384,113	2,382,964	96.39
TOTAL				2,384,113	2,382,964	96.39

Description of material changes in the information contained in the Prospectus of the investment Fund occurring during the financial year.

No changes in the information contained in the Prospectus occurred during the financial year.

Information about wages, remunerations, and similar incomes of employees and managers that may be considered as rewards paid out by the Fund manager to its employees and managers in the term ending 31 January 2018.

	Number	Fixed pay In CZK'000	Bonuses In CZK'000	Fund performance rewards In CZK'000
Employees	20	20,573	4,607	-
incl.: managers	7	11,150	2,906	-

Information about wages, payments, and similar incomes of employees or managers that may be considered as rewards paid out by the Fund manager to those of its employees or managers who have had a major impact on the risk profile of that Fund in the term ending 31 January 2018.

	CZK'000
Employees	16,596
incl.: managers	14,056

Information about deductions, surcharges or fees payable in connection with investing of the feeder fund from its assets, and about any potential discounts or returns pursuant to Paragraph 4(b) of Appendix no. 2 to Decree no. 244/2013 Coll.

The Fund is not obligated to suffer any deductions or any surcharges in connection with its investing in the Master Fund. At the same time, the Fund has received an incentive in the amount of CZK 4,400,000 in the recorded period in connection with investing in the Master Fund.

The techniques serving the management of standard funds include solely financial derivatives pursuant to Sections 12 and 13 of the Regulation.

All fund management techniques comply with the provision of Section 30(2) of Government Regulation no. 243/2013 Coll. (hereinafter "Regulation"). Any application of such techniques does not intend to evade any rules as specified in that Regulation as well as in the Fund Prospectus or the investment strategy of the Fund, and standard funds shall be at any time capable of fulfilling their obligations to transfer either pecuniary funds or to supply any underlying assets belonging to such financial derivatives negotiated on the account of the Fund.

Further material information according to Appendix no. 2 to Decree no. 244/2013 Coll.:

g) The Company has not been the party on behalf of the Fund of any legal dispute or arbitration in the record period.

h) The Fond represents a growth fund, i.e., all profit has been reinvested.

i) Information about genuinely paid management fees for the management of the Fund, broken down to depositary fees, administration fees, senior supporter fees, and auditor fees, as well as information about further costs or taxes.

This information is carried in Part 5. COSTS OF FEES AND COMMISSION EXPENSE and in Part 7. ADMINISTRATIVE COSTS in the Notes to the Financial Statements, which is comprised in the present Report.

j) The Fund's investments executed in the recorded period have complied with the investment strategy of the Fund as stipulated in the Fund Prospectus and in any relevant regulations. The financial derivatives risk ensues from (a) so-called 'basis' risk resulting from differences the values of hedging instruments (derivatives) and items; (b) risks of a counterparty failure. The fair value of financial derivatives negotiated for hedging purposes and receivables regarding payment of financial resources from accounts denominated in the Czech currency or in foreign currencies may account for up to 15 percent of the Fund assets value. The sum of the values of foreign currency investment instruments, i.e., securities issued by the Master Fund and receivables regarding payments of pecuniary funds from the account in foreign currencies, which have not been hedged against CZK, shall not exceed 25 percent of the Fund assets value. Financial derivatives have been negotiated, without limitation, with Komerční banka a.s., ČSOB a.s., UniCredit Bank Czech Republic and Slovakia, a.s., Česká spořitelna a.s., PPF banka a.s. More information about qualitative restrictions and methods used in the assessment of risks related to techniques and instruments of the Fund is described in the financial statements comprised in the present Annual Report.

The Company wishes to inform in the sense of Art. 13 (Part A of the Appendix) of Regulation (EU) 2015/2365 of the European Parliament and of the Council, that the Fund did not perform any SFT trading in the recorded period, i.e., i.e., trading hedging financing or swaps of all revenues.

Additional information

The Fund did not expend in the recorded period any expenses in respect of research, nor did it exert any activities in the recorded period in the area of environmental protection and labour relations.

Subsequent events

With the exception of the major events as described in the financial statements, the Company management has not been aware of any significant subsequent events that could have affected the financial statements for the period from 1 February 2017 to 31 January 2018.

INDEPENDENT AUDITOR'S REPORT

To the Partners of
Raiffeisen fond high – yield dluhopisů,
otevřený podílový fond,
Raiffeisen investiční společnost a.s.

Having its registered office at: Hvězdova 1716/2b, 140 78 Praha 4- Nusle

Opinion

We have audited the accompanying financial statements of Raiffeisen fond high – yield dluhopisů, otevřený podílový fond, Raiffeisen investiční společnost a.s. (hereinafter also the "Company") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as at 31 January 2018, and the profit and loss account and statement of changes in equity for the period then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Raiffeisen fond high – yield dluhopisů, otevřený podílový fond, Raiffeisen investiční společnost a.s. as at 31 January 2018, and of its financial performance for the period then ended in accordance with accounting regulations applicable in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 1 to the financial statements of Raiffeisen fond high – yield dluhopisů, otevřený podílový fond, Raiffeisen investiční společnost a.s., which describes the information about the prior financial year from 30th of October 2015 till 31st January 2018. From this reason the presented financial years in the financial statements as at 31 January 2018 are not comparable. Our opinion is not modified in respect of this matter.

Other Information in the Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors of Raiffeisen investiční společnost a.s. is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. As described in the Basis for Qualified Opinion section above, we have concluded that the other information is not materially misstated.

Responsibilities of the Company's Board of Directors and Supervisory Board of Raiffeisen investiční společnost a.s. for the Financial Statements

The Board of Directors of Raiffeisen investiční společnost a.s. is responsible for the preparation and fair presentation of the financial statements in accordance with accounting regulations applicable in the Czech Republic and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors of Raiffeisen investiční společnost a.s. is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board of Raiffeisen investiční společnost a.s. is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and the Supervisory Board of Raiffeisen investiční společnost a.s. regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

In Prague on 20 March 2018

Audit firm:

Deloitte Audit s.r.o.
registration no. 079



Statutory auditor:

Diana Rádľ Rogerová
registration no. 2045



FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2018

Name of the Company: Raiffeisen fond high-yield dluhopisů, otevřený podílový fond, Raiffeisen investiční společnost a.s.

Registered Office: Hvězdova 1716/2b, 140 78 Praha 4 - Nusle

Corporate ID: 291 46 739

Components of the Financial Statements:

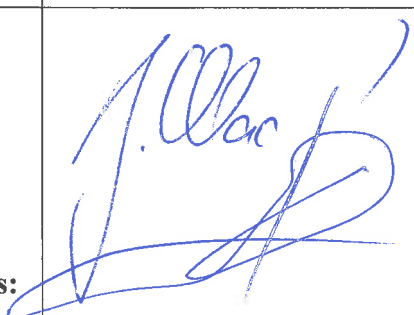

Balance Sheet

Profit and Loss Account

Statement of Changes in Equity

Notes to the Financial Statements

These financial statements were prepared on 20 March 2018.

Statutory body of the reporting entity:	Signature
On behalf of the statutory body: Jaromír Sladkovský Michal Ondruška	 
Individual in charge of the accounting records: Petra Paďourová	

Business name: Raiffeisen fond high yield dluhopisů
Raiffeisen investiční společnost a.s.
Registered office: Hvězdova 1716/2b, Praha 4, 140 78
Company no. (IČO): 29146739
Principal activities: fund administration and management
Financial statements date: 2 February 2018

BALANCE SHEET
as of 31 January 2018

In CZK'000	Item	31.01.2018	31.01.2017
ASSETS			
3	Receivables from banks and cooperative credit unions	58,158	26,978
	incl.: a) Payable upon request	58,158	26,978
6	Shares, share certificates and other investments	2,382,964	1,008,309
	b) Share certificates	2,382,964	1,008,309
11	Other assets	31,178	394
	incl.: Derivatives	28,256	-
Total assets		2,472,300	1,035,681
In CZK'000	Item	31.01.2018	31.01.2017
LIABILITIES			
1	Liabilities towards banks and credit unions	14,050	-
	b) Other liabilities	14,050	-
4	Other liabilities	(2,663)	6,360
	incl.: Derivatives	-	6,672
5	Accrued expenses and deferred income	5,710	3,646
6	Reserves	1,580	1,314
	b) Tax reserves	1,580	1,314
12	Capital funds	2,398,625	999,386
14	Retained earnings or accumulated loss brought forward	24,975	-
15	Profit or loss for the current period	30,023	24,975
Total liabilities		2,472,300	1,035,681
In CZK'000	Item	31.01.2018	31.01.2017
OFF-BALANCE ITEMS			
Off-balance assets			
3	Receivables from spot transactions	-	21,616
4	Receivables from fixed term transactions	2,289,305	997,927
8	Values placed under management	2,441,122	-
Off-balance liabilities			
11	Liabilities from spot transactions	-	21,618
12	Liabilities from fixed term transactions	2,245,240	1,002,442

Business name: Raiffeisen fond high yield dluhopisů

Raiffeisen investiční společnost a.s.

Registered office: Hvězdova 1716/2b, Praha 4, 140 78

Company no. (IČO): 29146739

Principal activities: fund administration and management

Financial statements date: 2 February 2018

**PROFIT AND LOSS ACCOUNT
for the term ending 31 January 2018**

In CZK'000	Item	01.02.2017-31.01.2018	30.10.2015-31.01.2017
2	Interest expenses and similar expenses	(8)	-
4	Fees and commission income	4,400	745
5	Fees and commission expenses	(20,612)	(7,934)
6	Profit or loss from financial transactions	47,827	33,574
9	Administrative expenses	(4)	(96)
	b) Other administrative expenses	(4)	(96)
19	Profit or loss for the reporting period from ordinary activities before tax	31,603	26,289
23	Corporate tax	(1,580)	(1,314)
24	Profit/loss for the current period after tax	30,023	24,975

Business name: Raiffeisen fond high yield dluhopisů
 Raiffeisen investiční společnost a.s.
 Registered office: Hvězdova 1716/2b, Praha 4, 140 78
 Company no. (IČO): 29146739
 Principal activities: fund administration and management
 Financial statements date: 2 February 2018

CHANGES IN THE SHAREHOLDERS' EQUITY
 as of 31 January 2018

In CZK'000	Capital funds	Retained earnings or accumulated loss brought forward	Profit (Loss)	Total
Balance as of 30.10.2015	-	-	-	-
Net profit/loss for the financial year	-	-	24,975	24,975
Share certificates sold	1,081,815	-	-	1,081,815
Share certificates purchased	(82,429)	-	-	(82,429)
Balance as of 31.01.2017	999,386	-	24,975	1,024,361

In CZK'000	Capital funds	Retained earnings or accumulated loss brought forward	Profit (Loss)	Total
Balance as of 1. 2. 2017	999,386	-	24,975	1,024,361
Net profit/loss for the financial year	-	-	30,023	30,023
Share certificates sold	1,671,209	-	-	1,671,209
Share certificates purchased	(271,970)	-	-	(271,970)
Transfers to funds	-	24,975	(24,975)	-
Balance as of 31.01.2018	2,398,625	24,975	30,023	2,453,623

1. GENERAL INFORMATION

(a) Fund characteristics

Fund emergence and characteristics

Raiffeisen fond high-yield dluhopisů, otevřený podílový fond [*Raiffeisen High-Yield Bonds Fund, open-ended mutual fund*], Raiffeisen investiční společnost a.s. (hereinafter the “**Fund**”) represents an accounting entity without legal personality founded by Raiffeisen investiční společnost a.s. (hereinafter the “**Company**”) pursuant to Act no. 240/2013 Collection of Laws (“**Coll.**”), on management companies and investment funds (hereinafter “**ZISIF**” or the “**Act**”). The Fund was established on 30 October 2015, by way of its registration in the list of investment funds pursuant to Decision ref. no. 2015/118481/CNB/570, dated 27 October 2015, of the Czech National Bank. The Fund has been publicly traded commencing on 23 November 2015.

The Fund represents a standard securities fund pursuant to the Act, in compliance with the laws of the European Communities.

Neither the number of such issued units nor the term of the duration of the Fund have been limited.

The Fund has no employees and all administration relating to the business activities of the Fund have been supplied by the Company.

Information about the management company

The Fund assets are administered and managed by Raiffeisen investiční společnost a.s., Company no. (IČ) 29146739, with registered office at Hvězdova 1716/2b, Praha 4 – Nusle, Postal code 140 78. The Company was founded on 21 December 2012. Its managing company licence was issued by the Czech National Bank by its decision Ref. no. 2013/4256/570 dated 9 April 2013, which acquired legal force on 9 April 2013.

The Company is a management company in the sense of the existing legislation and it acts in its capacity of a legal entity that collects pecuniary funds from both legal entities and natural persons (individuals), for the purpose of using them to participate in business (collective investing).

Company objects

The Company, pursuant to the Act and to such extent as licensed by the Czech National Bank, has been authorised to:

- manage investment funds or international investment funds;
- exceed the applicable limit(s);
- administer investment funds or international investment funds.

Depository information

The depository services have been provided, commencing on 6 February 2014, by UniCredit Bank Czech Republic and Slovakia, a.s., Company no. (IČ) 64948242, with registered office at Želetavská 1525/1, 140 92 Praha 4 (hereinafter the “**Depository**”), under a depository agreement dated 6 February 2014.

Master fund information

Raiffeisen-Europa-HighYield (ISIN AT0000A0EY43), hereinafter the “**Master Fund**”, with registered office at Schwarzenbergplatz 3, A-1010 Wien, Austria. The Master Fund has been managed by Raiffeisen Kapitalanlage-Gesellschaft m.b.h., with registered office at Schwarzenbergplatz 3, A-1010 Wien, Austria. Identification number: 83517w – registered in the Companies Register administered by the Commercial Court in Vienna (Austria). For more information about the Master Fund, including its latest published annual and semi-annual reports, please, see the web site: www.rfis.cz.

(b) Basis for the drafting of financial statements

The financial statements were drafted on the basis of accounting books maintained in compliance with:

- the Accounting Act no. 563/1991, as amended by further legislation;
- Regulation no. 501/2002 of the Ministry of Finance, as amended by further legislation;
- the Czech Accounting Standards for Financial Institutions issued by the Ministry of Finance.

The financial statements were drafted using the principles of accrued revenues and deferred costs, and historical prices, with the exception of some selected financial instruments valued at their fair values.

The financial statements are based on the going concern assumption and on the assumption that no facts have occurred in respect of it that would restrict or otherwise prevent it from continuing such activities in the foreseeable future as well.

The Fund's regular accounting period (financial year) coincides with the financial year commencing on 1 February 2017 and ending on 31 January 2018.

The previous financial year extended from 30 October 2015 to 31 January 2017. Therefore, no comparable information is supplied.

All information is quoted in thousands of CZK (CZK'000), unless specified otherwise. Figures shown in brackets represent negative values.

The present financial statements represent unconsolidated financial statements.

2. IMPORTANT ACCOUNTING POLICIES

(a) Transaction date

Depending on the transaction type, the transaction dates refer to, without limitation:

- dates of payment or receipt of cash;
- dates of purchase or sale of foreign currencies, and/or securities;
- dates of payments;
- dates of crediting (value date) of funds as shown in the account statement;
- trade dates and settlement dates of spot transactions, i.e., purchase or sale of financial instruments or commodities with such delivery dates, where the period from the trade date to the settlement date does not exceed five days;
- trade dates and settlement dates of derivative transactions.

The accounting entity has opted that spot transactions (i.e., purchases and sales of financial assets with usual terms of delivery accounted for) should be reported as the relevant assets or liabilities on the trade date.

The Fund will derecognise any financial assets or any parts thereof from its balance sheet if it should lose control over any contractual title to such financial assets or any parts thereof. The Fund loses such control if it exercises any titles to benefits defined in the contract, if such titles expire or if such titles have been waived.

If a financial liability or any parts thereof expires (e.g., if a duty defined in the contract is fulfilled, cancelled or expired), the accounting entity will no longer report such financial liability or any parts thereof in its balance sheet. The difference between the value of the financial liability in the accounting books, and/or any parts thereof, that have expired or that have been transferred to another entity, and the amount of payment in respect of the debt in question, will be reported as costs or revenues.

(b) Securities

In compliance with the Fund strategy, all securities have been classified as securities valued at their fair value. Securities are re-valued on a daily basis during the financial year, pursuant to Decree no. 244/2013 Coll., of the Ministry of Finance of the Czech Republic, on detailed issues related to the Act on management companies and investment funds, as amended (hereinafter the “**Decree**”). Pursuant to the Decree, securities are valued with the help of prices derived from public markets, which may be further adjusted in keeping with the provisions of the Decree. If no market price is available, such value shall be applied as determined according to valuation models based on discounted future cash flows derived from the yield curve.

Upon their initial recognition, securities shall be valued at their acquisition cost. Such acquisition cost also includes direct transaction costs related to the acquisition of the securities. Such acquisition cost also includes direct transaction costs related to the acquisition of the securities.

Interest income

The term ‘Interest income’ means the following:

- a) as regards debt securities with coupon, the accrued coupon as determined in the issue terms and conditions and the accrued difference between the nominal value and the net purchase price, known as a premium or discount;
- b) as regards debt securities without coupon and bills of exchange, the accrued difference between the nominal value and the purchase price.

Interest income from debt securities is reported in the Profit and Loss Account commencing on the purchase, using the effective interest rate method.

Derecognition of securities

Upon sales of securities, the accounting entity values such securities outflow making use of the ‘Average Price Method’.

(c) Receivables and provisions

Operating receivables are reported in their nominal value net of provisions. Bad debts (receivables) shall be written off upon the completion of bankruptcy proceedings against the debtor or in the event that the likelihood of their recovery is not realistic.

Creation of provisions is reported as expenses; their usage is reported together with expenses or losses associated with the loss of assets in the Profit and Loss Account. Dilution of provisions that are no longer necessary shall be reported as income.

(d) Financial derivatives

Derivatives are financial instruments that meet the following conditions:

- a) their fair value varies depending on changes in interest rates, security prices, commodity prices, foreign exchange rates, price indices, credit assessments (ratings) or indices, and/or depending on any other variables (so-called underlying assets);
- b) as compared to other types of contracts, which show similar responses to changing market conditions, they require little or no initial investments;
- c) they will be settled in the future and the term from the trade date to settlement exceeds that of spot transactions.

Derivatives are reported in the Balance Sheet at their fair values. Positive fair values of derivatives are reported as assets under the title of ‘Other assets’. Negative fair values of derivatives are reported as liabilities under the title of ‘Other liabilities’.

The fair value of financial derivatives is determined as the present value of future cash flows from these transactions. The present value is determined with the help of parameters identified on the active market, such as exchange rates, interest rates for a given maturity based on the yield curve, etc.

In the off-balance sheet, derivatives are reported at contractual undiscounted values of the underlying instrument under the titles of 'Receivables from fixed term operations' and 'Liabilities from fixed term operations'.

(e) Funds invested by unit-holders

The Fund has no registered capital. The nominal value of the units equals CZK 1. The total nominal value of all units has been recorded in the account entitled Capital funds.

Capital funds

The selling price of units is determined as a ratio of the Fund equity and the number of units issued. Units are sold to investors for selling prices determined on the daily basis.

Share premium

Share premium resulting from the difference between the nominal and the selling price of the units shall be reported separately. The Fund shall account of share premium both when selling and when redeeming units.

(f) Creation of reserves

Reserves represent probable cash outflows of uncertain timing and amount. Reserves are charged to expenses in the amount, which represents the best estimate of expenditures required in order to settle existing liabilities.

Reserves are created subject to the fulfilment of the following criteria:

- a) an obligation to pay (legal or matter-of-fact) exists resulting from past events;
- b) it is probable or certain that an event of payment will occur and will require an outflow of resources representing economic benefits; the term 'probable' meaning probability greater than 50 percent;
- c) it is possible to make a reliable estimate of such payment.

(g) Foreign currency conversion

Transactions reported in foreign currencies are accounted for in the local currency, to be converted with the help of foreign exchange rates announced by the Czech National Bank and valid on the transaction days, i.e., on the accounting transaction dates.

Assets and liabilities denominated in foreign currencies, together with foreign exchange spot transactions prior to the maturity date, are converted into local currency at the exchange rate announced by the Czech National Bank and valid on the Balance Sheet date. The resulting profit or loss from such conversions of assets and liabilities denominated in foreign currencies, except for units denominated in foreign currencies, and/or items that serve to hedge currency risk resulting from agreements not yet recorded in the balance sheet of the Fund, or from anticipated future transactions, are reported in the profit and loss account as 'Profit or loss from financial operations'.

(h) Taxation

Tax due

The income tax base is calculated from profits for the current period before tax, increased by non-deductible expenses, less the revenues that are not subject to income tax, and further adjusted for tax allowances and any relevant credits. Under the applicable tax regulations, the income tax rate imposed on mutual funds amounts to 5 percent.

Deferred tax

Deferred tax is based on all temporary differences between accounting and tax values of assets and liabilities, using the expected tax rate for the following period. Deferred tax is accounted for only if there is no doubt that it will be realized in subsequent accounting periods.

(i) **Interest received and interest paid and dividend income**

Interest received and interest paid are reported on the accrual basis.

Dividend income is reported on the effective date of entitlement to receive its payment (ex-dividend date). Dividend income from domestic securities is reported after the deduction of the withholding tax. Dividend income from foreign securities is reported prior to the deduction of withholding tax.

3. INTEREST EXPENSES AND SIMILAR EXPENSES

The item entitled 'Interest expenses and similar expenses' represents interest from received collateral in the amount of CZK 8,000.

4. FEES AND COMMISSION INCOME

The item entitled 'Fees and commission income' includes an incentive received in connection with investing in the funds KAG in the amount of CZK 4,400,000 (2016: CZK 745,000)

5. FEES AND COMMISSION EXPENSE

In CZK'000	01.02.2017 – 31.01.2018	30.10.2015 – 31.01.2017
Management fee	14,849	4,240
Performance fee	3,511	2,921
Depository fee	1,123	365
Securities management	1,093	350
Other fees and commissions	36	58
Total	20,612	7,934

According to the Fund Prospectus, the management fee paid by the Fund to the Company amounts to 1.00 percent of the average annual value of the Fund equity. The management fee was charged in the amount of 0.70 percent until 30 October 2017.

The performance fee has been paid by the Company in the amount of 10 percent of its profit before tax.

No administration fee has been charged.

Under the Depository Agreement, the Fund pays a fee in the amount of 0.0605 percent of the average annual value of the Fund equity.

6. PROFIT OR LOSS FROM FINANCIAL OPERATIONS

In CZK'000	01.02.2017-31.01.2018	30.10.2015-31.01.2017
Profit/(loss) from securities valued at fair value	(42,976)	41,827
(Loss) from exchange rate differences	(652)	(80)
Profit/(loss) from spot and fixed term transactions	91,455	(8,173)
Net book value	47,827	33,574

Profit or loss from securities at fair value mainly represents daily revaluation of securities to fair value.

Profit or loss from exchange rate differences mainly represents both realised and unrealised exchange rate differences from revaluation of bonds and balances on foreign currency current accounts

Profit or loss from spot and fixed term transactions includes profit and loss from settlements of spot transactions and fixed term transactions with financial instruments and also revaluation of open derivatives at fair value.

7. ADMINISTRATIVE EXPENSES

The item entitled 'Administrative expenses' represents audit costs

8. RECEIVABLE FROM BANKS AND COOPERATIVE CREDIT UNIONS

The item entitled 'Receivables from banks and cooperative credit unions' represents current accounts maintained by UniCredit bank Czech Republic and Slovakia in the amount of CZK 58,158,000 (2016: CZK 26,978,000).

The current accounts are repayable on demand.

9. SHARES, SHARE CERTIFICATES AND OTHER INVESTMENTS

In CZK'000	31.01.2018	31.01.2017
Share certificates	2,382,964	1,008,309
Net book value	2,382,964	1,008,309

10. OTHER ASSETS

In CZK'000	31.01.2018	31.01.2017
Positive values of derivatives	28,256	-
Settlement with the state budget	526	-
Accrued item for incentives regarding the fund KAG	2,396	394
Total	31,178	394

11. SHAREHOLDERS' EQUITY

A total of 2,278,697,541 units/share certificates of the Fund have been issued as of 31 January 2018 (2016: 971,019,366 pieces).

The shareholders' equity amounts to CZK 2,453,623,000 (2016: CZK 1,024,361,000).

The unit value as of the last trading date of 31 January 2018 amounted to CZK 1.0768 (2016: CZK 1.0549). They represent the last unit values in the year, for which purchases and redemptions of the Fund units were realised.

12. LIABILITY TOWARDS BANKS AND COOPERATIVE CREDIT UNIONS

Other liabilities represent received collateral in the amount of CZK 8,750,000 deposited with UniCredit bank Czech Republic and Slovakia, a.s. and collaterals in the amount of CZK 5,300,000 deposited with Raiffeisen Bank a.s.

13. OTHER LIABILITIES

In CZK'000	31.01.2018	31.01.2017
Negative value of financial derivatives	-	6,672
Other liabilities	(2,663)	(312)
Total	(2,663)	6,360

The item 'Other liabilities' includes unsettled transaction with units/share certificates in the amount of CZK 2,782,000.

14. ACCRUED EXPENSES AND DEFERRED INCOME

The item entitled 'Accrued expenses' includes, without limitation, not yet invoices management fee in the amount of CZK 2,049,000 (2016: CZK 600,000) and not yet invoiced performance fee in the amount of CZK 3,511,000 (2016: CZK 2,921,000)

15. FINANCIAL DERIVATIVES

Nominal value of derivatives:

In CZK'000	31.01.2018		31.01.2017	
	Receivable	Liability	Receivable	Liability
Currency forwards	2,289,305	2,245,240	997,927	1,002,442
Spot transactions	-	-	21,616	21,618
Total	2,289,305	2,245,240	1,019,543	1,024,060

Off-balance sheet assets and liabilities represent the nominal (contractual) undiscounted values re-evaluated by the Fund using the exchange rate issued by the Czech National bank on the financial statements date. All of the above financial instruments were concluded on the inter-bank market (OTC).

Fair value of derivatives:

In CZK'000	31.01.2018		31.01.2017	
	Positive	Negative	Positive	Negative
Currency forwards	28,256	-	-	6,672
Total	28,256	-	-	6,672

All currency derivatives mature within one year.

16. RESERVES

	Income tax	Total reserves
Balance as of 31 January 2017	1,314	1,314
Creation of reserves	1,580	1,580
Usage of reserves	1,314	1,314
Balance as of 31 January 2018	1,580	1,580

The Fund creates reserves for income tax because the financial statements will have been compiled prior to the determination of the tax duty. The Fund will dilute such reserve in the following financial year and it will account for any such determined tax duty.

17. PROPOSED DISTRIBUTION OF PROFIT

The Board of Directors of the Company proposes to have the profit generated in the period 01.02.2017-31.01.2018 distributed as follows:

In CZK'000	Profit / (Loss)	Retained earnings or accumulated loss brought forward
Balance as of 31 January 2018 prior to distribution of profit for the term 01.02.2017-31.1.2018	-	24,975
Profit for the term 01.02.2017-31.01.2018	30,023	-
Proposed distribution of profit for the term 01.02.2017-31.01.2018		
Retained profit	(30,023)	30,023
Total	-	54,998

18. INCOME TAX

(a) Income tax

In CZK'000	01.02.2017 – 31.01.2018	30.10.2015 – 31.01.2017
Income tax reserve	1,580	1,314
Total	1,580	1,314

(b) Income tax – tax analysis

In CZK'000	31.01.2018	30.10.2015 – 31.01.2017
Profit or loss for financial year before tax	31,603	26,289
Subtotal	31,603	26,289
Tax calculated at the rate of 5 percent	1,580	1,314

19. TRANSACTIONS WITH RELATED PARTIES

In CZK'000	31.01.2018	31.01.2017
Assets		
Incentives for investing in the funds KAG	2,396	394
Liabilities		
Management fee payable to the Company	2,049	600
Performance fee payable to the Company	3,511	2,921

In CZK'000	01.02.2017-31.01.2018	30.10.2015 – 31.01.2017
Expenses		
Management fee payable to the Company	14,849	4,240
Performance fee payable to the Company	3,511	2,921
Income		
Incentives for investing in the funds KAG	4,400	745

In CZK'000	31.01.2018	31.01.2017
Off-balance sheet assets		
Values placed under management	2,441,122	2,245,240

20. VALUES PLACED UNDER MANAGEMENT

The Fund has surrendered its entire assets to be managed by the Company. The item entitled 'Values placed under management' covers foreign and local securities, term deposits, as well as balances deposited on current accounts.

21. FINANCIAL INSTRUMENTS – MARKET RISK

The Fund is exposed to market risks arising from open positions in interest rate, equity and currency instrument transactions that are sensitive to changes in financial market conditions. The Fund risk profile derives from the risk profile of the Master Fund.

(a) Risk management

The basic risk management instrument is represented by imposing limits regarding the ratio of different types of financial instruments in the portfolio, which are determined in accordance with legal requirements, the Fund Prospectus, and its investment strategy. The key risks, which are evaluated on a daily basis, include foreign currency exposures, sensitivity to interest rate fluctuations, and allocations to securities with equity exposure.

Market risks are measured using the Value at Risk ("VaR") method. Value at Risk represents a potential loss resulting from unfavourable developments on the market within a certain time period and at a certain level of reliability. The 'Value at Risk' value is measured on the basis of a one-year holding period and a 99-percent reliability level.

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(b) Liquidity risk

‘Liquidity risk’ represents the risk that the Fund will not have sufficient cash resources to meet its commitments associated with its financial contracts. Liquidity is monitored and managed on the basis of expected cash flows; in this context, the structure of the securities and the term deposits portfolio is adjusted.

Residual maturity of the Fund assets and debts

In CZK'000	Up to 3 months	From 3 months To 1 year	From 1 year to 5 years	Over 5 years	No specific.	Total
As of 31 January 2018						
Receivables from banks	58,158	-	-	-	-	58,158
Shares, share certificates	-	-	-	-	2,382,964	2,382,964
Other assets	31,178	-	-	-	-	31,178
Total	89,336	-	-	-	2,382,964	2,472,300
Liability towards banks and coop. credit unions	14,050	-	-	-	-	14,050
Other liabilities	(2,663)	-	-	-	-	(2,663)
Accrued expenses and deferred income	5,710	-	-	-	-	5,710
Reserves	-	1,580	-	-	-	1,580
Shareholders' equity	-	-	-	-	2,453,623	2,453,623
Total	17,097	1,580	-	-	2,453,623	2,472,300
GAP	72,239	(1,580)	-	-	(70,659)	-
Cumulative GAP	72,239	70,659	70,659	70,659	-	-

Residual maturity of the Fund assets and debts

In CZK'000	Up to 3 months	From 3 months To 1 year	From 1 year to 5 years	Over 5 years	No specific.	Total
As of 31 January 2017						
Receivables from banks	26,978	-	-	-	-	26,978
Shares, share certificates	-	-	-	-	1,008,309	1,008,309
Other assets	394	-	-	-	-	394
Total	27,372	-	-	-	1,008,309	1,035,681
Other liabilities	6,360	-	-	-	-	6,360
Accrued expenses and deferred income	3,646	-	-	-	-	3,646
Reserves	-	1,314	-	-	-	1,314
Shareholders' equity	-	-	-	-	1,024,361	1,024,361
Total	10,006	1,314	-	-	1,024,361	1,035,681
GAP	17,366	(1,314)	-	-	(16,052)	-
Cumulative GAP	17,366	16,052	16,052	16,052	-	-

The above tables show residual maturities of the carrying amount of the individual financial instruments, rather than of all cash flows resulting from such instruments.

(c) Interest rate risk

The Fund is exposed to interest rate risk due to the impact of fluctuations in prevailing market interest rates. Both the fair value and income from financial assets may both grow as well as drop as a result of such fluctuation.

The following tables sum up discrepancies related to the Fund assets and liabilities sensitive to interest rate fluctuations. The carrying amount of these assets and liabilities is included in the period, in which they mature or in which the interest rate changes occur, whichever comes first.

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Interest rate sensitivity of the Fund assets and debts

	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
In CZK'000					
As of 31 January 2018					
Receivables from banks	58,158	-	-	-	58,158
Total	58,158	-	-	-	58,158

Interest rate sensitivity of the Fund assets and debts

	Up to 3 months	From 3 months to 1 year	From 1 year to 5 year	Over 5 years	Total
In CZK'000					
As of 31 January 2017					
Receivables from banks	26,978	-	-	-	26,978
Total	26,978	-	-	-	26,978

The above summary includes only interest-rate sensitive assets and liabilities and therefore it is not identical with the values presented in the Fund balance sheet.

(d) Currency risk

The Assets and Liabilities denominated in foreign currencies, including off-balance sheet exposures, represent the Fund's exposure to currency risk. Both realised and unrealised foreign exchange profit and loss is reported directly in the profit and loss account. The foreign exchange positions of the Fund in the most significant currencies are as follows:

Foreign exchange positions of the Fund

In CZK'000	EUR	USD	CZK	Total
As of 31 January 2018				
Receivables from banks	910	-	57,248	58,158
Shares, share certificates and other investments	2,382,964	-	-	2,382,964
Other assets	28,256	-	2,921	31,178
Total	2,412,130	-	60,169	2,472,300
Liability towards banks and coop. credit unions	-	-	14,050	14,050
Other liabilities	-	-	(2,663)	(2,663)
Accrued expenses and deferred income	-	-	5,710	5,710
Reserves	-	-	1,580	1,580
Shareholders' equity	47,793	-	2,405,830	2,453,623
Total	47,793	-	2,424,507	2,472,300
Long off-balance instruments positions	-	-	2,289,305	2,289,305
Short off-balance instruments positions	2,245,240	-	-	2,245,240
Net foreign exchange positions	119,098	-	(75,032)	-

Raiffeisen fond high – yield dluhopisů, otevřený podílový fond,
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Foreign exchange positions of the Fund

In CZK'000	EUR	USD	CZK	Total
As of 31 January 2017				
Receivables from banks	1,223	-	25,755	26,978
Shares, share certificates and other investments	1,008,309	-	-	1,008,309
Other assets	-	-	394	394
Total	1,009,532	-	26,149	1,035,681
Other liabilities	6,672	-	(312)	6,360
Accrued expenses and deferred income	-	-	3,646	3,646
Reserves	-	-	1,314	1,314
Shareholders' equity	-	-	1,024,361	1,024,361
Total	6,672	-	1,029,009	1,035,681
Long off-balance instruments positions	21,616	-	997,927	1,019,543
Short off-balance instruments positions	1,002,442	-	21,618	1,024,060
Net foreign exchange positions	22,034	-	(26,551)	-

22. FINANCIAL INSTRUMENTS – CREDIT RISK

Credit risk represents a risk of financial losses to which the Fund is exposed if the counterparty in a transaction involving a financial instrument fails to meet its contractual obligations.

Fund's investments ensure that the rating structure of the securities complies with the Fund Prospectus and its investment strategy. Credit risk management includes monitoring of both geographical and credit risk exposition of issuers diversification of investments.

Since at least 85 percent of the Fund assets will have been invested since 2016 in securities issued by the Master Fund, the Fund risk profile has been influenced to a substantial extent by the risk profile of the Master Fund.

Distribution of assets based on geographical segment

As of 31 January 2018

In CZK'000	CR	EU	Other Europe	Other	Total
Receivables from banks	58,158	-	-	-	58,158
Shares, share certificates and other investments	-	2,382,964	-	-	2,382,964
Other assets	31,178	-	-	-	31,178
Total	89,336	2,382,964	-	-	2,472,300

Distribution of assets based on geographical segment

As of 31 January 2017

In CZK'000	CR	EU	Other Europe	Other	Total
Receivables from banks	26,978	-	-	-	26,978
Shares, share certificates and other investments	-	1,008,309	-	-	1,008,309
Other assets	394	-	-	-	394
Total	27,372	1,008,309	-	-	1,035,681

Distribution of securities according to issuers

In CZK'000	31.01.2018	31.01.2017
Issued by collective investing funds (UCITS)	2,382,964	1,008,309
Total	2,382,964	1,008,309

23. SUBSEQUENT EVENTS

No events occurred after the balance sheet date that would have a significant impact on the financial statements of the Fund as of 31 January 2018.