

**INVESTMENT FUND**  
**“CBL Baltic Sea Equity Fund”**

**ANNUAL REPORT FOR 2015**  
(3<sup>rd</sup> financial year)

**PREPARED IN ACCORDANCE WITH**

**FCMC “NORMATIVE REGULATIONS ON PREPARATION OF ANNUAL REPORTS AND CONSOLIDATED ANNUAL REPORTS OF  
INVESTMENT FUND AND OPEN ALTERNATIVE INVESTMENT FUND” AND  
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION**

Translation from Latvian original\*

**Riga, 2016**

\*This version of financial statements is a translation from original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of financial statements takes precedence over this translation.

**IF “CBL Baltic Sea Equity Fund”  
Annual Report for 2011  
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**IF "CBL Eastern European Bond Fund – EUR"**  
**Annual Report for 2015**  
**General information on the investment fund**

Name of the fund:	"CBL Baltic Sea Equity Fund"
Type of fund:	Investment fund
Registration date:	7 March 2013
Date of commencement of operations:	20 November 2013
Fund number:	FL127- 06.03.04.098/41
Name of the investment management company:	"CBL Asset Management" IPAS
Registered office:	Republikas laukums 2a, Riga, LV-1010, Latvia
Registration number:	40003577500
License number:	06.03.07.098/285
Name of the custodian bank:	"Citadele banka" AS
Registered office:	Republikas laukums 2a, Riga, LV-1010, Latvia
Registration number:	40103303559
Investment management company's Board and Council members and their positions:	<p><i>Council of the investment management company:</i>  Chairperson of the Council - Juris Jākobsons - appointed on 30.09.2010  Deputy Chairperson of the Council – Vladimirs Ivanovs – appointed on 06.11.2012  Council Member – Aldis Paegle – appointed on 04.07.2014  Council Member – Peter Meier – appointed on 30.09.2015</p> <p><i>Board of the investment management company:</i>  Chairperson of the Board - Uldis Upenieks – appointed on 01.11.2012  Board Member - Zigurds Vaikulis – appointed on 30.03.2007  Board Member - Andris Kotāns – appointed on 11.05.2015  Board Member - Lolita Sičeva – appointed on 11.05.2015  Council and Board members shall perform all duties specified in Latvian laws and Investment Management Company's Statutes.</p>
Rights and responsibilities related to management of Investment fund	
Fund managers (Members of Investment Committee):	Kristiāna Janvare – appointed on 07.03.2007 Andris Kotāns – appointed on 11.05.2007 Elchin Jafarov – appointed on 11.05.2007 Igor Lahtadirs – appointed on 21.11.2013
Rights and responsibilities related to Fund management	Fund managers shall perform all duties specified in Latvian laws, Investment Management Company's Statutes and Fund prospectus.
Auditor:	"KPMG Baltics" SIA Vesetas iela 7 Riga, LV-1013 Licence No. 55 Latvia

**IF "CBL Baltic Sea Equity Fund"**  
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**Investment management company's report**

The manager of investment fund "CBL Baltic Sea Equity Fund" (hereinafter - the Fund) is investment management company "CBL Asset Management", legal address Republikas laukums 2a, Riga, LV-1010 (hereinafter - the Company), registered under No 40003577500.

The number of Investment Company's operating licence, which was last re-registered on 7 March 2013, is FL/27-098/258.

On 20 November 2013 Investment Fund "Citadele Baltic Sea Countries Equity Fund" which is registered in Lithuania (ISIN LT0000950008) was merged with Latvian "CBL Baltic Sea Equity Fund" (ISIN LV0000400794). Following the merger, Lithuanian "Citadele Baltic Sea Countries Equity Fund" ceased to exist, whereas all investors received the same amount of Latvian fund shares.

The investment objective of the Fund is to achieve long-term capital appreciation by investing primarily in the shares of those issuers that are registered in or whose principal activities are carried out in the Baltic Sea region. The Fund's return is generated through a combination of share price appreciation and dividend income. The currency of the Fund is euro.

The beginning of 2015 was very positive for European stock markets, and the stocks experienced a sharp increase, reaching their peak in April. The sharp increase in stock prices was promoted by the European Central Bank's (ECB) expansionary monetary policy, favourable economic data background, especially from Europe, showing that the European economy is on a path to recovery, and the weakness of the euro. However, in April the mood was shaken up, mainly due to Greek debt negotiations that were brought into focus, which negatively affected European stock performance until July, when an agreement was reached with Greece. The financial results of European companies for the first half of the year were pleasing, supported by the favourable euro exchange rate, improvements in economic conditions (especially in sectors based on domestic consumption), as well as cost optimization measures. However, in August the financial market was shaken up by the devaluation of Chinese yuan against the US dollar (by 3%), and increasing concerns regarding the slowdown of China's economic growth and its inability to stabilize the situation in domestic stock market. Negative mood was also dominant in the following months - although the economic data flow from the Euro zone remained generally positive, investors were concerned about the growth perspectives of emerging markets economies and the expected US interest rate hike amid conditions when the US economy is showing signs of slowdown. Following the sharp decline in previous months, in October and November the market experienced recovery; however, it was followed by a sharp decline in December, when for the first time since 2006 the Fed increased US dollar interest rate and indicated a gradual increase of rates also in the future, while the ECB's additional support measures were seen as insufficient by the investors. Company earnings for the third quarter were also less impressive, negatively affected by the weakness of raw material prices.

Overall, the European stock index Stoxx 600 concluded 2015 with an increase of 6.8%, while US S&P 500 index in the original currency concluded the year without any significant changes, but increased by 10.5% in euro terms due to strengthening of the US dollar. There were significant differences in performance of certain markets within the Fund's investment universe. The strongest performance in euro-terms was showed by the Danish equities, which during the year increased by 35.9% followed by Finnish (+12.4%), German (+9.6%) and Baltic (+5.6) equities. Whereas, Polish equities were less successful (-19.0%), as after the opposition came to the power, the political uncertainty in the country increased and business environment deteriorated in several sectors, especially in the banking sector. Norwegian equities also declined (-3.2%), driven by sharp drop in oil price. Swedish equities were also relatively less successful, increasing by only 1.2%.

At the end of 2015, net assets of the Fund amounted to EUR 4,003,556. Whereas, the value of the Fund's share in 2015 increased by EUR 0.87, reaching EUR 41.94. The Fund's overall return in 2015 was 2.12% in euro-terms and 2.22% in the Fund's base currency (euro) at financial markets foreign exchange rates set at end of the day.

From geographical perspective, in 2015 the biggest positive contribution came from the Fund's investments in Danish, Swedish and Baltic equities. However, the weakest performance was demonstrated by investments in Polish, Finnish and Russian equities. Polish equities were the only ones that made a negative contribution to the Fund during the period. In terms of sectors, the biggest positive contribution to the Fund came from investments in Industrials, Health Care and Consumer Staples sectors. The biggest negative impact on the Fund's performance came from investments in commodity and utilities sectors, which were the only sectors with a negative contribution to the Fund's performance.

In terms of geographical perspective, during 2015 investments in German equities saw the biggest increase in the Fund's structure - by 6.84 percentage points (pp), thus further strengthening its dominant role in the Fund. Moreover, the share of Swedish investments (+4.03pp) also saw a significant increase due to the Manager's willingness to increase the Fund's exposure to regions that are largest beneficiaries of European economic recovery, local currency weakness, and relatively attractive valuations of German equities. On the other hand,

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**Annual Report for 2015**  
**Investment management company's report**

during the period the Fund's investments in Finnish stocks decreased significantly (-5.94pp), and investments in Baltic (-2.75pp) and Norwegian (-2.35pp) equities also declined. This was mainly determined by the Manager's view on investment perspectives of individual companies, while oil price and local currency weakness played an important role with respect to investments in Norway. At the beginning of the year a decision was made to completely eliminate investments in Russian stocks (-1.12pp) due to increased market risks. The share of investments in other countries did not change significantly during the period. At the end of the period, German equities had the largest weight in the Fund (43.46%), followed by Swedish (16.25%), Danish (14.19%), and Baltic (8.45%) equities. The share of investments in other countries did not exceed 10%.

In terms of sectors, during the year banks saw the biggest increase in the Fund's structure (+9.56pp), thus, having the largest weight in the Fund. At the same time it should be noted that the share of other financial services (mainly Insurance companies) has decreased (-4.77pp), thus, limiting the overall increase in the share of Financial Services sector. The share of IT sector has also increased significantly (+4.95pp) due to relatively attractive growth perspectives of companies in this sector, and the share of Consumer Services has also increased (+1.04pp) due to recovery of European private consumption. On the other hand, the share of investments in Industrials decreased significantly, as this sector suffers from the reduction of company capital investment programs due to commodity price weakness, as well as from weak demand from emerging markets. During the period the Fund's investments in Energy sector were reduced further (-2.10pp) due to weak oil prices. Changes in weights of other sectors were relatively less significant and they were determined by the Manager's view on growth perspectives of individual companies. At the end of 2015 Commercial Banks represented the largest share (17.07%) in the Fund, followed by Industrials (16.83%), Consumer Services (14.03%), and Health Care (10.07%). During the period, cash position in the Funds increased by 1.20pp, reaching 5.01% at the end of the year.

Management expenses during the period amounted to EUR 81,605 or 2.25% of average value of net assets during the period, which does not exceed the minimum amount of 4.00% as laid down in the Fund's prospectus.

Elevated market volatility which was present during the second half of the year is still present, due to the large uncertainty over global economic growth perspectives and relatively high political risks, especially in light of the approaching British referendum whether to stay in the European Union. The European economy remains on recovery path; however, it is largely dependent on trends in other parts of the world, and the latest data indicate a slowdown in growth momentum. The European Central Bank is determined to continue its highly expansionary monetary policy, which should support investors' risk appetite; nevertheless, it seems that investors' faith in its efficiency has decreased (especially regarding negative rates). In the previous year European company earnings were strongly supported by the weakness in euro; however, at the beginning of this year this trend has partly reversed and additional support from the euro exchange rate is likely to be significantly lower this year. Meanwhile, European equity valuations have returned to levels above long-term averages, thus, rendering the stocks vulnerable to potential negative economic and political surprises.



Uldis Upenieks  
Chairperson of the Board



Andris Kotāns  
Member of Investment Committee



Igors Lahtadirs  
Member of Investment Committee



Elchin Jafarov  
Member of Investment Committee



Kristiāna Janvare  
Member of Investment Committee

Riga, 29 April 2016


**IF "CBL Baltic Sea Equity Fund"**  
**Annual Report for 2015**  
**Statement of responsibility of the Board of the investment company**

The Board of Investment Management Company (hereinafter - the Company) is responsible for preparation of financial statements of investment fund "CBL Baltic Sea Equity Fund".

The financial statements on pages 8 to 23 are prepared based on source documents and present fairly the financial position of the Fund as at 31 December 2015, the results of its operations in 2015.

Financial statements mentioned above are prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, as required by the regulation of the Financial and Capital Market Commission (FCMC) "On preparation of annual reports and consolidated annual reports of investment fund and open alternative investment fund" on a going concern basis. Appropriate accounting methods have been consistently applied in the reporting period. Prudent and reasonable judgments and estimates have been made by the Management in the preparation of the financial statements.

The Board of the Company is responsible for the maintenance of proper accounting records, the safeguarding of "CBL Baltic Sea Equity Fund" assets and the prevention and detection of fraud and other irregularities. They are also responsible for operating the Fund in compliance with the Law on Investment Management Companies, regulations of the Financial and Capital Market Commission and other laws and regulations of the Republic of Latvia.

  
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Uldis Upenieks  
Chairperson of the Board

Riga  
29 April 2016



## CUSTODIAN BANK REPORT

For holders of IF "CBL Baltic Sea Equity fund"  
Investment fund applications

With this Citadele Bank JSC, which is registered in LR Enterprise register on June 30, 2010 with No. 40103303559 and located at 2a Republikas square, Riga, certifies, that:

According to the law "On investment companies" of Republic of Latvia, regulations of Financial and Capital Market Commission (FCMC), other requirements of LR legislation and contract with Custodian bank, which is concluded on the February 05, 2013, Citadele Bank JSC, (further in the text - Custodian) carries out functions of custodian bank for the IF "CBL Baltic Sea Equity fund" (further in the text – Fund) founded by IPAS "CBL Asset Management";

Custodian is responsible for fulfilling of Custodian bank contract and requirements of LR legislation related to custodian banks. The main obligations of the Custodian are the following:

- to store assets of the Fund, as well as documents, which confirm title according to the requirements of LR legislation;
- to ensure maintenance of the Fund account, reception and execution of Company's orders, as well as performance of transactions according with requirements of LR legislation and current market practice;
- to ensure the Company with regular reports on assets of the Fund and its value (prices of the securities);
- to follow the correctness of the value of the Fund and its certificates set by the Company and its conformity with LR legislation acts;
- to follow the correctness and legal status of issuing, sales and repurchasing of investment certificates performed by the Company;

Issuing, sales and repurchasing of the investment certificates is performed according to the requirements of the law "On investment companies", fund prospect and Fund management regulations; Storage of the Fund assets is performed according to the requirements of the law "On investment companies" and Custodian bank contract;

Calculation of the net value of the Fund assets is performed according to the requirements of the law "On investment companies", regulations of Financial and Capital Market Commission (FCMC), Fund prospect and Fund management regulations;

Orders of the Company, as well as transactions with the assets of IF "CBL Baltic Sea Equity fund" are performed according to the requirements of the law "On investment companies", Fund prospect and Fund management regulations and Custodian bank contract.

In the accounting period no mistakes and illegal matters were observed in performance of the Company with Fund assets. Citadele bank JSC is very satisfied with co-operation in performing of the functions of Custodian bank.



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Guntis Belavskis  
Chairman of the Board, p.p.

Riga, February 29, 2016

**IF "CBL Baltic Sea Equity Fund"**  
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**Statement of assets and liabilities**  
**(EUR)**

Note		<u>31.12.2015.</u>	<u>31.12.2014.</u>
	<b>Assets</b>		
3	Due on demand from credit institutions	200,546	109,067
	<i>Financial assets held for trading</i>		
4	Shares	<u>3,810,820</u>	<u>2,761,806</u>
	<b>Total assets</b>	<u>4,011,366</u>	<u>2,870,873</u>
	<b>Liabilities</b>		
5	Accrued expenses	<u>(7,810)</u>	<u>(5,872)</u>
	<b>Total liabilities</b>	<u>(7,810)</u>	<u>(5,872)</u>
	<b>Net assets</b>	<u>4,003,556</u>	<u>2,865,001</u>

The accompanying notes on pages 12 to 23 form an integral part of these financial statements.

  
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 Uldis Upenieks  
 Chairperson of the Board

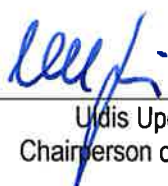
Riga  
 29 April 2016



**IF "CBL Baltic Sea Equity Fund"**  
**Annual Report for 2015**  
**Statement of income and expense**  
**(EUR)**

Note	2015	2014
<b>Reporting period income</b>		
Dividend income	91,066	91,635
<b>Total income</b>	<b>91,066</b>	<b>91,635</b>
<b>Reporting period expenses</b>		
Remuneration to investment management company	(72,555)	(64,262)
Remuneration to custodian bank	(6,530)	(5,784)
Other fund management expenses	(2,520)	(789)
<b>Total expenses</b>	<b>(81,605)</b>	<b>(70,835)</b>
<b>Increase/ (decrease) in investment value</b>		
6 Realized decrease in investment value	(202,383)	(235,861)
7 Unrealized (decrease)/increase in investment value	(52,192)	136,396
<b>Total decrease in investment value</b>	<b>(254,575)</b>	<b>(99,465)</b>
Income/(loss) from revaluation of foreign currency	245,444	(29,750)
<b>Increase/(decrease) in net assets from investment</b>	<b>330</b>	<b>(108,415)</b>

The accompanying notes on pages 12 to 23 form an integral part of these financial statements.



Uldis Upenieks  
Chairperson of the Board

Riga  
29 April 2016

**IF "CBL Baltic Sea Equity Fund"**  
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**Statement of changes in net assets**  
**(EUR)**

	<b>2015</b>	<b>2014</b>
Net assets as at the beginning of the period	2,865,001	3,343,169
Increase/(decrease) in net assets from investment	330	(108,415)
Transactions with investment certificates		
<i>Inflow from sale of investment certificates</i>	1,729,437	309,959
<i>(Outflow) on redemption of investment certificates</i>	(591, 212)	(679,712)
Net increase/(decrease) in assets from transactions with investment certificates	<b>1,138,225</b>	<b>(369,753)</b>
Increase/(decrease) in net assets for the period	1,138,555	(478,168)
<b>Net assets as at the end of the period</b>	<b>4,003,556</b>	<b>2,865,001</b>
Issued investment certificates as at the beginning of the period	69,767	78,925
Issued investment certificates as at the end of the period	95,454	69,767
Net assets per investment certificate as at the beginning of the period	41.07	42.36
<b>Net assets per investment certificate as at the end of the period</b>	<b>41.94</b>	<b>41.07</b>

The accompanying notes on pages 12 to 23 form an integral part of these financial statements.


  
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 Uldis Upenieks  
 Chairperson of the Board

Riga  
 29 April 2016

**IF "CBL Baltic Sea Equity Fund"**  
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**Statement of Cash Flows**  
**(EUR)**

	<b>2015</b>	<b>2014</b>
Dividend income	91,066	91,635
Investment management expenses	(79,667)	(70,513)
Additions of financial investments	(2,476,097)	(727,970)
Disposal/sale of financial investments	1,414,551	844,168
Foreign currency translation result	(87)	478
<b>(Decrease)/increase in cash from operating activities</b>	<b>(1,050,234)</b>	<b>137,798</b>
Inflow from sale of investment certificates	1,729,437	309,959
(Outflow) of redemption of investment certificates	(591,212)	(679,712)
<b>Increase/(decrease) in cash and cash equivalents from financing activities</b>	<b>1,138,225</b>	<b>(369,753)</b>
<b>Increase /(decrease) in cash and cash equivalents for the period</b>	<b>87,991</b>	<b>(231,955)</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>109,067</b>	<b>336,620</b>
<b>Result of revaluation of foreign currency</b>	<b>3,488</b>	<b>4,402</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>200,546</b>	<b>109,067</b>

The accompanying notes on pages 12 to 23 form an integral part of these financial statements.

  
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 Uldis Upenieks  
 Chairperson of the Board

Riga  
 29 April 2016

**IF "CBL Baltic Sea Equity Fund"**  
**Annual Report for 2015**  
**Notes**  
**(EUR)**

**1. General information**

Name of the fund:	"CBL Baltic Sea Equity Fund"
Type of fund:	Investment fund
Line of business:	Investment primarily in the shares of those issuers that are registered or whose principal activities are carried out in the Baltic Sea region.
Name of the investment management company:	"CBL Asset Management" IPAS (hereinafter - the Company) Republikas laukums 2a, Riga, LV-1010, Latvia

**2. Summary of significant accounting policies**

***Basis of preparation***

Financial statements of IF "CBL Baltic Sea Equity Fund" (hereinafter – Fund) are prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS), as required by the regulation of the Financial and Capital Market Commission (hereinafter - FCMC) "On preparation of annual reports and consolidated annual reports of investment fund and open alternative investment fund".

The financial statements are prepared on a historical cost basis, except for the fair value basis for trading and available-for-sale financial instruments.

The functional and presentation currency in the financial statements is euro (EUR), the monetary unit of the Republic of Latvia. The financial statements cover the period from the 1 January 2015 to 31 December 2015.

Opening balances of Statement of assets and liabilities as at 1 January 2015 agree with the prior year closing balances.

***Functional and Presentation Currency***

Financial accounting of the Fund is done in euros, which is the Fund's reporting and functional currency.

***Significant estimates and assumptions***

Preparation of financial statements in compliance with IFRS as adopted by EU requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures in the financial statements at the date of financial statements, as well as income and expenses recognized in the reporting period. Moreover, when preparing the financial statements, the management of investment management company has to make assumptions and judgements when applying the Fund's accounting policy.

Significant estimates and assumptions relate to determination of fair value for financial assets.

***Recognition of income and expenses***

All interest income and expenses are recognized on an accrual basis.

Interest income and expenses are recognized in the income statement based on the effective interest rate of on the asset/liability. Interest income and expenses include discount or premium amortization or other difference between the book value of an interest bearing instrument and its value on the maturity date calculated based on the effective interest rate method.

Income from dividends is recognized as received; in certain cases income from dividends may be recognized following a decrease in stock prices after the issuer has announced the dividend payment.

Remuneration for Fund management to investment management company and performance of custodian bank's functions is calculated as a certain part of the value of Fund's assets and accrued on a daily basis and paid out on a monthly basis.

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***Foreign currency revaluation***

Transactions in foreign currencies are translated into euros at the foreign exchange rate published by the European Central Bank as at the transaction date. All monetary assets and liabilities denominated in foreign currencies are translated to euros according to the foreign exchange rate published by the European Central Bank as at the end of the last day of the reporting year. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Profit or loss arising from changes in foreign exchange rate is charged to the profit and loss statement as profit or loss on revaluation of foreign exchange positions.

The exchange rates (EUR against foreign currency unit) established by the European Central Bank that were mainly applied when preparing the Statement of Assets and Liabilities of the Fund can be specified as follows:

<u>Currency</u>	<u>31.12.2015.</u>	<u>31.12.2014.</u>
DKK	7.4626	7.4453
NOK	9.6030	9.0420
PLN	4.2639	4.2732
SEK	9.1895	9.3930
LTL	-	3.4528
RUB	80.6736	72.337
USD	1.0887	1.2141

***Cash and cash equivalents***

Cash and cash equivalents comprise current account balances and other short term high liquidity investments with original maturity of less than 3 months.

***Financial instruments***

Financial instruments are classified at fair value through profit or loss and loans and receivables. Classification depends on the purpose of acquisition of the financial instrument. Management determines the classification of the financial instrument at initial recognition.

***Financial instruments at fair value through profit and loss***

Financial assets at fair value through profit and loss are such financial assets that are acquired or incurred for the purpose of selling in the near future or that are upon initial recognition, designated by the entity as at fair value through the profit or loss. Held for trading financial instruments are those instruments that the Fund holds only for generating profit from short term fluctuations in the value of financial instruments. Held for trading financial instruments include stocks, investment certificates of investment funds, fixed income debt securities and derivatives. IFRS determines the hierarchy of financial instrument fair value assessment techniques, based on whether observable market data are used when determining the fair value of financial instruments or whether such data are unavailable. All financial assets at fair value are classified in the 1<sup>st</sup> level category of this assessment technique. In order to determine the fair value, quoted market prices in an active market are used (unadjusted). This level includes stocks quoted on the stock exchange and other financial instruments traded on the stock exchange.

Securities are revaluated on the basis of Bloomberg's financial information on the market demand (bid) prices of these securities. Unlisted securities are assessed according to the custodian bank's information on transactions, but in case such information is not available, the securities are assessed at amortized cost. Purchase and sales of securities is recognized at the settlement date. The historical cost is measured using the FIFO (first in, first out) method.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include due from credit institutions. Fund's claims against credit institutions shall be carried at their amortized cost using the effective interest rate method less impairment, if any.

Allowance for impairment of receivables is established when there is objective evidence that the Fund will not be able to collect the full amount due according to the original terms. Impairment allowance is determined as the difference between the amortized cost and recoverable amount.

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**(EUR)**

***Fair value of financial assets and liabilities***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instruments. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

As regards initial recognition, the best evidence of fair value is transaction price, i.e., the fair value of remuneration given or received. If the Fund determines that the fair value at initial recognition differs from the transaction price and the fair value is not evidenced neither in the quoted market price of identical asset or liability in an active market, nor in assessment methods that use only observable data, results, the financial instrument is initially carried at fair value which is adjusted to reflect the difference between the fair value at initial recognition and transaction price. Later this difference is recognized in the profit or loss statement, taking into account the instrument's expected useful life, but no later than the time when the value may be fully justified by observable market data or when the transaction is completed.

Financial asset and financial liability portfolios that are exposed to market risk and credit risk, managed by the Fund based on the net exposure to either market risk or credit risk, are assessed taking into account the price that would be paid for the sale of the net long position (or paid to transfer net short position) for particular risks. These portfolio-level adjustments are allocated to individual assets and liabilities based on relative risk adjustments related to each of the individual instruments in the portfolio.

***Taxes***

Fund's income is subject to taxes in the country where it has been generated. The Fund is not subject to Latvian corporate income tax payments.

***Changes in accounting policies***

The Fund has consistently applied the accounting policies set out in Note 2 to all periods presented in these financial statements.

The Fund has considered the following new standards and amendments to standards, including the consequent amendments in other standards the initial application date of which was 1 January 2015, and have concluded that they do not apply to the Fund:

- *IFRIC 21 guidance on a levy imposed by government;*
- *Annual amendments to IFRSs.*

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**(EUR)**

**New standards and interpretations**

Several new standards, amendments to standards and interpretations effective for period starting after 1 January 2015 have not been applied to these financial statements. Standards and interpretations application of which will not affect the financial statements are listed below.

- *IFRS 11 Accounting for Acquisition of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016)*  
The Fund is not a part of any joint arrangement.
- *IAS 1: Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2016)*
- *IAS 16: Property, Plant and Equipment and IAS 38: Intangible Assets (effective for annual periods beginning on or after 1 January 2016)*
- *IAS 16: Property, Plant and Equipment and IAS 41: Agriculture (effective for annual periods beginning on or after 1 January 2016)*
- *IAS 19: Property, Plant and Equipment and IAS 41: Benefit Plans: Employee Benefits (effective for annual periods beginning on or after 01 February 2015)*
- *IAS 27: Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016)*
- *Annual amendments to IFRS.*

**3. Due on demand from credit institutions**

	31.12.2015.	31.12.2014.	% from net assets as at 31.12.2015
Due on demand from credit institutions			
AS Citadele banka	200,546	109,067	5.01%
<b>Total demand deposits with credit institutions</b>	<b>200,546</b>	<b>109,067</b>	<b>5.01%</b>

For cash on demand the Fund receives interest income that is calculated at fixed rates.

**4. Shares**

	31.12.2015.	31.12.2014.	% from net assets as at 31.12.2015
<b>Company shares</b>			
Shares of OECD region companies	3,663,364	2,536,050	91.51%
Shares of non-OECD region companies	69,356	66,466	1.73%
Latvia	78,100	159,290	1.95%
<b>Total shares</b>	<b>3,810,820</b>	<b>2,761,806</b>	<b>95.19%</b>

All shares are classified as held for trading securities. As at 31 December 2015 all shares owned by the Fund are traded on regulated markets.

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The following table presents shares classified by the issuer's country of origin:

Financial instrument	ISIN code	Currency	Amount	Purchase value (EUR)	Carrying value as at 31.12.2015	% from net assets as at 31.12.2015
<b>Financial instruments traded in regulated markets</b>				<b>2,597,130</b>	<b>3,810,820</b>	<b>95.19%</b>
<b>Shares of German issuers</b>				<b>1,144,229</b>	<b>1,740,016</b>	<b>43.46%</b>
DAIMLER AG	DE0007100000	EUR	2,059	91,400	160,396	4.01%
SAP AG	DE0007164600	EUR	2,018	74,425	148,585	3.72%
CONTINENTAL AG	DE0005439004	EUR	625	136,520	140,550	3.51%
ALLIANZ SE	DE0008404005	EUR	798	63,488	130,936	3.27%
BAYER AG	DE000BAY0017	EUR	970	38,960	112,695	2.81%
HEIDELBERGCEMENT AG	DE0006047004	EUR	1,424	88,849	108,110	2.70%
DEUTSCHE BANK AG	DE0005140008	EUR	4,713	88,797	106,042	2.65%
COMMERZBANK AG	DE000CBK1001	EUR	10,500	105,720	100,684	2.51%
LINDE AG	DE0006483001	EUR	740	38,690	99,345	2.48%
DEUTSCHE POST AG	DE0005552004	EUR	3,500	2	90,912	2.27%
DEUTSCHE TELEKOM AG	DE0005557508	EUR	4,700	69,925	78,396	1.96%
HENKEL AG & CO KGAA	DE0006048432	EUR	696	30,796	71,932	1.80%
SIEMENS AG	DE0007236101	EUR	793	15,103	71,283	1.78%
BASF SE	DE000BASF111	EUR	1,000	74,790	70,760	1.77%
HUGO BOSS AG	DE000A1PHFF7	EUR	865	43,209	65,844	1.64%
OSRAM LICHT AG	DE000LED4000	EUR	1,587	62,101	61,814	1.54%
INFINEON TECHNOLOGIES AG	DE0006231004	EUR	4,500	60,886	61,042	1.52%
E.ON SE	DE000ENAG999	EUR	6,800	60,568	60,690	1.52%
<b>Shares of Swedish issuers</b>				<b>557,757</b>	<b>650,587</b>	<b>16.25%</b>
ASSA ABLOY AB	SE0007100581	SEK	7,950	139,854	154,597	3.85%
INVESTOR AB	SE0000107419	SEK	3,900	37,756	132,879	3.32%
NORDEA BANK AB	SE0000427361	SEK	11,000	110,388	111,502	2.79%
SKANDINAVISKA ENSKILDA BANKEN AB	SE0000148884	SEK	8,400	84,357	81,628	2.04%
HENNES & MAURITZ AB	SE0000106270	SEK	1,800	63,652	59,096	1.48%
TELEFONAKTIEBOLAGET LM						
ERICSSON	SE0000108656	SEK	6,500	59,467	58,425	1.46%
ATLAS COPCO AB	SE0006886750	SEK	2,300	62,283	52,460	1.31%
<b>Shares of Danish issuers</b>				<b>403,605</b>	<b>568,193</b>	<b>14.19%</b>
NOVO NORDISK A/S	DK0060534915	DKK	2,600	36,296	139,640	3.48%
DANSKE BANK A/S	DK0010274414	DKK	5,000	119,863	123,750	3.09%
DSV A/S	DK0060079531	DKK	2,751	17,559	100,012	2.50%
AP MOELLER - MAERSK A/S	DK0010244508	DKK	73	129,833	87,599	2.19%
COLOPLAST A/S	DK0060448595	DKK	976	59,094	72,717	1.82%
NOVOZYMES A/S	DK0060336014	DKK	1,000	40,960	44,475	1.11%
<b>Shares of Norwegian issuers</b>				<b>181,205</b>	<b>320,905</b>	<b>8.02%</b>
DNB ASA	NO0010031479	NOK	10,800	74,886	123,599	3.08%
MARINE HARVEST ASA	NO0003054108	NOK	7,500	75,057	93,486	2.34%
STATOIL ASA	NO0010096985	NOK	5,400	2	69,560	1.74%
LEROY SEAFOOD GROUP ASA	NO0003096208	NOK	1,000	31,260	34,260	0.86%
<b>Shares of Estonian issuers</b>				<b>89,446</b>	<b>190,853</b>	<b>4.77%</b>
TALLINK GROUP LTD	EE3100004466	EUR	136,436	58,620	116,926	2.92%
OLYMPIC ENTERTAINMENT GROUP	EE3100084021	EUR	41,300	30,826	73,927	1.85%



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Financial instrument	ISIN code	Currency	Amount	Purchase value (EUR)	Carrying value as at 31.12.2015	% from net assets as at 31.12.2015
<b>Shares of Polish issuers</b>				<b>150,433</b>	<b>136,930</b>	<b>3.42%</b>
ASSECO POLAND SA	PLSOFTB00016	PLN	5,600	76,236	73,942	1.85%
POWSZECHNY ZAKLAD UBEZPIECZEN	PLPZU0000011	PLN	7,860	74,197	62,988	1.57%
<b>Shares of Latvian issuers</b>				<b>2</b>	<b>78,100</b>	<b>1.95%</b>
OLAINFARM	LV0000100501	EUR	11,000	2	78,100	1.95%
<b>Shares of Lithuanian issuers</b>				<b>70,451</b>	<b>69,356</b>	<b>1.73%</b>
SIAULIU BANKAS AB	LT0000102253	EUR	122,000	36,642	36,356	0.91%
LINAS AGRO AB	LT0000128092	EUR	50,000	33,809	33,000	0.82%
<b>Shares of Finnish issuers</b>				<b>2</b>	<b>55,880</b>	<b>1.40%</b>
FORTUM OYJ	FI0009007132	EUR	4,000	2	55,880	1.40%
<b>Total shares:</b>				<b>2,597,130</b>	<b>3,810,820</b>	<b>95.19%</b>

**5. Accrued expenses**

	31.12.2015.	31.12.2014.
Accrued expenses for investment management company's commissions	(6,243)	(5,112)
Accrued expenses for custodian bank's commissions	(562)	(460)
Accrued expenses for professional services	(1,005)	(300)
<b>Total accrued expenses</b>	<b>(7,810)</b>	<b>(5,872)</b>

**6. Realized decrease in investment value**

	2015	2014
Proceeds from sales of investments in the reporting period*	1,400,752	848,617
Cost of investments sold during the reporting period	(566,859)	(159,592)
Decrease in disposed investment recognized in prior reporting periods	(1,036,276)	(924,886)
<b>Total realized (decrease) in investment</b>	<b>(202,383)</b>	<b>(235,861)</b>

\*Proceeds from sales (disposal) of investments in the reporting period are based on the exchange rate as at the security purchase date.

**7. Unrealized (decrease)/increase in investment value**

	2015	2014
Revaluation of financial assets held for trading	(52,192)	136,396
<b>Total unrealized (decrease)/ increase of investment value</b>	<b>(52,192)</b>	<b>136,396</b>

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## 8. Changes in investment value

The table below reflects changes in investment value in 2015:

	31.12.2014.	Increase during the period	Decrease during the period*	Fair value revaluation result	31.12.2015.
Financial investments held for trading					
Shares	2,761,806	2,476,097	(1,414,551)	(12,532)	3,810,820
<b>Total investments</b>	<b>2,761,806</b>	<b>2,476,097</b>	<b>(1,414,551)</b>	<b>(12,532)</b>	<b>3,810,820</b>

\* Decrease during the reporting period is carried at the exchange rate at the date of sales of investments. This position includes proceeds from sales of investments, disposal and coupons received.

The table below reflects changes in investments in 2014:

	31.12.2013	Increase during the period	Decrease during the period*	Fair value revaluation result	31.12.2014.
Financial investments held for trading					
Shares	3,012,100	727,970	(844,168)	(134,096)	2,761,806
<b>Total investments</b>	<b>3,012,100</b>	<b>727,970</b>	<b>(844,168)</b>	<b>(134,096)</b>	<b>2,761,806</b>

\* Decrease during the reporting period is carried at the exchange rate at the date of sales of investments. This position includes proceeds from sales of investments, disposal and coupons received.

## 9. Pledged assets

During the reporting year, the Fund has not issued any kind of guarantees or pledged any assets.

## 10. Fair value of financial assets and liabilities

The Management believes that the book value of financial assets and liabilities corresponds to their fair value. The fair value is estimated in accordance with the market quotation method, based on the information from stock exchange and brokers. All Fund's shares are traded on regulated markets and are classified in the level 1 of fair valuation hierarchy.

## 11. Risk management

Investment process risk can be defined as a probability of undesirable outcome that may materialize in a given market economy in a given period. Risk management is described as risk identification, measurement and its possible prevention. The investment process can be affected by the exchange rate risk, interest rate risk, risk of price changes, as well as credit risk, liquidity risk and other risks, including operational risk. The investment strategy of the Fund is aimed at minimising the aforementioned risks, however, the Company cannot guarantee that these risks can be completely avoided in future.

### *Risk management framework*

Risk identification and measurement is a responsibility of an independent unit - the Risk management department, which develops and presents the information on risk profile to the Fund manager. The Fund manager, however, can make certain decisions on the need to reduce existing or potential risks.

Risk measurement process employs models that are developed by the company, are based on historical data and are adjusted according to the economic situation. Certain models are also used to predict the financial risk factor changes under both normal and exceptional financial market circumstances.

Investment Fund Manager follows risk diversification and hedging principles whose objective is to reduce the investment risk that are developed in accordance with the Management Policy. When making investments on behalf of the Fund, the Fund Manager

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acquires sufficient information on potential or acquired investment objects, as well as supervises the financial and economic situation of those security issuers in which the Fund plans to invest or has already invested.

When developing the Fund's investment strategy and setting risk limits, the Company performs an analysis of the Fund's division of term, geographic location and types of currency investments by assessing the risk level for each of these factors. The manager acts in strict compliance with the Prospectus of the Fund, Fund Management Regulations, as well as regulations and restrictions imposed by legislation of the Republic of Latvia.

**Market risk**

As market risk is understood the probability that the Fund's value may decrease when any market factors change, for example, in case of changes in interest rates (interest rate risk), prices of securities (price change risk), foreign currency exchange rates (exchange rate risk) or other market risk factors. Below are assessed sources of market risk that have been listed, however, they cannot be fully diversified.

**Price change risk**

Changes in equity securities (shares) depend on two variables - changes in national stock index (for Central Asia region these are changes in the company stock index - RENCASIA), and the particular issuer's financial situation (in terms of capacity to generate profit), which in turn affects the fluctuations between the balance of supply and demand. The first variable is also often referred to as the systematic risk; whereas the second - as specific risk.

The systematic risk is managed based on forecasts regarding the overall economic development in the specific geographical region and the potential economic development in the sector. The specific risk is managed on the basis of detailed analysis of issuer's financial situation and capacity to generate profit, as well as other factors affecting the price of the security mainly based on the reports published by the issuer, information in the mass media etc. Here the focus is on both security price volatility (deviations) and correlations. As a result it is possible to calculate the price for securities included in the overall risk portfolio, given their historical profitability.

**Exchange rate risk**

Exchange rate risk arises when the nominal currency of securities and other financial instruments in the Fund differs from the Fund's currency (EUR). Exchange rate fluctuations may cause profit or loss depending on the direction of exchange rate fluctuations and the currency's position in the Fund. Exchange rate risk can be limited by the effect of diversification, which occurs when the Fund has several currencies and the exchange rate changes for these currencies are not closely linked.

The effects of exchange rate fluctuations on the value of Fund's net assets are shown in the table below. Exchange rate changes represent a one year standard deviation of the particular rate.

Effects of changes in exchange rate (2015)				Effects of changes in exchange rate (2014)			
Currency	Share in Fund (% of net assets)	Change in exchange rate against EUR	Impact on the Fund's value	Currency	Share in Fund (% of net assets)	Change in exchange rate against EUR	Impact on the Fund's value
EUR	58.06%	0.00%	0.00%	EUR	56.61%	0.00%	0.00%
NOK	8.02%	11.35%	0.91%	NOK	10.38%	7.66%	0.80%
USD	0.00%	0.00%	0.00%	USD	3.19%	6.27%	0.20%
SEK	16.25%	7.85%	1.28%	SEK	12.23%	6.21%	0.76%
DKK	14.24%	0.71%	0.10%	DKK	13.91%	0.48%	0.07%
LTL	0.00%	0.00%	0.00%	LTL	0.04%	0.00%	0.00%
PLN	3.43%	7.19%	0.25%	PLN	3.64%	5.34%	0.19%
<b>Total</b>	<b>100.00%</b>		<b>2.54%</b>	<b>Total</b>	<b>100.00%</b>		<b>2.02%</b>

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The following table shows the classification of Fund's assets and liabilities by currency as at 31 December 2015:

	EUR	DKK	SEK	NOK	Other currencies	Total
<b>Assets</b>						
Due on demand from credit institutions	198,085	1,857	188	104	312	200,546
Financial assets held for trading						
Shares	2,134,205	568,193	650,587	320,905	136,930	3,810,820
<b>Total assets</b>	<b>2,332,290</b>	<b>570,050</b>	<b>650,775</b>	<b>321,009</b>	<b>137,242</b>	<b>4,011,366</b>
<b>Liabilities</b>						
Accrued expenses	(7,810)	-	-	-	-	(7,810)
<b>Total liabilities</b>	<b>(7,810)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,810)</b>
<b>Net assets</b>	<b>2,324,480</b>	<b>570,050</b>	<b>650,775</b>	<b>321,009</b>	<b>137,242</b>	<b>4,003,556</b>
<i>% of net assets</i>	<i>58.06%</i>	<i>14.24%</i>	<i>16.25%</i>	<i>8.02%</i>	<i>3.43%</i>	<i>100%</i>

As at 31 December 2015 other currencies were divided as follows: PLN – 309 euro and RUB – 3 euro.

The following table shows the classification of Fund's assets and liabilities by currency as at 31 December 2014:

	EUR	USD	SEK	NOK	Other currencies	Total
<b>Assets</b>						
Due on demand from credit institutions	47,090	59,435	311	167	2,064	109,067
Financial assets held for trading						
Shares	1,580,653	31,966	350,029	297,250	501,908	2,761,806
<b>Total assets</b>	<b>1,627,743</b>	<b>91,401</b>	<b>350,340</b>	<b>297,417</b>	<b>503,972</b>	<b>2,870,873</b>
<b>Liabilities</b>						
Accrued expenses	(5,872)	-	-	-	-	(5,872)
<b>Total liabilities</b>	<b>(5,872)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,872)</b>
<b>Net assets</b>	<b>1,621,871</b>	<b>91,401</b>	<b>350,340</b>	<b>297,417</b>	<b>503,972</b>	<b>2,865,001</b>
<i>% of net assets</i>	<i>56.61%</i>	<i>3.19%</i>	<i>12.23%</i>	<i>10.38%</i>	<i>17.59%</i>	<i>100%</i>

As at 31 December 2014 other currencies were divided as follows: DKK – 398,481 euro, LTL – 1,171 euro, PLN – 104,317 euro and RUB – 3 euro.

### **Concentration risk**

Issuer's line of business and geographical position represent additional risk factors that may affect the price of issuer's securities or solvency, therefore it is important to identify concentration risk - i.e., the extent to which the Fund's value depends on changes in certain regions and / or sectors. Geographical classification of risk concentration (based on the country whose state affects the issuer's solvency the most) and classification of sectors are presented in tables below.

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The following table shows the geographical classification of Fund's assets and liabilities as at 31 December 2015:

	Latvia	OECD countries	Other non-OECD countries	Total
<b>Assets</b>				
Due on demand from credit institutions	200,546	-	-	200,546
Financial assets held for trading				
Shares	78,100	3,663,364	69,356	3,810,820
<b>Total assets</b>	<b>278,646</b>	<b>3,663,364</b>	<b>69,356</b>	<b>4,011,366</b>
<b>Liabilities</b>				
Accrued expenses	(7,810)	-	-	(7,810)
<b>Total liabilities</b>	<b>(7,810)</b>	<b>-</b>	<b>-</b>	<b>(7,810)</b>
<b>Net assets</b>	<b>270,836</b>	<b>3,663,364</b>	<b>69,356</b>	<b>4,003,556</b>

The following table shows the geographical classification of Fund's assets and liabilities as at 31 December 2014:

	Latvia	OECD countries	Other non-OECD countries	Total
<b>Assets</b>				
Due on demand from credit institutions	109,067	-	-	109,067
Financial assets held for trading				
Shares	159,290	2,536,050	66,466	2,761,806
<b>Total assets</b>	<b>268,357</b>	<b>2,536,050</b>	<b>66,466</b>	<b>2,870,873</b>
<b>Liabilities</b>				
Accrued expenses	(5,872)	-	-	(5,872)
<b>Total liabilities</b>	<b>(5,872)</b>	<b>-</b>	<b>-</b>	<b>(5,872)</b>
<b>Net assets</b>	<b>262,485</b>	<b>2,536,050</b>	<b>66,466</b>	<b>2,865,001</b>

The following table presents the country-specific classification of Fund's assets and liabilities (based on the issuer's country of registration):

Country	Carrying value as at 31.12.2015	Carrying value as at 31.12.2014	% from net assets 31.12.2015.
Germany	1,740,016	1,049,219	43.46%
Sweden	650,587	350,029	16.25%
Denmark	568,193	397,592	14.19%
Norway	320,905	297,250	8.02%
Latvia	270,836	262,485	6.76%
Estonia	190,853	127,289	4.77%
Poland	136,930	104,316	3.42%
Lithuania	69,356	34,500	1.73%
Finland	55,880	210,355	1.40%
Russia	-	31,966	0.00%
<b>Total</b>	<b>4,003,556</b>	<b>2,865,001</b>	<b>100.00%</b>

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The following table shows the sectoral classification of Fund's securities' portfolio:

Sector	Carrying value as at 31.12.2015	Carrying value as at 31.12.2014	% from net assets 31.12.2015
Commercial banks	683,561	215,587	17.07%
Logistics	673,789	710,028	16.83%
Consumption services	561,627	372,265	14.03%
Pharmaceuticals	403,152	334,181	10.07%
IT services	341,994	102,880	8.54%
Financial services	326,803	370,381	8.16%
Raw materials	322,690	220,876	8.06%
Consumer goods	232,678	169,296	5.81%
Utilities	116,570	71,880	2.92%
Telecommunication services	78,396	84,291	1.96%
Energy resources	69,560	110,141	1.74%
<b>Total</b>	<b>3,810,820</b>	<b>2,761,806</b>	<b>95.19%</b>

**Liquidity risk**

Liquidity risk may arise if the Fund faces difficulties in meeting its financial liabilities. Fund Manager strives to maintain such asset structure which ensures a possibility of selling securities in due time and with no significant losses.

The following table presents the contractual maturities of Fund's assets and liabilities as at 31 December 2015:

	Up to 1 month	1 – 6 months	No maturity	Total
<b>Assets</b>				
Due on demand from credit institutions	200,546	-	-	200,546
Financial assets held for trading				
Shares	-	-	3,810,820	3,810,820
<b>Total assets</b>	<b>200,546</b>	<b>-</b>	<b>3,810,820</b>	<b>4,011,366</b>
<b>Liabilities</b>				
Accrued expenses	(6,805)	(1,005)	-	(7,810)
<b>Total liabilities</b>	<b>(6,805)</b>	<b>(1,005)</b>	<b>-</b>	<b>(7,810)</b>
<b>Net assets</b>	<b>193,741</b>	<b>(1,005)</b>	<b>3,810,820</b>	<b>4,003,556</b>
<i>Net position %</i>	<i>4.84%</i>	<i>(0.03%)</i>	<i>95.19%</i>	<i>100.00%</i>

The following table presents the terms structure of Fund's assets and liabilities as at 31 December 2014:

	Up to 1 month	1 – 6 months	No maturity	Total
<b>Assets</b>				
Due on demand from credit institutions	109,067	-	-	109,067
Financial assets held for trading				
Shares	-	-	2,761,806	2,761,806
<b>Total assets</b>	<b>109,067</b>	<b>-</b>	<b>2,761,806</b>	<b>2,870,873</b>
<b>Liabilities</b>				
Accrued expenses	(5,572)	(300)	-	(5,872)
<b>Total liabilities</b>	<b>(5,572)</b>	<b>(300)</b>	<b>-</b>	<b>(5,872)</b>
<b>Net assets</b>	<b>103,495</b>	<b>(300)</b>	<b>2,761,806</b>	<b>2,865,001</b>
<i>Net position %</i>	<i>3.61%</i>	<i>(0.01%)</i>	<i>96.40%</i>	<i>100.00%</i>

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**12. Information on holders of investment certificates**

The following table presents the share of investment certificates held by related parties and others in proportion of total investment certificates issued:

	31.12.2015.	31.12.2014.	% from the total amount as at 31.12.2015
Investment certificates held by related parties	105	105	0.11%
Investment certificates held by others	95,349	69,662	99.89%
<b>Issued investment certificates as at the end of the period</b>	<b>95,454</b>	<b>69,767</b>	<b>100.00%</b>

**13. Related party transactions**

The majority of Fund's investments are acquired through custodian bank. The custodian bank receives remuneration which is included in the profit or loss, and the funds are also placed in AS "Citadele banka" (see. Note 3).

Remuneration paid to the Investment Management Company in the reporting year is disclosed in the profit or loss statement.

In the reporting year, related parties did not acquire any of the Fund's investment certificates (2014: 105). Transactions with the Fund's investment certificates are calculated taking into account only those investment certificates held by related parties, which were classified as related parties of the Fund both in 2015 and 2014.

**14. Dynamics of investment fund's performance**

	31.12.2015.	31.12.2014.	31.12.2013
<b>Net assets (EUR)</b>	<b>4,003,556</b>	<b>2,865,001</b>	<b>3,343,169</b>
Number of shares	95,454	69,767	78,925
Value of shares	41.94	41.07	42.36
Profitability**	2.12%	(3.05%)	8.12%
<b>Net assets (EUR)*</b>	<b>4,004,806</b>	<b>2,863,837</b>	<b>3,339,965</b>
Number of shares	95,454	69,767	78,925
Value of shares	41.96	41.05	42.32
Profitability**	2.22%	(3.00%)	7.22%

\* Net asset value is determined using exchange rates that are determined in financial markets at the end of the day.

\*\* Profitability is calculated, assuming that there are 365 days in the year.



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## **Independent Auditors' Report**

### **To the shareholders of Investment fund "CBL Baltic Sea Equity Fund"**

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Investment fund "CBL Baltic Sea Equity Fund" ("the Fund"), which is managed by the investment management company "CBL Asset Management" ("the Company"). These financial statements comprise the statement of assets and liabilities as at 31 December 2015, the statements of income and expense, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes, as set out on pages 12 to 23.

#### *Management's Responsibility for the Financial Statements*

Management of Company is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether these financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of these financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Fund's preparation and fair presentation of these financial statements 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 internal controls. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the Company management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.





### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Investment fund "CBL Baltic Sea Equity Fund" as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### **Report on Other Legal and Regulatory Requirements**

In addition, our responsibility is to assess whether the accounting information included in the investment management company's report, as set out on pages 4 to 5, the preparation of which is the responsibility of the Company, is consistent with the financial statements. Our work with respect to the investment management company's report was limited to the aforementioned scope and did not include a review of any information other than drawn from the financial statements of the Fund. In our opinion, the investment management company's report is consistent with the financial statements.

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*Ondrej Fikrle*

Ondrej Fikrle  
Partner pp  
KPMG Baltics SIA  
Riga, Latvia

29 April 2016

*Marina Iljina*

Marina Iljina  
Sworn auditor  
Certificate No 193