

OPEN-END INVESTMENT FUND
“Parex Eastern European Fixed Income Funds”

Sub-fund
“Parex Eastern European Bond Fund”

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009
(7th financial year)

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Riga, 2010

AIF “Parex Eastern European Bond Fund”
Annual report for the year ended 31 December 2009
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AIF "Parex Eastern European Bond Fund"
Annual report for the year ended 31 December 2009
Information on the investment fund

Name of fund:	Parex Eastern European Fixed Income Fund
Type of fund:	Open-end investment fund with sub-funds
Registration date of the fund:	20 July 2009
Number of the fund:	06.03.05.098/50
Name of the sub-fund:	Parex Eastern European Bond Fund
Name of the investment management company:	"Parex Asset Management" IPAS
Registered office of the investment management company:	Republikas laukums 2a, Rīga, LV-1010, Latvia
Registration number of the investment management company:	40003577500
Licence number of the investment management company:	06.03.07.098/181
Name of the custodian bank:	"Parex banka" AS
Registered office of the custodian bank:	Republikas laukums 2a, Rīga, LV-1522, Latvia
Registration number of the custodian bank:	40003074590
Names and positions of Council Members and Board Members of the investment management company:	<p><i>Council of the investment management company::</i> Chairman of the Council – Nils Melngailis – appointed on 01.04.2009. Council Member – Solvita Deglava – appointed on 26.03.2010. Council Member – Anatolijs Fridmans – appointed on 01.04.2009. Council Member - James R.Breiding – appointed on 01.04.2009. Chairman of the Council – Mārtiņš Jaunarājs – resigned on 30.01.2009. Council Member – Glenn Frank Woo - resigned on 30.01.2009. Council Member – Arvīds Sīpols – resigned on 01.04.2009. Council Member – Raits Černajs – resigned on 01.04.2009. Council Member – Deniss Grigorenko – resigned on 01.04.2009. Deputy Chairman of the Council – Roberts Stugis – resigned on 26.03.2010.</p> <p><i>Board of the investment management company:</i> Chairman of the Board/ President – Roberts Idelsons – appointed on 30.11.2005. Board Member – Elena Coleman – appointed on 30.03.2007. Board Member – Edgars Makarovs – appointed on 30.03.2007. Board Member – Zigurds Vaikulis – appointed on 30.03.2007. Board Member – Igors Petrovs - appointed on 22.05.2008. Board Member – Rems Kargins – resigned on 15.01.2009.</p>
The related rights and obligations of the management of the investment fund	All the duties of the Council and Boards members stated in the Statutes of the Law of Latvian Republic and the investment management companies are performed by the Council and Board members.

AIF "Parex Eastern European Bond Fund"
Annual report for the year ended 31 December 2009
Information on the investment fund

Names and positions of Fund managers
(members of the investment committee)

Edgars Makarovs
Andris Kotāns – appointed on 27.10.2008
Kristiana Ķiete – appointed on 20.07.2009

The related rights and obligations of the
management of the investment fund

All the duties of the Fund managers stated in the Statutes of the Law of Latvian Republic and the investment management companies are performed by the Fund managers.

Auditor:

PricewaterhouseCoopers SIA
Certified audit company licence No. 5
Kr. Valdemāra street 19
LV-1010, Riga

Ilandra Lejiņa
Certified auditor in charge
Certificate No. 168

AIF "Parex Eastern European Bond Fund"
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Investment management company report

The assets of the open-end investment fund's Parex Eastern European Fixed Income Funds sub-fund Parex Eastern European Bond Fund (hereinafter - the Fund) are managed by the asset management company Parex Asset Management, registered office at Republikas laukums 2a, Riga, LV-1010, unified registration number 40003577500.

Holding licence No. 06.03.07.098/181 to operate as an asset management company was last re-registered on 5 December 2005.

The objective of the Fund is to achieve long-term capital gains through investments mainly in debt securities issued or guaranteed by governments, municipalities, central banks and credit institutions of Eastern European countries, as well as debt securities of corporate entities. The investment portfolio is balanced in terms of investments in different countries, thus enhancing safety of investments and protection against fluctuations of the asset value inherent in investments in only one country's securities.


2009 can be described as a year of recovery after the heavy blow of 2008 caused to the global economy and financial markets by the instability in the real estate market and among other bankruptcy of Lehman Brothers. Massive liquidity injections on behalf of central banks and fiscal stimulus received from government authorities ensured the stabilisation of the financial markets, which was followed by increasing willingness on market participants to invest into risky assets. As a result markets of developing countries, including Eastern European and CIS countries, have experienced significant rise compensating for losses suffered previously. For example Russian corporate Eurobond index JP Morgan RUBI in 2009 rose by 77% and is already exceeding pre-crisis levels by 20%. Eurobond markets of Ukraine and Kazakhstan did rise significantly during 2009 as well, showing increase of 72% and 40% respectively based on investment bank Trust indices TDI Ukraine and TDI Kazakhstan.

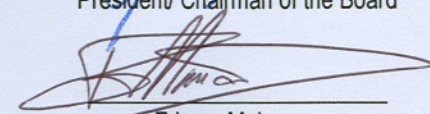
The same as the market, value of Parex Eastern European Bond Fund investment certificates experienced noticeable growth, especially taking into account rather conservative position taken by the Company and avoidance of instruments with long maturity terms. Value of Fund's investment certificate over the year increased by 2 lats and 85 santims reaching LVL 7.17. As a result annual performance in USD was 68% and in lats it amounted to 66%. Despite the positive performance of Fund's shares, total assets of the Fund decreased during the year by 8.7% or LVL 781,918 and comprised LVL 8,239,089 at the end of the year.

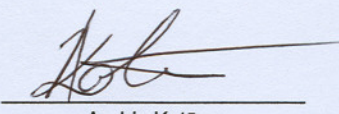
Assessing the structure of the Fund, the most important changes made in investment portfolio of the Fund were increase in portion of Kazakhstan (+11.8%). Situation in banking sector of this country was critical at the beginning of the year, however, during the year the main problems were resolved and Fund's portfolio was supplemented by Eurobonds of most stable Kazakh issuers (Bank CenterCredit, Kazakhgold, Kazmunaigaz, ATF Bank). Increase in portion of Kazakhstan was made via decreasing portion of Russian and Azerbaijan securities (-8.5% and -6.4% respectively). From sector perspective, exposure to oil and gas sector has increased (+14.1%) which is mainly explained by ability of the Fund to purchase financial instruments of companies operating in this sector at considerably good prices due to market turmoil. Largest decline was experienced by telecommunication sector (-2.8%), where prices recovered fast and monetary assets were re-allocated to other more profitable segments of the market.

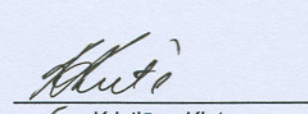
In the reporting year, the management fee was paid from the Fund's assets in the amount of USD 327,430 or 1.83% of the average asset value for the year, which does not exceed the maximum expense limit fixed in the Prospectus, i.e. 3.00%.

Destiny of Eastern European bond and equity markets in 2010 will be primarily determined by global factors – if and by how much the favourable monetary policy will be reversed, as well as if and how will the world governments choose to fight the increasing fiscal deficits and external debts. The Company believes that monetary policy in 2010 will be favourable to the market, while negative surprises may be derived from the political factors. Among Eastern European bond markets the best perspectives among countries are viewed in Kazakhstan and Ukraine, where economical and political environments are expected to develop in positive direction. At the price levels reached, the significance of fundamental assessment of the credit ability of the issuer and choice of the instrument not sector or country of operations has increased, with additional attention to these paid in Fund management.


 Roberts Idelsons
 President/ Chairman of the Board


 Edgars Makarovs
 Member of the investment committee


 Andris Kotāns
 Member of the investment committee


 Kristiāna Ķiete
 Member of the investment committee

Riga, 28 April 2010

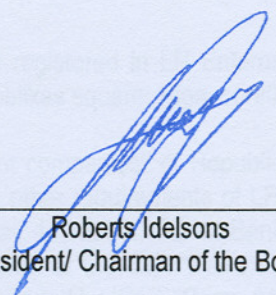
AIF "Parex Eastern European Bond Fund"
Annual report for the year ended 31 December 2009
Statement of responsibility of the Board of the investment management company

The Board of the investment management company (hereinafter - the Company) is responsible for the preparation of the financial statements of the investment fund Parex Eastern European Bond Fund (hereinafter - the Fund).

The financial statements set out on pages 9 to 29 are prepared in accordance with the source documents and present fairly the financial position of the Fund as at 31 December 2008 and 31 December 2009 and the results of its operations for the respective periods then ended.

The financial statements are prepared in accordance with International Financial Reporting Standards as adopted in the European Union, as set out in the Regulations of the Financial and Capital Market Commission (FCMC) on Annual Reports of Investment Funds, on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. 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 the assets of Parex Eastern European Bond Fund and the prevention and detection of fraud and other irregularities in the Fund. They are also responsible for operating the Fund in compliance with the Law of the Republic of Latvia on Investment Management Companies, regulations of the Financial and Capital Market Commission, and other laws and regulations of the Republic of Latvia



Roberts Idelsons
President/ Chairman of the Board

Riga, 28 April 2010

CUSTODIAN BANK REPORT

For holders of
OIF "Parex Eastern European Fixed Income Funds"
"Parex Eastern European Bond fund"
Investment fund applications

2.25.7.-01/05

With this Parex Bank JSC, which is registered in LR Enterprise register on May 14, 1992 with No. 40003074590 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., Parex Bank JSC, (further in the text - Custodian) carries out functions of custodian bank for the OIF "Parex Eastern European Fixed Income Funds" (further in the text – Fund) founded by IPAS "Parex 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;

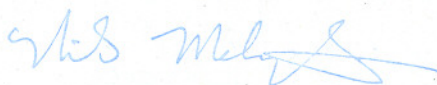
Issuing, sales and repurchasing of the investment certificates is performed according to the requirements of the law "On investment companies", fund prospect and Fund management regulations;

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 OIF "Parex 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. Parex bank JSC is very satisfied with co-operation in performing of the functions of Custodian bank.



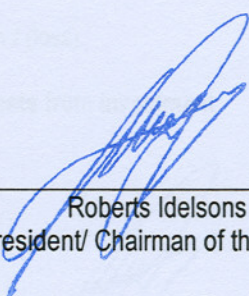
Nils Melngailis
Chairman of the Board, p.p.

Riga, February 16, 2010



AIF "Parex Eastern European Bond Fund"
Annual report for the year ended 31 December 2009
Statement of financial position
(LVL)

Note		31.12.2009.	31.12.2008.
	Assets		
3	Demand deposits with credit institutions	834,143	764,632
4	Financial assets held for trading Debt securities and other fixed income securities	7,415,657	8,502,855
	Total assets	8,249,800	9,267,487
	Liabilities		
5	Financial liabilities held for trading Derivatives	(1,496)	(216,949)
6	Accrued liabilities Balances due for redemption of investment certificates	(12,215) -	(14,851) (17,680)
	Total liabilities	(13,711)	(249,480)
	Net assets	8,236,089	9,018,007



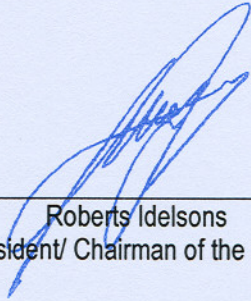
 Roberts Idelsons
 President/ Chairman of the Board

Riga, 28 April 2010

The accompanying notes form an integral part of these financial statements.

AIF "Parex Eastern European Bond Fund"
Annual report for the year ended 31 December 2009
Statement of comprehensive income
(LVL)

Note		2009	2008
	Income		
7	Interest income	1,594,659	1,399,698
	Other income	-	2,295
	Total income	1,594,659	1,401,993
	Expenses		
	Remuneration to investment management company	(135,677)	(226,344)
	Remuneration to custodian bank	(16,155)	(26,932)
	Other fund management expenses	(1,497)	(2,536)
	Total expenses	(153,329)	(255,812)
	Increase / (decrease) in investment		
8	Foreign currency trading result	-	29,883
9	Realised increase / (decrease) in investment value	2,112,368	(1,690,697)
10	Unrealised increase / (decrease) in investment value	1,059,390	(5,655,478)
	Total increase / (decrease) in investment	3,171,758	(7,316,292)
	Foreign currency revaluation gain / (loss)	(49,311)	1,098,418
	Increase / (decrease) in net assets from investment	4,563,777	(5,071,693)



 Roberts Idelsons
 President/ Chairman of the Board

Riga, 28 April 2010

The accompanying notes form an integral part of these financial statements.

AIF "Parex Eastern European Bond Fund"
Annual report for the year ended 31 December 2009
Statement of changes in net assets
(LVL)

	2009	2008
Net assets as at the beginning of the year	9,018,008	10,142,395
Increase / (decrease) in net assets from investment activities	4,563,777	(5,071,693)
Transactions with investment certificates:		
<i>Inflow from sale of investment certificates</i>	3,897,548	17,695,322
<i>Outflow on redemption of investment certificates</i>	(9,243,244)	(13,748,016)
(Decrease) / increase in net assets from transactions with investment certificates	(5,345,696)	3,947,306
Decrease in net assets for the reporting year	(781,919)	(1,124,387)
Net assets as at the end of the reporting year	8,236,089	9,018,008
Issued investment certificates as at the beginning of the reporting year	2,085,608	1,571,327
Issued investment certificates as at the end of the reporting year	1,149,367	2,085,608
Net asset value per investment certificate as at the beginning of the reporting year	4.32	6.45
Net asset value per investment fund's share as at the end of the reporting year	7.17	4.32

The accompanying notes form an integral part of these financial statements.

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Statement of cash flows
(LVL)

	2009	2008
Interest income	986,471	1,289,235
Investment management expenses	(156,605)	(256,145)
Acquisition of financial assets	(7,430,259)	(16,555,305)
Disposal of financial assets	12,267,051	9,826,993
Foreign currency conversion result	(197,290)	851,883
Increase/ (decrease) in cash from operating activities	5,469,368	(4,843,339)
Inflow from sale of investment certificates	3,897,548	17,695,322
Outflow on redemption of investment certificates	(9,260,924)	(13,730,336)
Increase / (decrease) in cash from investing activities	(5,363,376)	3,964,986
Increase / (decrease) in cash during the reporting year	105,992	(878,353)
Cash as at the beginning of the reporting year	764,632	1,599,707
Result of revaluation of cash denominated in foreign currencies	(36,481)	43,278
Cash as at the end of the reporting year	834,143	764,632

The accompanying notes form an integral part of these financial statements.

AIF “Parex Eastern European Bond Fund”
Annual report for the year ended 31 December 2009
Notes
(LVL)

1. General information

Name of the fund:	Parex Eastern European Fixed Income Funds
Type of the fund:	Open-end investment fund with sub-funds
Fund's business activity:	Investments in debt securities issued or guaranteed by governments, municipalities, central banks and credit institutions of Eastern European countries, as well as debt securities of corporate entities, with the investment portfolio being balanced in terms of investments in different currencies and countries.
Name of the sub-fund:	Parex Eastern European Bond Fund
Sub-fund's business activity:	The base currency of the Sub-fund is US dollar (USD). Investments in equity securities of the Prospectus are not intended.
Name of the investment management company:	IPAS “Parex Asset Management”, Republikas laukums 2a, Rīga, LV-1010, Latvia

2. Summary of significant accounting policies

Basis of preparation

The financial statements of AIF Parex Eastern European Bond Fund have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union, as set out in the Regulations of the Financial and Capital Market Commission (hereinafter - FCMC) on Annual Reports of Investment Funds.

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

The monetary unit used in the financial statements is lat (LVL), the monetary unit of the Republic of Latvia. The financial statements cover the period 1 January 2008 through 31 December 2009.

Critical accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires investment management company's management to exercise its judgement in the process of applying the Fund's accounting policies. IFRS requires that in preparing the financial statements, the management makes estimates and assumptions that affect the reported amounts of assets and liabilities and required disclosure at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Income and expense recognition

Interest income and expense items are recognised on an accruals basis.

Interest income and expense are recognized in the statement of comprehensive income by taking into account the effective interest rate of assets/liabilities. Interest income and expense include amortization of discount or premium or other differences between the accounting amount of an initial interest bearing instrument and its amount at the moment of its redemption, calculated by the effective interest rate method. In the case of impaired interest income bearing asset, calculation of interest is continued by applying the effective interest rate method.

Remuneration to investment management company of the Fund and the custodian bank are calculated monthly at a fixed rate of the Fund's assets and are recognized in the statement of comprehensive income on an accruals basis.

Foreign currency translation

The Fund's functional currency is the US dollars but, according to the FCMC requirements, the Fund ensures accounting also in Latvian lats. These financial statements are prepared based on transaction accounting in Latvian lats, which is the presentation currency of the Fund.

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(LVL)

Transactions denominated in foreign currencies are recorded in Latvian lats at the official exchange rate established by the Bank of Latvia at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Latvian lats at the official exchange rate established by the Bank of Latvia at the last day of the reporting period. Any gain or loss resulting from a change in exchange rates is included in the statement of comprehensive income as gain or loss from the revaluation of foreign currency positions.

The exchange rates established by the Bank of Latvia (LVL to 1 foreign currency unit) and mainly applied when preparing the statement of financial position of the Fund can be specified as follows:

<u>Currency</u>	<u>31.12.2009</u>	<u>31.12.2008.</u>
USD	0.489	0.495
RUB	0.0164	0.0171

Since 1 January 2005, the Bank of Latvia has stated a fixed currency exchange rate for the Latvian lat against the euro, i.e. 0.702804. From this moment the Bank of Latvia will also ensure that the market rate will not differ from the official rate by more than 1%. Therefore, the Fund's future profit or loss due to fluctuations of the euro exchange rate will not be material as far as the Bank of Latvia maintains the above mentioned fixed rate.

Cash

Cash comprises Fund's demand deposits with credit institutions.

Financial instruments

Financial instruments are classified in the following categories: financial assets at fair value through profit or loss and held to maturity. The classification depends on the purpose of financial instrument acquisition. The management determines classification of financial instruments at their original recognition.

Financial assets and liabilities at fair value through profit or loss

Financial instruments at fair value through profit or loss include assets held for trading. Fund does not have any financial assets that are designated as at fair value through profit and loss.

Financial instruments held to maturity

Financial instruments held to maturity are with fixed or determinable payments and fixed maturity that the Plan has the positive intention and ability to hold to maturity. Assets held to maturity comprise debt securities with fixed income and term deposits with banks.

Investments in securities

All investments in securities are classified as held-for-trading securities, i.e. securities are acquired for generating a profit from short-term fluctuations in price or dealer's margin.

Held-for-trading securities are initially recognised at cost and subsequently re-measured at fair value based on available market prices. The result of re-measuring held-for-trading securities at fair value is included in the statement of comprehensive income as increase/ (decrease) in investment.

Securities are revaluated on the basis of Bloomberg's financial information on the selling prices of securities. Unlisted securities are evaluated on the basis of the custodian bank's information on transactions, but in case such information is not available, respective securities are evaluated at their amortised cost. Securities purchase and sale transactions are recognised on the date of settlements. The cost of securities sold is defined on a FIFO (first in, first out) basis.

Derivatives

For currency risk management purposes, the Fund engages as a party to contracts for forward foreign exchange and currency swap instruments. For the accounting purposes, all derivatives are classified as held-for-trading.

Subsequent to initial recognition and measurement, outstanding forward foreign exchange contracts are carried in the statement of financial position at their fair value. The fair value of these instruments is recognised in the statement of

AIF “Parex Eastern European Bond Fund”
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(LVL)

financial position under designated assets and liabilities caption Derivatives. The notional amounts of these financial instruments are reported in the notes to the financial statements.

Gains or losses from changes in assets and liabilities arising on forward foreign exchange contracts are recognised in the statement of comprehensive income as foreign currency revaluation result profit from foreign currency trading.

Fair values of financial assets and liabilities

The fair value of financial assets and liabilities represents the amount at which an asset could be exchanged or a liability settled on an arm's length basis.

Taxes

The Fund's income is subject to income tax in the country of its origin. Basically, the Fund's income is exempt from income taxes. The Fund is not a Latvian corporate income tax payer, and upon annulment of the Fund's investment certificates, no income tax is charged on increase in value.

On 1 December 2009 Saeima has approved changes to the law “On the personal income tax”, stating that starting with 1 January 2010 capital gains are subject to 15% tax charge. For investment funds capital gain is a difference between selling price and purchase price of investment certificates. In accordance with transition norms of the law “On the personal income tax”, in order to calculate income from sale of investment certificates purchased before endorsement of the law (before 01.01.2010) one has to apportion difference between selling and purchase value to the number of months investment held and multiply this by number of months investment held from 01.01.2010 until the settlement date. Changes in the law are applicable only to private persons being residents of the Republic of Latvia.

Adoption of new or revised standards and interpretations

Certain new IFRSs became effective from 1 January 2009. Listed below are those new or amended standards or interpretations which are relevant to the Fund's operations and the nature of their impact on the Fund's accounting policies.

IAS 1, Presentation of Financial Statements, revised in September 2007. The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which includes all non-owner changes in equity. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The Fund has elected to present a single statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The revised IAS 1 had an impact on the presentation of the Fund's financial statements but had no impact on the recognition or measurement of specific transactions and balances.

Improving Disclosures about Financial Instruments - Amendment to IFRS 7, Financial Instruments: Disclosures, issued in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity is required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The enhanced disclosures are included in these financial statements.

Certain new IFRSs became effective from 1 January 2009. Listed below are those new or amended standards or interpretations which are not relevant to the Fund's operations and policies.

- IAS 23, Borrowing Costs, revised in March 2007.
- Puttable Financial Instruments and Obligations Arising on Liquidation—IAS 32 and IAS 1 Amendment.
- Vesting Conditions and Cancellations—Amendment to IFRS 2, Share-based Payment.
- IFRS 8, Operating Segments.
- IFRIC 13, Customer Loyalty Programmes.
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'.
- Embedded Derivatives - Amendments to IFRIC 9 and IAS 39, issued in March 2009.
- IFRIC 15, Agreements for the Construction of Real Estate.
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation.

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Notes
(LVL)

- Improvements to International Financial Reporting Standards (issued in May 2008). The amendments did not have an impact on the policies of the Fund.

Certain new standards and interpretations have been published that become effective for the accounting periods beginning on or after 1 July 2009 or later periods and which are not early adopted by the Fund.

- IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009).
- Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate—IFRS 1 and IAS 27 Amendment, issued in May 2008.
- Eligible Hedged Items—Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009).
- IFRS 1, First-time Adoption of International Financial Reporting Standards (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009).
- IFRIC 12, 'Service concession arrangements' (effective for annual periods beginning on or after 1 January 2008. Effective for annual periods beginning on or after 30 March 2009 for companies that prepare financial statements based on the IFRS as adopted by the EU.).
- IFRIC 17, Distributions of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009).
- IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009).
- Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010).
- Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010).

Certain new standards and interpretations have been published that become effective for the accounting periods beginning on or after 1 January 2010 or later periods and which have not been endorsed by the EU:

- IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009).
- Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011).
- Classification of Rights Issues - Amendment to IAS 32 (issued 8 October 2009; effective for annual periods beginning on or after 1 February 2010).
- Additional Exemptions for First-time Adopters - Amendments to IFRS 1, First-time Adoption of IFRS (effective for annual periods beginning on or after 1 January 2010).
- IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted.
- Amendment to IFRIC 14, 'Payments of a minimum funding requirement' (effective for annual periods beginning on or after 1 January 2011).
- IFRIC 19, Extinguishing financial liabilities with equity instruments (effective for annual periods beginning on or after 1 July 2010).
- The International Financial Reporting Standard for Small and Medium-sized Entities (issued in July 2009) is a self-contained standard, tailored to the needs and capabilities of smaller businesses.

3. Demand deposits with credit institutions

	31.12.2009.	31.12.2008.	% of Fund's net assets as at 31.12.2009.
Demand deposits with credit institutions, AS Parex banka	834,143	764,632	10.13%
Total demand deposits with credit institutions	834,143	764,632	10.13%

The Fund receives interest on demand deposits at fixed rates.

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4. Debt securities and other fixed income securities

	31.12.2009.	31.12.2008.	Annual yield to maturity 31.12.2009.	% of Fund's net assets as at 31.12.2009.
Credit institution bonds::	4,066,067	4,347,239	12.85%	49.37%
Other non-OECD credit institution bonds (excluding Latvia)	3,769,913	4,049,242	13.03%	45.77%
Latvian credit institution bonds OECD credit institution bonds	296,154	297,997	10.55%	3.60%
Corporate bonds:	3,349,590	4,155,616	22.10%	40.67%
Other non-OECD corporate bonds (excluding Latvia)	3,122,786	3,699,398	21.14%	37.92%
Latvian corporate bonds	226,804	456,218	35.31%	2.75%
Total debt securities and other fixed income securities	7,415,657	8,502,855	17.03%	90.04%

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

All fixed income securities are listed, except for securities with the book value of LVL 309,081 (2008: LVL 925,840).

The table below presents debt securities by the issuer's country of residence:

Financial instrument	Currency	Amount	Acquisition value	Carrying amount as at 31.12.2009.	% of Fund's net assets as at 31.12.2009.
Financial instruments traded on regulated markets			7,437,780	7,106,576	86.28%
Latvian issuers::			689,902	505,139	6.13%
PAREX BANKA (XS0253533318)	EUR	355	177,674	226,289	2.75%
ELKO GRUPA (LV0000800589)	EUR	3,000	213,477	202,115	2.45%
BALTIKUMS (LV0000800407)	EUR	1,000	69,742	69,865	0.85%
CAPITAL DEPARTMENT STORE (LV0000800761)	EUR	325,850	229,009	6,870	0.08%
Russian issuers:			3,178,808	2,911,791	35.35%
RASPADSKAYA (XS0301347372)	USD	750	300,918	371,945	4.52%
RUSSIAN STANDARD BANK (XS0308286078)	USD	750	339,938	360,877	4.38%
SEVERSTAL (XS0376189857)	USD	700	238,490	360,834	4.38%
GAZPROM (XS0197695009)	USD	1,000	360,733	358,147	4.35%
LOCKO-BANK (XS0289054750)	USD	600	294,063	304,566	3.70%
NOVOROSSIYSK COMMERCIAL SEA PORT (XS0300986337)	USD	500	202,079	246,646	2.99%
VTB BANK (XS0365923977)	USD	500	231,381	244,815	2.97%
GAZ-FINANS (RU000A0GNLK0)	RUR	13,064	212,315	217,469	2.64%
NIZHNEKAMSKNEFTEKHIM (XS0463418052)	USD	300	130,127	152,055	1.85%
INTERNATIONAL INDUSTRIAL BANK (XS0286448922)	USD	300	143,630	151,676	1.84%
PROMSVYAZBANK (XS0375091757)	USD	250	120,978	132,476	1.61%
RBC INFORMATION SYSTEMS (RU000A0JPPA1)	RUR	15,200	308,804	10,220	0.12%
AMURMETALL (RU000A0GN9D1)	RUR	10,000	193,286	16	0.00%
INCOM LADA (RU000A0JPAS5)	RUR	29,990	102,066	49	0.00%
Ukrainian issuers:			1,471,225	1,524,482	18.51%
ALFA BANK UKRAINE (XS0441089926)	USD	850	365,146	370,584	4.50%
UKRSOTSBANK (XS0286235774)	USD	750	342,372	370,140	4.49%
PRIVATBANK (XS0285182266)	USD	900	318,201	345,655	4.20%
AZOVSTAL IRON & STEEL WORKS (XS0244470570)	USD	500	229,404	228,833	2.78%
NAFTOGAZ UKRAINE (XS0459207121)	USD	500	216,102	209,270	2.54%
Kazakhstan issuers:			1,390,007	1,444,474	17.54%
KAZAKHGOLD GROUP (XS0273371632)	USD	750	387,231	370,991	4.50%
BANK CENTERCREDIT (XS0243010443)	USD	750	357,864	367,323	4.46%
KAZMUNAIGAS EXPLORATION PRODUCTION (XS0441261921)	USD	500	245,060	305,049	3.70%
ATF BANK (XS0233829463)	USD	500	238,120	247,075	3.00%
TURANALEM BANK (XS0211873053)	USD	500	81,510	77,018	0.94%

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Financial instrument	Currency	Amount	Acquisition value	Carrying amount as at 31.12.2009.	% of Fund's net assets as at 31.12.2009.
TURANALEM BANK (XS0251881289)	USD	500	80,222	77,018	0.94%
Georgian issuers:			364,458	363,266	4.41%
BANK OF GEORGIA (XS0283756624)	USD	750	364,458	363,266	4.41%
Azerbaijani issuers:			343,380	357,424	4.34%
TECHNIKABANK (LV0000800746)	USD	7,500	343,380	357,424	4.34%
Other financial instruments			542,324	309,081	3.76%
Latvian issuers:			256,523	17,819	0.22%
ACME CORPORATION (LV0000800787)	EUR	100	10,542	10,440	0.13%
UA SERVISS (LV0000800753)	EUR	350	245,981	7,379	0.09%
Ukrainian issuers:			285,801	291,262	3.54%
GALNAFTOGAZ (XS0324996783)	USD	725	285,801	291,262	3.54%
Total debt securities and other fixed income securities			7,980,104	7,415,657	90.04%

5. Derivatives

The table below presents the notional amounts and fair values of forward foreign exchange and currency swap instruments. The notional amount of foreign exchange transactions is stated on the basis of amounts receivable arising thereon.

	31.12.2009.			31.12.2008.			% of Fund's net assets as at 31.12.2009
	Fair value			Fair value			
	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities	
Foreign exchange transactions							
Currency swap instruments	629,299	-	(1,496)	1,740,816	-	(207,346)	(0.02)%
Forward foreign exchange instruments	-	-	-	702,804	-	(9,603)	-
Total derivatives	629,299	-	(1,496)	2,443,620	-	(216,949)	(0.02)%

All the contracts are concluded with AS Parex banka.

6. Accrued liabilities

	31.12.2009	31.12.2008.
Accrued commission fees payable to investment management company	10,075	12,157
Accrued commission fees payable to custodian bank	1,175	1,464
Accrued fees payable for professional services	965	1,230
Total accrued liabilities	12,215	14,851

7. Interest income

	2009	2008
Interest income from debt securities and other fixed income securities	1,558,666	1,368,085
Interest income from demand deposits with credit institutions	35,993	31,613
Total interest income	1,594,659	1,399,698

8. Foreign currency trading result represents the results of currency forward and currency swap transactions which were made during the reporting year with aim to generate a profit.

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9. Realised increase / (decrease) in investment value

	2009	2008
Income from sale of investments	12,222,686	9,921,665
Acquisition value of investments sold	(13,776,106)	(11,766,474)
Increase / (decrease) in value of investments sold, recognised in the prior reporting periods	3,665,788	154,112
Total increase / (decrease) realised in investment value	2,112,368	(1,690,697)

10. Unrealised increase / (decrease) in investment value

	2009	2008
From shares and other non-fixed income securities	1,059,390	(5,655,478)
Total unrealised increase / (decrease) in investment value	1,059,390	(5,655,478)

11. Change in investments during the reporting year

	31.12.2008.	Increase during the reporting year	Decrease during the reporting year	Foreign currency revaluation result	Fair value revaluation result	31.12.2009
Financial assets held for trading						
Debt securities and other fixed income securities	8,502,855	7,430,259	(13,217,529)	(30,351)	4,730,423	7,415,657
Derivatives, net	(216,949)	-	-	215,453	-	(1,496)
Total assets	8,285,906	7,430,259	(13,217,529)	185,102	4,730,423	7,414,161

12. Pledged assets

During the reporting year, no guarantees or collaterals have been issued by the Fund, neither has it pledged or otherwise caused any encumbrance or lien on its assets.

13. Fair values of financial assets and liabilities

Management of the investment company believes that the carrying amounts of financial assets and liabilities approximate to their fair values. The fair value is determined according to the market quotation method, based on available quotes of stock exchanges and brokers.

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The table below shows the fair value of the Fund's assets and liabilities as at 31 December 2009:

	Carrying amount	Quoted market prices	Valuation technique - observable market inputs
Assets			
Demand deposits with credit institutions	834,143	-	834,143
Financial assets held for trading			
Debt securities and other fixed income securities	7,415,657	6,971,058	444,599
Total assets	8,249,800	6,971,058	1,278,742
Liabilities			
Financial liabilities held for trading			
Derivatives	(1,496)	-	(1,496)
Accrued liabilities	(12,215)	-	(12,215)
Total liabilities	(13,711)	-	(13,711)
Net assets	8,236,089	6,971,058	1,265,031

The table below shows the fair value of the Fund's assets and liabilities as at 31 December 2008:

	Carrying amount	Quoted market prices	Valuation technique - observable market inputs
Assets			
Demand deposits with credit institutions	764,632	-	764,632
Financial assets held for trading			
Debt securities and other fixed income securities	8,502,855	3,386,490	5,116,365
Total assets	9,267,487	3,386,490	5,880,997
Liabilities			
Financial liabilities held for trading			
Derivatives	(216,949)	-	(216,949)
Balances due for redemption of investment certificates	(17,680)	-	(17,680)
Accrued liabilities	(14,851)	-	(14,851)
Total liabilities	(249,480)	-	(249,480)
Net assets	9,018,007	3,386,490	5,631,517

14. Risk management

Risks are inherent in the investment process. The risk management process includes risk identification, risk measurement, and directly risk management. The Fund is exposed to market risk (i.e. currency risk, interest rate risk, and price risk), 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 the future.

Risk management structure

Risk identification and measurement are the responsibility of an independent unit – the Risk Management Division which prepares and presents information about risks to the Fund Manager who decides specifically whether it would be necessary to minimise risks. The risk measurement process employs several models based on historical data and adjusted to consider for the current economic situation. Specific models are used to forecast changes in risk factors in ordinary and extraordinary market situations.

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To mitigate the investment risks, the Fund Manager follows the risk diversification and hedging principles. The Fund Manager acquires sufficient information on potential or current investment objects, as well as supervises the 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 Fund's investment strategy and stating limits, performs an analysis of the Fund's investments by maturity, geographic and currency profile, as well as assesses the risks inherent to each of the above factors. The Fund Manager acts in strict compliance with the Fund Prospectus, Fund Management Regulations, as well as regulations and restrictions imposed by legislation of the Republic of Latvia.

Market risk

Market risk is a risk that the Fund's value will reduce as a result of changes in any of the following market factors: securities prices, exchange rates, interest rates, etc.

Interest rate risk

The price risk related to fixed income securities (bonds) is to a great extent dependent on fluctuations of market interest rates and changes in the issuer's credit quality. Market interest rate fluctuations affect the attractiveness of securities, as, in fact, it is an alternative source of interest income. With market interest rates growing, the prices of fixed income securities are dropping, and vice versa. Meanwhile, the increase (decrease) in market interest rates produces a positive (negative) effect on coupon rates of fixed income securities bearing interest at floating rates (when the coupon is fixed as a base rate, like Euribor or Libor, plus a margin). After the revaluation (i.e. when a new interest rate is adopted), the coupon rate of such securities increases (decreases), which results in a respective increase (decrease) in interest income.

The tables below show a potential effect of changes in market interest rates in certain currencies on the Fund's value. Interest income changes are calculated on an annual basis. The actual changes of the Fund's value may differ from the below calculations and such a difference might be significant.

Changes in fixed income securities' prices and interest income (year 2009, LVL)				
Currency	Changes in base rates, bp	Changes in interest income	Changes in market value	Total effect of base rate changes
RUB	300	-	(1,114)	(1,114)
USD	50	-	(71,357)	(71,357)
EUR	50	-	(4,411)	(4,411)
Total		-	(76,912)	(76,912)

Changes in fixed income securities' prices and interest income (year 2008, LVL)				
Currency	Changes in base rates, bp	Changes in interest income	Changes in market value	Total effect of base rate changes
RUB	200	-	(5,508)	(5,508)
USD	100	-	(150,113)	(150,113)
EUR	100	2,508	(16,189)	(13,681)
Total		2,508	(171,810)	(169,302)

Changes in fixed income securities' prices and interest income (year 2009, % of assets)				
Currency	Changes in base rates, bp	Changes in interest income	Changes in market value	Total effect of base rate changes
RUB	300	0.00%	-0.01%	-0.01%
USD	50	0.00%	-0.87%	-0.87%
EUR	50	0.00%	-0.05%	-0.05%
Total		0.00%	-0.93%	-0.93%

Changes in fixed income securities' prices and interest income (year 2008, % of assets)				
Currency	Changes in base rates, bp	Changes in interest income	Changes in market value	Total effect of base rate changes
RUB	200	0.00%	-0.06%	-0.06%
USD	100	0.00%	-1.66%	-1.66%
EUR	100	0.03%	-0.18%	-0.15%
Total		0.003%	-1.91%	-1.88%

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Changes in fixed income securities' prices and interest income (year 2009, LVL)				
Currency	Changes in base rates, bp	Changes in interest income	Changes in market value	Total effect of base rate changes
RUB	-150	-	572	572
USD	-50	-	71,357	71,357
EUR	-50	-	4,411	4,411
Total		-	76,340	76,340

Changes in fixed income securities' prices and interest income (year 2008, LVL)				
Currency	Changes in base rates, bp	Changes in interest income	Changes in market value	Total effect of base rate changes
RUB	-200	-	5,508	5,508
USD	-50	-	75,057	75,057
EUR	-100	(2,508)	16,189	13,681
Total		(2,508)	96,754	94,246

Changes in fixed income securities' prices and interest income (year 2009, % of assets)				
Currency	Changes in base rates, bp	Changes in interest income	Changes in market value	Total effect of base rate changes
RUB	-150	0.00%	0.01%	0.01%
USD	-50	0.00%	0.87%	0.87%
EUR	-50	0.00%	0.05%	0.05%
Total		0.00%	0.93%	0.93%

Changes in fixed income securities' prices and interest income (year 2008, % of assets)				
Currency	Changes in base rates, bp	Changes in interest income	Changes in market value	Total effect of base rate changes
RUB	-200	0.00%	0.06%	0.06%
USD	-50	0.00%	0.83%	0.83%
EUR	-100	-0.03%	0.18%	0.15%
Total		-0.003%	1.07%	1.05%

Currency risk

Currency risk arises when the nominal value of Fund's securities or other instruments differs from the Fund's currency (euros). Exchange rate fluctuations may result in a gain or loss, depending on the trend of the fluctuations and the Fund's currency position. The Fund's exposure to currency risk is managed effectively by entering into currency forward and swap transactions, which results in closing of the existing positions and minimisation of potential risk losses.

Effect on the currency exchange rate changes of the Plan's value are represented in the table below. Changes in exchange rates are appropriate to the one standard deviation rate calculated of 2009 data basis.

Currency	Density in Fund (% of assets)	Currency exchange to USD	Effect on Fund value
EUR	-1.30%	12.15%	-0.16%
RUB	2.70%	14.62%	0.40%
USD	98.60%	0.00%	0.00%
Total	100.00%		0.24%

Effect on the currency exchange rate changes of the Plan's value are represented in the table below. Changes in exchange rates are appropriate to the one standard deviation rate calculated of 2008 data basis.

Currency	Density in Fund (% of assets)	Currency exchange to USD	Effect on Fund value
EUR	-4.47%	14.00%	-0.62%
RUB	9.40%	9.40%	0.88%
USD	95.06%	0.00%	0.00%
Total	100.00%		0.26%

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The table below shows the Fund's assets and liabilities by currency profile as at 31 December 2009.

	USD	EUR	RUB	Total
Assets				
Demand deposits with credit institutions	834,143	-	-	834,143
Financial assets held for trading				
Debt securities and other fixed income securities	6,664,945	522,958	227,754	7,415,657
Total assets	7,499,088	522,958	227,754	8,249,800
Liabilities				
Financial liabilities held for trading				
Derivatives	629,299	(630,795)	-	(1,496)
Accrued liabilities	(11,250)	(965)	-	(12,215)
Total liabilities	618,049	(631,760)	-	(13,711)
Net assets	8,117,137	(108,802)	227,754	8,236,089
<i>Net long/ (short) position</i>	98.55%	(1.32)%	2.77%	100.00%

The table below shows the Fund's assets and liabilities by currency profile as at 31 December 2008.

	LVL	USD	EUR	Other	Total
Assets					
Demand deposits with credit institutions	764,392	-	-	240	764,632
Financial assets held for trading					
Debt securities and other fixed income securities	6,804,017	850,890	847,948	-	8,502,855
Total assets	7,568,409	850,890	847,948	240	9,267,487
Liabilities					
Financial liabilities held for trading					
Derivatives	1,035,441	(1,252,390)	-	-	(216,949)
Accrued liabilities	(13,621)	(1,230)	-	-	(14,851)
Balances due for redemption of investment certificates	(17,680)	-	-	-	(17,680)
Total liabilities	1,004,140	(1,253,620)	-	-	(249,480)
Net assets	8,572,549	(402,730)	847,948	240	9,018,007
<i>Net longposition</i>	95.07%	(4.47)%	9.40%	0.00%	100.00%

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Credit risk

Credit risk is a risk that the Fund's value will decrease from counterparty's or issuer's non-performance or default. Only safe and reliable counterparties are selected for transactions involving the Fund's assets. The Fund Manager monitors the solvency position of the counterparties on a regular basis, analyses their credit rating and financial position, as well as mass media information.

Credit quality of the Fund's assets is managed on the basis of the credit ratings granted by international rating agencies Standard & Poor's, Moody's, and Fitch. In addition, a detailed analysis is performed on the issuer's financial statements, financial position and future prospects. The table below shows the issuers of securities and credit institutions in which the Fund has deposits by credit ratings.

The Fund's assets and liabilities are classified by credit ratings as follows:

- High investment rating: AAA (Standard & Poor's); Aaa (Moody's Investors Service); AAA (Fitch);
- Average investment rating: AA+ - A- (Standard & Poor's); Aa1 - A3 (Moody's Investors Service); AA+ - A- (Fitch);
- Low investment rating: BBB+ - BBB- (Standard & Poor's); Baa1 - Baa3 (Moody's Investors Service); BBB+ - BBB- (Fitch);
- Average rating: BB+ - BB- (Standard & Poor's); Ba1 - Ba3 (Moody's Investors Service); BB+ - BB- (Fitch);
- Low rating: B+ - B- (Standard & Poor's); B1 - B3 (Moody's Investors Service); B+ - B- (Fitch)
- Speculative rating: CCC+ - D (Standard & Poor's); Caa1 - C (Moody's Investors Service); CCC+ - D (Fitch).

The table below shows the Fund's assets and liabilities by credit ratings as at 31 December 2009.

	Low investment rating	Average rating	Low rating	Speculative rating	Not rated	Total
Assets						
Demand deposits with credit institutions	-	-	834,143	-	-	834,143
Debt securities and other fixed income securities	1,155,086	246,646	3,735,935	733,890	1,544,100	7,415,657
Total assets	1,155,086	246,646	4,570,078	733,890	1,544,100	8,249,800

The table below shows the Fund's assets and liabilities by credit ratings as at 31 December 2008.

	Low investment rating	Average rating	Low rating	Speculative rating	Not rated	Total
Assets						
Demand deposits with credit institutions	-	-	-	764,632	-	764,632
Debt securities and other fixed income securities	358,216	2,383,513	2,958,570	329,849	2,472,707	8,502,855
Total assets	358,216	2,383,513	2,958,570	1,094,481	2,472,707	9,267,487

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The issuer's industry and geographic position are additional credit risk factors, which can affect the price of the issuer's securities or the issuer's solvency. Therefore, it is vital to identify concentration risk, i.e. to which extent the Fund's value depends on changes in specific regions or industries. Credit risk concentration by geographic profile (based on the country most affecting the issuer's solvency) and industry profile is presented in the table below.

The table below shows the Fund's assets and liabilities by geographic profile as at 31 December 2009:

	Latvia	Other non- OECD countries	Total
Assets			
Demand deposits with credit institutions	834,143	-	834,143
Financial assets held for trading			
Debt securities and other fixed income securities	522,958	6,892,699	7,415,657
Total assets	1,357,101	6,892,699	8,249,800
Liabilities			
Financial liabilities held for trading			
Derivatives	(1,496)	-	(1,496)
Accrued liabilities	(12,215)	-	(12,215)
Total liabilities	(13,711)	-	(13,711)
Net assets	1,343,390	6,892,699	8,236,089

The table below shows the Fund's assets and liabilities by geographic profile as at 31 December 2008

	Latvia	Other non- OECD countries	Total
Assets			
Demand deposits with credit institutions	764,632	-	764,632
Financial assets held for trading			
Debt securities and other fixed income securities	754,215	7,748,640	8,502,855
Total assets	1,518,847	7,748,640	9,267,487
Liabilities			
Financial liabilities held for trading			
Derivatives	(216,949)	-	(216,949)
Accrued liabilities	(14,851)	-	(14,851)
Balances due for redemption of investment certificates	(17,680)	-	(17,680)
Total liabilities	(249,480)	-	(249,480)
Net assets	1,269,367	7,748,640	9,018,007

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The table below shows the Fund's assets and liabilities by country profile.

Country	Carrying amount as at 31.12.2009.	Carrying amount as at 31.12.2008.	% of Fund's net assets as at 31.12.2009.
Russia	2,911,791	3,959,414	35.35%
Ukraine	1,815,744	1,874,287	22.05%
Kazakhstan	1,444,474	516,466	17.54%
Latvia	1,343,390	1,269,367	16.31%
Georgia	363,266	432,942	4.41%
Azerbaijan	357,424	965,531	4.34%
Total	8,236,089	9,018,007	100.00%

The table below shows the Fund's securities portfolio by industry profile.

Nozare	Carrying amount as at 31.12.2009.	Carrying amount as at 31.12.2008.	% of Fund's net assets as at 31.12.2009.
Commercial banks	4,066,067	4,347,239	49.38%
Energy resources	1,244,411	-	15.11%
Raw materials	1,112,729	2,191,466	13.51%
Retail trade	298,181	52,272	3.62%
Transportation	246,646	139,686	2.99%
Machine-building industry	217,469	257,298	2.64%
Technical supply, it's maintenance	202,115	277,920	2.45%
Real estate	10,440	63,838	0.13%
Mass media	10,220	211,617	0.12%
Hard goods and clothes	7,379	66,826	0.09%
Telecommunications	-	248,778	0.00%
Consumer services	-	126,665	0.00%
Hard goods	-	266,465	0.00%
Food, beverages, tobacco	-	252,785	0.00%
Total	7,415,657	8,502,855	90.04%

Liquidity risk

Liquidity risk is a risk that the Fund will have difficulties in meeting its financial obligations. The Fund Manager strives to maintain such an asset structure which would ensure a possibility of selling securities in due time and with no significant losses. The maturity profile of the Fund's assets and liabilities is provided below.

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(LVL)

Table below shows the Fund's assets and liabilities by maturity profile as at 31 December 2009.

	On demand	Within 1 month	1 - 3 months	3 – 6 months	6 - 12 months	1-5 years	More than 5 years	Total
Assets								
Demand deposits with credit institutions	834,143	-	-	-	-	-	-	834,143
Financial assets held for trading								
Debt securities and other fixed income securities	-	10,236	896,247	360,877	449,190	4,714,078	985,029	7,415,657
Derivatives	-	-	629,299	-	-	-	-	629,299
Total assets	834,143	10,236	1,525,546	360,877	449,190	4,714,078	985,029	8,879,099
Liabilities								
Financial liabilities held for trading	-	-	(1,496)	-	-	-	-	(1,496)
Derivatives	-	-	(630,795)	-	-	-	-	(630,795)
Accrued liabilities	-	(11,250)	(965)	-	-	-	-	(12,215)
Total liabilities	-	(11,250)	(631,760)	-	-	-	-	(643,010)
Net assets	834,143	(1,014)	893,786	360,877	449,190	4,714,078	985,029	8,236,089
<i>Net position % from net assets</i>	<i>10.13%</i>	<i>(0.01)%</i>	<i>10.86%</i>	<i>4.37%</i>	<i>5.45%</i>	<i>57.24%</i>	<i>11.96%</i>	<i>100.00%</i>

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Table below shows the Fund's assets and liabilities by maturity profile as at 31 December 2008:

	On demand	Within 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1-5 years	More than 5 years	Total
Assets								
Demand deposits with credit institutions	764,632	-	-	-	-	-	-	764,632
Financial assets held for trading								
Debt securities and other fixed income securities	-	-	332,242	824,169	1,028,358	6,038,521	279,565	8,502,855
Derivatives	-	-	-	2,443,620	-	-	-	2,443,620
Total assets	764,632	-	332,242	3,267,789	1,028,358	6,038,521	279,565	11,711,107
Liabilities								
Financial liabilities held for trading								
Derivatives	-	-	-	(2,660,569)	-	-	-	(2,660,569)
Accrued liabilities	-	(14,236)	-	(615)	-	-	-	(14,851)
Balances due for redemption of investment certificates	-	(17,680)	-	-	-	-	-	(17,680)
Total liabilities	-	(31,916)	-	(2,661,184)	-	-	-	(2,693,100)
Net assets	764,632	(31,916)	332,242	606,605	1,028,358	6,038,521	279,565	9,018,007
<i>Net position % from net assets</i>	8.48%	(0.35)%	3.68%	6.73%	11.40%	66.96%	3.10%	100.00%

15. Information on holders of investment certificates

The below table specifies the proportion of investment certificates held by related parties out of total investment certificates issued:

	31.12.2009	31.12.2008.	% of total certificates as at 31.12.2009
Investment certificates held by related parties	4,784	11,680	0.42%
Investment certificates held by other persons	1,144,583	2,073,928	99.58%
Investment certificates issued as at the year end	1,149,367	2,085,608	100.00%

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16. Related party disclosures

The majority of the Fund's investments are acquired with the mediation of the custodian bank AS Parex banka. AS Parex banka receives remuneration as the custodian bank, as disclosed in the statement of comprehensive income. In addition, the Fund's cash resources (see also Note 3) are held and derivative contracts (see also Note 5) are concluded with AS Parex banka.

The remuneration paid to the investment management company during the reporting year is disclosed in the statement of comprehensive income (see also Note 6).

During the reporting year, related parties didn't acquired any investment certificates (2008: 16,776 certificates). During the reporting year related parties sold back 6,895 investment certificates (2008: certificates 11,821).

During the reporting year, the Fund had an investment in bonds issued by AS Parex banka. As at 31 December 2009, the carrying value of this investment was LVL 226,289 (2008: nil).

Transactions with related parties were made on an arm's length basis.

17. Dynamics of net asset value

	31.12.2009	31.12.2008.	31.12.2007.
Net assets (LVL)	8,236,089	9,018,007	10,142,394
Number of investment certificates	1,149,367	2,085,608	1,571,327
Value of investment fund's shares (LVL)	7.17	4.32	6.45
Performance on investment fund's shares*	65.72%	(32.89)%	(6.79)%
Net assets (USD)**	16,832,679	18,183,475	21,488,056
Number of investment certificates	1,149,367	2,085,608	1,571,327
Value of investment fund's shares (USD)	14.65	8.72	13.68
Performance on investment fund's shares*	68.00%	(36.18)%	5.72%

* Performance is calculated supposing that a year consists of 365 days.

** The net asset value in USD is determined, based on exchange rates fixed at financial markets at the end of each day.

Translation from Latvian original*

INDEPENDENT AUDITORS' REPORT

To the Shareholders of AIF Parex Eastern European Bond Fund

Report on the Financial Statements

We have audited the accompanying financial statements on pages 9 to 29 of AIF Parex Eastern European Bond Fund which comprise the statement of financial position as of 31 December 2009 and the statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's 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 ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of AIF Parex Eastern European Bond Fund as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

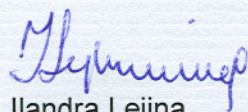
Report on Other Legal and Regulatory Requirements

We have read the Management Report set out on page 5 and did not identify material inconsistencies between the financial information contained in the Management Report and that contained in the financial statements for 2009.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5



Ahmed Abu Sharkh
Chairman of the Board



Ilandra Lejiņa
Certified auditor in charge
Certificate No. 168

Riga, Latvia
30 April 2010

* This version of our report is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.