

INVESTMENT FUND
“CBL Eastern European Fixed Income Funds”

Sub-fund
“CBL Eastern European Bond Fund – EUR”

ANNUAL REPORT FOR 2015
(13rd financial year)

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 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 Eastern European Bond Fund – EUR”
Annual Report for 2015
Contents**

General information on the investment fund	3
Investment management company's report	4
Statement of responsibility of the Board of the investment management company	5
Custodian bank's report	6
Financial Statements:	
Statement of assets and liabilities	7
Statement of income and expense	8
Statement of changes in net assets	9
Statement of Cash Flows	10
Notes	11
Auditors' Report	29

IF "CBL Eastern European Bond Fund – EUR"

Annual Report for 2015

General information on the investment fund

Name of the fund:	"CBL Eastern European Fixed Income Funds"
Type of fund:	Investment fund
Registration date:	20 July 2009 (date of re-registration 30 March 2015)
Fund number:	FFL94-06.03.04.098/41
Name of the sub-fund:	"CBL Eastern European Bond Fund – EUR"
Name of the investment management company:	"CBL Asset Management" IPAS
Registered office:	Republikas laukums 2a, Rīga, LV-1010, Latvia
Registration number:	
License number:	40003577500
	06.03.07.098/285
Name of the custodian bank:	"Citadele banka" AS
Registered office:	Republikas laukums 2a, Rīga, 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.
Managers:	Andris Kotāns – appointed on 27.10.2008 Edgars Lao – appointed on 16.09.2011.
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 Rīga, LV-1013 Latvia Licence No. 55

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2015
Investment management company's report

The sub-fund of investment Fund "CBL Eastern European Fixed Income Funds" – "CBL Eastern European Bond Fund – EUR" (hereinafter – the Fund) is a debt securities investment fund whose principal currency is euro. The Fund manager is investment management company "CBL Asset Management", legal address Republikas laukums 2a, Rīga, LV-1010, registered under No 40003577500. The number of Investment Company's operating licence, which was last re-registered on 19 February 2014, is 06.03.07.098/285.

The Fund aims to achieve long-term capital growth by investing primarily in debt securities and money market instruments issued or guaranteed by central and local governments, central banks, credit institutions and commercial companies of the Eastern European countries; in fixed income funds, as well as in ETFs traded on the regulated markets of the European Union member states and OECD member states, without industry limitations. The investment portfolio of the Fund is diversified to include investments in different industries and countries, thereby achieving a higher protection against volatility of the Fund's asset value versus investments in a single industry or country securities. There were no changes to the Fund's policy during the reporting period.

During the reporting year, the amount of Fund's net assets increased by 39.84% and as at the end of the reporting period it amounted to EUR 14,492,267. As at 31.12.2015, gross assets amounted to EUR 14,654,055. The Fund's share value during the reporting period increased by EUR 1.32 and at the year-end it amounted to EUR 16.56. The Fund's overall return in 2015 was 8.66% in terms of euro and 8.51% in terms of Fund's currency (euro) at foreign exchange rates set by financial markets at end of the day.

At the beginning of 2015, the Eastern European region was still dominated by the flow of negative news from both military conflict-affected Eastern part of Ukraine and Russia, which for the first time in ten years lost its investment grade rating status. Nevertheless, investors' mood regarding the debt securities market of the region gradually improved, which was encouraged by reduced geopolitical tension in relation to the conflict in Ukraine and concluded Ukrainian debt restructuring transaction. As a result, during the year Eastern European debt market showed an increase of 11% in terms of US dollars and contrasted positively with markets of other emerging countries which ended 2015 with no substantial changes. CBL Eastern European Bond Fund – EUR was slightly behind the market performance due to different base currency, but it was still among the best bond funds in the region. During the reporting period the Fund's performance was the most positively impacted by investments in Russia and Ukraine, while a slight negative contribution was made by the Macedonian government securities.

Given the downward trend in oil prices, during the reporting period we continued reducing the Fund's share of Russia from 22.85% to 11.48% and of Azerbaijan from 12.35% to 6.62%. Instead, we increased the share of oil net importer Turkey from 8.79% to 13.66%, thus at the year-end it represented the largest share in the Fund. In addition, we made new investments in Poland, Latvia and Macedonia. As at the end of the reporting period, the Fund's debt securities were diversified among 14 countries. The average yield to maturity of the Fund was 7.6%, average duration 2.8 and weighted average credit rating was Ba2.

Management costs during the period amounted to EUR 250,871 or 1.73% of average value of net assets during the period, which does not exceed the maximum amount of 3.00% provided in the Fund's prospectus.

After the reporting period, the Council of Financial and Capital Market Commission (FCMC) authorized the local merger of the investment fund's "CBL Eastern European Fixed Income Funds" sub-fund "CBL Eastern European Bond Fund - EUR" and "CBL Eastern European Bond Fund - USD" in order to ensure efficient portfolio management in compliance with the best international practice of investment funds. On 18 April 2016 the name of the sub-fund "CBL Eastern European Bond Fund - USD" was changed to "CBL Eastern European Bond Fund", and the fund resulting from the merger will issue investment certificates of two classes: R Acc USD and R Acc EUR (hedged). Investment certificates of the sub-fund "CBL Eastern European Bond Fund - EUR" (ISIN LV0000400174) will be exchanged into "CBL Eastern European Bond Fund" R Acc EUR (hedged) class investment certificates and investment certificates of the sub-fund "CBL Eastern European Bond Fund - USD" (ISIN LV0000400125) will be exchanged into "CBL Eastern European Bond Fund" R Acc USD class investment certificates. At the time of merger investors of the Fund did not have to take any action.

The management team of IPAS "CBL Asset Management" closely follows developments both locally and globally: in terms of sustainability of economic growth, monetary and fiscal policy of the largest countries, as well as possible inflation and political risks, as they have a substantial impact on the dynamics of Eastern European region's economy and capital market. Selective instrument selection, regardless of the sector and the country will continue to be a decisive factor in the Fund's investment process.


 Uldis Upenieks

Chairperson of the Board


 Andris Kotāns

Member of Investment Committee


 Edgars Lao

Member of Investment Committee

Rīga, 29 April 2016

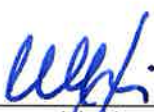
IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2015
Statement of responsibility of the Board of the investment management company

The Board of Investment Management Company (hereinafter - the Company) is responsible for preparation of financial statements of the investment fund "CBL Eastern European Bond Fund – EUR" (hereinafter - the Fund).

The financial statements on pages 7 to 28 are prepared based on source documents and present fairly the financial position of the Fund as at 31 December 2015, the results of its operations in 2015.

Financial statements mentioned above are prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, as required by the regulation of the Financial and Capital Market Commission (FCMC) "On preparation of annual reports and consolidated annual reports of investment fund and open alternative investment fund" on a going concern basis. Appropriate accounting methods have been consistently applied in the reporting period. Prudent and reasonable judgments and estimates have been made by the Management in the preparation of the financial statements.

The Board of the Company is responsible for the maintenance of proper accounting records, the safeguarding of "CBL Eastern European Bond Fund – EUR" assets and the prevention and detection of fraud and other irregularities. They are also responsible for operating the Fund in compliance with the Law on Investment Management Companies, regulations of the Financial and Capital Market Commission (FCMC) and other laws and regulations of the Republic of Latvia.



Uldis Upenieks
Chairperson of the Board

Riga
29 April 2016

CUSTODIAN BANK REPORT

For holders of IF "CBL Eastern European Fixed Income Funds"
"CBL Eastern European Bond fund - EUR"
Investment fund applications

With this Citadele Bank JSC, which is registered in LR Enterprise register on June 30, 2010 with No. 40103303559 and located at 2a Republikas square, Riga, certifies, that:

According to the law "On investment companies" of Republic of Latvia, regulations of Financial and Capital Market Commission (FCMC), other requirements of LR legislation and contract with Custodian bank, which is concluded on the May 11, 2009, Citadele Bank JSC, (further in the text - Custodian) carries out functions of custodian bank for the IF "CBL Eastern European Fixed Income Funds" (further in the text – Fund) founded by IPAS "CBL Asset Management";

Custodian is responsible for fulfilling of Custodian bank contract and requirements of LR legislation related to custodian banks. The main obligations of the Custodian are the following:

- to store assets of the Fund, as well as documents, which confirm title according to the requirements of LR legislation;
- to ensure maintenance of the Fund account, reception and execution of Company's orders, as well as performance of transactions according with requirements of LR legislation and current market practice;
- to ensure the Company with regular reports on assets of the Fund and its value (prices of the securities);
- to follow the correctness of the value of the Fund and its certificates set by the Company and its conformity with LR legislation acts;
- to follow the correctness and legal status of issuing, sales and repurchasing of investment certificates performed by the Company;

Issuing, sales and repurchasing of the investment certificates is performed according to the requirements of the law "On investment companies", fund prospect and Fund management regulations; Storage of the Fund assets is performed according to the requirements of the law "On investment companies" and Custodian bank contract;

Calculation of the net value of the Fund assets is performed according to the requirements of the law "On investment companies", regulations of Financial and Capital Market Commission (FCMC), Fund prospect and Fund management regulations;

Orders of the Company, as well as transactions with the assets of IF "CBL Eastern European Fixed Income Funds" are performed according to the requirements of the law "On investment companies", Fund prospect and Fund management regulations and Custodian bank contract .

In the accounting period no mistakes and illegal matters were observed in performance of the Company with Fund assets. Citadele bank JSC is very satisfied with co-operation in performing of the functions of Custodian bank.



Guntis Beļavskis
Chairman of the Board, p.p.

Riga, February 29, 2016

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2015
Statement of assets and liabilities
(EUR)

Note		<u>31.12.2015.</u>	<u>31.12.2014.</u>
	Assets		
3	Due on demand from credit institutions	1,031,613	1,176,071
	Financial assets held for trading		
4	Debt securities and other fixed income securities	13,590,469	9,626,820
5	Derivatives	31,973	-
	Total Assets	<u>14,654,055</u>	<u>10,802,891</u>
	Liabilities		
	Financial liabilities held for trading		
5	Derivatives	(137,236)	(422,185)
6	Accrued expenses	(24,552)	(17,213)
	Total liabilities	<u>(161,788)</u>	<u>(439,398)</u>
	Net assets	<u>14,492,267</u>	<u>10,363,493</u>

The accompanying notes on pages 11 to 28 form an integral part of these financial statements.



Uldis Upenieks
Chairperson of the Board

Riga
29 April 2016

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2015
Statement of income and expense
(EUR)

Note		2015	2014
	Reporting period income		
7	Interest income	1,376,748	1,131,965
	Other income	14,873	-
	Total income	1,391,621	1,131,965
	Reporting period expenses		
	Remuneration to investment management company	(217,209)	(218,999)
	Remuneration to custodian bank	(26,065)	(26,280)
	Other fund management expenses	(7,597)	(2,313)
	Total expenses	(250,871)	(247,592)
	Increase/(decrease) in investment value		
8	Realized increase/(decrease) in investment value	158,182	(431,623)
9	Unrealized decrease in investment value	(77,062)	(1,231,917)
	Total increase/(decrease) in investment value	81,120	(1,663,540)
	Result of foreign exchange revaluation	2,185	(223,507)
	Increase/(decrease) in net assets from investment	1,224,055	(1,002,674)

The accompanying notes on pages 11 to 28 form an integral part of these financial statements.



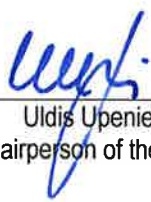
 Uldis Upenieks
 Chairperson of the Board

Riga
 29 April 2016

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2015
Statement of changes in net assets
(EUR)

	2015	2014
Net assets as at the beginning of the period	10,363,493	16,934,370
Increase/(decrease) in net assets from investment	1,224,055	(1,002,674)
Transactions with investment certificates:		
<i>Inflow from sale of investment certificates</i>	5,561,241	1,694,567
<i>(Outflow) on redemption of investment certificates</i>	(2,656,522)	(7,262,770)
Net increase/(decrease) in assets from transactions with investment certificates	2,904,719	(5,568,203)
Increase/(decrease) in net assets for the period	4,128,774	(6,570,877)
Net assets as at the end of the period	14,492,267	10,363,493
Issued investment certificates as at the beginning of the period	680,178	1,015,969
Issued investment certificates as at the end of the period	875,201	680,178
Net assets per investment certificate as at the beginning of the period	15.24	16.67
Net assets per investment certificate as at the end of the period	16.56	15.24

The accompanying notes on pages 11 to 28 form an integral part of these financial statements.


 Uldis Upenieks
 Chairperson of the Board

Riga
 29 April 2016

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2015
Statement of Cash Flows
(EUR)

	<u>2015</u>	<u>2014</u>
Cash received from interest income	957,792	1,144,996
Investment management expenses	(243,531)	(255,723)
Additions of financial investments	(11,129,129)	(8,434,899)
Disposal/repayment of financial investments	8,563,990	14,211,187
Foreign currency translation result	(1,226,440)	(673,926)
(Decrease)/increase in cash from operating activities	(3,077,318)	5,991,635
Inflow from sale of investment certificates	5,561,241	1,694,567
(Outflow) of redemption of investment certificates	(2,656,522)	(7,262,770)
Increase/(decrease) in cash and cash equivalents from financing activities	2,904,719	(5,568,203)
(Decrease)/increase in cash and cash equivalents for the period	(172,599)	423,432
Cash and cash equivalents at the beginning of the reporting period	1,176,071	699,130
Result of revaluation of foreign currency	28,141	53,509
Cash and cash equivalents at the end of the reporting period	1,031,613	1,176,071

The accompanying notes on pages 11 to 28 form an integral part of these financial statements.



 Uldis Upenieks
 Chairperson of the Board

Riga
 29 April 2016

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2015
Notes
(EUR)

1. General information

Name of the fund:	"CBL Eastern European Fixed Income Funds "
Type of fund:	Investment fund with sub-funds
Line of business:	Investments primarily in debt securities issued or guaranteed by the Eastern European countries, local authorities, central banks, credit institutions and commercial undertakings. The investment portfolios are diversified among investments in various currencies, sectors and countries, thus providing greater investment safety and protection against fluctuations in asset value, compared to investments in securities of only one currency, sector or country.
Name of the sub-fund:	"CBL Eastern European Bond Fund – EUR"
Line of business of the sub-fund:	The principal currency of the sub-fund is euro (EUR). Investments in equity securities are not provided for in the Prospectus.
Name of the investment management company:	"CBL Asset Management" IPAS (hereinafter - the Company) Republikas laukums 2a, Riga, LV-1010, Latvia

2. Summary of significant accounting policies

Basis of preparation

Financial statements of IF "CBL Eastern European Bond Fund – EUR" (hereinafter – Fund) are prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS), as required by the regulation of the Financial and Capital Market Commission (FCMC) "On preparation of annual reports and consolidated annual reports of investment fund and open alternative investment fund".

The financial statements are prepared on a historical cost basis, as modified for the measurement at fair value of financial instruments held-for-sale.

The monetary unit used in the financial statements is euro (EUR), the monetary unit of the Republic of Latvia. The financial statements cover the period from 1 January 2015 to 31 December 2015.

Opening balances of Statement of assets and liabilities as at 1 January 2015 agree with the prior year closing balances.

Functional and Presentation Currency

Financial accounting of the Fund is done in euros, which is the Fund's reporting and functional currency.

Significant estimates and assumptions

Preparation of financial statements in compliance with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures in the financial statements at the date of financial statements, as well as income and expenses recognized in the reporting period. Moreover, when preparing the financial statements, the management of investment management company has to make assumptions and judgements when applying the Fund's accounting policy.

Significant estimates and assumptions relate to determination of fair value for financial assets.

Income and expense recognition

All interest income and expenses are recognized on an accrual basis.

Interest income and expenses are recognized in the income statement based on the effective interest rate of on the asset/liability. Interest income and expenses include discount or premium amortization or other difference between the book value of an interest bearing instrument and its value on the maturity date calculated based on the effective interest rate method.

Income from dividends is recognized as received; in certain cases income from dividends may be recognized following a decrease in stock prices after the issuer has announced the dividend payment.

Remuneration for Fund management and performance of custodian bank's functions is calculated as a certain part of the value of Fund's assets and accrued on a daily basis and paid out on a monthly basis.

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2015
Notes
(EUR)

Foreign currency revaluation

Transactions in foreign currencies are translated into euros at the foreign exchange rate published by the European Central Bank as at the transaction date. All monetary assets and liabilities denominated in foreign currencies are translated to euros according to the foreign exchange rate published by the European Central Bank as at the end of the last day of the reporting year. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Profit or loss arising from changes in foreign exchange rate is charged to the profit and loss statement as profit or loss on revaluation of foreign exchange positions.

The exchange rates (EUR against foreign currency unit) established by the European Central Bank that were mainly applied when preparing the Statement of Assets and Liabilities of the Fund can be specified as follows:

<u>Currency</u>	<u>31.12.2015.</u>	<u>31.12.2014.</u>
USD	1.0887	1.2141
RUB	80.6736	72.3370

Cash and cash equivalents

Cash and cash equivalents comprise current account balances and other short term high liquidity investments with original maturity of less than 3 months.

Financial instruments

Financial instruments are classified into the following categories: instruments measured at fair value through profit or loss and loans and claims. Classification depends on the purpose of acquisition of the financial instrument. Management determines the classification of the financial instrument at initial recognition.

Financial instruments at fair value through profit and loss

Financial assets at fair value through profit and loss are such financial assets that are acquired or incurred for the purpose of selling in the near future or that are upon initial recognition, designated by the entity as at fair value through the profit or loss. Held for trading financial instruments are those instruments that the Fund holds only for generating profit from short term fluctuations in the value of financial instruments. Held for trading financial instruments include stocks, investment certificates of investment funds, fixed income debt securities and derivatives.

Securities are revaluated on the basis of Bloomberg's financial information on the market demand (bid) prices of these securities. Unlisted securities are assessed according to the custodian bank's information on transactions, but in case such information is not available, the securities are assessed at amortized cost. Purchase and sales of securities is recognized at the settlement date. The historical cost is measured using the FIFO (first in, first out) method.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include due from credit institutions. Fund's claims against credit institutions shall be carried at their amortized cost using the effective interest rate method less impairment, if any.

Allowance for impairment of receivables is established when there is objective evidence that the Fund will not be able to collect the full amount due according to the original terms. Impairment allowance is determined as the difference between the amortized cost and recoverable amount.

Derivatives

For the purpose of foreign currency risk management, the Fund takes part in forwards and swaps. For accounting purposes, all derivatives are classified as held for trading and are accounted for as follows.

Subsequent to initial recognition and determination of value, currency exchange instruments are recognized at their fair value in the balance sheet. The fair value of these instruments is reflected in the profit or loss statement under "Derivatives". The notional amount of these instruments is presented in the Notes to the financial statements.

Profit or loss arising from changes in claims and liabilities that arise from forwards and currency swap instruments are disclosed in the profit or loss statement as the result of foreign exchange revaluation.

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2015
Notes
(EUR)

Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instruments. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

As regards initial recognition, the best evidence of fair value is transaction price, i.e., the fair value of remuneration given or received. If the Fund determines that the fair value at initial recognition differs from the transaction price and the fair value is not evidenced neither in the quoted market price of identical asset or liability in an active market, nor in assessment methods that use only observable data, results, the financial instrument is initially carried at fair value which is adjusted to reflect the difference between the fair value at initial recognition and transaction price. Later this difference is recognized in the profit or loss statement, taking into account the instrument's expected useful life, but no later than the time when the value may be fully justified by observable market data or when the transaction is completed.

IFRS determines the hierarchy of financial instrument fair value assessment techniques, based on whether observable market data are used when determining the fair value of financial instruments or whether such data are unavailable. Financial assets at fair value are classified in the 1st level, 2nd level and 3rd level categories of this assessment technique.

The 1st level represents financial instruments whose fair value is determined based on exchange prices quoted in an active market. This category generally includes shares, debt securities, short-term bonds and standardized derivatives that are assessed using quoted exchange prices. Securities that are traded in active markets outside the stock exchange are also included in this category.

Level 2 presents financial instruments whose fair value was determined by using available market data such as prices for similar financial instruments that have been used for market transactions. This category generally includes less liquid debt securities and derivatives that are measured based on available market data. The price of less liquid debt securities is adjusted by the difference between the available yield rates.

Level 3 presents financial instruments whose fair value is determined using available market data and company's internal estimates.

The Company recognizes changes in the fair value hierarchy level for instruments at the end of the reporting period in which the changes have occurred. Compared with the previous year, there have been no changes in the fair value hierarchy.

Financial asset and financial liability portfolios that are exposed to market risk and credit risk, managed by the Fund based on the net exposure to either market risk or credit risk, are assessed taking into account the price that would be paid for the sale of the net long position (or paid to transfer net short position) for particular risks. These portfolio-level adjustments are allocated to individual assets and liabilities based on relative risk adjustments related to each of the individual instruments in the portfolio.

Taxes

Fund's income is subject to taxes in the country where it has been generated. The Fund is not subject to Latvian corporate income tax payments.

Changes in accounting policies

The Fund has consistently applied the accounting policies set out in Note 2 to all periods presented in these financial statements.

The Fund has considered the following new standards and amendments to standards, including the consequent amendments in other standards the initial application date of which was 1 January 2015, and have concluded that they do not apply to the Fund:

- *IFRIC 21 guidance on a levy imposed by government*
- *Annual amendments to IFRS*

IF “CBL Eastern European Bond Fund – EUR”
Annual Report for 2015
Notes
(EUR)

New standards and interpretations

Several new standards, amendments to standards and interpretations effective for periods starting after 1 January 2015 have not been applied to these financial statements. Standards and interpretations application of which will not affect the financial statements are listed below.

- *IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2016)*
The Fund is not a part of any joint arrangement.
- *IAS 1: Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2016)*
- *IAS 16: Property, Plant and Equipment and IAS 38: Intangible Assets (effective for annual periods beginning on or after 1 January 2016)*
- *IAS 16: Property, Plant and Equipment and IAS 41: Agriculture (effective for annual periods beginning on or after 1 January 2016)*
- *IAS 19: Property, Plant and Equipment and IAS 41: Benefit Plans: Employee Benefits (effective for annual periods beginning on or after 01 February 2015)*
- *IAS 27: Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016)*
- *Annual amendments to IFRS*

3. Due on demand from credit institutions

	31.12.2015.	31.12.2014.	% from net assets 31.12.2015.
Balances due from credit institutions, AS “Citadele” banka	1,031,613	1,176,071	7.12%
Total demand deposits with credit institutions	1,031,613	1,176,071	7.12%

For cash on demand the Fund receives interest income that is calculated at fixed rates.

4. Debt securities and other securities with fixed income

	31.12.2015.	31.12.2014.	Annual yield before the maturity 31.12.2015.	% of net assets 31.12.2015.
Corporate debt securities	6,705,197	6,055,653	11.43%	46.26%
Corporate debt securities of other non-OECD countries	4,732,698	5,473,475	13.83%	32.65%
Corporate debt securities of OECD region	1,591,344	582,178	5.12%	10.98%
Corporate debt securities of Latvian region	381,155	-	8.00%	2.63%
Debt securities of credit institutions:	3,445,525	2,389,483	8.42%	23.78%
Credit institution debt securities of other non-OECD countries	2,443,925	2,056,011	9.80%	16.87%
Credit institution debt securities of OECD region	1,001,600	333,472	5.05%	6.91%
Government debt securities	1,969,543	754,324	4.19%	13.60%
Government debt securities of non-OECD region	876,147	177,546	4.98%	6.05%
Government debt securities of OECD region	1,093,396	576,778	3.55%	7.55%
Financial institution debt securities	1,470,204	427,360	8.37%	10.14%
Financial institution debt securities of non-OECD region	869,669	174,832	6.88%	6.00%
Financial institution debt securities of OECD region	600,535	252,528	10.53%	4.14%
Total debt securities and other fixed income securities	13,590,469	9,626,820	9.29%	93.78%

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

IF “CBL Eastern European Bond Fund – EUR”
Annual Report for 2015
Notes
(EUR)

All fixed income securities are listed on regulated market stock exchanges, except for securities with a book value of EUR 630,041 (2014: EUR 678,699).

The following table presents debt securities classified by the issuer's country of origin:

Financial instrument	ISIN code	Currency	Amount	Purchase value (EUR)	Carrying value as at 31.12.2015	% of net assets 31.12.2015
Financial instruments traded in regulated markets				13,777,157	12,960,428	89.43%
Debt securities of Turkish issuers:				1,918,099	1,980,668	13.66%
ARCELIK	XS0910932788	USD	675	601,413	568,299	3.92%
EXPORT CREDIT BANK OF TURKEY	XS0774764152	USD	525	519,818	501,593	3.46%
TURKIYE HALK BANKASI AS	XS1069383856	USD	550	446,361	500,007	3.45%
TURKEY	US900123AX87	USD	400	350,507	410,769	2.83%
Debt securities of Russian issuers:				1,610,408	1,664,209	11.48%
SEVERSTAL	XS0841671000	USD	575	537,966	515,923	3.56%
BORETS	XS0974469206	USD	550	400,662	429,568	2.96%
RENAISSANCE CREDIT	XS0938341780	USD	400	311,950	367,946	2.54%
RASPADSKAYA	XS0772835285	USD	375	359,830	350,772	2.42%
Debt securities of Kazakh issuers:				1,563,340	1,599,039	11.03%
HALYK BANK	XS0583796973	USD	600	540,054	581,119	4.01%
NOSTRUM OIL & GAS	USN64884AA29	USD	700	525,847	516,197	3.56%
KAZAGRO	XS1070363343	EUR	525	497,439	501,723	3.46%
Debt securities of Ukrainian issuers:				1,595,060	1,271,789	8.78%
MHP SA	USL6366MAC75	USD	600	490,527	488,568	3.37%
METINVEST BV	XS0591549232	USD	700	471,914	304,160	2.10%
FIRST UKRAINIAN INTERNATIONAL BANK	XS0287015787	USD	433	332,617	289,478	2.00%
AVANGARD	XS0553088708	USD	412	300,002	189,583	1.31%
Debt securities of Hungarian issuers:				1,024,883	1,128,861	7.80%
HUNGARY	US445545AD87	USD	650	679,001	682,627	4.72%
MOL	XS0834435702	USD	450	345,882	446,234	3.08%
Debt securities of Bulgarian issuers:				1,038,713	1,017,118	7.02%
BULGARIAN ENERGY HOLDING EAD	XS0989152573	EUR	575	578,744	560,430	3.87%
VIVACOM	XS0994993037	EUR	450	459,969	456,688	3.15%
Debt securities of Croatian issuers:				734,119	732,124	5.05%
ZAGREBACKI HOLDING	XS0309688918	EUR	8	365,198	384,663	2.65%
CROATIA	XS0464257152	USD	350	368,921	347,461	2.40%
Debt securities of Azerbaijani issuers:				603,634	627,348	4.33%
INTERNATIONAL BANK OF AZERBAIJAN	XS1076436218	USD	750	603,634	627,348	4.33%
Debt securities of Georgian issuers:				528,867	614,496	4.24%
BANK OF GEORGIA	XS0783935561	USD	625	528,867	614,496	4.24%
Debt securities of Polish issuers:				580,885	576,811	3.98%
SYNTHOS	XS1115183359	EUR	575	580,885	576,811	3.98%
Debt securities of Romanian issuers:				540,827	536,146	3.70%
RCS & RDS	XS0954673777	EUR	500	540,827	536,146	3.70%
Debt securities of Macedonian issuers:				561,559	528,686	3.65%
FYR MACEDONIA	XS1087984164	EUR	550	561,559	528,686	3.65%
Debt securities of Latvian issuers:				1,175,188	381,155	2.63%
ELKO GRUPA AS	LV0000801892	EUR	375	375,188	381,155	2.63%
PAREX BANKA	LV0000800696	EUR	8,000	800,000	-	0.00%

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2015
Notes
(EUR)

Financial instrument	ISIN code	Currency	Amount	Purchase value (EUR)	Carrying value as at 31.12.2015	% of net assets 31.12.2015.
Debt securities of Estonian issuers:						
MAINOR ULEMISTE AS	EE3300110691	EUR	300	301,575	301,978	2.08%
Financial instruments not traded in regulated markets				568,968	630,041	4.35%
Debt securities of Estonian issuers:				293,612	298,557	2.06%
CREDITSTAR GROUP	EE3300110683	EUR	300	293,610	298,557	2.06%
Q VARA	EE3300079987	EUR	15	2	-	0.00%
Debt securities of Azerbaijani issuers:				275,356	331,484	2.29%
MUGAN BANK	LV0000801157	USD	350	275,356	331,484	2.29%
Total debt securities and other fixed income securities				14,346,125	13,590,469	93.78%

All debt securities and other non-fixed income debt securities are classified as held for trading securities. At the end of the reporting period there were no shares in the portfolio.

At the end of the reporting period there were no investment certificates and similar securities in the Fund.

5. Derivatives

The following table presents the notional amount and fair value of forwards and swaps. The notional amount of foreign exchange transactions is determined in accordance with the requirements arising from these transactions.

Foreign exchange transactions are determined in accordance with the requirements arising from these transactions.							
	31.12.2015.			31.12.2014.			% from net assets as at 31.12.2015
	Nominal basic value	Fair value		Nominal basic value	Fair value		
		Assets	Liabilities		Assets	Liabilities	
Foreign exchange transactions							
Swaps	9,133,150	31,973	(137,236)	8,142,578	-	(421,305)	(0.73%)
Forwards	-	-	-	263,180	-	(880)	-
Total derivatives	9,133,150	31,973	(137,236)	8,405,758	-	(422,185)	(0.73%)

All derivatives are concluded with AS "Citadele" Banka.

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2015
Notes
(EUR)

6. Accrued expenses

	31.12.2015.	31.12.2014.
Accrued expenses for management company's commissions	(18,305)	(14,029)
Accrued expenses for custodian bank's commissions	(2,197)	(1,684)
Accrued expenses for professional services	(4,050)	(1,500)
Total accrued expenses	(24,552)	(17,213)

7. Interest income

	2015	2014
From debt securities and other fixed income securities	1,373,201	1,127,672
Due on demand from credit institutions	3,547	4,293
Total interest income	1,376,748	1,131,965

8. Realized increase/(decrease) in investments

	2015	2014
Proceeds from sales of investments in the reporting period*	7,683,156	14,163,575
Amortized cost of investments sold during the reporting period	(8,131,916)	(15,015,222)
Increase in disposed investment recognized in prior reporting periods	606,942	420,024
Total realized increase/(decrease) in investments	158,182	(431,623)

* Proceeds from sales (disposal) of investments in the reporting period are based on the exchange rate as security purchase date.

9. Unrealized decrease in investment

	2015	2014
From debt securities and other fixed income securities	(77,062)	(1,231,917)
Total non-realized decrease in investment	(77,062)	(1,231,917)

10. Changes in investment value

The table below reflects changes in investments in 2015:

	31.12.2014.	Increase during the period	Decrease during the reporting period*	Fair value revaluation result	31.12.2015.
Financial investments held for trading:					
Debt securities and other securities with fixed income	9,626,820	11,129,129	(9,503,361)	2,337,881	13,590,469
Derivatives, net	(422,185)	-	-	316,922	(105,263)
Total investments	9,204,635	11,129,129	(9,503,361)	2,654,803	13,485,206

* Decrease during the reporting period is carried at the exchange rate at the date of sales of investments. This position includes proceeds from sales of investments, disposal and coupons received.

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2015
Notes
(EUR)

The table below reflects changes in investments in 2014:

	as at 31.12.2013	Increase during the period	Decrease during the reporting period*	Fair value revaluation result	31.12.2014.
Financial investments held for trading:					
Debt securities and other securities with fixed income	16,009,454	8,434,899	(15,351,890)	534,357	9,626,820
Derivatives, net	251,130	-	-	(673,315)	(422,185)
Total investments	16,260,584	8,434,899	(15,351,890)	(138,958)	9,204,635

* Decrease during the reporting period is carried at the exchange rate at the date of sales of investments. This position includes proceeds from sales of investments, disposal and coupons received.

11. Pledged assets

During the reporting period, the Fund has not issued any kind of guarantees or pledged any assets.

12. Fair value of financial assets and liabilities

Financial instruments measured at fair value

The table below analysis financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised.

2015	Level 1:	Level 2:	Level 3:	Total
Financial assets				
Held for trading financial instruments	12,277,295	-	1,313,174	13,590,469
Derivatives	-	31,973	-	31,973
	12,277,295	31,973	1,313,174	13,622,442
Financial liabilities				
Financial instruments at fair value through profit and loss	-	(137,236)	-	(137,236)
	12,277,295	(105,263)	1,313,174	13,485,206
2014				
Financial assets				
Held for trading financial instruments	8,521,950	426,171	678,699	9,626,820
Derivatives	8,521,950	426,171	678,699	9,626,820
Financial liabilities	-	(422,185)	-	(422,185)
Financial instruments at fair value through profit or loss	8,521,950	3,986	678,699	9,204,635
	8,521,950	426,171	678,699	9,626,820

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2015
Notes
(EUR)

The table presents the comparison of opening and closing balances of hierarchy Level 3 fair value measurement.

EUR	Held for trading financial instruments	Total
Balance as at 1 January 2015	678,699	678,699
Total profit or loss:		
through profit or loss	(141,051)	(141,051)
Additions	1,056,474	1,056,474
Account settlement	(563,051)	(563,051)
Balance as at 31 December 2015	1,313,174	1,313,174

EUR	Held for trading financial instruments	Total
Balance as at 1 January 2014	786,245	786,245
Total profit or loss:		
through profit or loss	137,484	137,484
Additions	-	-
Account settlement	(245,030)	(245,030)
Balance as at 31 December 2014	678,699	678,699

The table describes the valuation method used to arrive at the Level 2 and 3 fair value, and the significant unobservable inputs:

Type	Assessment method	Relevant unobservable data	Relationship between relevant unobservable data and fair value measurement
Financial instruments held for trading (debt securities and other fixed income securities, Derivatives) - Level 2	Discounted cash flow approach	Non-applicable	Non-applicable
Financial instruments held for trading (debt securities and other fixed income securities) - Level 3	Discounted cash flow approach	Discount rate	The estimated fair value would increase (decrease) if: - the discount rate was lower (higher);

If at the end of the reporting period there were changes in any of relevant unobservable input data that are used for the fair value measurement of financial instruments held for trading, but other input data would remain unchanged; the impact of such changes would be as follows:

	Income Statement Effect	
As at 31 December 2015	Increase	(Decrease)
Discount rate (2% movement)	39,636	(38,357)
As at 31 December 2014	Increase	(Decrease)
Discount rate (1% movement)	4,684	(1,895)
Discount rate (2% movement)	2,594	(19,755)

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2015
Notes
(EUR)

13. Risk management

Investment process risk can be defined as a probability of undesirable outcome that may materialize in a given market economy in a given period. Risk management is described as risk identification, measurement and its possible prevention. The investment process can be affected by the exchange rate risk, interest rate risk, risk of price changes, as well as credit risk, liquidity risk and other risks, including operational risk. The investment strategy of the Fund is aimed at minimising the aforementioned risks, however, the Company cannot guarantee that these risks can be completely avoided in future.

Risk management framework

Risk identification and measurement is a responsibility of an independent unit of the Company - the Risk management department, which develops and presents the information on risk profile to the Fund manager. The Fund manager, however, can make certain decisions on the need to reduce existing or potential risks.

Risk measurement process employs models that are developed by the company, are based on historical data and are adjusted according to the economic situation. Certain models are also used to predict the financial risk factor changes under both normal and exceptional financial market circumstances.

The Manager of Investment Fund follows risk diversification and hedging principles whose objective is to reduce the investment risk that are developed in accordance with the Management Policy. The Management of the Fund acquires sufficient information on potential or current investment objects, as well as supervises financial and economic position of issuers of the securities in which the Fund's property has been or is to be invested.

The Company, when developing the strategy of the Fund and stating risk limits, performs the analysis of the Fund's investments by maturity, geographic placement, currency profile and assesses the risks inherent to each of the above factors. The manager acts in strict compliance with the Prospectus of the Fund, Fund Management Regulations, as well as regulations and restrictions imposed by legislation of the Republic of Latvia.

Market risk

As market risk is understood the probability that the Fund's value may decrease when any market factors change, for example, in case of changes in interest rates (interest rate risk), prices of securities (price change risk), foreign currency exchange rates (exchange rate risk) or other market risk factors. Below are assessed sources of market risk that have been listed, however, they cannot be fully diversified.

Interest rate risk

Securities price risk for fixed income securities (bonds) largely depends on market interest rate fluctuations and changes in the issuer's credit quality. Market interest rate changes affect the attractiveness of securities in the most direct manner, as substantially it is an alternative source of interest income. If market interest rates are growing then the prices of fixed income securities fall and vice versa. On the other hand, the increase (decrease) in market interest rates have a positive (negative) effect on the coupon rates of fixed income securities with a variable interest rate (when the coupon is fixed as a base rate - such as Euribor or Libor plus an additional margin). Following revaluation (moment starting from which a new interest rate will be applied) the yield rate for such securities coupons increases (decreases), with the result that the interest income increases (decreases).

Tables provided in the next show the effects of changes in certain currency market interest rates on the value of a particular Fund, where the interest income changes are calculated for one year. Changes in the real value of the Fund may differ from estimates and the difference may be material.

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2015
Notes
(EUR)

13. Risk management (continued)

Changes in the value of fixed income securities market and interest income (2015, EUR)

Currency	Changes in base rate, bp	Changes in annual interest income	Changes in market value	Effect of base rate fluctuations on the portfolio's overall value
EUR	100	-	(144,139)	(144,139)
USD	100	-	(290,700)	(290,700)
Total		-	(434,839)	(434,839)

Changes in the value of fixed income securities market and interest income (2014, EUR)

Currency	Changes in base rate, bp	Changes in annual interest income	Changes in market value	Effect of base rate fluctuations on the portfolio's overall value
EUR	100	-	(52,947)	(52,947)
USD	100	-	(271,250)	(271,250)
Total		-	(324,197)	(324,197)

Changes in the value of fixed income securities market and interest income (2015, % of net assets)

Currency	Changes in base rate, bp	Changes in annual interest income	Changes in market value	Effect of base rate fluctuations on the portfolio's overall value
EUR	100	0.00%	(0.99%)	(0.99%)
USD	100	0.00%	(2.00%)	(2.00%)
Total		0.00%	(3.00%)	(3.00%)

Changes in the value of fixed income securities market and interest income (2014, % of net assets)

Currency	Changes in base rate, bp	Changes in annual interest income	Changes in market value	Effect of base rate fluctuations on the portfolio's overall value
EUR	100	0.00%	(0.51%)	(0.51%)
USD	100	0.00%	(2.61%)	(2.61%)
Total		0.00%	(3.12%)	(3.12%)

Changes in the value of fixed income securities market and interest income (2015, EUR)

Currency	Changes in base rate, bp	Changes in annual interest income	Changes in market value	Effect of base rate fluctuations on the portfolio's overall value
EUR	(100)	-	144,139	144,139
USD	(100)	-	290,700	290,700
Total		-	434,839	434,839

Changes in the value of fixed income securities market and interest income (2014, EUR)

Currency	Changes in base rate, bp	Changes in annual interest income	Changes in market value	Effect of base rate fluctuations on the portfolio's overall value
EUR	(100)	-	52,947	52,947
USD	(100)	-	271,250	271,250
Total		-	324,197	324,197

Changes in the value of fixed income securities market and interest income (2015, % of net assets)

Currency	Changes in base rate, bp	Changes in annual interest income	Changes in market value	Effect of base rate fluctuations on the portfolio's overall value
EUR	(100)	0.00%	0.99%	0.99%
USD	(100)	0.00%	2.00%	2.00%
Total		0.00%	3.00%	3.00%

Changes in the value of fixed income securities market and interest income (2014, % of net assets)

Currency	Changes in base rate, bp	Changes in annual interest income	Changes in market value	Effect of base rate fluctuations on the portfolio's overall value
EUR	(100)	0.00%	0.51%	0.51%
USD	(100)	0.00%	2.61%	2.61%
Total		0.00%	3.12%	3.12%

Price change risk

Changes in equity securities (shares) depend on two variables - changes in national stock index (as to Latvia these are, for example, changes in the corporate stock index - RIGSE), and the particular issuer's financial situation (in terms of capacity to generate profit), which in turn affects the fluctuations between the balance of supply and demand. The first variable is also often referred to as the systematic risk; whereas the second - as specific risk.

The systematic risk is managed based on forecasts regarding the overall economic development in the specific geographical region and the potential economic development in the sector. The specific risk is managed on the basis of detailed analysis of issuer's

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2015
Notes
(EUR)

financial situation and capacity to generate profit, as well as other factors affecting the price of the security mainly based on the reports published by the issuer, information in the mass media etc. Here the focus is on both security price volatility (deviations) and correlations. As a result it is possible to calculate the price for securities included in the overall risk portfolio, given their historical profitability.

Exchange rate risk

Exchange rate risk arises when the nominal currency of securities and other financial instruments in the Fund differs from the Fund's currency. Exchange rate fluctuations may cause profit or loss depending on the direction of exchange rate fluctuations and the currency's position in the Fund. Currency risk is managed effectively in the Fund by entering into forward and swap transactions.

The following table shows the classification of Fund's assets and liabilities by currency as at 31 December 2015:

	USD	EUR	Total
Assets			
Due on demand from credit institutions	33,042	998,571	1,031,613
Financial assets held for trading			
Debt securities and other securities with fixed income	9,063,632	4,526,837	13,590,469
Derivatives.	(5,640,385)	5,672,358	31,973
Total assets	3,456,289	11,197,766	14,654,055
Liabilities			
Financial liabilities held for trading			
Derivatives	(3,492,764)	3,355,528	(137,236)
Accrued expenses	-	(24,552)	(24,552)
Total liabilities	(3,492,764)	3,330,976	(161,788)
Net assets	(36,475)	14,528,742	14,492,267
<i>Net long/(short) position</i>	<i>(0.25%)</i>	<i>100.25%</i>	<i>100.00%</i>

The following table shows the classification of Fund's assets and liabilities by currency as at 31 December 2014:

	USD	EUR	Total
Assets			
Due on demand from credit institutions	572,110	603,961	1,176,071
Financial assets held for trading			
Debt securities and other securities with fixed income	7,846,845	1,779,975	9,626,820
Total assets	8,418,955	2,383,936	10,802,891
Liabilities			
Financial liabilities held for trading			
Derivatives	(8,405,757)	7,983,572	(422,185)
Accrued expenses	-	(17,213)	(17,213)
Total liabilities	(8,405,757)	7,966,359	(439,398)
Net assets	13,198	10,350,295	10,363,493
<i>Net long/(short) position</i>	<i>0.13%</i>	<i>99.87%</i>	<i>100.00%</i>

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2015
Notes
(EUR)

The effects of exchange rate fluctuations on the value of Fund's net assets are shown in the table below. Exchange rate changes represent a one year standard deviation of the particular rate.

Effects of changes in exchange rate (2015)				Effects of changes in exchange rate (2014)			
Currency	Share in Fund (% of net assets)	Change in exchange rate against EUR	Impact on the Fund's value	Currency	Share in Fund (% of net assets)	Change in exchange rate against EUR	Impact on the Fund's value
USD	(0.25%)	12.25%	(0.03%)	USD	0.13%	6.27%	0.01%
EUR	100.25%	0.00%	0.00%	EUR	99.87%	0.00%	0.00%
Total	100.00%		(0.03%)	Total	100.00%		0.01%

Credit risk

As credit risk is understood a probability that the value of the Fund may decrease, if the Fund's counterparty or issuer of debt securities will be unable to or will refuse to meet the obligations. Consequently, only safe counterparties with a good reputation are selected when performing transactions with the Fund's assets. Fund manager regularly monitors the solvency of Fund's counterparties, analyzes their credit rating, financial situation and information in mass media.

The Fund's asset credit quality is managed based on international rating agencies Standard & Poor's, Moody's and Fitch credit ratings. In addition, issuers' financial statements, financial position and future prospects are also analyzed.

The table shows the classification of debt securities issuers and credit institutions in which the Fund has deposits by credit ratings according to the following classification:

- High-quality financial instruments: AAA – AA- (Standard & Poor's); Aaa – Aa3 (Moody's Investors Service); AAA – AA- (Fitch);
- Investment class financial instruments: A+ - BBB- (Standard & Poor's); A1 – Baa3 (Moody's Investors Service); A+ - BBB- (Fitch);
- Higher risk financial instruments: BB+ - BB- (Standard & Poor's); Ba1 - Ba3 (Moody's Investors Service); BB+ - BB- (Fitch);
- Speculative financial instruments: B+ - C (Standard & Poor's); B1 - C (Moody's Investors Service); B+ - C (Fitch).

The following table shows the classification of Fund's assets and liabilities by credit ratings as at 31 December 2015:

	Investment class financial instruments	Higher risk financial instruments	Speculative financial instruments	Without rating	Total
Due on demand from credit institutions	-	-	1,031,613	-	1,031,613
Financial assets held for trading					
Debt securities and other securities with fixed income	1,914,092	6,434,097	3,781,529	1,460,751	13,590,469
Derivatives	-	(105,263)	-	-	(105,263)
Total investments	1,914,092	6,328,834	4,813,142	1,460,751	14,516,819

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2015
Notes
(EUR)

The following table shows the classification of Fund's assets and liabilities by credit ratings as at 31 December 2014:

	Investment class financial instruments	Higher risk financial instruments	Speculative financial instruments	Without rating	Total
Due on demand from credit institutions	-	-	1,176,071	-	1,176,071
Financial assets held for trading					
Debt securities and other securities with fixed income	1,778,786	3,955,161	3,640,345	252,528	9,626,820
Derivatives	-	(422,185)	-	-	(422,185)
Total investments	1,778,786	3,532,976	4,816,416	252,528	10,380,706

Concentration risk

The issuer's industry and geographical position are additional credit risk factors that may affect both the price of issued securities and the issuer's solvency. Therefore, it is important to recognize the concentration risk, i.e. - to what extent the Fund's value depends on changes in certain regions and / or sectors. Geographical classification of credit risk concentration (based on a country whose state affects the issuer's solvency the most) and classification of sectors are presented in the tables below.

The following table presents the geographical classification of Fund's assets and liabilities as at 31 December 2015:

	Latvia	OECD countries	Other Non-OECD countries	Total
Assets				
Due on demand from credit institutions	1,031,613	-	-	1,031,613
<i>Financial assets held for trading</i>				
Debt securities and other securities with fixed income	381,155	4,286,875	8,922,439	13,590,469
Derivatives	31,973	-	-	31,973
Total assets	1,444,741	4,286,875	8,922,439	14,654,055
Liabilities				
Derivatives	(137,236)	-	-	(137,236)
Accrued expenses	(24,552)	-	-	(24,552)
Total liabilities	(161,788)	-	-	(161,788)
Net assets	1,282,953	4,286,875	8,922,439	14,492,267

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2015
Notes
(EUR)

The following table presents the geographical classification of Fund's assets and liabilities as at 31 December 2014:

	Latvia	OECD countries	Other Non-OECD countries	Total
Assets				
Due on demand from credit institutions	1,176,071	-	-	1,176,071
Financial assets held for trading				
Debt securities and other securities with fixed income	-	1,744,957	7,881,863	9,626,820
Total assets	1,176,071	1,744,957	7,881,863	10,802,891
Liabilities				
Derivatives	(422,185)	-	-	(422,185)
Accrued expenses	(17,213)	-	-	(17,213)
Total liabilities	(439,398)	-	-	(439,398)
Net assets	736,673	1,744,957	7,881,863	10,363,493

The following table shows the classification of Fund's assets and liabilities by countries as at 31 December 2015:

Country	Carrying value as at 31.12.2015	Carrying value as at 31.12.2014	% of Fund's net assets 31.12.2015.
Turkey	1,980,668	910,250	13.67%
Russia	1,664,209	2,367,551	11.48%
Kazakhstan	1,599,039	952,528	11.03%
Latvia	1,282,953	736,673	8.85%
Ukraine	1,271,789	1,318,454	8.78%
Hungary	1,128,861	582,178	7.79%
Bulgaria	1,017,118	841,522	7.02%
Azerbaijan	958,832	1,280,498	6.62%
Croatia	732,124	379,012	5.05%
Georgia	614,496	435,386	4.24%
Estonia	600,535	252,528	4.14%
Poland	576,811	-	3.98%
Romania	536,146	306,913	3.70%
Macedonia	528,686	-	3.65%
Total	14,492,267	10,363,493	100.00%

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2015
Notes
(EUR)

The following table shows the sectoral classification of Fund's securities' portfolio as at 31 December 2015:

Sector	Carrying value as at 31.12.2015	Carrying value as at 31.12.2014	% of Fund's net assets 31.12.2015.
Commercial banks	3,445,525	2,389,483	23.78%
Government	1,969,543	754,324	13.60%
Raw materials	1,747,666	1,258,747	12.06%
Financial services	1,470,204	427,360	10.14%
Energy resources	1,391,999	2,274,094	9.60%
Consumption services	1,104,445	306,913	7.62%
Utilities	945,093	819,781	6.52%
Consumer goods	678,151	567,991	4.68%
Telecommunication services	456,688	400,753	3.15%
IT services	381,155	-	2.63%
Logistics	-	427,374.00	0.00%
Other	901,798.00	736,673.00	6.22%
Total	14,492,267	10,363,493	100.00%

Liquidity risk

Liquidity risk may arise if the Fund faces difficulties in meeting its financial liabilities. Fund Manager shall maintain such asset structure which ensures a possibility of selling securities in due time and with no significant losses.

The following table presents the contractual maturities of Fund's assets and liabilities as at 31 December 2015:

	Up to 1 month	1 - 3 months	3 – 6 months	6 - 12 months	From 1 to 5 years	Over 5 years and with unlimited term	Total
Assets							
Due on demand from credit institutions	1,031,613	-	-	-	-	-	1,031,613
<i>Financial assets held for trading</i>							
Debt securities and other securities with fixed income	-	331,484	367,946	298,557	9,821,644	2,770,838	13,590,469
Derivatives	-	24,775	7,198	-	-	-	31,973
Total assets	1,031,613	356,259	375,144	298,557	9,821,644	2,770,838	14,654,055
Liabilities							
<i>Financial liabilities held for trading</i>							
Derivatives	(90,496)	(46,740)	-	-	-	-	(137,236)
Accrued expenses	(20,502)	(4,050)	-	-	-	-	(24,552)
Total liabilities	(110,998)	(50,790)	-	-	-	-	(161,788)
Net assets	920,615	305,469	375,144	298,557	9,821,644	2,770,838	14,492,267
<i>Net position as % of net assets</i>	6.35%	2.11%	2.59%	2.06%	67.77%	19.12%	100.00%

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2015
Notes
(EUR)

The following table presents the terms structure of Fund's assets and liabilities as at 31 December 2014:

	Up to 1 month	1 - 3 months	3 – 6 months	6 - 12 months	1 to 5 years	Over 5 years and with unlimited term	Total
Assets							
Due on demand from credit institutions	1,176,071	-	-	-	-	-	1,176,071
<i>Financial assets held for trading</i>							
Debt securities and other securities with fixed income	-	-	607,375	213,144	6,535,533	2,270,768	9,626,820
Total assets	1,176,071	-	607,375	213,144	6,535,533	2,270,768	10,802,891
Liabilities							
<i>Financial liabilities held for trading</i>							
Derivatives	(73,480)	(323,603)	(18,837)	(6,265)	-	-	(422,185)
Accrued expenses	(15,713)	(1,500)	-	-	-	-	(17,213)
Total liabilities	(89,193)	(325,103)	(18,837)	(6,265)	-	-	(439,398)
Net assets	1,086,878	(325,103)	588,538	206,879	6,535,533	2,270,768	10,363,493
<i>Net position as % of net assets</i>	<i>10.49%</i>	<i>(3.14%)</i>	<i>5.68%</i>	<i>2.00%</i>	<i>63.06%</i>	<i>21.91%</i>	<i>100.00%</i>

14. Information on holders of investment certificates

The following table presents the share of investment certificates held by related parties and others in proportion of total investment certificates issued:

	31.12.2015.	31.12.2014.	% from the total amount as at 31.12.2015
Investment certificates held by related parties	153	153	0.02%
Investment certificates held by others	875,048	680,025	99.98%
Issued investment certificates as at the end of the period	875,201	680,178	100.00%

15. Related party transactions

The majority of Fund's investments are acquired through custodian bank. AS "Citadele" banka receives also custodian bank's remuneration which is included in the profit or loss, and the funds are also placed in AS "Citadele" banka (see. Note 3). In addition, all derivatives are concluded with AS "Citadele" Banka (see Note 5).

Remuneration paid to the Investment Management Company in the reporting year is disclosed in the profit or loss statement.

During the reporting period related parties did not conduct any transactions with the Fund's investment certificates. Purchase and re-selling transactions of the Fund's investment certificates are calculated taking into account only those investment certificates held by related parties, which were classified as related parties of the Fund both in 2015 and 2014.

During the reporting period the Fund had no investments in securities issued by the custodian bank.

IF "CBL Eastern European Bond Fund – EUR"
Annual Report for 2015
Notes
(EUR)

16. Dynamics of investment fund's performance

	31.12.2015.	31.12.2014.	as at 31.12.2013
Net assets (EUR)	14,492,267	10,363,493	16,934,370
Number of investment certificates	875,201	680,178	1,015,969
Investment fund share value (EUR)	16.56	15.24	16.67
Profitability of the investment fund**	8.66%	(8.58%)	2.96%
Net assets (EUR)*	14,513,204	10,393,417	16,845,937
Number of investment certificates	875,201	680,178	1,015,969
Investment fund share value (EUR)	16.58	15.28	16.58
Profitability of the investment fund**	8.51%	(7.84%)	2.28%

* 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.

17. Subsequent events

The investment fund merger was initiated in 2016. As a result of merger, the investment fund's sub-fund "CBL Eastern European Bond Fund – EUR" (hereinafter - the Merging Fund) was merged with the sub-fund "CBL Eastern European Bond Fund – USD" (hereinafter - the Acquiring Fund). As a result of merger, all assets and liabilities of the Merging Fund are transferred to the Acquiring Fund at the date of merger, and it had no direct effect on the certificate holders of the Investment fund. The name of the Acquiring Fund is changed to "CBL Eastern European Bond Fund". The merger was finalized on 18 April 2016.



KPMG Baltics SIA
Vesetas iela 7
Rīga, LV-1013
Latvia

Telephone +371 67038000
Telefax +371 67038002
kpmg.com/lv

Independent Auditors' Report

To the shareholders of Investment fund "CBL Eastern European Fixed Income Funds" sub-fund "CBL Eastern European Bond Fund – EUR"

Report on the Financial Statements

We have audited the accompanying financial statements of Investment fund "CBL Eastern European Fixed Income Funds" sub-fund "CBL Eastern European Bond Fund –EUR" ("the Fund"), which is managed by the investment management company "CBL Asset Management" ("the Company"). These financial statements comprise the statement of assets and liabilities as at 31 December 2015, the statements of income and expense, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes, as set out on pages 11 to 28.

Management's Responsibility for the Financial Statements

Management of Company is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether these financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of these financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Fund's preparation and fair presentation of these financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the Company management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Investment fund "CBL Eastern European Fixed Income Funds" sub-fund "CBL Eastern European Bond Fund –EUR" as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

Without qualifying our opinion, we draw your attention to Note 17 to the financial statements which states that the merger of the investment fund "CBL Eastern European Fixed Income Fund" sub-funds was finished on 18 April 2016, and "CBL Eastern European Bond Fund - EUR" was merged with the sub-fund "CBL Eastern European Bond Fund USD" thus changing its name to "CBL Eastern European Bond Fund".

Report on Other Legal and Regulatory Requirements

In addition, our responsibility is to assess whether the accounting information included in the investment management company's report, as set out on page 4, the preparation of which is the responsibility of the Company, is consistent with the financial statements. Our work with respect to the investment management company's report was limited to the aforementioned scope and did not include a review of any information other than drawn from the financial statements of the Fund. In our opinion, the investment management company's report is consistent with the financial statements.

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Ondrej Fikrle

Ondrej Fikrle
Partner pp
KPMG Baltics SIA
Riga, Latvia

29 April 2016

Valda Užāne

Valda Užāne
Sworn auditor
Certificate No 4