

**INVESTMENT FUND
CBL Baltic Sea Equity Fund**

**SEMIANNUAL REPORT 2019 (NON-AUDITED)
(for the six – month period ended 30 June 2019)**

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, 2019

*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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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:	
Registered office:	CBL Asset Management IPAS
Registration number:	Republikas laukums 2a, Riga, LV-1010, Latvia
License number:	40003577500 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. Igoris 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’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.

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 stock markets demonstrated strong performance in the first half of 2019. US equities rallied 18.3%, while European equities represented by broad STOXX Europe 600 index rose 14.0% over the period. In euro terms, the performance varied among the Fund's target markets. The export-led German market (+ 17.4%) was the growth leader, outperforming in response to the ongoing easing of the US-China trade conflict. The second best performer was Denmark (+12.5%), followed by other Scandinavian countries - Sweden (+11.9%) and Norway (+11.1%). The latter market gained support from oil prices, with Brent crude surging more than 23%. On the other hand, Finland (+7.4%), Poland (+3.7%) and the Baltics (+3.3%) showed less impressive but still good absolute returns.

The Fund gained 9.36% in the first half of 2019. From the geographical perspective, German, Swedish and Danish securities contributed the most; while Norway, the Baltics, Finland and Poland exerted negligible influence on the Fund. During the reporting period, the allocation to German equities decreased by 2.6%, while relative weight of Danish and Swedish equities increased by 2.5% and 2.2%, respectively. The changes in the proportions in other regions were insignificant. At the end of the year, the cash position stood at 2.0% of the Fund's net assets.

The Fund's net assets in the first half of 2019 increased by EUR 105,378 and amounted to EUR 3,196,923 at the end of the six-month period ended 30 June 2019. The gross value of assets at 30.06.2019 was EUR 3,202,842. In turn, the value of the Fund's unit in the reporting period increased by EUR 3.62, reaching EUR 42.31. The total return of the Fund in the first half of 2019 was positive 9.36% in euro terms at the ECB rates and 9.36% in the fund's base currency (in euro) at the closing rate observed in the financial markets.

In the reporting period, the total management expenses amounted to EUR 40,553, which does not exceed the ceiling of 4.00% stated in the Fund Prospectus. The investment management company fee amounted to EUR 32,697, custodian fee – EUR 2,943, other Fund management expenses – EUR 4,913.

During the reporting period there have been no significant events affecting the value of the Fund's unit price. Looking ahead, we will be closely following the developments around global trade disputes, or so-called "wars", as well as scrutinizing corporate earnings releases for the second quarter of 2019. At the moment, market expectations are modest, which could potentially open the door to positive surprises. Another important factor is the recent sharp drop in key benchmark interest rates that could support risk assets. Against the backdrop of a global economic slowdown, in June both the ECB and the US Fed expressed readiness for monetary stimulus. As a result, benchmark rates in the euro area plunged below their historic lows. From a macroeconomic point of view, Europe's leading business indicators have improved over the past two months, but manufacturing continues to be a drag. We also see significant regional disparities, with major export powerhouse Germany looking particularly weak.

For the Board of IPAS:

Kārlis Purgailis
Chairman of the Board

Andris Kotāns
Member of the investment committee

Igors Lahtadirs
Member of the investment committee

Riga, 31 July 2019



STATEMENT OF ASSETS AND LIABILITIES

	Notes	<u>30.06.2019.</u>	<u>31.12.2018.</u>
Assets			
Due on demand from credit institutions	1	63,026	72,943
Financial assets at fair value through profit or loss			
Equity instruments	2	3,139,816	3,025,223
Total assets		<u>3,202,842</u>	<u>3,098,166</u>
Liabilities			
Accrued expenses		(5,919)	(6,621)
Total liabilities		<u>(5,919)</u>	<u>(6,621)</u>
Net assets		<u>3,196,923</u>	<u>3,091,545</u>

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

For the Board of IPAS:

Kārlis Purgailis
Chairman of the Board

Riga, 31 July 2019



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STATEMENT OF INCOME AND EXPENSE

	01.01.2019.- 30.06.2019.	01.01.2018.- 30.06.2018.
Income for the reporting period		
Dividend income	64,159	74,394
Total income	64,159	74,394
Expenses for the reporting period		
Remuneration to investment management company	(32,697)	(37,440)
Custodian Fee	(2,943)	(3,370)
Other Fund management expenses	(4,913)	(5,139)
Total expenses	(40,553)	(45,949)
Increase/ (decrease) in investment value		
Realized increase/(decrease) in investment value	10,357	(17,283)
Unrealized increase/(decrease) in investment value	257,283	(195,939)
Total increase/(decrease) in investment value	267,640	(213,222)
Increase/(decrease) in net assets from investment	291,246	(184,777)

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

For the Board of IPAS:

Kārlis Purgailis
Chairperson of the Board

Riga, 31 July 2019



STATEMENT OF CHANGES IN NET ASSETS

	01.01.2019.- 30.06.2019.	01.01.2018.- 30.06.2018.
Net assets at the beginning of the reporting period	3,091,545	3,965,284
Decrease) in net assets from investment	(291,246)	(184,777)
Transactions with share certificates and units		
Inflow from subscription of share certificates and units	47,639	60,371
(Outflow) from redemption of share certificates and units	(233,507)	(349,163)
(Decrease) in net assets from transactions with share certificates and units	(185,868)	(288,792)
Net asset increase/(decrease) in the reporting period	105,378	(473,569)
Net assets as at the end of the reporting period	3,196,923	3,491,715
Number of share certificates issued as at the beginning of the reporting period	79,910	85,719
Number of share certificates issued as at the end of the reporting period	75,553	79,401
Net assets per share certificate as at the beginning of the reporting period	38.69	46.26
Net assets pershare certificate as at the end of the reporting period	42.31	43.98

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

For the Board of IPAS:

Kārlis Purgailis
Chairperson of the Board

Riga, 31 July 2019



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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 DUE ON DEMAND FROM CREDIT INSTITUTIONS

	30.06.2019.	% of the Fund's net assets as at 30.06.2019.	31.12.2018.	% of the Fund's net assets as at 31.12.2018.
Due on demand from credit institutions				
AS Citadele banka	63,026	1.97%	72,943	2.36%
Total demand deposits with credit institutions	63,026	1.97%	72,943	2.36%

NOTE 2 EQUITY INSTRUMENTS

All equity instruments are classified as financial assets at fair value through profit or loss. As at 30 June 2019, all equity instruments owned by the Fund are traded on regulated markets.

The following table presents the equity instruments distribution by the issuer's country of origin:

Financial instrument	ISIN code	Currency	Amount	Acquisition value (EUR)	Carrying amount 30.06.2019. (EUR)	% of the Fund's net assets 30.06.2019.
Financial instruments traded on regulated markets				3,155,874	3,139,816	98.20%
Equity instruments of German issuers				1,112,352	1,179,120	36.87%
SAP AG	DE0007164600	EUR	1738	112,015	207,239	6.48%
Allianz SE	DE0008404005	EUR	848	119,139	177,826	5.56%
Siemens AG	DE0007236101	EUR	1523	139,089	158,483	4.96%
Deutsche Post AG	DE0005552004	EUR	2520	69,056	72,374	2.26%
Adidas AG	DE000A1EWWW0	EUR	265	47,464	71,722	2.24%
Infineon Technologies AG	DE0006231004	EUR	4000	71,649	62,552	1.96%
Deutsche Telekom AG	DE0005557508	EUR	3700	56,302	56,077	1.75%
Continental AG	DE0005439004	EUR	415	90,475	52,971	1.66%
Fresenius SE & Co KGaA	DE0005785604	EUR	1050	65,955	50,111	1.57%
BASF SE	DE000BASF111	EUR	720	62,048	45,914	1.44%
E.ON SE	DE000ENAG999	EUR	4500	40,082	42,872	1.34%
Bayer AG	DE000BAY0017	EUR	700	71,098	42,504	1.33%
Commerzbank AG	DE000CBK1001	EUR	6000	52,173	37,866	1.18%
Daimler AG	DE0007100000	EUR	709	42,165	34,620	1.08%
HeidelbergCement AG	DE0006047004	EUR	474	34,619	33,645	1.05%
Henkel AG & Co KGaA	DE0006048432	EUR	376	39,023	32,344	1.01%
Equity instruments of Swedish issuers				564,844	514,671	16.11%
Investor AB	SE0000107419	SEK	3400	99,474	143,362	4.48%
Atlas Copco AB	SE0011166610	SEK	3500	119,983	98,075	3.07%
Volvo AB	SE0000115446	SEK	3800	54,909	52,593	1.65%
Hennes & Mauritz AB	SE0000106270	SEK	2900	92,951	46,001	1.44%
Telefonaktiebolaget LM Ericsson	SE0000108656	SEK	5200	36,023	43,714	1.37%
Hexagon AB	SE0000103699	SEK	700	36,248	33,929	1.06%
Skandinaviska Enskilda Banken AB	SE0000148884	SEK	4000	36,656	32,535	1.02%
Epiroc Aktiebolag A	SE0011166933	SEK	3500	30,699	31,662	0.99%
Assa Abloy AB	SE0007100581	SEK	1150	20,300	22,873	0.72%
Svenska Cellulosa AB SCA	SE0000112724	SEK	1300	37,601	9,927	0.31%
Equity instruments of Danish issuers				385,916	404,008	12.63%
Novo Nordisk A/S	DK0060534915	DKK	4200	150,165	187,896	5.88%
DSV A/S	DK0060079531	DKK	800	21,827	68,835	2.15%



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Financial instrument	ISIN code	Currency	Amount	Acquisition value (EUR)	Carrying amount 30.06.2019. (EUR)	% of the Fund's net assets 30.06.2019.
AP Moeller - Maersk A/S	DK0010244508	DKK	40	58,217	43,357	1.36%
Danske Bank A/S	DK0010274414	DKK	3000	50,065	41,702	1.30%
Novozymes A/S	DK0060336014	DKK	1000	40,960	41,053	1.28%
Pandora	DK0060252690	DKK	500	58,895	15,629	0.49%
Drilling Co of 1972 A/S/The	DK0061135753	DKK	80	5,787	5,536	0.17%
Equity instruments of Norwegian issuers				406,656	375,389	11.73%
Equinor ASA	NO0010096985	NOK	8500	151,765	147,793	4.62%
DNB ASA	NO0010031479	NOK	4600	64,826	75,023	2.35%
Telenor ASA	NO0010063308	NOK	3200	47,978	60,212	1.88%
Norsk Hydro ASA	NO0005052605	NOK	17500	101,103	54,808	1.71%
Orkla ASA	NO0003733800	NOK	4800	40,984	37,553	1.17%
Equity instruments of Polish issuers				249,477	226,086	7.08%
Powszechny Zaklad Ubezpieczen SA	PLPZU0000011	PLN	7860	103,311	81,067	2.54%
PKO Bank Polski SA	PLPKO0000016	PLN	7200	72,333	72,464	2.27%
Bank Polska Kasa Opieki SA	PLPEKAO00016	PLN	1400	36,481	36,832	1.15%
Polski Koncern Naftowy ORLEN SA	PLPKN0000018	PLN	1700	37,352	35,723	1.12%
Equity instruments of Finnish issuers				228,367	200,905	6.28%
Nokia OYJ	FI0009000681	EUR	23000	99,849	100,833	3.15%
Sampo Oyj	FI0009003305	EUR	900	38,682	37,170	1.16%
Nordea Bank Abp	FI4000297767	SEK	5800	53,588	37,139	1.16%
Stora Enso OYJ	FI0009005961	EUR	2500	36,248	25,763	0.81%
Equity instruments of Estonian issuers				119,011	131,797	4.12%
Tallink Grupp AS	EE3100004466	EUR	136436	119,011	131,797	4.12%
Equity instruments of Latvian issuers				55,442	76,340	2.39%
Olainfarm	LV0000100501	EUR	11000	55,442	76,340	2.39%
Equity instruments of Lithuanian issuers				33,809	31,500	0.99%
Linus Agro AB	LT0000128092	EUR	50000	33,809	31,500	0.99%
Total equity instruments:				3,155,874	3,139,816	98.20%

NOTE 3 PERFORMANCE DYNAMICS OF THE INVESTMENT FUND

	30.06.2019.	31.12.2018.	31.12.2017.	31.12.2016.
Net assets (EUR)	3,196,923	3,091,545	3,965,284	3,861,752
Number of share certificates	75,553	79,910	85,719	90,780
Value of the unit of the Investment Fund	42.31	38.69	46.26	42.54
Profitability of the investment Fund**	9.36%	(16.36%)	8.74%	1.43%
Net assets (EUR currency)*	3,196,923	3,091,545	3,966,504	3,860,862
Number of share certificates	75,553	79,910	85,719	90,780
Value of the unit of the Investment Fund	42.31	38.69	46.27	42.53
Profitability of the investment Fund**	9.36%	(16.38%)	8.79%	1.35%

* Net asset value in EUR is established using exchange rates fixed by the financial markets at the end of the day.

** Yield is calculated as the change in the value of the Fund unit over the reporting period in relation to its value at the beginning of the period. The profitability of the semi-annual report is presented in absolute terms. The Fund's annual performance is expressed as a multiple of 365 times the number of days in the period.