

INVESTMENT FUND
“CBL Baltic Sea Equity Fund”
(previously “Citadele Baltic Sea Equity Fund”)

HALF-YEAR REPORT 2015 (UNAUDITED)

(at June 30th, 2015)

PREPARED IN ACCORDANCE WITH
FCMC REGULATIONS ON “ANNUAL ACCOUNTS OF
INVESTMENT FUNDS” AND
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION

Translation from Latvian original*

*This version of financial statements is a translation from the 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.

Riga, 2015

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**IF "CBL Baltic Sea Equity Fund"
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Information on the investment fund

Name of fund:	„CBL Baltic Sea Equity Fund” (previously „Citadele Baltic Sea Equity Fund”)
Type of fund:	Investment fund
Registration date of the fund:	7 March 2013 (date of re-registration 30 March 2015)
Start-up date of the fund:	20 November 2013
Number of the fund:	FL127-06.03.04.098/41
Name of the investment management company:	“CBL Asset Management” IPAS (previously “Citadele Asset Management” IPAS)
Registered office of the investment management company:	Republikas laukums 2a, Riga, LV-1010, Latvia
Registration number of the investment management company:	40003577500
Licence number of the investment management company:	06.03.07.098/367
Name of the custodian bank:	“Citadele banka” JSC
Registered office of the custodian bank:	Republikas laukums 2a, Riga, LV-1010, Latvia
Registration number of the investment management company:	40103303559
Names and positions of Council Members and Board Members of the investment management company::	<p><i>Council of the investment management company:</i> Chairman of the Council – Juris Jakobsons – appointed on 30.09.2010. Deputy Chairman of the Council – Vladimirs Ivanovs – appointed on 01.11.2012. Member of the Council – Aldis Paegle – appointed on 04.07.2014.</p> <p><i>Board of the investment management company:</i> Chairman of the Board – Uldis Upenieks – appointed on 01.11.2012. Member of the Board – Zigurds Vaikulis – appointed on 30.03.2007. Member of the Board – Andris Kotans – appointed on 11.05.2015. Member of the Board – Lolita Siceva – appointed on 11.05.2015.</p>
The related rights and obligations of the management of the investment fund:	All the duties of the Council and Board members stated in the legislation of the Republic of Latvia and the Statutes of the investment management company are performed by the Council and Board members.
Names of Fund Managers:	Kristiana Janvare – appointed on 07.03.2013. Andris Kotans – appointed on 07.03.2013. Elchin Jafarov – appointed on 07.03.2013. Igoris Lahtadirs – appointed on 21.11.2013.
The related rights and obligations of the management of the fund:	All the duties of the Fund managers stated in the legislation of the Republic of Latvia, Statutes of the investment management company and Fund prospectus are performed by the Fund managers.
Auditor:	KPMG Baltics SIA Certified audit company licence No. 55 Vesetas street 7 LV-1013, Riga

The assets of fund “CBL Baltic Sea Equity Fund” (previously “Citadele Baltic Sea Equity Fund”) (hereinafter– the Fund) are managed by the asset management company “CBL Asset Management” having its registered office at Republikas laukums 2a, Riga, LV- 1010 (hereinafter - the Company) and registration number 40003577500. The Company holds a license No. 06.03.07.098/367 for investment operations.

On 20 November 2013 “Citadele Baltic Sea Countries Equity Fund” (ISIN LT0000950008) registered in Lithuania was merged with „Citadele Baltic Sea Equity Fund” (ISIN LV0000400794) registered in Latvia via cross-border merger. After the merger “Citadele Baltic Sea Countries Equity Fund” registered in Lithuania ceased to exist but all investors received the same number of shares of the fund registered in Latvia.

The Fund aims to achieve long-term capital appreciation by investing principally in shares of issuers which are registered or operate in the Baltic Sea region. The Fund derives income in the form of share price appreciation and dividends. The Fund’s functional currency is euro.

The Fund’s net assets at the end of the period amounted to EUR 3,738,790. The Fund’s share price in the reporting period increased by EUR 3.45 to EUR 44.52. This is equivalent to an increase of 8.40% in the first six months of the year (17.66% on annualized basis).

The year 2015 started on an optimistic note for European equities, thanks to the announcement of the start of the quantitative easing programme by ECB, as well as gradual improvements in European economic data. Strengthening of domestic demand in combination with relatively weak euro (during the first half of the year euro lost another 7.9% relative to the dollar) and cost optimization measures taken by companies have helped the region’s companies improve their financial results. The optimism was reflected in rapid share price appreciation in the first months of the year, with most European markets reaching their peaks in April when Greek debt issue came in the focus of attention. The prolonged period of negotiations on Greek debt restructuring caused serious concerns about potential Greek exit from the Eurozone, exercising pressure on the performance of European equities. Furthermore, economic data from China continued to show that the country’s economic growth is slowing down, raising some concerns about the potential negative impact of this slowdown on the revenues of European exporters. Thus, in April and May the markets slightly nervously fluctuated around previously achieved levels, which was followed by a sell-off in June. Overall, European equities closed the period 10.7% higher (MSCI Europe). Even though all markets in the Fund’s investment universe managed to show positive returns during the period in euro terms, the performance of individual markets differed significantly. The strongest gains were posted by Danish equities that added 26.7% in euro terms, followed by German (+11.6%) and Finnish (+8.9%) equities with much lower gains, while the weakest performance was shown by Polish equities (+2.3%). After the opposition candidate Andrzej Duda won the presidential elections, which will be followed by general elections in October, the political uncertainty in the country has significantly increased, especially, with respect to the outlook of the financial services sector.

From sector perspective, in the first six months of the year the largest positive contribution to the Fund’s performance came from investments in Financial Services, Consumer Discretionary, and Industrials. None of the sectors delivered negative contribution to the Fund, but relatively weaker performance was shown by investments in Utilities, Information Technology, and Consumer Staples. From geographic perspective, the largest positive contribution to the Fund’s performance came from investments in German, Swedish and Danish equities, while only Polish equities delivered negative contribution to the Fund performance. Relatively weaker performance was demonstrated also by investments in Russia and Finland.

Sectors with the largest weight in the Fund as at the end of the reporting period were Financial Services (19.4%), Consumer Discretionary (18.8%), and Industrials (17.6%), while Utilities (1.7%), Energy (2.3%), and Telecommunication Services (2.5%) had the smallest proportion in the Fund. At the end of the period, cash position in the Fund reached 6.3% of the Fund’s assets. During the period, the share of investments in the Consumer Discretionary sector increased the most (+5.8 percentage points), which was followed by investments in Consumer Staples (+2.5pp), and IT (+1.5pp). In the same time, the share of the Fund’s investments in Industrials declined the most (-7.2pp), followed by Energy (-1.5pp) and Financial Services (-1.0pp) where the changes were less significant.

From geographic perspective, the Fund’s structure continued to be dominated by German issuers (38.6%), and during the period their share increased by 1.9 percentage points. Sweden with a weight of 15.9% (+3.7pp) and Denmark with 15.3% (+1.4pp) were the next two largest markets in Fund. On the other hand, Finland (3.5%), Poland (3.7%), and Baltics (6.1%) had the smallest representation in the Fund. During the period, the share of investments in Baltic equities declined the most (-5.1pp), followed by investments in Finnish equities (-3.8pp), while the weight of

Polish equities did not change. In the beginning of the period, given the elevated risk level, a strategic decision was made to completely eliminate the Fund’s investments in Russian equities that constituted 1.1% of assets at the end of 2014, and the Fund will not make any further investments in this country. On individual position level, the largest holding in the Fund at the end of the period was German car maker Daimler (4.6%), followed by Assa Abloy (Sweden), Continental (Germany), Investor AB (Sweden), and Coloplast (Denmark) with weights ranging from 3.4-3.6%, which reflects the high level of diversification in the Fund’s portfolio, both from sector, as well as geographic and individual security perspective.

During the reporting period management costs amounted to EUR 39,891 or 2.27% of the average value of net assets during the period, which does not exceed the maximum value of 4.00% provided in the Fund's prospectus.

Since the end of the period, the value of the Fund’s share has experienced a significant decline (-6.0% as of 27.08.2015) due to increasing concerns about China’s economic slowdown and potential consequences from the burst in local stock market bubble. China will most likely remain one of the key risk factors for the performance of global equities in the coming months. Furthermore, significant attention will also be paid to the situation in the US where the Fed could begin the interest rate hiking campaign already in September. In the meanwhile, economic data flow from Europe remains positive, showing that the European economy remains on recovery path, and the relatively weak euro continues to provide support to European companies, while European equity valuations have reached more attractive levels as a result of the correction. Thus, despite the expectations of a period of heightened volatility in global financial markets in the coming months, Fund Manager maintains a rather constructive view on the outlook of the region’s equities.

Uldis Upenieks
Chairman of the Board

Andris Kotans
Member of the investment committee

Kristiana Janvare
Member of the investment committee

Elchin Jafarov
Member of the investment committee

Igor Lahtadirs
Member of the investment committee

Riga, 28 August 2015

IF "CBL Baltic Sea Equity Fund"
Half-year report 2015
Statement of financial position
(EUR)

Note		30.06.2015.	31.12.2014.
	Assets		
1	Demand deposits with credit institutions	237,647	109,067
	Financial assets held for trading		
2	Shares	3,508,601	2,761,806
	Total assets	3,746,248	2,870,873
	Liabilities		
	Financial liabilities held for trading		
	Accrued liabilities	(7,458)	(5,872)
	Total liabilities	(7,458)	(5,872)
	Net assets	3,738,790	2,865,001

The accompanying notes set out on pages 9 to 11 form an integral part of these financial statements.

Uldis Upenieks
Chairman of the Board

Riga, 28 August 2015

IF “CBL Baltic Sea Equity Fund”
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Statement of comprehensive income
(EUR)

	<u>01.01.2015.- 30.06.2015.</u>	<u>01.01.2014.- 30.06.2014.</u>
Income		
Dividends income	80,682	70,093
Total income	80,682	70,093
Expenses		
Investment management company fee	(35,503)	(33,150)
Custodian bank fee	(3,195)	(2,984)
Other fund management expenses	(1,187)	(521)
Total expenses	(39,885)	(36,655)
Increase in investment value		
Realised (decrease) in investment value	(174,383)	(62,400)
Unrealised increase in investment value	346,275	115,540
Total increase in investment value	171,892	53,140
Foreign currency revaluation gain	(4,533)	(9,647)
Total comprehensive income	208,154	76,931

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Uldis Upenieks
Chairman of the Board

Riga, 28 August 2015

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

	01.01.2015.- 30.06.2015.	01.01.2014.- 30.06.2014.
Net assets as at the beginning of the period	2,865,001	3,343,169
Total comprehensive income	208,154	76,931
Transactions with investment certificates:		
Inflow from sale of investment certificates	1,050,362	193,971
Outflow on redemption of investment certificates	<u>(384,727)</u>	<u>(308,440)</u>
Increase /(decrease)/ in net assets from transactions with investment certificates	<u>665,635</u>	<u>(114,469)</u>
Increase /(decrease) in net assets for the reporting period	<u>873,789</u>	<u>(37,538)</u>
Net assets as at the end of the reporting period	<u>3,738,790</u>	<u>3,305,631</u>
Issued investment certificates as at the beginning of the reporting period	<u>69,767</u>	<u>78,925</u>
Issued investment certificates as at the end of the reporting period	<u>83,974</u>	<u>76,033</u>
Net asset value per investment certificate as at the beginning of the reporting period	<u>41.07</u>	<u>42.36</u>
Net asset value per investment certificate as at the end of the reporting period	<u>44.52</u>	<u>43.48</u>

The accompanying notes set out on pages 9 to 11 form an integral part of these financial statements.

Uldis Upenieks
Chairman of the Board

Riga, 28 August 2015

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Half-year report 2015
Notes
(EUR)

1. Demand deposits with credit institutions

	30.06.2015.	31.12.2014.	% no Fonda neto aktiviem 30.06.2015.
Demand deposits with credit institutions, JSC Citadele banka	237,647	109,067	6.36%
Total demand deposits with credit institutions	237,647	109,067	6.36%

The Fund receives interest on demand deposits at fixed rates.

2. Debt securities and other fixed income securities

All debt securities and other fixed income securities are classified as held-for-trading securities.

All fixed income securities are listed.

The table below presents debt securities by the issuer's country of residence as at 30 June 2015:

Financial instrument	ISIN	Currency	Amount	Acquisition value (EUR)	Carrying amount (EUR) as at 30.06.2015.	% of Fund's net assets as at 30.06.2015.
Financial instruments traded on regulated markets				1,428,078	3,508,601	93.84%
German issuers:				595,023	1,444,650	38.65%
DAIMLER AG	DE0007100000	EUR	2,059	51,965	171,453	4.60%
CONTINENTAL AG	DE0005439004	EUR	625	136,521	133,625	3.57%
BAYER AG	DE000BAY0017	EUR	970	38,960	123,772	3.31%
HEIDELBERGCEMENT AG	DE0006047004	EUR	1,424	88,849	102,471	2.74%
DEUTSCHE POST AG	DE0005552004	EUR	3,500	2	92,708	2.48%
SAP AG	DE0007164600	EUR	1,418	34,942	89,518	2.39%
HUGO BOSS AG	DE000A1PHFF7	EUR	865	43,209	87,387	2.34%
VOLKSWAGEN AG	DE0007664039	EUR	400	2	84,820	2.27%
LINDE AG	DE0006483001	EUR	470	2	80,910	2.16%
DEUTSCHE BANK AG	DE0005140008	EUR	2,913	50,186	79,481	2.13%
ALLIANZ SE	DE0008404005	EUR	558	24,997	79,069	2.11%
SIEMENS AG	DE0007236101	EUR	793	15,103	72,674	1.94%
HENKEL AG & CO KGAA	DE0006048432	EUR	696	30,796	70,519	1.89%
BASF SE	DE000BASF111	EUR	870	17,387	69,426	1.86%
OSRAM LICHT AG	DE000LED4000	EUR	1,587	62,101	68,471	1.83%
DEUTSCHE LUFTHANSA AG	DE0008232125	EUR	3,300	1	38,346	1.03%
Swedish issuers:				242,147	596,979	15.96%
ASSA ABLOY AB	SE0007100581	SEK	7,950	0	135,275	3.62%
INVESTOR AB	SE0000107419	SEK	3,900	37,756	132,892	3.55%
SKANDINAVISKA ENSKILDA BANKEN AB	SE0000148884	SEK	8,400	84,357	97,445	2.61%
ELECTROLUX AB	SE0000103814	SEK	3,100	78,615	87,601	2.34%
TELEFONAKTIEBOLAGET LM ERICSSON	SE0000108656	SEK	9,000	41,419	85,361	2.28%
ATLAS COPCO AB	SE0006886750	SEK	2,300	0	58,405	1.56%

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(EUR)

Financial instrument	ISIN	Currency	Amount	Acquisition value (EUR)	Carrying amount (EUR) as at 30.06.2015.	% of Fund's net assets as at 30.06.2015.
Danish issuers:				292,358	572,457	15.31%
COLOPLAST A/S	DK0060448595	DKK	2,126	59,096	125,701	3.36%
AP MOELLER - MAERSK A/S	DK0010244508	DKK	73	129,834	119,573	3.20%
DANSKE BANK A/S	DK0010274414	DKK	3,800	85,867	100,853	2.70%
NOVO NORDISK A/S	DK0060534915	DKK	1,900	0	93,085	2.49%
DSV A/S	DK0060079531	DKK	2,751	17,559	80,497	2.15%
TDC A/S	DK0060228559	DKK	8,000	2	52,748	1.41%
Norwegian issuers:				171,557	396,957	10.62%
STATOIL ASA	NO0010096985	NOK	5,400	2	86,304	2.31%
MARINE HARVEST ASA	NO0003054108	NOK	7,500	75,058	77,252	2.07%
GJENSIDIGE FORSIKRING ASA	NO0010582521	NOK	5,000	2	70,697	1.89%
DNB ASA	NO0010031479	NOK	4,600	2	68,286	1.83%
TELENOR ASA	NO0010063308	NOK	2,000	34,686	39,063	1.04%
LEROY SEAFOOD GROUP ASA	NO0003096208	NOK	1,000	31,260	28,893	0.77%
KONGSBERG	NO0003033102	NOK	43,000	30,547	26,462	0.71%
Polish issuers:				76,370	136,912	3.66%
POWSZECHNY ZAKLAD UBEZPIECZEN	PLPZU0000011	PLN	686	42,347	71,037	1.90%
KGHM POLSKA MIEDZ	PLKGHM000017	PLN	1,500	2	38,278	1.02%
POWSZECHNA KASA OSZCZEDNOSCI BANK POLSKI	PLPKO0000016	PLN	3,700	34,021	27,597	0.74%
Finnish issuers:				4	130,945	3.50%
POWSZECHNY ZAKLAD UBEZPIECZEN	PLPZU0000011	PLN	686	42,347	71,037	1.90%
KGHM POLSKA MIEDZ	PLKGHM000017	PLN	1,500	2	38,278	1.02%
Estonian issuers:				16,808	107,551	2.88%
TALLINK GROUP LTD OLYMPIC ENTERTAINMENT GROUP	EE3100004466	EUR	86,436	16,806	62,839	1.68%
EE3100084021	EUR	24,300	2	44,712	1.20%	
Latvian issuers:				2	88,000	2.35%
OLAINFARM	LV0000100501	EUR	11,000	2	88,000	2.35%
Lithuanian issuers:				33,809	34,150	0.91%
LINAS AGRO AB	LT0000128092	EUR	50,000	33,809	34,150	0.91%
Total securities				1,428,078	3,508,601	93.84%

IF “CBL Baltic Sea Equity Fund”
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Notes
(EUR)

3. Dynamics of net asset value

	30.06.2015	31.12.2014.	31.12.2013.
Net assets (EUR)	3,738,790	2,865,001	3,343,169
Number of investment certificates	83,974	69,767	78,925
Value of investment fund's shares (EUR)	44.52	41.07	42.36
Performance on investment fund's shares*	17.66%	(3.05%)	8.12%
Net assets (EUR)**	3,739,236	2,863,837	3,339, 965
Number of investment certificates	83,974	69,767	78,925
Value of investment fund's shares (EUR)	44.53	41.05	42.32
Performance on investment fund's shares*	17.83%	(3.00%)	7.22%

* Performance is calculated supposing that a year consists of 365 days.

** The net asset value in EUR is determined, based on exchange rates fixed at financial markets at the end of each day.