

**INVESTMENT FUND
CBL Baltic Sea Equity Fund**

HALF-YEAR REPORT 2017 (UNAUDITED)

(at June 30th, 2017)

**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, 2017

*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.

**IF “CBL Baltic Sea Equity Fund”
Half-year report 2017
Table of contents**

General information on the investment fund	3
Investment management company's report	4
Financial statements:	
Statement of assets and liabilities	6
Statement of income and expense	7
Statement of changes in net assets	8
Notes	9

IF "CBL Baltic Sea Equity Fund"
Half-year report 2017
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
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 01.11.2012. Council Member - Peter Meier - appointed on 30.09.2015. Council Member - Aldis Paegle - appointed on 04.07.2014., released 24.08.2016.</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):	<p>Andris Kotāns - appointed on 11.05.2007. Elchin Jafarov - appointed on 11.05.2007. Igoris Lahtadirs - appointed on 21.11.2013. Kristiāna Janvare - appointed on 15.08.2008., released 19.08.2016.</p>
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:	<p>KPMG Baltics SIA Vesetas street 7 Riga, LV-1013 Licence No. 55 Latvia</p>

IF “CBL Baltic Sea Equity Fund”
Half-year report 2017
Investment management company's report

The manager of the investment fund CBL Baltic Sea Equity Fund (hereinafter the Fund) is investment management company CBL Asset Management, registered office Republikas laukums 2a, Riga, LV-1010, registration number 40003577500 (hereinafter the Company). The Company's operating license number is 06.03.07.098/367, which was last re-registered on 19 January 2015.

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.

In the first half of 2017, we have seen further improvements in the global, especially European, economy, which was a positive factor for the stock markets. In spite of political risks such as Britain's withdrawal from the EU and the elections in France, where the Euro-skeptic victory was highly probable, the broader European stock market index STOXX Europe 600 grew by 5% over the reporting period. From the geographical point of view, in terms of euro, the best performance was demonstrated by the Polish market (+ 23%), followed by Denmark (+ 11.8%), Germany (+ 7.4%), Finland (+ 7.1%), the Baltic (+ 6.6%) and Sweden + 5%) markets. Norwegian shares showed a negative result, losing 3.7% of their value in euro terms, which was mainly due to a correction in oil prices of almost 16% over the reporting period. The euro area producer sentiment index in June reached a 57.4 point mark, a significant improvement compared to the beginning of the year (52.3).

In the reporting period, the Fund's value increased by 6.6%. From the geographic point of view, the Fund gained most from the German equities, which is the most widely represented market in the Fund, followed by investments in Swedish and Baltics. In turn, the Fund was dragged by a negative contribution of Norwegian shares. From the sectoral point of view, investments in the Financials, Healthcare and IT sectors made the largest positive contribution to the Fund's performance. In turn, the largest negative contribution to the Fund's output was provided by the Energy and Auto Manufacturing companies. In terms of countries, the German investment companies (48.4%) continued to dominate the Fund's investment structure, followed by investments in Danish (11.2%) and Swedish (9.9%) shares. During the reporting period, the share of investments in Norway, Germany and Sweden decreased the most. This was partially offset by the growing share of Danish and Finnish investments; however, part of the funds were saved as cash, the proportion of which increased to 4.0% over the reporting period.

The Fund's net assets in the first half of 2017 increased by 81,131 euros and amounted to 3,942,883 euros at the end of the half-year. The gross value of assets at 30.06.2017 was 3,950,771 euros. In turn, the value of the Fund's unit in the reporting period increased by 2.78 euros, reaching 45.32 euros. The total return of the Fund in the first half of 2017 was 6.54% (13.62%, annualized) in euro terms at the ECB rates and 6.58% (13.72%, annualized) in the fund's base currency (in euro) at the closing rate observed in the the financial markets.

Management expenses in the reporting period amounted to EUR 45,269, or 2.29% of the average net asset value, which does not exceed the maximum of 4.00% stated in the Prospectus.

Since the end of the reporting period, there has been no significant event that would affect the Fund's value. Despite the excellent economic performance in Europe, the manager remains cautious, as investors are concerned about economic indicators reaching their highs. The euro zone sentiment indicators have somewhat fallen back in July, but both business and consumer sentiment indices have continued to stay close to the current peak cycles. According to preliminary managerial survey data, the mood in the euro zone has weakened for the second consecutive month in July, sliding to 55.8 points - its lowest level since January. The most significant and visible sources of potential political risks are the upcoming elections in Germany, where the Fund manager currently does not expect significant surprises.



**IF “CBL Baltic Sea Equity Fund”
Half-year report 2017
Investment management company’s report**

Uldis Upenieks
Chairman of the Board

Andris Kotāns
Member of the investment
committee

Elchin Jafarov
Member of the investment
committee

Igors Lahtadirs
Member of the investment
committee

Riga, 27 July 2017

**IF “CBL Baltic Sea Equity Fund”
Half-year report 2017
Statement of assets and liabilities
(EUR)**

Note	<u>30.06.2017.</u>	<u>31.12.2016.</u>
Assets		
1	Demand deposits with credit institutions	160,732 54,937
2	Financial assets held for trading Shares	<u>3,790,039 3,814,839</u>
	Total assets	<u>3,950,771 3,869,776</u>
Liabilities		
	Financial liabilities held for trading Accrued liabilities	(7,888) (8,024)
	Total liabilities	<u>(7,888) (8,024)</u>
	Net assets	<u>3,942,883 3,861,752</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, 27 July 2017



IF "CBL Baltic Sea Equity Fund"
Half-year report 2017
Statement of income and expense
(EUR)

	01.01.2017.- 30.06.2017.	01.01.2016.- 30.06.2016.
Reporting period income		
Dividend income	85,825	80,507
Total income	85,825	80,507
Reporting period expenses		
Remuneration to investment management company	(39,917)	(37,674)
Remuneration to custodian bank	(3,593)	(3,391)
Other fund management expenses	(1,759)	(1,647)
Total expenses	(45,269)	(42,712)
Increase/ decrease in investment value		
Realized decrease in investment value	(20,863)	(115,756)
Unrealized increase /(decrease) in investment value	235,208	(272,579)
Total increase / (decrease) in investment value	214,345	(388,335)
Increase / (decrease) in net assets from investment	254,901	(350,540)

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

Uldis Upenieks
Chairperson of the Board

Riga, 27 July 2017

**IF “CBL Baltic Sea Equity Fund”
Half-year report 2017
Statement of changes in net assets
(EUR)**

	01.01.2017.- 30.06.2017.	01.01.2016.- 30.06.2016.
Net assets as at the beginning of the period	3,861,752	4,003,556
Increase /(decrease) in net assets from investment	254,901	(350,540)
Transactions with investment certificates		
<i>Inflow from sale of investment certificates</i>	77,217	404,606
<i>(Outflow) on redemption of investment certificates</i>	(250,987)	(404,008)
Net (decrease) /increase in assets from transactions with investment certificates	(173,770)	598
Increase / decrease in net assets for the period	81,131	(349,942)
Net assets as at the end of the period	3,942,883	3,653,614
Issued investment certificates as at the beginning of the period	90,780	95,454
Issued investment certificates as at the end of the period	86,998	94,999
Net assets per investment certificate as at the beginning of the period	42.54	41.94
Net assets per investment certificate as at the end of the period	45.32	38.46

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

Uldis Upenieks
Chairperson of the Board

Riga, 27 July 2017



IF "CBL Baltic Sea Equity Fund"

Half-year report 2017

Notes

(EUR)

1. Due on demand from credit institutions

	30.06.2017.	31.12.2016.	% from net assets as at 30.06.2017.
Due on demand from credit institutions			
AS Citadele banka	160,732	54,937	4.08%
Total demand deposits with credit institutions	160,732	54,937	4.08%

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 30.06.2017. (EUR)	% from net assets as at 30.06.2017.
Financial instruments traded in regulated markets				3,580,911	3,790,039	96.12%
Shares of German issuers				1,676,370	1,971,193	50.01%
BAYER AG	DE000BAY0017	EUR	2,050	215,798	233,597	5.93%
SIEMENS AG	DE0007236101	EUR	1,893	174,717	229,809	5.84%
ALLIANZ SE	DE0008404005	EUR	1,148	157,750	199,695	5.07%
SAP AG	DE0007164600	EUR	2,018	128,992	185,071	4.69%
DEUTSCHE TELEKOM AG	DE0005557508	EUR	9,200	139,042	146,510	3.72%
INFINEON TECHNOLOGIES AG	DE0006231004	EUR	7,500	97,792	140,100	3.55%
BASF SE	DE000BASF111	EUR	1,500	117,246	122,385	3.10%
LINDE AG	DE0006483001	EUR	500	72,349	83,750	2.12%
HEIDELBERGCEMENT AG	DE0006047004	EUR	974	64,006	83,034	2.11%
FRESENIUS SE & CO KGAA	DE0005785604	EUR	1,050	65,955	79,307	2.01%
CONTINENTAL AG	DE0005439004	EUR	415	90,475	78,622	1.99%
DEUTSCHE POST AG	DE0005552004	EUR	2,000	49,541	65,940	1.67%
COMMERZBANK AG	DE000CBK1001	EUR	6,000	52,173	62,580	1.59%
FRESENIUS MEDICAL CARE AG & CO KGAA	DE0005785802	EUR	715	55,474	60,682	1.54%
E.ON SE	DE000ENAG999	EUR	6,800	60,568	57,120	1.45%
PROSIEBENSAT.1	DE000PSM7770	EUR	1,400	53,304	52,025	1.32%
HENKEL AG & CO KGAA	DE0006048432	EUR	376	39,023	45,590	1.16%

IF "CBL Baltic Sea Equity Fund"

Half-year report 2017

Notes

(EUR)

Financial instrument	ISIN code	Currency	Amount	Purchase value (EUR)	Carrying value as at 30.06.2017. (EUR)	% from net assets as at 30.06.2017.
Shares of Danish issuers				400,198	457,806	11.61%
NOVO NORDISK A/S	DK0060534915	DKK	5,200	183,311	194,879	4.94%
DANSKE BANK A/S	DK0010274414	DKK	2,400	65,239	80,843	2.05%
DSV A/S	DK0060079531	DKK	1,451	35,797	77,949	1.98%
PANDORA	DK0060252690	DKK	500	58,895	41,047	1.04%
NOVOZYMES A/S	DK0060336014	DKK	1,000	40,960	38,445	0.98%
AP MOELLER - MAERSK A/S	DK0010244508	DKK	14	15,996	24,643	0.62%
Shares of Swedish issuers				396,877	433,149	10.98%
INVESTOR AB	SE0000107419	SEK	3,400	99,474	144,397	3.66%
ASSA ABLOY AB	SE0007100581	SEK	6,150	108,322	119,047	3.02%
NORDEA BANK AB	SE0000427361	SEK	5,800	58,528	65,101	1.65%
HENNES & MAURITZ AB	SE0000106270	SEK	2,900	92,951	64,349	1.63%
ESSITY AB	SE0009922164	SEK	1,300	1	31,692	0.80%
SVENSKA CELLULOSA AB SCA	SE0000112724	SEK	1,300	37,601	8,563	0.22%
Shares of Finnish issuers				271,524	301,391	7.64%
NOKIA OYJ	FI0009000681	EUR	23,000	99,849	125,465	3.18%
AMER SPORTS OYJ	FI0009000285	EUR	4,400	104,738	96,668	2.45%
SAMPO OYJ	FI0009003305	EUR	1,750	66,937	79,258	2.01%
Shares of Norwegian issuers				265,115	265,654	6.73%
STATOIL ASA	NO0010096985	NOK	6,500	106,311	94,668	2.40%
TELENOR ASA	NO0010063308	NOK	6,400	95,160	92,410	2.34%
Shares of Estonian issuers				119,011	124,157	3.15%
TALLINK GRUPP AS	EE3100004466	EUR	136,436	119,011	124,157	3.15%
Shares of Latvian issuers				55,442	119,900	3.04%
OLAINFARM	LV0000100501	EUR	11,000	55,442	119,900	3.04%
Shares of Polish issuers				362,565	84,089	2.13%
POWSZECHNY ZAKLAD						
UBEZPIECZEN SA	PLPZU0000011	PLN	7,860	362,565	84,089	2.13%
Shares of Lithuanian issuers				33,809	32,700	0.83%
LINAS AGRO AB	LT0000128092	EUR	50,000	33,809	32,700	0.83%
Total shares:				3,580,911	3,790,039	96.12%



IF "CBL Baltic Sea Equity Fund"
Half-year report 2017
Notes
(EUR)

3. Dynamics of investment fund's performance

	30.06.2017.	31.12.2016.	31.12.2015.	31.12.2014.
Net assets (EUR)	3,942,883	3,861,752	4,003,556	2,865,001
Number of investment certificates	86,998	90,780	95,454	69,767
Investment fund share value (EUR)	45.32	42.54	41.94	41.07
Profitability of the investment fund**	13.62%	1.43%	2.12%	(3.05%)
Net assets (EUR)*	3,943,913	3,860,862	4,004,806	2,863,837
Number of investment certificates	86,998	90,780	95,454	69,767
Investment fund share value (EUR)	45.33	42.53	41.96	41.05
Profitability of the investment fund**	13.72%	1.35%	2.22%	(3.00%)

* 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.