

INVESTMENT FUND CBL Baltic Sea Equity Fund

SEMIANNUAL REPORT 2018 (NON-AUDITED) (for the six – month period ended 30 June 2018)

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, 2018

*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.

TABLE OF CONTENTS

Investment Fund information	3
Investment Management company’s report	4
Financial Statements:	
Statement of assets and liabilities	5
Statement of income and expense	6
Statement of changes in net assets	7
Notes of Financial Statements	8

INVESTMENT FUND INFORMATION

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 11.10.2010. Deputy Chairperson of the Council – Vladimirs Ivanovs – appointed on 06.11.2012. Council Member – Peter Meier – appointed on 30.09.2015.</p> <p><i>Board of the investment management company:</i> Chairperson of the Board - Kārlis Purgailis – appointed on 08.09.2017. Board Member - Zigurds Vaikulis – appointed on 19.04.2007. 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):	Andris Kotāns – appointed on 07.03.2007. Elchin Jafarov – appointed on 07.03.2013. 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 street 7 Riga, LV-1013 Licence No. 55 Latvia

INVESTMENT MANAGEMENT COMPANY 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.

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.

Global equity markets returned mixed results over the first half of 2018. US equities gained around 2%, while European equities represented by broad STOXX Europe 600 index declined for 2.4% over the same period. Performance was mixed also among the Fund's target markets, in euro terms, as Norway (+13%) led the way due to strong oil price appreciation. Brent oil gained almost 20% over the half-year period, strongly supporting investor sentiment towards Norwegian companies. Finland (+7%) was another positive performer, as its economy stabilized. On the other hand Poland (-17%), Sweden (-7%), Denmark (-6%) and Germany (-5%) declined in value.

The Fund's value declined for 5% over the first half of 2018. From geographical perspective, the most positive contribution came from Finish and Norwegian equities, while German, Danish, Swedish, Baltic and Polish equities contributed negatively. Over the reporting period, the Fund's exposure to Germany and Denmark were decreased respectively by 3.2 and 1.9%, while exposure to Finland and Sweden were increased by 1.4% and 0.9% respectively. Considering increasing volatility in the markets, we have increased cash position for 3.5%, reaching 6% level by the end of the half-year period.

The Fund's net assets in the first half of 2018 decreased by 473,1569 euros and amounted to 3,491,715 euros at the end of the six-month period ended 30 June 2018. The gross value of assets at 30.06.2018 was 3,498,585 euros. In turn, the value of the Fund's unit in the reporting period decreased by 2.28 euros, reaching 43.98 euros. The total return of the Fund in the first half of 2018 was negative 9.69% in euro terms at the ECB rates and minus 9.81% 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 45,949, which does not exceed the ceiling of 4.00% stated in the Fund Prospectus. The investment management company fee amounted to EUR 37,440, custodian fee – EUR 3,370, other management expenses – EUR 5,139.

Since the end of the reporting period, there have been no events that would significantly affect the Fund's unit value. Looking forward, we will closely track the development around global trade disputes and watch the upcoming corporate earnings season for the second quarter of 2018. Another important factor is the rate of euro currency against US dollar, which in case of depreciation, given rising rates in United States, could create more beneficial situation for the European exporters. On the macroeconomic front, after the stabilization attempts in June, the euro area business sentiment has deteriorated again in July. The business sentiment index has slipped to 54.3 from almost 59 at the beginning of the year, but it was still in the confident expansion stage.

Kārlis Purgailis
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

STATEMENT OF ASSETS AND LIABILITIES

	Notes	<u>30.06.2018.</u>	<u>31.12.2017.</u>
Assets			
Due on demand from credit institutions	1	220,421	98,323
Financial assets held for trading			
Shares	2	<u>3,278,164</u>	<u>3,875,122</u>
Total assets		<u>3,498,585</u>	<u>3,973,445</u>
Liabilities			
Accrued expenses		<u>(6,870)</u>	<u>(8,161)</u>
Total liabilities		<u>(6,870)</u>	<u>(8,161)</u>
Net assets		<u>3,491,715</u>	<u>3,965,284</u>

The accompanying notes set out on pages 8 to 9 form an integral part of these financial statements.

Kārlis Purgailis
Chairman of the Board

Riga, 26 July 2018



**IF "CBL Baltic Sea Equity Fund"
Semiannual Report 2018**

STATEMENT OF INCOME AND EXPENSE

	01.01.2018.- 30.06.2018.	01.01.2017.- 30.06.2017.
Income for the reporting period		
Dividend income	74,394	85,825
Total income	74,394	85,825
Expenses for the reporting period		
Remuneration to investment management company	(37,440)	(39,917)
Custodian Fee	(3,370)	(3,593)
Other Fund management expenses	(5,139)	(1,759)
Total expenses	(45,949)	(45,269)
Increase/ (decrease) in investment value		
Realized decrease in investment value	(17,283)	(20,863)
Unrealized (decrease)/ increase in investment value	(195,939)	235,208
Total (decrease)/ increase in investment value	(213,222)	214,345
(Decrease)/ increase in net assets from investment	(184,777)	254,901

The accompanying notes on pages 8 to 9 form an integral part of these financial statements.

Kārlis Purgailis
Chairperson of the Board

Riga, 26 July 2018



IF "CBL Baltic Sea Equity Fund"
Semiannual Report 2018

STATEMENT OF CHANGES IN NET ASSETS

	01.01.2018.- 30.06.2018.	01.01.2017.- 30.06.2017.
Net assets at the beginning of the reporting period	3,965,284	3,861,752
Decrease)/ increase in net assets from investment	(184,777)	254,901
Transactions with share certificates		
<i>Inflow from subscription of share certificates</i>	60,371	77,217
<i>(Outflow) from redemption of share certificates</i>	(349,163)	(250,987)
(Decrease) in net assets from transactions with share certificates	(288,792)	(173,770)
Net asset (decrease)/ increase in the reporting period	(473,569)	81,131
Net assets as at the end of the reporting period	<u>3,491,715</u>	<u>3,942,883</u>
Number of share certificates issued as at the beginning of the reporting period	85,719	90,780
Number of share certificates issued as at the end of the reporting period	79,401	86,998
Net assets per share certificate as at the beginning of the reporting period	46.26	42.54
Net assets per share certificate as at the end of the reporting period	<u>43.98</u>	<u>45.32</u>

The accompanying notes on pages 8 to 9 form an integral part of these financial statements.

Kārlis Purgailis
Chairperson of the Board

Riga, 26 July 2018

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 DUE ON DEMAND FROM CREDIT INSTITUTIONS

	30.06.2018.	31.12.2017.	% of the Fund's net assets as at 30.06.2018
Due on demand from credit institutions			
AS Citadele banka	220,421	98,323	6.31%
Total demand deposits with credit institutions	220,421	98,323	6.31%

NOTE 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 the distribution of by the issuer's country of origin:

Financial instrument	ISIN code	Currency	Amount	Acquisition value (EUR)	Carrying value as at 30.06.2018. (EUR)	% of the Fund's net assets as at 30.06.2018.
Financial instruments traded in regulated markets				3,217,026	3,278,164	93.90%
Shares of German issuers				1,329,808	1,522,610	43.61%
SAP AG	DE0007164600	EUR	2,018	128,992	199,399	5.71%
Siemens AG	DE0007236101	EUR	1,523	139,089	172,769	4.95%
Allianz SE	DE0008404005	EUR	948	132,010	167,834	4.81%
Infineon Technologies AG	DE0006231004	EUR	7,100	112,119	155,277	4.45%
BASF SE	DE000BASF111	EUR	1,720	136,837	141,522	4.05%
Linde AG	DE0006483001	EUR	500	72,349	89,775	2.57%
Continental AG	DE0005439004	EUR	415	90,475	81,651	2.34%
Fresenius SE & Co KGaA	DE0005785604	EUR	1,050	65,955	72,218	2.07%
Deutsche Post AG	DE0005552004	EUR	2,520	69,056	70,610	2.02%
Bayer AG	DE000BAY0017	EUR	700	71,098	66,850	1.91%
Adidas AG	DE000A1EWWW0	EUR	265	47,464	49,966	1.43%
Commerzbank AG	DE000CBK1001	EUR	6,000	52,173	49,428	1.42%
Deutsche Telekom AG	DE0005557508	EUR	3,700	56,302	49,173	1.41%
Henkel AG & Co KGaA	DE0006048432	EUR	376	39,023	41,341	1.18%
E.ON SE	DE000ENAG999	EUR	4,500	40,082	41,153	1.18%
Daimler AG	DE0007100000	EUR	709	42,165	39,307	1.13%
HeidelbergCement AG	DE0006047004	EUR	474	34,619	34,337	0.98%
Shares of Danish issuers				397,206	409,780	11.73%
Novo Nordisk A/S	DK0060534915	DKK	5,200	183,312	206,639	5.92%
DSV A/S	DK0060079531	DKK	800	21,827	55,563	1.59%
Novozymes A/S	DK0060336014	DKK	1,000	40,960	43,381	1.24%
AP Moeller - Maersk A/S	DK0010244508	DKK	40	58,217	42,305	1.21%
Danske Bank A/S	DK0010274414	DKK	1,200	33,995	32,083	0.92%
Pandora	DK0060252690	DKK	500	58,895	29,809	0.85%



**IF "CBL Baltic Sea Equity Fund"
Semiannual Report 2018**

Financial instrument	ISIN code	Currency	Amount	Acquisition value (EUR)	Carrying value as at 30.06.2018. (EUR)	% of the Fund's net assets as at 30.06.2018.
Shares of Swedish issuers				427,575	445,339	12.76%
Investor AB	SE0000107419	SEK	3,400	99,474	118,397	3.39%
Assa Abloy AB	SE0007100581	SEK	6,150	108,322	112,198	3.21%
Atlas Copco AB	SE0011166610	SEK	3,500	-	87,123	2.50%
Nordea Bank AB	SE0000427361	SEK	5,800	58,528	47,519	1.36%
Hennes & Mauritz AB	SE0000106270	SEK	2,900	92,951	36,715	1.05%
Epiroc Aktiebolag A	SE0011166933	SEK	3,500	30,699	31,314	0.90%
Svenska Cellulosa AB SCA	SE0000112724	SEK	1,300	37,601	12,073	0.35%
Shares of Norwegian issuers				287,023	332,819	9.54%
Equinor ASA	NO0010096985	NOK	6,500	106,311	147,337	4.22%
Telenor ASA	NO0010063308	NOK	3,200	47,978	56,689	1.62%
Norsk Hydro ASA	NO0005052605	NOK	9,500	61,647	49,071	1.41%
DNB ASA	NO0010031479	NOK	2,600	30,103	43,518	1.25%
Orkla ASA	NO0003733800	NOK	4,800	40,984	36,204	1.04%
Shares of Finnish issuers				204,587	231,683	6.64%
Amer Sports Oyj	FI0009000285	EUR	4,400	104,738	118,316	3.39%
Nokia OYJ	FI0009000681	EUR	23,000	99,849	113,367	3.25%
Shares of Estonian issuers				119,011	145,304	4.16%
Tallink Grupp AS	EE3100004466	EUR	136,436	119,011	145,304	4.16%
Shares of Latvian issuers				55,442	86,900	2.49%
Olainfarm	LV0000100501	EUR	11,000	55,442	86,900	2.49%
Shares of Polish issuers				362,565	68,729	1.97%
Powszechny Zaklad Ubezpieczen SA	PLPZU0000011	PLN	7,860	362,565	68,729	1.97%
Shares of Lithuanian issuers				33,809	35,000	1.00%
Linas Agro AB	LT0000128092	EUR	50,000	33,809	35,000	1.00%
Total shares:				3,217,026	3,278,164	93.90%

NOTE 3 PERFORMANCE DYNAMICS OF THE INVESTMENT FUND

	30.06.2018.	30.12.2017.	31.12.2016.	31.12.2015.
Net assets (EUR)	3,491,715	3,965,284	3,861,752	4,003,556
Number of share certificates	79,401	85,719	90,780	95,454
Value of the unit of the Investment Fund	43.98	46.26	42.54	41.94
Profitability of the investment Fund**	(9.69)%	8.74%	1.43%	2.12%
Net assets (base currency)*	3,490,707	3,966,504	3,860,862	4,004,806
Number of share certificates	79,401	85,719	90,780	95,454
Value of the unit of the Investment Fund	43.96	46.27	42.53	41.96
Profitability of the investment Fund**	(9.81)%	8.79%	1.35%	2.22%

* Net asset value is revaluated to the EUR using exchange rates determined in financial markets at the end of the day.

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