

INVESTMENT FUND
CBL Eastern European Bond Fund

ANNUAL REPORT FOR 2017
(15th financial year)

**PREPARED IN ACCORDANCE WITH
FCMC REGULATIONS ON PREPARATION OF ANNUAL REPORTS, CONSOLIDATED ANNUAL REPORTS AND
SEMI-ANNUAL REPORTS OF INVESTMENT FUND AND OPEN ALTERNATIVE INVESTMENT FUND
AND INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED BY THE EUROPEAN UNION**

Riga, 2018



TABLE OF CONTENTS

Information on the investment fund	3
Investment management company's report	4
Statement of responsibility of the Board of the investment management company	6
Custodian report	7
Financial statements:	
Statement of assets and liabilities	8
Statement of income and expenses	9
Statement of changes in net assets	10
Cash flow statement	11
Notes	12
Auditors' report	30

INFORMATION ON THE INVESTMENT FUND

Name of the Fund:	CBL Eastern European Bond Fund
Type of the Fund:	Investment fund (UCITS IV)
Classes:	- <i>R Acc USD</i> <i>ISIN: LV000400125</i>
	- <i>R Acc EUR (hedged)</i> <i>ISIN: LV000400174</i>
Registration date of the Fund:	20 July 2009
Number of the Fund:	FFL93
Investment management company name:	CBL Asset Management IPAS
Investment management company's registered office:	Republikas laukums 2a, Riga, LV-1010, Latvia
Investment management company's registration number:	40003577500
Number of the license for investment management company operations:	06.03.07.098/367
Name of the Fund's Custodian:	AS Citadele Banka
Registered office of the Fund's Custodian:	Republikas laukums 2a, Riga, LV-1010, Latvia
Registration number of the Fund's Custodian:	40103303559
Investment management company's Council and Board members and their positions:	<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 Member of the Council - Peter Meier - appointed on 30.09.2015 <i>Board of the investment management company:</i> Chairperson of the Board – Kārlis Purgailis - appointed on 08.09.2017 Chairperson of the Board – Uldis Upenieks – appointed on 01.11.2012 dismissed on 03.08.2017 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
Rights and responsibilities related to investment fund management:	The Council and the Board members shall perform all duties prescribed in laws and regulations of the Republic and in the Articles of Association of the investment management company
Fund managers (members of the Investment Committee):	Andris Kotāns – appointed on 27.10.2008 Edgars Lao – appointed on 16.09.2011
Rights and responsibilities related to the Fund's management:	The Fund Manager shall perform all duties prescribed in laws and regulations of the Republic of Latvia, in the Articles of Association of the investment management company and in the prospectus of the Fund
Auditor:	KPMG Baltics SIA Vesetas iela 7 Riga, LV-1013 License No 55 Latvia



INVESTMENT MANAGEMENT COMPANY REPORT

The investment fund "CBL Eastern European Bond Fund" (previously the sub-fund "CBL Eastern European Bond Fund - USD" of CBL Eastern European Fixed Income Funds) (hereinafter – the Fund) is a debt securities investment fund with two share classes: R Acc USD and R Acc EUR (hedged). The Fund manager is the investment management company CBL Asset Management, legal address Republikas laukums 2a, Riga, LV-1010, registered under No. 40003577500. The Investment Company's operating license is No. 06.03.07.098/367.

The Fund aims at achieving long-term capital appreciation by investing primarily in debt securities and money market instruments issued or guaranteed by central governments, municipalities, central banks, credit institutions and commercial companies of the Eastern European countries as well as in fixed income funds and in ETFs traded on the regulated markets of the European Economic Area 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.

In 2017, the Fund's net assets decreased by 0.95% or EUR 279,092, and, at the end of the reporting period, the net assets totaled EUR 29,153,261. As at 31 December 2017, gross assets amounted to EUR 29,352,161. In the reporting year, the value of the unit of the *CBL Eastern European Bond Fund* R Acc USD share class decreased by EUR 1.48 to EUR 20.42 while the value of the unit of the R Acc EUR (hedged) share class increased by EUR 0.77 reaching EUR 18.77. In 2017, the return of the R Acc USD share class was -6.76% in terms of the euros and 6.11% in terms of the Fund's base currency (USD). In 2017, the return of the R Acc EUR (hedged) share class was 4.28% in terms of the euros and 3.71% in terms of the Fund's base currency (EUR).

The year 2017 proved to be very successful in the global financial and global stock markets, and, experiencing minor fluctuations, gradually reached new, the historically highest, levels. Due to the favorable investment sentiment, the Eastern European Eurobonds market also demonstrated an excellent performance for the third consecutive year, as the temporary rise in the US government rates was over-compensated by the decrease in risk premiums. In Eastern European debt securities markets, the steepest growth was demonstrated by Ukraine although the news flow did not show a clear trend. On the positive side, the ability of Ukrainian government and companies to renew the financing from international financial markets is praiseworthy; at the same time, the long-standing conflict in the eastern part of Ukraine, delay in the IMF loan disbursement and unexpected resignation of the Governor of the National Bank of Ukraine had a negative effect. In 2017, the aggregate growth of Eastern Europe's GDP reached almost 5.8% which was the most rapid rise from 2013; however, due to the economic problems of the previous years, certain banks of systemic importance both in Russia and Azerbaijan faced financial difficulties in 2017. In Russia, cleaning up banking sector took place in an investor-friendly manner, while the government of Azerbaijan decided to transfer part of the losses to bond holders.

In the reporting period, all countries contributed positively to the Fund's performance and Ukrainian issuers excelled in this respect. The restructured bonds of the steel producer *Metinvest* should be mentioned as a positive example. In the reporting period, as a result of certain transactions, the share of the Fund's investments in the securities of Romanian issuers increased by 4.77% reaching 7.85% of the Fund's net assets; at the same time, the share of Hungarian issuers decreased by 4.70% to 3.70% of the Fund's net assets as the Hungarian Government Bonds (EUR) were sold because their valuation had become too expensive. At the end of the reporting period, the debt securities held within the Fund's portfolio were diversified among 14 countries. Due to the market's positive performance, the Fund's average yield-to-maturity decreased to 4.6% from 5.2% a year ago. The Fund's average duration decreased to 2.7 from 3.1 at the beginning of the reporting period, and the average credit rating remained unchanged, i.e. Ba2.

Lipper, a global investment fund research company, for the second consecutive year has recognized CBL Eastern European Bond Fund as the best fund in terms of return and risk within the Emerging Europe Bond category over both three- and five-year periods.

In the reporting period, the total management costs amounted to EUR 490,107, which did not exceed the maximum amount of 3.00% provided in the Fund's Prospectus. The investment management company fee amounted to EUR 429,595, custodian fee - EUR 51,551, other management expenses - EUR 8,961.



**IF CBL Eastern European Bond Fund
Annual Report for 2017**

As of the last day of the reporting year until the date of signing these financial statements there have been no significant events of material effect on the interpretation of the IPAS CBL Asset Management financial position and its results.

The management team of IPAS CBL Asset Management closely follows developments both on domestic and global scale of such factors as the stability of economic growth, monetary and fiscal policies of leading economies as well as potential inflationary and political risks as they have a substantial impact on the economic and capital market dynamics of the Eastern European region. The instrument selection, regardless of the sector and the country, will continue to be a decisive factor in the Fund's investment process.

Kārlis Purgailis
Chairman of the Board

Andris Kotāns
Investment Committee Member

Edgars Lao
Investment Committee Member

Riga, 30 April 2018

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" (hereinafter - the Fund).

The financial statements on pages 8 through 29 are prepared based on source documents and present fairly the financial position of the Fund as at 31 December 2017 and the results of its operations in 2017.

Financial statements mentioned above are prepared in accordance with the International Financial Reporting Standards adopted by the European Union, as required by the regulation of the Financial and Capital Market Commission (FCMC) *On Preparation of Annual Reports, Consolidated Annual Reports and Semi-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, except for the changes made to the accounting policies with regard to interest income and revaluation results. 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 assets and the prevention and detection of fraud and other irregularities. The Board is also responsible for ensuring 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.

A handwritten signature in blue ink, consisting of a large, stylized initial 'K' followed by a series of loops and a long horizontal stroke.

Kārlis Purgailis
Chairman of the Board

Rīga,
30 April 2018

Riga, March 5th, 2018

CUSTODIAN BANK REPORT

To the Share Certificates holders of IF "CBL Eastern European Bond Fund"
For the period from 1st January 2017 to 31st December 2017

JSC "Citadele banka", registered in the Register of Enterprises of the Republic of Latvia on June 30, 2010 with No. 40103303559, registered office: Republikas laukums 2a, Riga, hereby confirms the following:

- in accordance with the Custody Agreement concluded on 7th April 2017, JSC "Citadele banka" (hereinafter the Custodian) performs custodian's duties for the investment fund "CBL Eastern European Bond Fund" (hereinafter the Fund) established by IPAS "CBL Asset Management" (hereinafter the Company);
- the Custodian has performed the functions of the Fund's custodian pursuant to the law "On Investment Management Companies" (hereinafter the Law), Regulations of Financial and Capital Market Commission and other applicable laws and regulations of the Republic of Latvia.

The Custodian is responsible for performance of obligations set forth in laws and regulations of the Republic of Latvia and in the Custodian Agreement. The main responsibilities of the Custodian include:

- holding of the Fund's assets as well as documents confirming ownership of the Fund's assets in accordance with the laws and regulations of the Republic of Latvia and Custody Agreement;
- ensuring the maintenance of the Fund's accounts, receiving and executing the Company's orders, as well as settlement of the orders according with requirements of laws and regulations of the Republic of Latvia, Custody Agreement and current market practice;
- ensuring the Company with regular reports on Fund's assets and its value (prices of the securities);
- ensuring that the value of the Fund and Fund's Share Certificates is estimated in accordance with requirements of the Law, Regulations of Financial and Capital Market Commission, Fund's prospectus and Fund Management Regulations;
- ensuring that the issue, sale and repurchase of the Fund's Share Certificates is performed in accordance with the Law, Fund's prospectus and Fund Management Regulations.

During the period from January 1st, 2017 to December 31st, 2017:

- Issue, sale and repurchase of the Fund's Share Certificates were effected in compliance with requirements of the Law, Fund's prospectus and Fund Management Regulations;
- Fund assets were held in accordance with requirements of the Law and Custody Agreement;
- The value of the Fund's net assets was assessed in accordance with requirements of the Law, Regulations of Financial and Capital Market Commission, Fund's prospectus and Fund Management Regulations;
- the Company's orders, as well as transactions executed with the Fund's assets were performed in accordance with the Law, Fund's prospectus, Fund Management Regulations and the Custody Agreement.

During the reporting period, no errors or non-compliance with the applicable laws and regulations of the Republic of Latvia were detected in the Company's operations with the Fund's assets.




Guntis Belavskis
Chairman of the Management Board, p.p.

STATEMENT OF ASSETS AND LIABILITIES

Notes		<u>31.12.2017</u>	<u>31.12.2016</u>
	Assets		
3	Due on demand from credit institutions	1,974,336	2,364,411
	<i>Financial assets held for trading:</i>		
4	Debt securities and other fixed income securities	27,048,122	27,574,835
4	Derivative financial instruments	329,703	463,969
	Total assets	<u>29,352,161</u>	<u>30,403,215</u>
	Liabilities		
	<i>Financial liabilities held for trading:</i>		
4	Derivative financial instruments	(155,567)	(925,393)
5	Accrued expenses	(43,333)	(45,469)
	Total liabilities	<u>(198,900)</u>	<u>(970,862)</u>
	Net assets	<u>29,153,261</u>	<u>29,432,353</u>

The accompanying notes on pages 12 to 29 form an integral part of these financial statements.



Kārlis Purgailis
Chairman of the Board

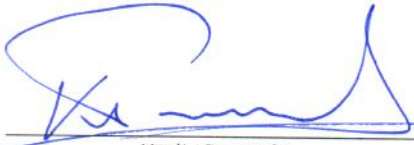
Rīga,
30 April 2018

STATEMENT OF INCOME AND EXPENSES

Notes

		2017	2016
	Income for the reporting period		
6	Interest income	1,993,753	1,389,960
	Other income	4,303	45,852
	Total income	1,998,056	1,435,812
	Expenses for the reporting period		
	Remuneration to investment management company	(429,595)	(363,796)
	Custodian fee	(51,551)	(43,655)
	Other Fund management expenses	(8,961)	(7,886)
	Total expenses	(490,107)	(415,337)
	Increase in investment value		
7	Realized increase in investment value	143,062	385,367
8	Unrealized increase in investment value	325,127	797,775
	Total increase in investments	468,189	1,183,142
	Foreign currency revaluation result	(1,956,575)	304,736
	Increase in net assets from investment	19,563	2,508,353

The accompanying notes on pages 12 to 29 form an integral part of these financial statements.


 Kārlis Purgailis
 Chairman of the Board

Riga,
 30 April 2018



IF CBL Eastern European Bond Fund
Annual Report for 2017
(EUR)

10

STATEMENT OF CHANGES IN NET ASSETS

<i>CBL Eastern European Bond fund</i>	2017	2016
Net assets at the beginning of the reporting period	29,432,353	10,210,858
Increase in net assets from investment	19,563	2,508,353
Transactions with share certificates		
Inflow from sale of share certificates	2,430,903	3,124,890
Outflow on redemption of share certificates	(2,729,558)	(2,330,975)
<i>Net assets of IF CBL Eastern European Bond Fund - EUR acquired through the merger</i>	-	15,919,227
(Decrease)/ increase in net assets from transactions with share certificates	(298,655)	16,713,142
Net asset (decrease)/ increase in the reporting period	(279,092)	19,221,495
Net assets at the end of the reporting period	29,153,261	29,432,353

CBL Eastern European Bond fund: Class R Acc USD
ISIN : LV0000400125

	2017	2016
Number of share certificates issued as at the beginning of the reporting period	493,936	532,541
Number of share certificates issued at the end of the reporting period	488,880	493,936
Net assets per share certificate as at the beginning of the reporting period	21.90	19.17
Net assets per share certificate as at the end of the reporting period	20.42	21.90

CBL Eastern European Bond fund: Class R Acc EUR (hedged)
ISIN : LV0000400174

	2017	2016
Number of share certificates issued as at the beginning of the reporting period	1,032,779	875,201
Number of share certificates issued at the end of the reporting period	1,022,346	1,032,779
Net assets per share certificate as at the beginning of the reporting period	18.00	16.56
Net assets per share certificate as at the end of the reporting period	18.77	18.00

The accompanying notes on pages 12 to 29 form an integral part of these financial statements.


Kārlis Purgailis
Chairman of the Board

Riga,
30 April 2018

CASH FLOW STATEMENT

	2017	2016
Interest income	1,872,324	1,308,801
Investment management expenses	(501,709)	(380,828)
Acquisition of financial investments	(14,652,789)	(16,370,199)
Sale/ disposal of financial investments	12,997,185	14,893,374
Foreign currency revaluation result	472,846	(123,964)
Increase/ (decrease) in cash and cash equivalents from operating activities	187,857	(672,816)
Inflow from sale of share certificates	2,430,903	3,124,890
Outflow on redemption of share certificates	(2,729,558)	(2,330,975)
<i>Cash balances of IF CBL Eastern European Bond Fund - EUR acquired through the merger</i>	-	1,447,290
(Decrease)/ increase in cash and cash equivalents from financing activities	(298,655)	2,241,205
(Decrease)/ increase in cash and cash equivalents	(110,798)	1,568,389
Cash and cash equivalents at the beginning of the reporting period	2,364,411	772,720
Foreign currency revaluation result	(279,277)	23,302
Cash and cash equivalents at the end of the reporting period	1,974,336	2,364,411

The accompanying notes on pages 12 to 29 form an integral part of these financial statements.



 Kārlis Purgailis
 Chairman of the Board

Riga,
 30 April 2018



IF CBL Eastern European Bond Fund
Annual Report for 2017
(EUR)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

Name of the Fund:	CBL Global Emerging Markets Bond Fund (hereinafter - the Fund)
Type of the Fund:	Investment fund
Scope of the Fund::	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 of the Fund's sub-funds 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 a single currency, sector or country.
Scope of the Fund:	The base currency of the Fund is the U.S. dollar (USD). Investments in equity securities are not provided for in the Prospectus.
Investment management company name:	IPAS CBL Asset Management (hereinafter - the Company) Republikas laukums 2a, Riga, LV-1010, Latvia

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements of IF CBL Eastern European Bond Fund (hereinafter - the Fund) are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and as required by the Regulation of the Financial and Capital Market Commission (FCMC) *On Preparation of Annual Reports, Consolidated Annual Reports and Semi-Annual Reports of Investment Fund and Open Alternative Investment Fund*.

The financial statements are prepared on a historical cost basis and adjusted for the fair value of the financial instruments held for trading.

The monetary unit used in the financial statements is the euro (EUR), the official currency of the Republic of Latvia. The financial statements cover the period 1 January 2017 through 31 December 2017.

Opening balances of Statement of assets and liabilities as at 1 January 2017 agree with the closing balances of the published financial statements for the year 2016.

Functional and financial reporting currency

The functional currency of the Fund is the U.S. dollar, but in accordance with the FCMC requirements, the Fund also maintains accounts in the euro.

Significant estimates and assumptions

The preparation of financial statements in conformity with IFRS requires making of substantial assumptions. Moreover, when preparing the financial statements, the management of the Company has to make assumptions and judgments to apply the Fund's accounting policy. 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.

The most significant estimates and assumptions relate to determination of fair value of 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.



IF CBL Eastern European Bond Fund
Annual Report for 2017
(EUR)

Remuneration for the Fund's management and Custodian fee is calculated as a certain part of the value of Fund's assets, accrued on a daily basis but paid out on a monthly basis.

Foreign currency revaluation

Transactions in foreign currencies are revaluated into euro at the foreign exchange rate published by the European Central Bank as at the transaction date. Monetary assets and liabilities denominated in foreign currencies are revaluated into euro according to the foreign exchange rate published by the European Central Bank as at the end of the last day of the reporting period. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are revaluated both into functional and financial reporting currencies at the exchange rate at the date when 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 (foreign currency units against the EUR) published by the European Central Bank that were mainly applied when preparing the statement of assets and liabilities of the fund were as follows:

Currency	31.12.2017	31.12.2016
USD	1.1993	1.0541

Cash and cash equivalents

Cash and cash equivalents comprise the Fund's 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 receivables. The classification depends on the purpose of acquisition of the financial instrument. The management determines the classification of the financial instrument at initial recognition.

Financial instruments measured at fair value through profit and loss

Financial assets measured at fair value through profit and loss are financial assets that are purchased or acquired for the purpose of selling in the near future or that are classified as measured at fair value through the profit or loss after initial recognition. All the Fund's investments in securities are classified as held for trading. The result of re-measuring trading securities at fair value is included in the statement of income and expense as increase/ (decrease) in investment.

Securities are revalued on the basis of financial information provided by Bloomberg and the Russian Stock Exchange on the market demand (bid) prices of these securities. Unlisted securities are assessed according to the custodian's information on effected transactions, but in case such information is not available, the securities are assessed at amortized cost. Purchase and sales transactions with securities are 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 amounts due from credit institutions. The Fund's balances due from credit institutions are carried at their amortized cost using the effective interest rate method less impairment, if any.

Derivative financial instruments

For risk management purposes the Fund may engage in transactions with derivatives. 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, agreements are recognized in the balance sheet at their fair value. The fair value of these agreements is included in the statement of assets and liabilities as *Derivatives* and their relative value is disclosed in the Notes to the financial statements.

Profit or loss arising from changes in claims and liabilities that arise from the agreements are charged to the profit or loss statement as the result of foreign currency revaluation.

Fair value of financial assets and liabilities

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an arm's length transaction between market participants at the measurement date in the principal market, or in its absence, the most advantageous market to which the Fund has access at that date. The fair value of liabilities reflects the risk of default.



IF CBL Eastern European Bond Fund
Annual Report for 2017
(EUR)

When possible, the Fund measures the fair value of the Fund's financial instruments using the price of the respective financial instrument quoted in an active market. A market is regarded 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 maximize the use of relevant observable inputs and minimize 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 the 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 evidenced neither by the quoted market price of an identical asset or liability in an active market, nor by results of assessment methods that use only observable data, the financial instrument is initially carried at fair value which is adjusted to reflect the difference between the fair value at initial recognition and the 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 determine 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. The financial assets of the Fund measured at fair value by using the respective assessment technique are classified as Level 1, Level 2 or Level 3 category.

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

Level 2 represents financial instruments whose fair value is determined by using available market data such as prices for similar financial instruments that have been traded in 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 represents financial instruments whose fair value is determined using available market data and the 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 to 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

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

Changes in accounting policies

The Fund has consistently applied the accounting policies through all the periods presented in these financial statements, except for the changes described below.

New standards and interpretations

The Company has adopted the following new standards and amendments to standards, including the resulting amendments to other standards, whose initial effective date was 1 January 2017. The following guidelines, which came into effect on 1 January 2017, had no effect on these financial statements:

- Amendments to IAS 7 *Statement of Cash Flows*
- Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses*
- Annual Improvements to IFRS

IF CBL Eastern European Bond Fund
Annual Report for 2017
(EUR)

Several new standards and interpretations have been published, which are effective for reporting periods beginning on or after 1 January 2018 or have not been endorsed for use in the European Union:

IFRS 9 *Financial Instruments* (effective for reporting periods beginning on or after 1 January 2018). The main features of the new standard are the following:

- Financial assets are classified into three measurement categories: assets to be subsequently measured at amortized cost, assets to be subsequently measured at fair value through other comprehensive income (FVOCI) and assets to be subsequently measured at fair value through profit or loss (FVTPL).
- The classification of debt instruments depends on the company's business model in which the financial asset is managed and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If the debt instrument is held to collect cash flows, it can be measured at amortized cost if it meets the SPPI requirements. Debt instruments, which meet the SPPI requirements but which are held in the portfolio for both reasons - to collect cash flows generated by these assets and to be sold, can be measured at FVOCI. Financial assets whose cash flows do not meet the SPPI requirements must be measured at FVTPL (e.g. derivative financial instruments). Embedded derivatives are not separated from financial assets, but are included in the classification assessment as to whether they meet the SPPI criterion.
- Equity instruments are always measured at fair value. However, the Management has an option to make an irrevocable election to present in other comprehensive income subsequent changes in the fair value if the instrument is not held for trading. If an equity instrument is held for trading, changes in the fair value must be presented in profit or loss.
- Most of the requirements set forth in IAS 39 with regard to the classification and measurement of financial liabilities remained unchanged in IFRS 9. The main change relates to the requirement to present fair value changes due to own credit on liabilities designated as at fair value through profit or loss to be presented in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment, namely, the expected credit loss (ECL) model. The model contains a 'three stage' approach which is based on the change in the credit quality of financial assets since initial recognition. In practice, the new requirements mean that the company will have to record a day one loss equal to the 12-month ECL on initial recognition of financial assets even though they are not credit impaired (or lifetime ECL for trade receivables). In case of significant increase in credit risk, the impairment must be measured based on the lifetime ECL of the asset rather than the 12-month ECL. The model includes some operational simplifications for leases and trade receivables.
- Hedge accounting requirements were supplemented to align accounting more closely with risk management. The Standard offers companies the accounting policy choice: to introduce hedge accounting according to IFRS 9 or continue applying IAS 39 with regard to all hedging instruments, since IFRS 9 does not yet regulate macro hedge accounting.

The Company does not expect IFRS 9 to significantly affect the financial statements of the Fund. Taking into account the activities of the Fund and its financial instruments, it is not expected that the introduction of the requirements specified in IFRS 9 will change classification and valuation of financial instruments. The Company believes that the Fund's impairment losses are unlikely to increase. For the assets within the expected credit loss model application scope, these losses will become less permanent, however, the overall share and maturity composition of these assets are not intended to be significant. The Company has not yet finalized drafting its IFRS 9 accounting policy.

IFRS 15 *Revenue from Contracts with Customers* (effective for reporting periods beginning on or after 1 January 2018). The new standard introduces recognition of revenue upon transferring goods or services to the buyer at the transaction price. If individual goods and services are combined to offer packages, individual sales of goods or services is to be recognized as a separate transaction and any contractual discounts must usually be allocated to each element of the transaction. Where a transaction contains elements of variable consideration, the minimum amount not subject to a significant cancellation risk must be recognized. Costs related to concluding contracts with customers must be capitalized and amortized over the term of the contract.

The Company does not expect IFRS 15 to significantly affect the financial statements of the Fund. Taking into account the activities of the Fund and the types of revenue generated by the Fund, it is not expected that the introduction of the requirements specified in IFRS 15 will change the timing of revenue recognition and its measurement.

Amendments to IFRS 15 *Revenue from Contracts with Customers* (effective for reporting periods beginning on or after 1 January 2018).

IFRS 16: '*Leases*' (effective for accounting periods beginning on or after 1 January 2019). The new Standard sets out principles for the recognition, measurement, presentation and disclosure of leases. All lease agreements entitle the lessee to use the asset and, shall the lease payments be made within specified time period, comprise a financing

component. Accordingly, IFRS 16 eliminates classification of leases as finance or operating leases, which was required under IAS 17. Instead, IFRS 16 provides a single lessee accounting model. In its accounts, a lessee recognizes: (a) assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value, and (b) depreciation charges of the leased assets separately from the interest expense on the lease liability. The requirements of IFRS 16 with regard to lessor accounting are, to a great extent, similar to those of IAS 17. Accordingly, lessors continue to classify leases as finance and operating leases and maintain separate accounts depending on the classification.

The Company does not expect IFRS 16 to significantly affect the financial statements of the Fund, given the Fund has not entered into any agreements within the scope of IFRS 16.

Amendments to IFRS 2 *Share-based Payment* (effective for reporting periods beginning on or after 1 January 2018, not yet endorsed by the EU).

IFRS 17 *Insurance Contracts* (effective for reporting periods beginning on or after 1 January 2021, not yet endorsed by the EU).

IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration* (effective for reporting periods beginning on or after 1 January 2018, not yet endorsed by the EU).

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments* (effective for reporting periods beginning on or after 1 January 2019, not yet endorsed by the EU).

Amendments to IAS 40 *Transfer of Investment Property - reclassification of investment properties* (effective for reporting periods beginning on or after 1 January 2018, not yet endorsed by the EU).

Amendments to IFRS 9 *Financial instruments - pre-payment features with negative compensation* (effective for reporting periods beginning on or after 1 January 2019, not yet endorsed by the EU).

Amendments to IAS 28 *Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures* (effective for reporting periods beginning on or after 1 January 2019, not yet endorsed by the EU).

Annual Improvements to IFRS Standards These amendments include changes to seven standards:

IFRS 12 *Disclosure of Interests in Other Entities* (effective for reporting periods beginning on or after 1 January 2017, not yet endorsed by the EU).

IFRS 1 *First-time Adoption of International Financial Reporting Standards* (effective for reporting periods beginning on or after 1 January 2018, not yet endorsed by the EU).

IAS 28 *Investments in Associates and Joint Ventures* (effective for reporting periods beginning on or after 1 January 2018, not yet endorsed by the EU).

IFRS 3 *Business Combinations* (effective for reporting periods beginning on or after 1 January 2019, not yet endorsed by the EU).

IFRS 11 *Joint Arrangements* (effective for reporting periods beginning on or after 1 January 2019, not yet endorsed by the EU).

IAS 12 *Income Taxes* (effective for reporting periods beginning on or after 1 January 2019, not yet endorsed by the EU).

IAS 23 *Borrowing Costs* (effective for reporting periods beginning on or after 1 January 2019, not yet endorsed by the EU).

The Company has decided not to implement any new standards or interpretations before their effective date. The Management of the asset management company believes that implementation of the new standards, amendments and interpretations will have no material effect on the Fund's financial statements in the year of implementation.

NOTE 3 DUE ON DEMAND FROM CREDIT INSTITUTIONS

	31.12.2017	31.12.2016	% of the Fund's net assets as at 31.12.2017
Due on demand from credit institutions, AS Citadele Banka	1,974,336	2,364,411	6.77%
Total demand deposits with credit institutions	1,974,336	2,364,411	6.77%

The Fund received interest on the balances due on demand until 30 November 2016; the respective interest was calculated at fixed rates

NOTE 4 DEBT SECURITIES AND OTHER FIXED INCOME SECURITIES

	31.12.2017	31.12.2016	Annual yield until the maturity 31.12.2017	% of the Fund's net assets 31.12.2017
Corporate debt securities	15,052,843	13,413,794	4.34%	51.63%
<i>Corporate debt securities of non-OECD countries</i>	11,578,196	9,686,435	4.31%	39.71%
<i>Corporate debt securities of other OECD countries</i>	2,829,994	3,092,100	4.11%	9.71%
<i>Latvian corporate debt securities</i>	644,653	635,259	6.04%	2.21%
Government debt securities:	4,333,110	5,237,928	3.31%	14.87%
<i>Government debt securities of non-OECD countries</i>	2,657,541	2,891,839	3.46%	9.12%
<i>Government debt securities of other OECD countries</i>	994,303	2,346,089	3.57%	3.41%
<i>Latvian government debt securities</i>	681,266	-	2.32%	2.34%
Debt securities of credit institutions:	4,269,478	6,292,295	6.29%	14.64%
<i>Debt securities of credit institutions of non-OECD countries</i>	3,338,109	5,241,179	6.69%	11.45%
<i>Debt securities of credit institutions of other OECD countries</i>	931,369	1,051,116	4.85%	3.19%
Financial institution debt securities:	3,392,691	2,630,818	7.71%	11.64%
<i>Debt securities of financial institutions of other OECD countries</i>	2,657,404	1,716,502	9.27%	9.12%
<i>Debt securities of financial institutions of non-OECD countries</i>	735,287	914,316	2.04%	2.52%
Total debt securities and other fixed income securities	27,048,122	27,574,835	4.91%	92.78%

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

All fixed income securities are traded on regulated markets, except for the fixed income securities EUR 2,012,504 worth (2016: EUR 503,294).

The following table presents the distribution of debt securities by the issuer's country of origin as at 31 December 2017:

Financial instrument	ISIN code	Currency	Nominal amount	Acquisition value (EUR)	Carrying value as at 31.12.2017	% of the Fund's net assets as at 31.12.2017
Financial instruments traded on regulated markets				25,877,462	25,035,618	85.88%
Debt securities of Russian issuers:				4,977,560	4,551,655	15.61%
NOVATEK OAO	XS0588433267	USD	1,100,000	1,033,938	1,030,968	3.54%
LUKOIL INTERNATIONAL FINANCE BV	XS0304274599	USD	1,000,000	971,582	944,019	3.24%
NOVOLIPETSK STEEL VIA STEEL FUNDING DAC	XS1405775617	USD	1,000,000	895,047	869,970	2.98%
HOME CREDIT & FINANCE BANK OOO VIA EURASIA CAPITAL SA	XS0846652666	USD	1,000,000	909,707	858,665	2.94%
ALROSA FINANCE SA	XS0555493203	USD	900,000	892,265	848,033	2.91%
AMURMETALL	RU000A0GN9D1	RUB	12,500,000	275,021	-	0.00%

Financial instrument	ISIN code	Currency	Nominal amount	Acquisition value (EUR)	Carrying value as at 31.12.2017	% of the Fund's net assets as at 31.12.2017
Debt securities of Turkish issuers:						
TURKEY	US900123AX87	USD	1,100,000	1,085,947	994,303	3.41%
AKBANK TURK AS	USM0375YAK49	USD	1,100,000	970,205	931,369	3.20%
YASAR HOLDINGS AS	XS1132450427	USD	875,000	827,954	752,781	2.58%
Debt securities of Ukrainian issuers:						
KERNEL HOLDING SA	XS1533923238	USD	900,000	841,983	853,118	2.93%
METINVEST BV	XS1571247490	USD	941,979	823,941	823,865	2.83%
FIRST UKRAINIAN INTERNATIONAL BANK	XS0287015787	USD	665,513	575,464	736,230	2.52%
Debt securities of Kazakh issuers:						
KAZMUNAYGAS	XS0373641009	USD	1,000,000	922,167	896,571	3.08%
KAZKOMMERTSBANK JSC	XS0867478124	USD	1,000,000	887,020	853,348	2.93%
NOSTRUM OIL & GAS	USN64884AA29	USD	650,000	471,155	554,900	1.90%
Debt securities of Ukrainian issuers:						
CABLE COMMUNICATIONS SYSTEMS	XS1405770576	EUR	850,000	870,786	918,006	3.15%
GLOBALWORTH REAL ESTATE INVESTMENTS LTD	XS1577957837	EUR	700,000	719,535	735,287	2.52%
ROMANIAN GOVERNMENT INTERNATIONAL BOND	US77586TAA43	USD	650,000	674,796	635,482	2.18%
Debt securities of Azerbaijanian issuers:						
REPUBLIC OF AZERBAIJAN INTERNATIONAL BOND	XS1044540547	USD	1,250,000	1,206,325	1,088,882	3.74%
STATE OIL CO OF THE AZERBAIJAN REPUBLIC	XS0903465127	USD	1,100,000	986,900	941,708	3.23%
Debt securities of Bulgarian issuers:						
BULGARIAN ENERGY HOLDING EAD	XS1405778041	EUR	950,000	992,064	1,058,820	3.63%
VIVACOM	XS0994993037	EUR	900,000	928,396	906,796	3.11%
Debt securities of Croatian issuers:						
CROATIA	XS0525827845	USD	1,000,000	1,052,935	933,177	3.20%
HRVATSKA ELEKTROPRIVREDA	XS1309493630	USD	1,000,000	1,002,542	931,422	3.20%
Debt securities of Latvian issuers:						
LATVIA GOVERNMENT	XS0863522149	USD	800,000	704,791	681,266	2.34%
ELKO GRUPA AS	LV0000801892	EUR	625,000	632,531	644,653	2.21%
Debt securities of Hungarian issuers:						
MOL	XS0834435702	USD	1,200,000	1,208,215	1,078,849	3.70%
Debt securities of Polish issuers:						
SYNTHOS	XS1115183359	EUR	950,000	949,687	998,364	3.42%
Debt securities of Georgian issuers:						
BGEO GROUP JSC	XS1405775880	USD	1,000,000	933,932	889,866	3.05%

Financial instrument	ISIN code	Currency	Nominal amount	Acquisition value (EUR)	Carrying value as at 31.12.2017	% of the Fund's net assets as at 31.12.2017
Debt securities of Swedish issuers:						
DDM DEBT AB	SE0009548332	EUR	600,000	630,631	644,900	2.21%
				1,993,067	2,012,504	6.90%
Financial instruments not traded on regulated markets						
Debt securities of Estonian issuers:						
VEGA RESIDENTS BOND	EE3300111228	EUR	650,000	650,000	655,908	2.25%
MAINOR ULEMISTE AS	EE3300110691	EUR	500,000	506,003	503,292	1.73%
MAINOR ULEMISTE AS	EE3300111343	EUR	250,000	250,000	251,977	0.86%
CREDITSTAR INTERNATIONAL OU	EE3300111046	EUR	600,000	587,064	601,327	2.06%
Total debt securities and other fixed income securities				27,870,529	27,048,122	92.78%

Derivative financial instruments

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

	31.12.2017			31.12.2016			% of the Fund's net assets as at 31.12.2017
	Notional amount	Fair value		Notional amount	Fair value		
		Assets	Liabilities		Assets	Liabilities	
Currency swaps	26,933,376	329,703	(155,567)	31,377,802	463,969	(916,613)	0.60%
Currency forwards	-	-	-	225,218	-	(8,780)	0.00%
Total derivative financial instruments	26,933,376	329,703	(155,567)	31,603,020	463,969	(925,393)	0.60%

All derivative financial instruments are concluded with AS Citadele Banka.

NOTE 5 ACCRUED EXPENSES

	31.12.2017	31.12.2016
Accrued expenses for investment management company fees	(34,153)	(36,190)
Accrued expenses for custodian fees	(4,098)	(4,342)
Accrued expenses for professional services	(5,082)	(4,937)
Total accrued expenses	(43,333)	(45,469)

NOTE 6 INTEREST INCOME

	2017	2016
From debt securities and other fixed income securities	1,993,753	1,385,828
From due on demand from credit institutions	-	4,132
Total interest income	1,993,753	1,389,960

NOTE 7 REALIZED INCREASE IN INVESTMENT VALUE

	2017	2016
Proceeds from sale of investments in the reporting period*	13,103,556	14,240,917
Amortized cost of investments sold during the reporting period	(12,483,496)	(14,112,341)
(Decrease)/ increase in disposed investments recognized in prior reporting years	(476,998)	256,791
Total realized increase in investment value	143,062	385,367

* Proceeds from sales (disposal) of investments in the reporting period are recognized based on the exchange rate effective at the security acquisition date.

NOTE 8 UNREALIZED INCREASE IN INVESTMENT VALUE

	2017	2016
From debt securities and other fixed income securities	325,127	797,775
Total unrealized increase in investment value	325,127	797,775

NOTE 9 CHANGES IN INVESTMENTS

The following table shows the changes in investments in 2017:

	31.12.2016	Increase during the reporting period	Decrease during the reporting period*	Fair value adjustment	31.12.2017
Debt securities and other fixed income securities	27,574,835	14,652,789	(14,865,206)	(314,296)	27,048,122
Derivative financial instruments, net	(461,424)	-	-	635,560	174,136
Total investments	27,113,411	14,652,789	(14,865,206)	321,264	27,222,258

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

The following table shows the changes in investments in 2016:

	31.12.2015	Increase during the reporting period	Decrease during the reporting period*	Addition of the acquired assets	Fair value adjustment	31.12.2016.
Debt securities and other fixed income securities	9,464,425	16,370,199	(16,152,190)	14,280,387	3,612,014	27,574,835
Derivative financial instruments, net	(9,179)	-	-	205,943	(658,188)	(461,424)
Total investments	9,455,246	16,370,199	(16,152,190)	14,486,330	2,953,826	27,113,411

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

NOTE 10 PLEDGED ASSETS

In the reporting period, the Fund has neither issued any assurances or guarantees nor has it pledged or encumbered any assets.

NOTE 11 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The table below analyzes the estimated fair value of financial instruments at the end of the reporting period by levels of the fair value hierarchy under which the fair value assessment has been categorized.

2017	Level 1:	Level 2:	Level 3:	Total
Financial assets				
Financial investments held for trading	24,390,965	644,653	2,012,504	27,048,122
Derivative financial instruments	-	329,703	-	329,703
	24,390,965	974,356	2,012,504	27,377,825
Financial liabilities				
Financial instruments measured at fair value through profit or loss	-	(155,567)	-	(155,567)
	24,390,965	818,789	2,012,504	27,222,258
2016				
	Level 1:	Level 2:	Level 3:	Total
Financial assets				
Financial investments held for trading	25,843,343	-	1,731,492	27,574,835
Derivative financial instruments	-	463,969	-	463,969
	25,843,343	463,969	1,731,492	28,038,804
Financial liabilities				
Financial instruments measured at fair value through profit or loss	-	(925,393)	-	(925,393)
	25,843,343	(461,424)	1,731,492	27,113,411

The table below compares the opening and closing balances for Level 3 of the fair value assessment hierarchy.

EUR	Debt securities and other fixed income securities	Total
Balance as at 1 January 2017	1,731,492	1,731,492
Total profit or loss:		
in the statement of income and expenses	(482,238)	(482,238)
Acquisition	900,000	900,000
Settlement	(136,750)	(136,750)
Balance as at 31 December 2017	2,012,504	2,012,504

EUR	Debt securities and other fixed income securities	Total
Balance as at 1 January 2016	916,114	916,115
Total profit or loss:		
in the statement of income and expenses	(383,131)	(383,131)
Acquisition	1,272,322	1,272,322
Settlement	(73,813)	(73,813)
Balance as at 31 December 2016	1,731,492	1,731,492

The table below describes the valuation method used to arrive at the fair values of Level 2 and Level 3 as well as the significant unobservable inputs:

Type	Assessment method	Significant unobservable data	Relationship between the relevant unobservable data and the fair value measurement
Financial investments held for trading (derivative financial instruments) – Level 2	Discounted cash flow method	n/a	n/a
Financial investments held for trading (debt securities and other fixed income securities) – Level 3	Discounted cash flow method	Discount rate	The estimated fair value would increase (decrease) if: the discount rate were lower (higher)

If at the end of the reporting period there were changes in any of the relevant unobservable input data used for the fair value measurement of financial instruments held for trading and all other input data held constant, the impact of such changes would be as follows:

As at 31 December 2017 Discount rate (2% change)	Impact on the profit or loss statement	
	Increase	(Decrease)
	93,734	(85,827)

As at 31 December 2016 Discount rate (2% change)	Impact on the profit or loss statement	
	Increase	(Decrease)
	54,705	(52,685)

NOTE 12 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 minimizing the aforementioned risks, however, the Company cannot guarantee that these risks can be completely avoided in the future.

Risk management structure

The Company's independent unit - the Risk management department - is responsible for risk identification and measurement. The Risk management department develops and presents the information on risk profile to the Fund manager. The Fund manager, however, can make certain decisions on the necessity 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. When making investments on the Fund's account, the Company obtains sufficient information on potential or acquired 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.

When developing the Fund's investment strategy and setting risk limits, the Company performs an analysis of the Fund's distribution of investments by maturity, geographic location and currency assessing the risk level for each of these factors. The Company acts in strict compliance with the Prospectus of the Fund, Fund Management Regulations as well as regulations and restrictions prescribed in laws and regulations of the Republic of Latvia.

Market risk

Market risk is the probability that the Fund's value may decrease when any of the market factors changes, 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. The assessment of each of these market risk sources is provided below, 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 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, 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). After revaluation (moment starting from which a new interest rate will be applied) the yield rate for such securities coupons increases (decreases), resulting in increase (decrease) of the interest income.

The tables below 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.

Changes in the market value of fixed income securities and interest income (2017, EUR)				
Currency	Changes in the base rates, bp	Changes in the annual interest income	Changes in market value	Impact of the base rate changes on the total value of the portfolio
EUR	100	-	(188,568)	(188,568)
USD	100	-	(560,539)	(560,539)
Total		-	(749,107)	(749,107)

Changes in the market value of fixed income securities and interest income (2016, EUR)				
Currency	Changes in the base rates, bp	Changes in the annual interest income	Changes in market value	Impact of the base rate changes on the total value of the portfolio
EUR	100	-	(297,790)	(297,790)
USD	100	-	(616,766)	(616,766)
Total		-	(914,556)	(914,556)

Changes in the market value of fixed income securities and interest income (2017, % of net assets)				
Currency	Changes in the base rates, bp	Changes in the annual interest income	Changes in market value	Impact of the base rate changes on the total value of the portfolio
EUR	100	-	(0.65%)	(0.65%)
USD	100	-	(1.92%)	(1.92%)
Total		0.00%	(2.57%)	(2.57%)

Changes in the market value of fixed income securities and interest income (2016, % of net assets)				
Currency	Changes in the base rates, bp	Changes in the annual interest income	Changes in market value	Impact of the base rate changes on the total value of the portfolio
EUR	100	-	(0.96%)	(0.96%)
USD	100	-	(1.99%)	(1.99%)
Total		0.00%	(2.95%)	(2.95%)

Changes in the market value of fixed income securities and interest income (2017, EUR)				
Currency	Changes in the base rates, bp	Changes in the annual interest income	Changes in market value	Impact of the base rate changes on the total value of the portfolio
EUR	(100)	-	188,568	188,568
USD	(100)	-	560,539	560,539
Total		-	749,107	749,107

Changes in the market value of fixed income securities and interest income (2016, EUR)				
Currency	Changes in the base rates, bp	Changes in the annual interest income	Changes in market value	Impact of the base rate changes on the total value of the portfolio
EUR	(100)	-	297,790	297,790
USD	(100)	-	616,766	616,766
Total		-	914,556	914,556

Changes in the market value of fixed income securities and interest income (2017, % of net assets)				
Currency	Changes in the base rates, bp	Changes in the annual interest income	Changes in market value	Impact of the base rate changes on the total value of the portfolio
EUR	(100)	-	0.65%	0.65%
USD	(100)	-	1.92%	1.92%
Total		0.00%	2.57%	2.57%

Changes in the market value of fixed income securities and interest income (2016, % of net assets)				
Currency	Changes in the base rates, bp	Changes in the annual interest income	Changes in market value	Impact of the base rate changes on the total value of the portfolio
EUR	(100)	-	0.96%	0.96%
USD	(100)	-	1.99%	1.99%
Total		0.00%	2.95%	2.95%

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 of the Fund is effectively managed by concluding forward and/or swap transactions.

The following table shows the distribution of net assets and liabilities of the Fund by currency profile as at 31 December 2017.

	USD	EUR	Total
Assets			
Due on demand from credit institutions	1,771,538	202,798	1,974,336
Financial assets held for trading			
Debt securities and other fixed income securities	19,128,792	7,919,330	27,048,122
Derivative financial instruments	(18,807,492)	19,137,195	329,703
Total assets	2,092,838	27,259,323	29,352,161
Liabilities			
Accrued expenses	(38,251)	(5,082)	(43,333)
Derivative financial instruments	8,075,699	(8,231,266)	(155,567)
Total liabilities	8,037,448	(8,236,348)	(198,900)
Net assets	10,130,286	19,022,975	29,153,261
Net long position	34.75%	65.25%	100.00%

The following table shows the distribution of net assets and liabilities of the Fund by currency profile as at 31 December 2016.

	USD	EUR	Total
Assets			
Due on demand from credit institutions	900,452	1,463,959	2,364,411
Financial assets held for trading			
Debt securities and other fixed income securities	18,072,981	9,501,854	27,574,835
Derivative financial instruments	6,095,478	(5,631,509)	463,969
Total assets	25,068,911	5,334,304	30,403,215
Liabilities			
Accrued expenses	(40,532)	(4,937)	(45,469)
Derivative financial instruments	(14,331,393)	13,406,000	(925,393)
Total liabilities	(14,371,925)	13,401,063	(970,862)
Net assets	10,696,986	18,735,367	29,432,353
Net long position	36.34%	63.66%	100.00%

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

Effect of exchange rate fluctuations (2017)				Effect of exchange rate fluctuations (2016)			
Currency	Share in the Fund (% of net assets)	Change in the exchange rate against USD	Impact on the Fund's value	Currency	Share in the Fund (% of net assets)	Change in the exchange rate against USD	Impact on the Fund's value
EUR	65.25%	7.42%	4.84%	EUR	63.66%	8.27%	5.27%
USD	34.75%	0.00%	0.00%	USD	36.34%	0.00%	0.00%
Total	100.00%		4.84%	Total	100.00%		5.27%

Credit risk

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

The Fund's asset credit quality is managed based on the 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: MA - AA- (Standard & Poor's); Aaa - Aa3 (Moody's Investors Service); AAA - AA- (Fitch);
- Investment grade financial instruments: A+ - BBB- (Standard & Poor's); A1 - Baa3 (Moody's Investors Service); A+ - BBB- (Fitch);
- High 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 reflects the distribution of the Fund's assets across credit ratings as at 31 December 2017.

	Investment grade financial instruments	Higher risk financial instruments	Speculative financial instruments	No rating	Total
Due on demand from credit institutions	-	1,974,336	-	-	1,974,336
Financial assets held for trading					
Debt securities and other fixed income securities	5,240,554	10,357,936	7,411,345	4,038,287	27,048,122
Derivative financial instruments	-	329,703	-	-	329,703
Total investments	5,240,554	12,661,975	7,411,345	4,038,287	29,352,161

The following table reflects the distribution of the Fund's assets across credit ratings as at 31 December 2016.

	Investment grade financial instruments	Higher risk financial instruments	Speculative financial instruments	No rating	Total
Due on demand from credit institutions	-	-	2,364,411	-	2,364,411
Financial assets held for trading					
Debt securities and other fixed income securities	2,250,539	15,583,586	6,559,770	3,180,940	27,574,835
Derivative financial instruments	-	-	463,969	-	463,969
Total investments	2,250,539	15,583,586	9,388,150	3,180,940	30,403,215

Concentration risk

The business sector of the issuer and its geographical position are additional credit risk factors that can influence both the price of the securities issued and the issuer's solvency. Therefore it is important to identify concentration risk - i.e., the extent to which the Fund's value depends on changes in certain regions and/or sectors. Geographical distribution of credit risk concentration (based on the country whose position most affects the issuer's solvency) and distribution across sectors are presented in the tables below.

The following table reflects the geographical profile of assets and liabilities of the Fund as at 31 December 2017.

	Latvia	Other OECD countries	Non-OECD countries	Total
Assets				
Due on demand from credit institutions	1,974,336	-	-	1,974,336
Financial assets held for trading				
Debt securities and other fixed income securities	1,325,919	7,413,070	18,309,133	27,048,122
Derivative financial instruments	329,703	-	-	329,703
Total assets	3,629,958	7,413,070	18,309,133	29,352,161
Liabilities				
Derivative financial instruments	(155,567)	-	-	(155,567)
Accrued expenses	(43,333)	-	-	(43,333)
Total liabilities	(198,900)	-	-	(198,900)
Net assets	3,431,058	7,413,070	18,309,133	29,153,261

The following table reflects the geographical profile of assets and liabilities of the Fund as at 31 December 2016.

	Latvia	Other OECD countries	Non-OECD countries	Total
Assets				
Due on demand from credit institutions	2,364,411	-	-	2,364,411
Financial assets held for trading				
Debt securities and other fixed income securities	635,259	8,205,807	18,733,769	27,574,835
Derivative financial instruments	463,969	-	-	463,969
Total assets	3,463,639	8,205,807	18,733,769	30,403,215
Liabilities				
Derivative financial instruments	(925,393)	-	-	(925,393)
Accrued expenses	(45,469)	-	-	(45,469)
Total liabilities	(970,862)	-	-	(970,862)
Net assets	2,492,777	8,205,807	18,733,769	29,432,353

The following table shows the distribution of the Fund's net assets across sectors:

Sector	Carrying value as at 31.12.2017	Carrying value as at 31.12.2016	% of the Fund's net assets 31.12.2017
Energy	5,447,015	4,220,195	18.68%
Government	4,333,110	5,237,928	14.86%
Commercial banks	4,269,478	6,292,295	14.65%
Commodities	3,540,232	2,927,617	12.14%
Financial services	3,392,691	2,630,818	11.64%
Utilities	1,990,242	2,737,033	6.83%
Telecommunications	1,824,802	1,826,850	6.26%
Consumer staples	1,605,899	1,066,840	5.51%
IT services	644,653	635,259	2.21%
Total	27,048,122	27,574,835	92.78%

The following table shows the distribution of the Fund's net assets across individual countries:

Country	Carrying value as at	Carrying value as at	% of the Fund's net
	31.12.2017	31.12.2016	assets 31.12.2017
Russia	4,551,655	3,543,646	15.61%
Latvia	3,431,058	2,492,777	11.77%
Turkey	2,678,453	3,034,750	9.19%
Ukraine	2,413,213	1,746,689	8.28%
Kazakhstan	2,304,819	3,044,963	7.91%
Romania	2,288,775	905,402	7.85%
Azerbaijan	2,030,590	3,161,972	6.97%
Estonia	2,012,504	1,096,233	6.90%
Bulgaria	1,965,616	1,928,161	6.74%
Croatia	1,864,599	2,717,886	6.40%
Hungary	1,078,849	2,473,642	3.70%
Poland	998,364	980,913	3.42%
Georgia	889,866	972,846	3.05%
Sweden	644,900	-	2.21%
Norway	-	620,269	-
Macedonia	-	712,204	-
Total	29,153,261	29,432,353	100.00%

Liquidity risk

Liquidity risk can occur if the Fund has difficulty in meeting its financial obligations. The Fund Manager strives to maintain such asset structure which ensures a possibility of selling securities in due time and with no significant losses. Moreover, a large part of the Fund's assets are invested in short-term investment rating government bonds, which is one of the most liquid types of assets.

The table below summarizes the maturity profile of the Fund's assets and liabilities as at 31 December 2017:

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-5 years	More than 5 years and indefinite	Total
Assets							
Due on demand from credit institutions	1,974,336	-	-	-	-	-	1,974,336
Financial assets held for trading							
Debt securities and other fixed income securities	-	-	601,327	2,951,312	18,535,074	4,960,409	27,048,122
Derivative financial instruments	-	-	329,703	-	-	-	329,703
Total assets	1,974,336	-	931,030	2,951,312	18,535,074	4,960,409	29,352,161
Liabilities							
Derivative financial instruments	-	-	(155,567)	-	-	-	(155,567)
Accrued expenses	(38,251)	-	(5,082)	-	-	-	(43,333)
Total liabilities	(38,251)	-	(160,649)	-	-	-	(198,900)
Net assets	1,936,085	-	770,381	2,951,312	18,535,074	4,960,409	29,153,261
<i>Net position, %</i>	6.64%	0.00%	2.64%	10.12%	63.58%	17.02%	100.00%

The table below summarizes the maturity profile of the Fund's assets and liabilities as at 31 December 2016:

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-5 years	More than 5 years and indefinite	Total
Assets							
Due on demand from credit institutions	2,364,411	-	-	-	-	-	2,364,411
Financial assets held for trading							
Debt securities and other fixed income securities	-	-	-	721,531	18,875,940	7,977,364	27,574,835
Derivative financial instruments	-	-	463,969	-	-	-	463,969
Total assets	2,364,411	-	463,969	721,531	18,875,940	7,977,364	30,403,215
Liabilities							
Derivative financial instruments	-	-	(925,393)	-	-	-	(925,393)
Accrued expenses	(40,532)	-	(4,937)	-	-	-	(45,469)
Total liabilities	(40,532)	-	(930,330)	-	-	-	(970,862)
Net assets	2,323,879	-	(466,361)	721,531	18,875,940	7,977,364	29,432,353
<i>Net position, %</i>	<i>7.90%</i>	<i>0.00%</i>	<i>(1.58%)</i>	<i>2.45%</i>	<i>64.13%</i>	<i>27.10%</i>	<i>100.00%</i>

NOTE 13 INFORMATION ON THE FUND'S SHARE CERTIFICATE HOLDERS

The following table shows the proportion of the share certificates held by related parties of the Fund as well as other investors in the total number of the share certificates issued:

	31.12.2017	31.12.2016	% of the total number as at 31.12.2017
CBL Eastern European Bond fund: Class R Acc USD			
Share certificates held by related parties	294	294	0.06%
Share certificates held by third parties	488,586	493,642	99.94%
Number of share certificates issued at the end of the reporting period	488,880	493,936	100.00%
	31.12.2017	31.12.2016	% of the total number as at 31.12.2017
CBL Eastern European Bond fund: Class R Acc EUR (hedged)			
Share certificates held by related parties	153	153	0.01%
Share certificates held by third parties	1,022,193	1,032,626	99.99%
Number of share certificates issued at the end of the reporting period	1,022,346	1,032,779	100.00%

NOTE 14 RELATED PARTY TRANSACTIONS

The majority of the Fund's investments are acquired through the custodian bank. AS Citadele Banka receives a custodian fee, which is disclosed in the statement of income and expenses; the cash of the Fund is also placed with AS Citadele Banka (see Note 3). Besides, all the derivative financial instruments are concluded with AS Citadele Banka (see Note 4).

Remuneration paid to the investment management company in the reporting year is disclosed in the statement of income and expenses.

During the reporting period the related parties did not conduct any transactions with the Fund's share certificates. Purchase and re-selling transactions of the Fund's share certificates are calculated taking into account only the share certificates held by those related parties which have been classified as related parties of the Fund in 2017 and 2016. In the reporting period, the Fund had no investments in debt securities issued by AS Citadele banka.

NOTE 15 PERFORMANCE DYNAMICS OF THE INVESTMENT FUND

CBL Eastern European Bond fund: Class R Acc USD	31.12.2017	31.12.2016	31.12.2015^A	31.12.2014^A
Net assets (EUR)	9,983,212	10,815,319	10,210,858	8,933,007
Number of share certificates	488,880	493,936	532,541	575,854
Value of the unit of the investment fund (EUR)	20.42	21.90	19.17	15.51
Profitability of the investment fund *	(6.76%)	14.20%	23.60%	3.88%
Net assets (USD)**	11,972,866	11,400,427	11,108,715	10,839,243
Number of share certificates	488,880	493,936	532,541	575,854
Value of the unit of the investment fund (EUR)	24.49	23.08	20.86	18.82
Profitability of the investment fund *	6.11%	10.61%	10.84%	(7.75%)
CBL Eastern European Bond fund: Class R Acc EUR (hedged)	31.12.2017.	31.12.2016.	31.12.2015.^B	31.12.2014.^B
Net assets (EUR)	19,191,715	18,592,090	14,492,267	10,363,493
Number of share certificates	1,022,346	1,032,779	875,201	680,178
Value of the unit of the investment fund (EUR)	18.77	18.00	16.56	15.24
Profitability of the investment fund *	4.28%	8.67%	8.66%	(8.58%)
Net assets (EUR)***	19,135,188	18,636,606	14,513,204	10,393,417
Number of share certificates	1,022,346	1,032,779	875,201	680,178
Value of the unit of the investment fund (EUR)	18.72	18.05	16.58	15.28
Profitability of the investment fund *	3.71%	8.84%	8.51%	(7.84%)

The total assets of CBL Eastern European Bond Fund consist of the total net assets of both classes in the Fund's measurement currency; when revaluing the total assets of CBL Eastern European Bond Fund at the exchange rate published by the European Central Bank, an exchange rate difference between the total amounts of both classes arises which leads to the difference from the net assets presented elsewhere in the financial statements.

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

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

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

^A Information about the previous periods on CBL Eastern European Bond Fund Class R Acc USD share certificates refers to the sub-fund CBL Eastern European Bond fund - USD.

^B Information about the previous periods on CBL Eastern European Bond Fund Class R Acc EUR (hedged) share certificates refers to the sub-fund CBL Eastern European Bond fund - EUR.



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 Bond Fund"

Report on the Audit of the Financial Statements

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of Investment Fund "CBL Eastern European Bond Fund" ("the Fund"), which is managed by the investment management company "CBL Asset Management" ("AIFM") set out on pages 8 to 29 of the accompanying Annual Report, which comprise:

- the statement of assets and liabilities as at 31 December 2017,
- the statement of income and expenses for the year then ended,
- the statement of changes in net assets for the year then ended,
- the cash flow statement for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Investment fund "CBL Eastern European Bond Fund" as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

In accordance with the 'Law on Audit Services' of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibility for the Audit of the Financial Statements* section of our report.

We are independent of the Fund and of AIFM in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and independence requirements included in the 'Law on Audit Services' of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and the 'Law on Audit Services' of the Republic of Latvia.

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

Reporting on Other Information

AIFM's management is responsible for the other information. The other information comprises:

- the Information on the Investment Fund, as set out on page 3 of the accompanying Annual Report,



- the Investment Management Company's Report, as set out on page 4 of the accompanying Annual Report,
- the Statement of Responsibility of the Board of the Investment Management Company, as set out on page 6 of the accompanying Annual Report,

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Fund and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information

In addition, in accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Investment Management Company's Report, our responsibility is to consider whether the Investment Management Company's Report is prepared in accordance with the requirements of the Financial and Capital Market Commission of the Republic of Latvia regulation No 46 'Regulations on the Preparation of Annual Reports and Annual Consolidated Accounts for Banks, Investment Brokerage Firms and Investment Management Companies'.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Investment Management Company's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Investment Management Company's Report has been prepared in accordance with the requirements of the Republic of Latvia regulation No 46 'Regulations on the Preparation of Annual Reports and Annual Consolidated Accounts for Banks, Investment Brokerage Firms and Investment Management Companies'.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Baltics SIA
Licence Nr.55

/Ondrej Fikrle/

Ondrej Fikrle
Partner pp KPMG Baltics SIA
Rīga, Latvia
2 May 2018

/Marina Iljina/

Marina Iljina
Sworn auditor
Certificate No. 193

This report is an English translation of the original Latvian. In the event of discrepancies between the two reports, the Latvian version prevails