

**INVESTMENT FUND  
CBL Baltic Sea Equity Fund**

**HALF-YEAR REPORT 2016 (UNAUDITED)**

(at June 30<sup>th</sup>, 2016)

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 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.

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**IF “CBL Baltic Sea Equity Fund”**  
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**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:	06.03.07.098/367
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</p>
Rights and responsibilities related to management of Investment fund	Council and Board members shall perform all duties specified in Latvian laws and Investment Management Company's Statutes.
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

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**Investment management company’s report**

The assets of fund “CBL Baltic Sea Equity Fund” (hereinafter– the Fund) are managed by the asset management company “CBL Asset Management” with 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.

During the period, the Fund’s net asset value declined by EUR 349,943 to EUR 3,653,614. The Fund’s gross assets as of June 30, 2016 reached EUR 3,661,245. The value of the Fund’s share price decreased by EUR 3.48 to EUR 38.46, which is equivalent to 8.30% decline in euro terms (-15.95% on annualised basis).

Global financial markets started the year 2016 with a sharp downturn, due to mounting investor concerns about possible devaluation of Chinese national currency and slowing global economic growth. The rapid oil price decline created additional pressure on industrial sector and, thus, also company financials. This resulted in rapid downwards revisions in analyst earnings estimates. From mid-February to May the markets recovered, mostly thanks to the extremely supportive monetary policy of major global central banks. 1Q’2016 earnings season was very weak, as companies included in Europe’s Stoxx 600 equity index posted an EPS decline of 20% yoy, mostly as a result of weak performance in Energy and Financials sectors. Revenue fell by 4% yoy due to weaker global demand and appreciation of the euro in the beginning of the year. In June, investor focus was redirected to the UK referendum on EU membership, where, to a great surprise to many investors, the majority voted in favour of leaving the EU. Due to these events, political and economic uncertainty sharply increased, which resulted in a significant market correction. Overall, during the period Europe’s Stoxx 600 index has seen a decline of 9.8%. In the Fund’s investment universe, there were significant differences in the performance of individual markets. The weakest performance was demonstrated by Swedish equities (-10.4%), followed by Germany (-9.9%), and Poland (-8.3%), while Baltic (+4.8%) and Norwegian (+4.0%) equities managed to close the period with positive returns. The latter was supported by stabilisation in Brent oil price that surged by more than 30% during the period.

During the period, the trends in financial markets were also reflected in the Fund’s performance. From geographic perspective, the largest negative contribution to the Fund’s performance came from investments in German equities, which have the largest share in the Fund’s investment portfolio, followed by investments in Swedish and Danish equities. In the same time, positive contribution came from the Fund’s investments in Baltic and Norwegian equities. From sector perspective, the largest positive contribution to the Fund’s performance came from investments in Consumer Staples, Energy, and Industrials, while the largest negative contribution came from investments in Financial Services that has suffered from both the low / negative interest rate environment as well as rising market uncertainty as a result of the British referendum. Relatively weak performance was demonstrated also by Consumer Discretionary, which is highly sensitive to global economic growth trends, and Health Care that suffered from euro appreciation relative to the US dollar, as well as weak performance of Bayer shares after it made an acquisition offer to US agrochemicals company Monsanto.

At the end of the reporting period, sectors with the largest weight in the Fund were Health Care (15.0%), Financial Services (13.6%), and Industrials (12.3%). The Fund’s cash position was significantly increased in June in expectations of British referendum, reaching 13.7% at the end of the month. During the period, the share of Fund’s investments in Financial Services and Industrials sectors has been substantially decreased and replaced by investments in sectors that are less sensitive to global economic growth trends, such as Health Care and Telecommunication Services.

From geographic perspective, German equities continued dominating the Fund’s portfolio (41.0%), followed by Danish (10.2%), and Baltic (9.5%) equities each taking up a significantly smaller share of the Fund’s assets. During the period, the proportion of the Fund’s investments in Swedish, Danish, and German equities was reduced the most. This was partially compensated by increasing the proportion of investments in Finnish and

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Baltic equities, while the largest part of the released funds was directed to increasing the cash position in the Fund as a result of rising market uncertainty.

During the reporting period, management costs amounted to EUR 42,712 or 2.30% 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 reporting period there have been no developments with significant impact on the value of the Fund's share price. Market turbulence, prevailing on the markets post the unexpected British referendum outcome, has calmed down and share prices have started to recover, mostly thanks to the very supportive monetary policy of major central banks. Nevertheless, the Fund Manager maintains a cautious view on the outlook of the region's equities, as current equity market valuations do not fully account for the rising political and economic uncertainty. European equity market valuations remain ambitious - significantly above their long-term averages, while analyst earnings estimates have so far seen no major revisions, despite the fact that economic growth estimates for both the UK and the EU are being revised downwards.

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Uldis Upenieks  
Chairman of the Board

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Andris Kotāns  
Member of the investment  
committee

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Elchin Jafarov  
Member of the investment  
committee

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Kristiāna Janvare  
Member of the investment  
committee

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Igoris Lahtadirs  
Member of the investment  
committee

Riga, 28 July 2016

**IF “CBL Baltic Sea Equity Fund”  
Half-year report 2016  
Statement of assets and liabilities  
(EUR)**

Note		<u>30.06.2016.</u>	<u>31.12.2015.</u>
	<b>Assets</b>		
1	Demand deposits with credit institutions	501,868	200,546
2	Financial assets held for trading Shares	<u>3,159,377</u>	<u>3,810,820</u>
	<b>Total assets</b>	<u><b>3,661,245</b></u>	<u><b>4,011,366</b></u>
	<b>Liabilities</b>		
	Financial liabilities held for trading Accrued liabilities	<u>(7,631)</u>	<u>(7,810)</u>
	<b>Total liabilities</b>	<u><b>(7,631)</b></u>	<u><b>(7,810)</b></u>
	<b>Net assets</b>	<u><b>3,653,614</b></u>	<u><b>4,003,556</b></u>

The accompanying notes set out on pages 9 to 10 form an integral part of these financial statements.

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Uldis Upenieks  
Chairman of the Board

Riga, 28 July 2016

**IF “CBL Baltic Sea Equity Fund”  
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Statement of income and expense  
(EUR)**

	01.01.2016.- 30.06.2016.	01.01.2015.- 30.06.2015.
<b>Reporting period income</b>		
Dividend income	80,507	80,682
<b>Total income</b>	<b>80,507</b>	<b>80,682</b>
<b>Reporting period expenses</b>		
Remuneration to investment management company	(37,674)	(35,503)
Remuneration to custodian bank	(3,391)	(3,195)
Other fund management expenses	(1,647)	(1,187)
<b>Total expenses</b>	<b>(42,712)</b>	<b>(39,885)</b>
<b>Decrease in investment value</b>		
Realized decrease in investment value	(115,756)	(174,383)
Unrealized (decrease)/increase in investment value	(272,579)	346,275
<b>Total (decrease)/ increase in investment value</b>	<b>(388,335)</b>	<b>171,892</b>
Foreign currency revaluation gain	-	(4,533)
<b>(Decrease) / increase in net assets from investment</b>	<b>(350,540)</b>	<b>208,154</b>

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Uldis Upenieks  
Chairperson of the Board

Riga, 28 July 2016

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

	<b>01.01.2016.- 30.06.2016.</b>	<b>01.01.2015.- 30.06.2015.</b>
Net assets as at the beginning of the period	4,003,556	2,865,001
(Decrease)/ increase in net assets from investment	(350,540)	208,154
Transactions with investment certificates		
<i>Inflow from sale of investment certificates</i>	404,606	1,050,362
<i>(Outflow) on redemption of investment certificates</i>	(404,008)	(384,727)
Net increase in assets from transactions with investment certificates	<b>598</b>	<b>665,635</b>
Decrease/ increase in net assets for the period	(349,942)	873,789
<b>Net assets as at the end of the period</b>	<b>3,653,614</b>	<b>3,738,790</b>
Issued investment certificates as at the beginning of the period	95,454	69,767
Issued investment certificates as at the end of the period	94,999	83,974
Net assets per investment certificate as at the beginning of the period	41.94	41.07
<b>Net assets per investment certificate as at the end of the period</b>	<b>38.46</b>	<b>44.52</b>

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Uldis Upenieks  
Chairperson of the Board

Riga, 28 July 2016



**IF "CBL Baltic Sea Equity Fund"**  
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**Notes**  
**(EUR)**

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

	30.06.2016.	31.12.2015.	% from net assets as at 30.06.2016.
Due on demand from credit institutions			
AS Citadele banka	501,868	200,546	13.74%
<b>Total demand deposits with credit institutions</b>	<b>501,868</b>	<b>200,546</b>	<b>13.74%</b>

**2. Shares**

All shares are classified as held for trading securities.

All shares owned by the Fund are traded on regulated markets.

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 30.06.2016. (EUR)	% from net assets as at 30.06.2016
<b>Financial instruments traded in regulated markets</b>				<b>3,217,602</b>	<b>3,159,377</b>	<b>86.28%</b>
<b>Shares of German issuers</b>				<b>1,654,173</b>	<b>1,499,386</b>	<b>40.96%</b>
SIEMENS AG	DE0007236101	EUR	1,643	152,535	149,234	4.08%
BAYER AG	DE000BAY0017	EUR	1,620	169,212	144,536	3.95%
SAP SE	DE0007164600	EUR	2,018	128,990	134,994	3.69%
DEUTSCHE TELEKOM AG	DE0005557508	EUR	7,000	106,767	106,295	2.90%
FRESENIUS SE & CO KGAA	DE0005785604	EUR	1,600	99,333	104,112	2.84%
ALLIANZ SE	DE0008404005	EUR	798	114,967	100,827	2.75%
INFINEON TECHNOLOGIES AG	DE0006231004	EUR	7,500	97,792	97,013	2.65%
HEIDELBERGCEMENT AG	DE0006047004	EUR	1,424	88,817	95,478	2.61%
LINDE AG	DE0006483001	EUR	740	107,472	91,501	2.50%
HENKEL AG & CO KGAA	DE0006048432	EUR	696	65,352	75,620	2.07%
DAIMLER AG	DE0007100000	EUR	1,359	103,311	72,448	1.98%
CONTINENTAL AG	DE0005439004	EUR	415	90,475	70,156	1.92%
BASF SE	DE000BASF111	EUR	1,000	74,790	67,885	1.85%
E.ON SE	DE000ENAG999	EUR	6,800	60,568	60,724	1.66%
DEUTSCHE POST AG	DE0005552004	EUR	2,000	49,540	50,000	1.37%
HUGO BOSS AG	DE000A1PHFF7	EUR	865	92,079	44,003	1.20%
COMMERZBANK AG	DE000CBK1001	EUR	6,000	52,173	34,560	0.94%
<b>Shares of Danish issuers</b>				<b>321,820</b>	<b>372,517</b>	<b>10.18%</b>
NOVO NORDISK A/S	DK0060534915	DKK	3,200	117,742	153,993	4.21%
COLOPLAST A/S	DK0060448595	DKK	976	61,637	65,060	1.78%
DANSKE BANK A/S	DK0010274414	DKK	2,400	65,423	56,457	1.54%
DSV A/S	DK0060079531	DKK	1,451	35,926	54,086	1.48%
NOVOZYMES A/S	DK0060336014	DKK	1,000	41,092	42,921	1.17%

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Notes  
(EUR)

Financial instrument	ISIN code	Currency	Amount	Purchase value (EUR)	Carrying value as at 30.06.2016. (EUR)	% from net assets as at 30.06.2016
<b>Shares of Swedish issuers</b>				<b>277,417</b>	<b>321,302</b>	<b>8.77%</b>
INVESTOR AB	SE0000107419	SEK	3,400	97,252	100,006	2.73%
ASSA ABLOY AB	SE0007100581	SEK	3,950	0	71,672	1.96%
SVENSKA CELLULOSA	SE0000112724	SEK	2,100	58,780	59,362	1.62%
HENNES & MAURITZ AB	SE0000106270	SEK	1,800	63,380	46,966	1.28%
NORDEA BANK AB	SE0000427361	SEK	5,800	58,005	43,296	1.18%
<b>Shares of Norwegian issuers</b>				<b>304,890</b>	<b>308,213</b>	<b>8.41%</b>
STATOIL ASA	NO0010096985	NOK	5,400	81,399	84,128	2.30%
MARINE HARVEST ASA	NO0003054108	NOK	4,300	43,174	64,495	1.76%
TELENOR ASA	NO0010063308	NOK	4,100	61,265	60,216	1.64%
DNB ASA	NO0010031479	NOK	5,300	64,004	56,813	1.55%
YARA INTERNATIONAL ASA	NO0010208051	NOK	1,500	55,048	42,561	1.16%
<b>Shares of Estonian issuers</b>				<b>224,431</b>	<b>233,106</b>	<b>6.36%</b>
TALLINK GRUPP AS	EE3100004466	EUR	136,436	118,980	123,884	3.38%
OLYMPIC ENTERTAINMENT GROUP AS	EE3100084021	EUR	56,300	105,451	109,222	2.98%
<b>Shares of Finnish issuers</b>				<b>202,369</b>	<b>194,541</b>	<b>5.31%</b>
NOKIA OYJ	FI0009000681	EUR	16,200	83,944	81,729	2.23%
AMER SPORTS OYJ	FI0009000285	EUR	2,400	59,253	58,512	1.60%
SAMPO OYJ	FI0009003305	EUR	1,500	59,172	54,300	1.48%
<b>Shares of Polish issuers</b>				<b>143,312</b>	<b>116,542</b>	<b>3.18%</b>
ASSECO POLAND SA	PLSOFTB00016	PLN	5,600	73,428	65,869	1.80%
POWSZECHNY ZAKLAD UBEZPIECZEN SA	PLPZU0000011	PLN	7,860	69,884	50,673	1.38%
<b>Shares of Latvian issuers</b>				<b>55,440</b>	<b>80,520</b>	<b>2.20%</b>
OLAINFARM	LV0000100501	EUR	11,000	55,440	80,520	2.20%
<b>Shares of Lithuanian issuers</b>				<b>33,750</b>	<b>33,250</b>	<b>0.91%</b>
LINAS AGRO AB	LT0000128092	EUR	50,000	33,750	33,250	0.91%
<b>Total shares:</b>				<b>3,217,602</b>	<b>3,159,936</b>	<b>86.28%</b>

## 3. Dynamics of investment fund's performance

	30.06.2016.	31.12.2015.	31.12.2014.	31.12.2013.
<b>Fonda neto aktīvi (EUR)</b>	<b>3,653,614</b>	<b>4,003,556</b>	<b>2,865,001</b>	<b>3,343,169</b>
Fonda daļu skaits	94,999	95,454	69,767	78,925
Fonda daļu vērtība	38.46	41.94	41.07	42.36
Fonda ienesīgums**	(15.95%)	2.12%	(3.05%)	8.12%
<b>Fonda neto aktīvi (EUR)*</b>	<b>3,656,797</b>	<b>4,004,806</b>	<b>2,863,837</b>	<b>3,339,965</b>
Fonda daļu skaits	94,999	95,454	69,767	78,925
Fonda daļu vērtība	38.49	41.96	41.05	42.32
Fonda ienesīgums**	(15.90%)	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.