

**Raiffeisen fond dluhopisových trendů,
otevřený podílový fond,
Raiffeisen investiční společnost a.s.**

**Annual Report
2016**

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

Company name: Raiffeisen investiční společnost a.s.
Legal status: joint stock company
Registered office: Hvězdova 1716/2b,
140 78 Prague 4 – Nusle
Czech Republic
Corporate ID: 29146739
Register of Companies: File No. B18837 held by the Municipal Court in Prague
Registered Capital: CZK 40 000 thousand
Shareholder: Raiffeisenbank a.s., Hvězdova 1716/2b, 140 78 Prague 4 - Nusle

Company profile

Raiffeisen investiční společnost a.s. is an investment company administering and managing the assets of Fund. The Company was incorporated on 21 December 2012. The Company obtained operation authorisation based on Decision of the Czech National Bank No. 2013/4256/570 of 9 April 2013 which took effect as of that date. The Company is a 100% subsidiary of Raiffeisenbank a.s.

The Company was incorporated on 21 December 2012 as a company fully owned by the sole shareholder, Raiffeisenbank a.s. The Company was established with the goal of expanding the product portfolio of Raiffeisenbank a.s. and thus increase the bank's market share. Within a few years, the Company has become a respected asset administrator operating in Central Europe.

Contacts

Tel: +420 800 900 900
Fax: +420 234 402 223
The Company's website: www.rfis.cz

List of managed funds as of 31 December 2016

As of 31 December 2016, the Company managed 12 open-ended mutual funds.

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, CZ0008474434)
- Raiffeisen fond high-yield dluhopisů (ISIN CZ0008474848)
- Raiffeisen fond flexibilního růstu (ISIN CZ0008474871)

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)

Qualified investor fund

- LEONARDO (ISIN CZ0008474525)

Pursuant to the Management Agreement between the Company and Raiffeisen Kapitalanlage – Gesellschaft m.b.H. of 1 July 2013, the Company managed the following foreign fund as of 31 December 2016:

- Raiffeisen-Czech-Click Fund II (ISIN AT0000A0QRK9)

Raiffeisen fond dluhopisových trendů (hereinafter the “Fund”)
Annual Report for the Period from 1 January 2016 to 31 December 2016

Currency:	CZK
ISIN capitalisation class:	CZ0008474376
Nominal value of share certificates:	None
Fund format:	Open-ended mutual fund
Type of fund based on AKAT:	Bond
Date of incorporation:	21 May 2014

Fund administrator

The fund is managed by Raiffeisen investiční společnost a.s. The Company did not enter into any agreement regulating the activity of the Fund's principal supporting entity under Sections 85-91 of Act No. 240/2013 Coll., on Investment Companies and Investment Funds.

Fund depository

Depository services are provided by UniCredit Bank Czech Republic and Slovakia, a.s., Corporate ID 64948242, with its registered office at Želetavská 1525/1, 140 92 Prague 4, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 3608. The Depository also ensured the custody of the Fund's assets in the reporting period.

Auditor

The Fund is audited by Deloitte Audit s.r.o., corporate ID 49620592, with its registered office at Karolinská 654/2, 186 00 Prague 8 - Karlín, recorded in the Register of Companies held by the Municipal Court in Prague, File C, Insert 24349.

Investment focus

The Fund's focus makes it a crown bond fund. Its purpose is to generate regular income through investments largely in bonds denominated in Czech crowns. To a lesser extent, investments can be made in bonds denominated in selected foreign currencies, bond funds and money market instruments, including term deposits. The Fund was classified in risk group 3 based on the Synthetic Risk and Reward Indicator (SRRI).

Portfolio manager of the Fund

Jan Chytrý

Education	Student of the University of Economics and Management (VŠEM)
Courses/training	Broker licence, Ministry of Finance of the Czech Republic
Professional experience	9 years
Portfolio manager in RIS	since 1 March 2015

Commentary of the portfolio manager

In 2016, the assets of Fund were allocated particularly in mid-term state and corporate bonds with duration (average period until maturity, in simple terms) slightly above three years. From the point of view of credit quality, the bond part of the fund has been invested in bonds in the “investment rating band” (i.e. rating BBB-/Baa3 and better). Bonds denominated in CZK and EUR were purchased, however, a significant portion of the foreign currency ones are hedged against unfavourable development of exchange rates.

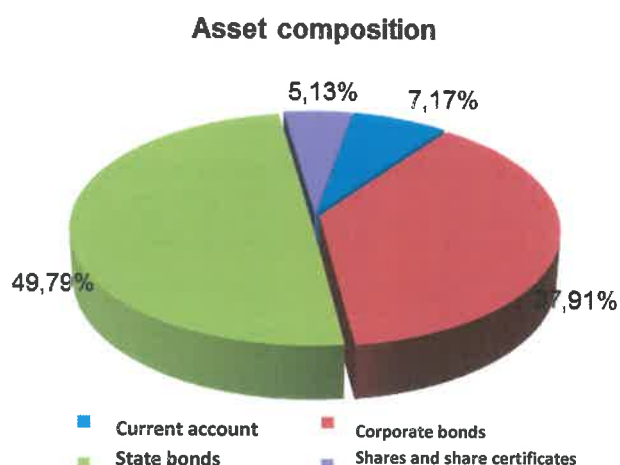
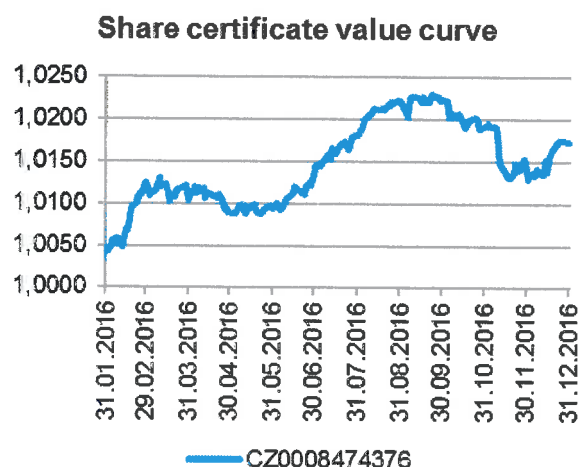
No significant changes occurred during the reporting period in the information included in the prospectus as per Article 23 of Directive 2011/61/EU of the European Parliament and of the Council on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (hereinafter the "AIFMD Directive").

Financial indicators	31 Dec 2016	31 Dec 2015	31 Dec 2014
Mutual fund equity, in CZK '000	1 065 905	1 158 065	1 308 592
Equity per share certificate, in CZK	1.0174	1.0086	1.0068
Profit/loss after tax, in CZK '000	9 820	1 946	1 810
Number of share certificates, in pieces	1 047 712 045	1 148 198 075	1 299 698 750

Note: The dividend class CZ0008474384 was cancelled in March 2016.

Number of share certificates issued and redeemed in the period from 1 January 2016 to 31 December 2016

ISIN	Issued share certificates		Redeemed share certificates		BALANCE (+/-)	
	in pieces	in CZK '000	in pieces	in CZK '000	in pieces	in CZK '000
CZ0008474376	201 288 511	204 102	301 774 541	306 081	-100 486 030	-101 979



List of securities held in excess of 1% as of 31 December 2016

SECURITIES CURRENCY	COUNTRY	ISIN	SECURITY NAME	PURCHASE PRICE in CZK '000	FAIR VALUE in CZK '000	STAKE IN ASSETS in %
CZK	CZ	CZ0001004253	CZGB 2,4 09/17/25	177 262	178 468	16.71
CZK	CZ	CZ0001001317	CZGB 3,75 09/12/20	132 627	129 306	12.11
CZK	CZ	CZ0001002851	CZGB 3,85 09/29/21	110 381	108 020	10.12
EUR	AT	AT0000622022	RAIFFEISEN-INFLTIONSS.	55 040	54 780	5.13
PLN	PL	PL0000108502	POLGB 0 07/25/17	56 746	54 675	5.12
CZK	CZ	CZ0002002520	UNICZ 6 04/27/18	52 068	50 202	4.70
EUR	PL	XS1082660744	PKNPW 2,5 06/30/21	44 125	45 876	4.30
CZK	AT	AT0000A1GD94	HYPO NOE Float 09/16/20	40 026	40 332	3.78
CZK	NL	XS1529936251	CETFIN 0,2 12/06/17	40 001	40 005	3.75
EUR	FR	XS1143974159	BREPW 2 11/21	38 274	38 825	3.64
CZK	NL	XS1322528230	LPTY Float 11/19/20	35 001	35 217	3.30

SECURITIES CURRENCY	COUNTRY	ISIN	SECURITY NAME	PURCHASE PRICE in CZK '000	FAIR VALUE in CZK '000	STAKE IN ASSETS in %
EUR	GB	XS0496481200	RBS 5,5 03/23/20	34 274	32 567	3.05
EUR	BG	XS0972758741	ROMANIA 4,625	32 634	31 700	2.97
CZK	GB	XS1437011585	DB Float 06/23/21	20 981	20 836	1.95
CZK	NL	XS1241115440	LPTY 0,88 06/02/20	20 000	20 277	1.90
CZK	AT	AT000B013750	RBIAV 0,73 04/01/21	18 001	18 003	1.69
EUR	CZ	XS0911304326	CESKA 2,905 04/08/25	15 610	16 096	1.51
CZK	CZ	CZ0003512824	SMVAK 2 5/8 07/17/22 Corp	14 957	15 478	1.45
CZK	KR	XS0943004878	EIBKOR Float 06/17/18	14 000	13 969	1.31
TOTAL				952 008	944 632	88.46

Other material information according to Annex 2 to Regulation No. 244/2013 Coll.:

- g) In the reporting period, the Company did not participate in any legal dispute or arbitration proceedings on behalf of the Fund.
- h) The Fund is a growth fund, i.e. all assets are reinvested.
- i) Information about the fee actually paid to the manager for managing the Fund, distinguishing information about payment for the performance of the activity of depository, administrator, primary supporter and auditor, and information about other fees or taxes.

This information is included in Notes 5. FEE AND COMMISSION EXPENSES and 7. ADMINISTRATIVE EXPENSES to the Financial Statements that form part of this report.

- j) The Fund's investment activity carried out in the reporting period was in line with the investment strategy defined in the Fund's Statute and relevant legislation. The risk of financial derivatives involves a) the "basis" risk arising from different price developments of derivatives and hedging assets, b) counterparty default risk. The market value of financial derivatives arranged for hedging purposes and the receivable for the payment of financial resources from accounts in CZK or a foreign currency may amount to no more than 15% of the value of the Fund's assets. Financial derivatives were arranged particularly with UniCredit Bank Czech Republic and Slovakia, a.s. More information about quantitative restrictions and methods that were chosen for the assessment for risks related to techniques and instruments of the Fund is included in the financial statements which form a part of this report.

In line with Article 13 (Section A of the Annex) of Regulation (EU) 2015/2365 of the European Parliament and of the Council, the Company states that no securities financing transactions (SFT) or total return swaps were performed in respect of the Fund in the reporting period.

Additional information

The Fund incurred no research and development expenses in 2016 nor did it perform any activities in the area of environmental protection and labour relations during the reporting period.

Material events subsequent to the balance sheet date

Aside from the material events included in the Fund's financial statements, the management of the Company is, as of the date of preparation of the financial statements, not aware of any material subsequent events that would affect the financial statements for the year ended 31 December 2016.

INDEPENDENT AUDITOR'S REPORT

To the Partners of Raiffeisen

fond dluhopisových trendů, 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 dluhopisových trendů, otevřený podílový fond, Raiffeisen investiční společnost a.s. (hereinafter also the "Fund") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as of 31 December 2016, and the profit and loss account and statement of changes in equity for the year 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 dluhopisových trendů, otevřený podílový fond, Raiffeisen investiční společnost a.s. as of 31 December 2016, and of its financial performance for the year 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 Fund and Raiffeisen investiční společnost a.s. (hereinafter also 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.

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 Fund 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 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 Fund'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 Fund 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 Fund'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 Fund'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 Fund'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 Fund 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 10 March 2017

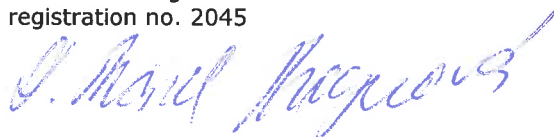
Audit firm:

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



Statutory auditor:

Diana Rádl Rogerová
registration no. 2045



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Name of the Company: Raiffeisen fond dluhopisových trendů, 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 10 March 2017.

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

Business name: Raiffeisen fond dluhopisových trendů
 Raiffeisen investiční společnost a.s.
 Seat: Hvězdova 1716/2b, Praha 4, 140 78
 Corporate ID: 29146739
 Principal activities: fund administration and management
 Financial statements preparation date: 4.1.2017

BALANCE SHEET
as of 31 December 2016

CZK thousand	Note	31.12.2016	31.12.2015
ASSETS			
2 Treasury bonds and other securities accepted by the central bank for refinancing	8	445 277	336 282
<i>of which. a) issued by government institutions</i>		445 277	336 282
3 Receivables from banks and cooperative credit unions	9	76 534	84 711
<i>of which. a) payable upon request</i>		76 534	84 711
5 Debt securities	10	491 203	684 913
<i>of which. a) issued by government institutions</i>		86 375	128 022
<i>b) issued by other entities</i>		404 828	556 891
6 Shares, share certificates and other investments	11	54 780	53 907
<i>of which. a) shares</i>		-	-
<i>b) share certificates</i>		54 780	53 907
11 Other assets	12	61	100
Total assets		1 067 855	1 159 913

CZK thousand	Note	31.12.2016	31.12.2015
LIABILITIES			
4 Other liabilities	14	566	823
<i>of which. derivatives</i>	16	544	792
5 Accrued expenses and deferred income	15	917	1 025
6 Reserves	17	467	-
<i>b) tax</i>		467	-
12 Capital funds	13	1 055 949	1 157 929
14 Retained earnings or accumulated loss brought forward	18	136	(1 810)
15 Profit or loss for the reporting period	18	9 820	1 946
Total liabilities		1 067 855	1 159 913

CZK thousand	Note	31.12.2016	31.12.2015
OFF BALANCE SHEET ITEMS			
Off balance sheet assets			
4 Receivables from fixed term operations	16	152 092	404 850
8 Values placed under management	20	1 067 794	1 159 813
Off balance sheet liabilities			
12 Payables from fixed term operations	16	152 633	405 375

Business name: Raiffeisen fond dluhopisových trendů
 Raiffeisen investiční společnost a.s.
 Seat: Hvězdova 1716/2b, Praha 4, 140 78
 Corporate ID: 29146739
 Principal activities: fund administration and management
 Financial statements preparation date: 4.1.2017

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2016

CZK thousand	Note	31.12.2016	31.12.2015
1 Interest income and similar income	3	9 499	11 468
<i>of which: interest from debt securities</i>		9 499	11 468
4 Fees and commission income	4	238	140
5 Fees and commission expenses	5	(11 244)	(14 409)
6 Profit or loss from financial operations	6	11 919	4 901
9 Administrative expenses	7	(125)	(97)
<i>b) other administrative expenses</i>		(125)	(97)
19 Profit or loss for the reporting period from ordinary activities before tax		10 287	2 003
23 Income tax	19	(467)	(57)
24 Profit or loss for the reporting period after tax		9 820	1 946

Business name: Raiffeisen fond dluhopisových trendů
 Raiffeisen investiční společnost a.s.
 Seat: Hvězdova 1716/2b, Praha 4, 140 78
 Corporate ID: 29146739
 Principal activities: fund administration and management
 Financial statements preparation date: 4.1.2017

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

CZK thousand	Capital funds	Retained earnings or accumulated loss brought forward	Profit (loss)	Total
Balance at 1. 1. 2015	1 310 413	-	(1 810)	1 308 603
Net profit/loss for the reporting period	-	-	1 946	1 946
Share certificates sold	445 470	-	-	445 470
Share certificates purchased	(597 954)	-	-	(597 954)
Transfer to funds	-	(1 810)	1 810	-
Balance at 31. 12. 2015	1 157 929	(1 810)	1 946	1 158 065

CZK thousand	Capital funds	Retained earnings or accumulated loss brought forward	Profit (loss)	Total
Balance at 1. 1. 2016	1 157 929	(1 810)	1 946	1 158 065
Net profit/loss for the reporting period	-	-	9 820	9 820
Share certificates sold	204 090	-	-	204 090
Share certificates purchased	(306 070)	-	-	(306 070)
Transfer to funds	-	1 946	(1 946)	-
Balance at 31.12.2016	1 055 949	136	9 820	1 065 905

1. GENERAL INFORMATION

(a) Fund characteristics

Fund emergence and characteristics

Raiffeisen fond dluhopisových trendů, otevřený podílový fond, Raiffeisen investiční společnost a.s. (hereinafter the "Fund") represents an accounting entity without legal personality managed by Raiffeisen investiční společnost a.s. (hereinafter the "Company") pursuant to Act no. 240/2013 Coll., on management companies and investment funds (hereinafter the "Act"). The Fund came into existence on the day of its entry into the list kept by the Czech National Bank in accordance with Section 597 (b) of the Act, made on 21 May 2014. The Fund began its activity on 18 June 2014.

The fund is a standard securities fund in accordance with the Act, complying with all legal requirements of the European Communities.

Up to three different types of share certificates – classes – may be issued in keeping with the Fund Prospectus. The individual classes differ in the manner in which they handle the Fund profit, the amount of the entry charge (surcharge), the minimum invested amount, and the distribution channels. Each such type of share certificate has been assigned a separate ISIN.

Type of share certificate	Class A1	Class A2	Class A3
	Capitalisation	Dividend	RSTS *
Raiffeisen fond dluhopisových trendů			
ISIN	CZ0008474376	CZ0008474384	CZ0008474392

*Class A3 share certificates may be distributed exclusively by Raiffeisen stavební spořitelna a.s.

On 22 March 2016 Class A2 – Dividend (ISIN CZ0008474384) was cancelled and class A3 was released.

Neither the number of issued share certificates nor the duration of the Fund are limited.

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

Information about the management company

The Fund assets are administered and managed by Raiffeisen investiční společnost a.s., Corporate ID 29146739, with its registered office at Hvězdova 1716/2b, Praha 4 – Nusle, 140 78. The Company was incorporated on 21 December 2012. The Company obtained operation authorisation based on Decision of the Czech National Bank No. 2013/4256/570 of 9 April 2013 which took effect on 9 April 2013.

The Company is a management company in the sense of the existing legislation and it acts in the capacity of a legal entity, which collects cash from both legal entities and natural persons (individuals), in order to use them to participate in business (collective investing).

Principal activity of the Company

Under the Act, the Company is authorised, in the scope of the authorisation of the Czech National Bank, to:

- Manage investment funds or foreign investment funds;
- Exceed the critical limit; and
- Administer investment funds or foreign investment funds.

Depository information

Depository services are provided by UniCredit Bank Czech Republic and Slovakia, a.s., Corporate ID 64948242, with its registered office at Želetavská 1525/1, Praha 4, 140 92 (hereinafter the "Depository") under the Depository Agreement dated 6 February 2014.

(b) Basis for the Preparation of the Financial Statements

The financial statements have been prepared based on accounting records maintained in line with:

- Accounting Act No. 563/1991, as amended;
- Regulation No. 501/2002 issued by the Ministry of Finance, as amended; and
- Czech Accounting Standards for financial institutions as published by the Ministry of Finance.

The financial statements have been prepared in compliance with the accruals principle and historical prices, excluding selected financial instruments valued at fair value.

The financial statements are based on the going concern assumption and assuming that no facts exist that would restrict the Fund or prevent it from carrying out its activity in the foreseeable future.

The current reporting period of the Fund is the calendar year ended 31 December 2016. Data from the previous reporting period, i.e. the year ended 31 December 2015, is used as comparative data.

These financial statements are presented in thousands of Czech crowns ('CZK') unless stated otherwise. Figures in brackets are negative.

These financial statements are unconsolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Transaction Date

Depending on the transaction type, the transaction date is predominantly:

- Date of payment or receipt of money in circulation;
- Date of purchase or sale of foreign currency, foreign exchange or securities;
- Date of payment;
- Date of crediting (foreign currency) funds based on the account statement;
- Date of arrangement and settlement of spot transactions, namely purchase or sale of financial instruments or commodities with such a delivery date where the period between the trade date and the settlement date is no more than five days; and
- Trade date and settlement date of derivative transactions.

Spot transactions (i.e. purchases and sales of financial assets with a usual term of delivery) of the Fund are reported directly in the relevant asset or liability at the trade date.

The Fund will derecognise a financial asset or any part thereof from the balance sheet if control over the contractual rights to such a financial asset or any part thereof is lost. The loss of control occurs if the Company exercises its rights to contractual benefits, if such rights expire or should the Fund waive these rights.

If a financial liability or any part thereof expires (such as when a contractual obligation is met, cancelled or expires), the financial liability or a part thereof will no longer be recognised in the Fund's balance sheet. The difference between the carrying amount of the financial liability or a part thereof that has expired or has been transferred to another entity and the amount paid for the respective debt shall be reported through expenses or revenues as appropriate.

(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 reporting period, 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 at 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 according to the yield curve.

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

Interest income on 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 Fund values such securities outflow using the 'average price method'.

(c) Receivables and Provisions

Operating receivables are recognised at their nominal value net of provisions, if any. Bad debts are written off after the completion of the debtor's bankruptcy proceedings or when it is highly unlikely for the bad debt to be settled.

Provisions are recognised as expenses; the utilisation of a provision is recognised in the profit and loss account along with expenses or losses arising from asset disposals. The release of a provision due to redundancy is recognised in revenues.

(d) Financial Derivatives

Derivatives are financial instruments meeting 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 period 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 in assets under 'Other assets'. Negative fair values of derivatives are reported in liabilities under 'Other liabilities'.

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 'Receivables from fixed-term operations' and 'Payables from fixed-term operations'.

(e) Funds Invested by Shareholders

The Fund has no share capital. The share certificates have been assigned no nominal value. The Fund does not account for share premium.

Capital funds

The selling price of share certificates is determined as a ratio of the equity of the class and the number of issued share certificates of the class. Share certificates are sold to investors for selling prices determined on a daily basis.

(f) Reserves

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

Reserves are created if the following criteria are met:

- a) A performance obligation (legal or constructive) exists as a result of past events;
- b) It is probable or certain that an event will occur and will require an outflow of resources representing economic benefits, where "probable" means probability greater than 50%; and
- c) It is possible to make a reliable estimate of such fulfilment.

(g) Foreign Currency Translation

Transactions denominated in foreign currencies are translated into the local currency using the exchange rate of the Czech National Bank effective on the date of the transaction.

Assets and liabilities denominated in foreign currencies along with foreign-currency spot transactions before their due dates are translated into the local currency using the exchange rate of the Czech National Bank effective at the balance sheet date. Any profit or loss resulting from the translation of assets and liabilities denominated in foreign currencies, excepting equity investments in foreign currencies, or items hedging against foreign currency risk arising from contracts not yet recognised in the Fund's balance sheet, or from anticipated future transactions is recognised in the profit and loss account as "Profit or loss from financial operations".

(h) Taxation

Tax payable

The corporate tax base is calculated from the profit 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 relevant credits, if any. Based on valid tax regulations, corporate income tax for mutual funds amounts to 5%.

Deferred tax

Deferred tax is based on all temporary differences between the carrying and tax values of assets and liabilities, using the anticipated tax rate effective for the following period. A deferred tax asset will be only recognised if there is no doubt as to its recovery in the following reporting periods.

(i) Interest Income and Interest Expense and Dividend Income

Interest income and interest expense are reported on an 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 withholding tax.

Dividend income from foreign securities is reported prior to the deduction of withholding tax.

3. INTEREST INCOME AND SIMILAR INCOME

CZK '000	2016	2015
Interest from debt securities	9 499	11 468
Total	9 499	11 468

4. FEES AND COMMISSION INCOME

The item 'Fees and commission income' includes the incentive received in relation to the investment in KAG funds in the amount of CZK 238 thousand (2015: CZK 140 thousand).

5. FEES AND COMMISSION EXPENSES

CZK '000	2016	2015
Management fee	10 116	12 803
Depository fee	680	888
Securities administration	291	386
Other fees and commissions	157	332
Total	11 244	14 409

The management fee paid by the Fund to the Company amounts, according to the Fund Prospectus, to 0.9% of the average annual value of the Fund equity.

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

6. PROFIT OR LOSS FROM FINANCIAL OPERATIONS

CZK '000	2016	2015
Profit from securities valued at fair value	14 653	4 949
Profit from exchange rate differences	(1 821)	(14 971)
Loss from spot and fixed term transactions	(913)	14 923
Total	11 919	4 901

Profit or loss from securities valued 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 bond securities.

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 as well as revaluation of open derivatives at fair value.

7. ADMINISTRATIVE EXPENSES

Administrative expenses include audit expenses in the amount of CZK 125 thousand (2015: CZK 97 thousand).

8. TREASURY BONDS WITHOUT COUPON AND OTHER SECURITIES ACCEPTED BY THE CENTRAL BANK FOR REFINANCING

All securities held by the Fund are listed on the Prague Stock Exchange or on foreign stock exchanges. All securities are included in the portfolio of securities at fair value.

CZK '000	31 Dec 2016	31 Dec 2015
Treasury bonds	445 277	336 282
Net book value	445 277	336 282

9. RECEIVABLES FROM BANKS AND COOPERATIVE CREDIT UNIONS

Receivables from banks include current accounts maintained by Unicredit bank Czech Republic and Slovakia, a.s., amounting to CZK 76,534 thousand (2015: CZK 84,711 thousand).

Current accounts are payable upon request.

10. DEBT SECURITIES

CZK '000	31 Dec 2016	31 Dec 2015
Bonds issued by government institutions	86 375	128 022
Bonds issued by other entities	404 828	556 891
Net book value	491 203	684 913

11. SHARES, SHARE CERTIFICATES AND OTHER INVESTMENTS

CZK '000	31 Dec 2016	31 Dec 2015
Share certificates	54 780	53 907
Net book value	54 780	53 907

12. OTHER ASSETS

CZK '000	31 Dec 2016	31 Dec 2015
Other receivables	61	100
Total	61	100

13. EQUITY

Number of issued share certificates

(in pieces)	31 Dec 2016	31 Dec 2015
Capitalisation class	1 047 712 045	1 148 198 075
Total	1 047 712 045	1 148 198 075

No other classes were issued in 2016.

Equity according to share certificate classes

CZK '000	31 Dec 2016	31 Dec 2015
Capitalisation class	1 065 904	1 158 065
Total	1 065 904	1 158 065

As of 31 December 2016, 1,047,712,045 share certificates of the Fund were issued (2015: 1,148,198,075).

The dividend class was cancelled in 2016. The value of the capitalisation class as of the last business day of 2016 amounted to CZK 1.0175 (2015: CZK 1.0093). This is the last value of a share certificate in the respective year for which purchases and re-purchases of the Fund's share certificates were made.

14. OTHER LIABILITIES

CZK '000	31 Dec 2016	31 Dec 2015
Negative value of derivatives	544	792
Other liabilities	22	31
Total	566	823

15. ACCRUED EXPENSES AND DEFERRED INCOME

The item 'Accrued expenses' primarily includes the uninvoiced management fee for the month of December in the amount of CZK 800 thousand (2015: CZK 869 thousand).

16. FINANCIAL DERIVATIVES

Nominal value of derivatives:

CZK '000	31 Dec 2016		31 Dec 2015	
	Receivable	Payable	Receivable	Payable
Currency forwards	152 092	152 633	404 850	405 375
Total	152 092	152 633	404 850	405 375

Off-balance sheet assets and liabilities represent the nominal (contractual) undiscounted values which are revalued by the Fund using CNB's exchange rate valid as of the financial statements date. All the above financial instruments were concluded on the inter-bank market (OTC).

Fair value of derivatives:

CZK '000	31 Dec 2016		31 Dec 2015	
	Positive	Negative	Positive	Negative
Currency forwards	-	544	-	792
Total	-	544	-	792

All currency derivatives mature within one year.

17. RESERVES

	Income tax	Total reserves
Balance at 1 January 2016	-	-
Creation	467	467
Use	-	-
Balance at 31 December 2016	467	467

The Fund creates an income tax reserve due to the fact that the moment of preparation of the financial statements precedes the determination of tax liability. In the next reporting period, the Fund will release the reserve and recognise the identified tax liability.

18. PROPOSED ALLOCATION OF PROFIT

The Company's Board of Directors proposes the allocation of the profit for 2016 as follows:

CZK '000	Profit / loss	Retained earnings or accumulated loss brought forward
Balance at 31 December 2016 prior to the allocation of the profit for 2016		136
Profit for 2016	9 820	
Proposed allocation of the profit for 2016:		
Transfer to retained earnings	(9 820)	9 820
Total	-	9 956

19. INCOME TAXATION

(a) Income Tax

CZK '000	2016	2015
Income tax reserve	467	57
Total	467	57

(b) Income Tax – Tax Analysis

CZK '000	2016	2015
Profit or loss for the period before tax	10 287	(2 003)
Revenues that are not subject to tax	-	-
Tax non-deductible expenses	-	-
Other items (part of tax loss brought forward)	(940)	-
Subtotal	9 347	(2 003)
Tax calculated using the 5% tax rate	467	-

20. RELATED PARTY TRANSACTIONS

CZK '000	31 Dec 2016	31 Dec 2015
Assets		
Incentive related to investments in KAG funds	61	61
Liabilities		
Management fee payable to the Company	800	869

CZK '000	2016	2015
Expenses		
Management fee payable to the Company	10 116	12 803
Income		
Incentive related to investments in KAG funds	238	140

CZK '000	31 Dec 2016	31 Dec 2015
Off-balance sheet assets		
Values placed under management	1 067 794	1 159 813

21. VALUES PLACED UNDER MANAGEMENT

The Fund has all its assets managed by the Company. The item entitled 'Values placed under management' covers both foreign and local securities, term deposits as well as current account balances.

22. 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.

(a) Risk management

The basic risk management instrument is represented by imposing limits on 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 and sensitivity to interest rate fluctuations.

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' is measured on the basis of a one-year holding period and a 95% reliability level.

(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's assets and liabilities

	Less than 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Not specified	Total
CZK '000						
As of 31 December 2016						
Treasury bonds without coupon and other securities	38	10 930	252 529	181 780	-	445 277
Receivables from banks	76 534	-	-	-	-	76 534
Debt securities	1 211	105 196	368 987	15 809	-	491 203
Share certificates	-	-	-	-	54 780	54 780
Other assets	61	-	-	-	-	61
Total	77 844	116 126	621 516	197 589	54 780	1 067 855
Other liabilities	566	-	-	-	-	566
Accrued/deferred income and expenses	917	-	-	-	-	917
Reserves	-	467	-	-	-	467
Equity	-	-	-	-	1 065 905	1 065 905
Total	1 483	467	-	-	1 065 905	1 067 855
GAP	76 361	115 659	621 516	197 589	(1 011 125)	-
Cumulative GAP	76 361	192 020	813 536	1 011 125	-	-

**Raiffeisen fond dluhopisových trendů, otevřený podílový fond,
Raiffeisen investiční společnost a.s.
Year Ended 31 December 2016**

Residual maturity of the Company's assets and liabilities

CZK '000	Less than 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Not specified	Total
As of 31 December 2015						
Treasury bonds without coupon and other securities	39	6 673	155 735	173 835	-	336 282
Receivables from banks	84 711	-	-	-	-	84 711
Debt securities	1 947	26 497	496 834	159 635	-	684 913
Share certificates	-	-	-	-	53 907	53 907
Other assets	100	-	-	-	-	100
Total	86 797	33 170	652 569	333 470	53 907	1 159 913
Other liabilities	823	-	-	-	-	823
Accrued/deferred income and expenses	1 025	-	-	-	-	1 025
Reserves	-	-	-	-	-	-
Equity	-	-	-	-	1 158 065	1 158 065
Total	1 848	-	-	-	1 158 065	1 159 913
GAP	84 949	33 170	652 569	333 470	(1 104 158)	
Cumulative GAP	84 949	118 119	770 688	1 104 158	-	-

The above table shows residual maturities of the book values 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 impacts of fluctuations of the current interest rates on the market. On account of such changes, the fair value and income from financial assets may both increase and decrease.

The table below provides a summary of the mismatch between the Fund's assets and liabilities that are interest-rate sensitive. The table below includes data about the extent of Fund's interest rate risk based on the contractual maturity of the financial instruments.

Interest-rate sensitivity of the Fund's assets and liabilities

CZK '000	Less than 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Total
As of 31 December 2016					
Treasury bonds without coupons and other securities	7 134	12 277	248 441	177 425	445 277
Receivables from banks	76 534	-	-	-	76 534
Debt securities	121 597	105 196	248 601	15 809	491 203
Total	205 265	117 473	497 042	193 234	1 013 014

**Raiffeisen fond dluhopisových trendů, otevřený podílový fond,
Raiffeisen investiční společnost a.s.
Year Ended 31 December 2016**

Interest-rate sensitivity of the Fund's assets and liabilities

CZK '000	Less than 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Total
As of 31 December 2015					
Treasury bonds without coupons and other securities	7 211	15 053	144 535	169 483	336 282
Receivables from banks	84 711	-	-	-	84 711
Debt securities	153 901	4 881	366 497	159 634	684 913
Total	245 823	19 934	511 032	329 117	1 105 906

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

(d) Currency risk

Financial position and cash flows are affected by the fluctuations of the valid exchange rate of foreign currencies.

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

CZK '000	EUR	PLN	USD	CZK	Total
As of 31 December 2016					
Treasury bonds without coupon and other securities	-	-	-	445 277	445 277
Receivables from banks	2 678	1 377	92	72 387	76 534
Debt securities	165 064	54 675	-	271 464	491 203
Shares, share certificates and other investments	54 780	-	-	-	54 780
Other assets	-	-	-	61	61
Total	222 522	56 052	92	789 189	1 067 855
Other liabilities	222	-	321	23	566
Accrued/deferred income and expenses	-	-	-	917	917
Reserves	-	-	-	467	467
Equity	-	-	-	1 065 905	1 065 905
Total	222	-	321	1 067 312	1 067 855
Long off-balance instruments positions	-	-	-	152 092	152 092
Short off-balance instruments positions	126 994	-	25 639	-	152 633
Net foreign exchange position	95 306	56 052	(25 868)	(126 031)	-

**Raiffeisen fond dluhopisových trendů, otevřený podílový fond,
Raiffeisen investiční společnost a.s.
Year Ended 31 December 2016**

<i>Foreign exchange positions of the Fund</i>					
CZK '000	EUR	PLN	USD	CZK	Total
As of 31 December 2015					
Treasury bonds without coupon and other securities	-	-	-	336 282	336 282
Receivables from banks	15 254	1 425	89	67 943	84 711
Debt securities	334 971	55 707	-	294 235	684 913
Shares, share certificates and other investments	53 907	-	-	-	53 907
Other assets	-	-	-	100	100
Total	404 132	57 132	89	698 560	1 159 913
Other liabilities	792	-	-	31	823
Accrued/deferred income and expenses	-	-	-	1 025	1 025
Reserves	-	-	-	-	-
Equity	-	-	-	1 158 065	1 158 065
Total	792	-	-	1 159 121	1 159 913
Long off-balance instruments positions	-	-	-	404 850	404 850
Short off-balance instruments positions	405 375	-	-	-	405 375
Net foreign exchange position	(2 035)	57 132	89	(55 711)	-

23. FINANCIAL INSTRUMENTS – CREDIT RISK

Credit risk represents the risk of financial loss the Fund faces if the counterparty in a financial instrument transaction does not meet its contractual obligations.

Fund investments are implemented so that the rating structure of the securities complies with the Fund Prospectus and its investment strategy. Credit risk management includes the monitoring of diversification of investments in terms of their geographical distribution and in terms of exposure of individual issuers to credit risk.

Distribution of assets based on geographical segments

As of 31 December 2016

CZK '000	Czech Rep.	EU	Other European Countries	Other	Total
Treasury bonds without coupon and other securities	445 277	-	-	-	445 277
Receivables from banks	76 534	-	-	-	76 534
Debt securities	88 829	388 405	-	13 969	491 203
Shares, share certificates and other investments	-	54 780	-	-	54 780
Other assets	61	-	-	-	61
Total	610 701	443 185	-	13 969	1 067 855

As of 31 December 2015

CZK '000	Czech Rep.	EU	Other European Countries	Other	Total
Treasury bonds without coupon and other securities	336 282	-	-	-	336 282
Receivables from banks	84 711	-	-	-	84 711
Debt securities	117 554	518 559	11 644	37 156	684 913
Shares, share certificates and other investments	-	53 907	-	-	53 907
Other assets	100	-	-	-	100
Total	538 647	572 466	11 644	37 156	1 159 913

Distribution of securities based on the issuer

CZK '000	31 Dec 2016	31 Dec 2015
Issued by financial institution	266 351	342 833
Issued by collective investment funds	54 780	53 907
Issued by non-financial institutions	101 360	206 974
Issued by insurance institutions	7 053	7 084
Issued by government institutions	561 717	464 304
Total	991 261	1 075 102

24. POST BALANCE SHEET EVENTS

No events occurred subsequent to the balance sheet date on 31 December 2016 that would have a significant impact on the financial statements of the Fund.