

INVESTMENT FUND

“CBL Eastern European Bond Fund”

**(until 18.04.2016. “CBL Eastern European Fixed Income Funds” a sub-fund
“CBL Eastern European Bond Fund - USD”)**

HALF-YEAR REPORT 2016 (UNAUDITED)

(at June 30th, 2016)

PREPARED IN ACCORDANCE WITH

FCMC “NORMATIVE REGULATIONS ON PREPARATION OF ANNUAL REPORTS AND CONSOLIDATED ANNUAL REPORTS OF INVESTMENT FUND AND OPEN ALTERNATIVE INVESTMENT FUND” AND INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

Translation from Latvian original*

Riga, 2016

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

**IF “CBL Eastern European Bond Fund”
Half-year report 2016
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**IF “CBL Eastern European Bond Fund”
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General information on the investment fund**

Name of the fund:	“CBL Eastern European Bond Fund” <i>(previously “CBL Eastern European Fixed Income Funds” a sub-fund “CBL Eastern European Bond Fund - USD”)</i>
Type of fund:	Investment fund (UCITS IV)
Share classes:	- <i>R Acc USD</i> <i>ISIN: LV000400125</i> - <i>R Acc EUR (hedged)</i> <i>ISIN: LV000400174</i>
Registration date:	20 July 2009
Fund number:	FFL93-06.03.04.098/41
Name of the investment management company:	“CBL Asset Management” IPAS
Registered office:	Republikas laukums 2a, Riga, LV-1010, Latvia
Registration number:	40003577500
License number:	06.03.07.098/367
Name of the custodian bank:	“Citadele banka” JSC
Registered office:	Republikas laukums 2a, Riga, LV-1010, Latvia
Registration number:	40103303559
Investment management company's Board and Council members and their positions:	<i>Council of the investment management company:</i> Chairperson of the Council - Juris Jākobsons - appointed on 30.09.2010 Deputy Chairperson of the Council – Vladimirs Ivanovs – appointed on 06.11.2012 Council Member – Aldis Paegle – appointed on 04.07.2014 Council Member – Peter Meier – appointed on 30.09.2015 <i>Board of the investment management company:</i> Chairperson of the Board - Uldis Upenieks – appointed on 01.11.2012 Board Member - Zigurds Vaikulis – appointed on 30.03.2007 Board Member - Andris Kotāns – appointed on 11.05.2015 Board Member - Lolita Sičeva – appointed on 11.05.2015
Rights and responsibilities related to management of Investment fund	Council and Board members shall perform all duties specified in Latvian laws and Investment Management Company's Statutes.
Fund managers (Members of Investment Committee):	Andris Kotāns – appointed on 27.10.2008. Edgars Lao – appointed on 16.09.2011.
Rights and responsibilities related to Fund management	Fund managers shall perform all duties specified in Latvian laws, Investment Management Company's Statutes and Fund prospectus.
Auditor:	KPMG Baltics SIA Certified audit company licence No. 55 Vesetas street 7 LV-1013, Riga

Investment Fund “CBL Eastern European Bond Fund” (previously “CBL Eastern European Fixed Income Funds” with a sub-fund “CBL Eastern European Bond Fund - USD”) (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 investment management company CBL Asset Management, legal address Republikas laukums 2a, Riga, LV-1010, registered under No 40003577500. The number of Investment Company’s operating licence is 06.03.07.098/367.

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

On 18 April 2016 a domestic merger of Investment Fund’s “CBL Eastern European Fixed Income Funds” sub-funds “CBL Eastern European Bond Fund – EUR” and “CBL Eastern European Bond Fund – USD” was conducted, with the sole purpose to ensure more efficient management of the investment portfolio, following the best international practice in the industry of investment funds. The name of sub-fund “CBL Eastern European Bond Fund – USD” was changed to “CBL Eastern European Bond Fund”, and the fund created as a result of the merger henceforth issues shares of two classes: R Acc USD and R Acc EUR (hedged). During the merger, investors of the existing funds were not required to take any actions in regard to these changes.

During the first half of the year, the amount of Fund’s net assets increased by 64.38% (EUR 18,454,596), as a result of merging two sub-funds; at the end of the reporting period, the net assets amounted to EUR 28,665,454. As at 30.06.2016, gross assets amounted to EUR 29,048,222. The share value of the “CBL Eastern European Bond Fund” R Acc USD share class during the reporting period increased by EUR 0.72 and at the end of the first half of the year amounted to EUR 19.89; the share value of the “CBL Eastern European Bond Fund” R Acc EUR (hedged) share class during the reporting period increased by EUR 0.84 and at the end of the first half of the year amounted to EUR 17.40. The R Acc USD share class’s total return for the first half of the year was 3.79% in terms of euro (7.58%, annualized) and 6.03% (12.07%, annualized) in terms of its base currency (USD). The R Acc EUR (hedged) share class’s total return for the first half of the year was 5.21% in terms of euro (10.42%, annualized) and 5.02% (10.04%, annualized) in terms of its base currency (EUR).

Year 2016 set off on a negative side of the sentiment, as a result of a drop in commodities, rising concerns over the FED’s potential policy measures, and China’s growth potential. However, most of the markets regained their losses, as worries started to ease. Moreover, Eastern European debt market turned out to be surprisingly resilient towards the global shocks and managed to finish the first half of the year with almost 9% gain. In terms of macro environment, the region has not done that well, averaging only 0.4% y/y GDP growth in 2015, recording the lowest level since the recession back in 2009. However, consensus expects that, on average, the local economies should grow by 1.6% y/y in 2016, as worst is already behind us. Markets also kept being impacted, rather notably, by political events – there were government changes in Turkey and Ukraine, while the President of Turkey, half a year later, expressed his regret for shooting down the Russian aircraft near the Syrian border, improving just slightly the bilateral relations.

During the reporting period, all of the countries had positive contribution, while the main input came from investments in Ukrainian debt securities, as the new government gradually implements the IMF requirements as it seeks to receive the forthcoming loan package; meanwhile, issuers within the corporate segment are restructuring their debts with variable levels of success. Over the reporting period, we slightly increased the Fund’s exposure to Russia, to 15.31%; at the end of the reporting period it had the largest weight in portfolio. In turn, the exposure to Azerbaijan decreased organically to 3.08% of the Fund’s net assets, as one of the bonds matured. At the end of the reporting period, debt securities held within the Fund’s portfolio were diversified among 14 countries. The Fund had an average yield-to-maturity of 5.7%, an average duration of 2.8 and a weighted-average credit rating of Ba3.

Management costs during the period amounted to USD 179,312 or 1.89% of average value of net assets during the period, which does not exceed the maximum amount of 3.00% provided in the Fund’s prospectus.

During the period between the last day of the reporting year and the date of the approval of the half-year report there have been no significant events that have material effect on the Fund’s financial position.

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Investment management company’s report**

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

Uldis Upenieks
Chairperson of the Board

Andris Kotāns
Member of the investment committee

Edgars Lao
Member of the investment committee

Riga, 28 July 2016

IF “CBL Eastern European Bond Fund”
Half-year report 2016
Statement of assets and liabilities
(EUR)

Note		30.06.2016.	31.12.2015.
	Assets		
1	Due on demand from credit institutions	2,499,994	772,720
	<i>Financial assets held for trading</i>		
2	Debt securities and other fixed income securities	26,396,854	9,464,425
3	Derivatives	151,374	-
	Total assets	29,048,222	10,237,145
	Liabilities		
	<i>Financial liabilities held for trading</i>		
3	Derivatives	(339,714)	(9,179)
	Accrued expenses	(43,054)	(17,108)
	Total liabilities	(382,768)	(26,287)
	Net assets	28,665,454	10,210,858

The accompanying notes on pages 9 to 12 form an integral part of these financial statements.

Uldis Upeniķs
Chairperson of the Board

Riga, 28 July 2016

IF "CBL Eastern European Bond Fund"
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Statement of income and expense
(EUR)

	01.01.2016.- 30.06.2016.	01.01.2015.- 30.06.2015.
Reporting period income		
Interest income	532,594	662,116
Other income	9,594	2,959
Total income	542,188	665,075
Expenses		
Investment management company fee	(138,655)	(71,311)
Custodian bank fee	(16,639)	(8,557)
Other fund management expenses	(6,496)	(1,651)
Total expenses	(161,790)	(81,519)
Increase in investment value		
Realised increase/ (decrease) in investment value	65,908	(33,876)
Unrealised increase in investment value	444,031	192,087
Total increase in investment value	509,939	158,211
Income from revaluation of foreign currency	-	661,665
Increase in net assets from investment	890,337	1,403,432

The accompanying notes on pages 9 to 12 form an integral part of these financial statements.

Uldis Upenieks
Chairperson of the Board

Riga, 28 July 2016

IF "CBL Eastern European Bond Fund"
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Statement of changes in net assets
(EUR)

<u>"CBL Eastern European Bond fund"</u>	01.01.2016.- 30.06.2016.	01.01.2015.- 30.06.2015.
Net assets as at the beginning of the period	10,210,858	8,933,007
Increase in net assets from investment	890,337	1,403,432
Transactions with investment certificates:		
<i>Inflow from sale of investment certificates</i>	2,360,192	2,808,727
<i>(Outflow) on redemption of investment certificates</i>	(715,160)	(3,097,988)
<i>Added net assets from the Investment Fund "CBL Eastern European Bond Fund – EUR", at the time of merger</i>	15,919,227	-
Net increase / (decrease) in assets from transactions with investment certificates	17,564,259	(289,261)
Increase in net assets for the period	18,454,596	1,114,171
Increase in net assets for the period	28,665,454	10,047,178

<u>"CBL Eastern European Bond fund" share class R Acc USD</u> <u>ISIN : LV0000400125</u>	01.01.2016.- 30.06.2016.	01.01.2015.- 30.06.2015.
Issued investment certificates as at the beginning of the period	532,541	575,854
Issued investment certificates as at the end of the period	522,211	547,872
Net assets per investment certificate as at the beginning of the period	19.17	15.51
Net assets per investment certificate as at the end of the period	19.89	18.34

For the "CBL Eastern European Bond Fund" share class R Acc USD, the amount of investment certificates and net assets per investment certificate, for the period of up until 18th of April, 2016, refer to the "CBL Eastern European Bond Fund – USD" sub-fund.

<u>"CBL Eastern European Bond fund" share class R Acc EUR (hedged)</u> <u>ISIN : LV0000400174</u>	01.01.2016.- 30.06.2016.	01.01.2015.- 30.06.2015.
Issued investment certificates as at the beginning of the period	875,201	680,178
Issued investment certificates as at the end of the period	1,050,887	972,665
Net assets per investment certificate as at the beginning of the period	16.56	15.24
Net assets per investment certificate as at the end of the period	17.40	16.31

For the "CBL Eastern European Bond Fund" share class R Acc EUR (hedged), the amount of investment certificates and net assets per investment certificate, for the period of up until 18th of April, 2016, refer to the "CBL Eastern European Bond Fund – EUR" sub-fund.

The accompanying notes on pages 9 to 12 form an integral part of these financial statements.

Uldis Upenieks
Chairperson of the Board

Riga, 28 July 2016

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Notes
(EUR)

1. Demand deposits with credit institutions

	30.06.2016.	31.12.2015.	% from net assets 30.06.2016.
Balances due from credit institutions, “Citadele banka” JSC	2,499,994	772,720	8.72%
Total demand deposits with credit institutions	2,499,994	772,720	8.72%

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

2. Debt securities and other fixed income securities

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

All fixed income securities are listed on regulated market stock exchanges, except for securities with a book value of EUR 1,029,528 (2015: EUR 452,054).

The table below presents debt securities by the issuer’s country of residence as at 30 June 2016:

Financial instrument	ISIN code	Acquisition currency	Amount	Purchase value (EUR)	Carrying value as at 30.06.2016	% from net assets as at 30.06.2016
Financial instruments traded in regulated markets				25,680,550	25,367,326	88.50%
Debt securities of Russian issuers:				4,301,623	4,388,453	15.31%
EVRAZ GROUP SA	XS1319822752	USD	1,000	932,173	1,010,790	3.53%
Severstal OAO Via Steel Capital SA	XS0841671000	USD	1,000	908,852	977,899	3.41%
HCFB'2020	XS0846652666	USD	900	816,347	815,989	2.85%
GAZ CAPITAL (GAZPROM)	XS0290580595	USD	800	774,352	811,525	2.83%
Credit Bank of Moscow 7.70% 02/2018	XS0879105558	USD	800	729,844	772,250	2.69%
AMURMETALL	RU000A0GN9D1	RUR	10,000	140,055	0	0.00%
Debt securities of Turkish issuers:				3,498,050	3,524,604	12.29%
EXPORT CREDIT BANK OF TU	XS0910932788	USD	1,075	1,025,168	1,035,233	3.61%
YasarHolding	XS0774764152	USD	875	833,078	844,863	2.95%
TURKIYE HALK BANKASI AS	US900123AX87	USD	900	815,105	823,603	2.87%
REPUBLIC OF TURKEY	XS1069383856	USD	800	824,699	820,905	2.86%
Debt securities of Ukrainian issuers:				3,005,252	2,923,252	10.19%
MHP SA	USL6366MAC75	USD	1,000	788,265	866,444	3.02%
UKREXIMBANK	XS1261825977	USD	850	715,104	753,978	2.63%
METINVEST BV	XS0591549232	USD	1,000	567,146	608,301	2.12%
FIRST UKRAINIAN						
INTERNATIONAL BANK	XS0287015787	USD	748	553,908	541,558	1.89%
AVANGARD AGROHOLDING	XS0553088708	USD	748,038	380,829	152,971	0.53%
Debt securities of Kazakh issuers:				2,700,031	2,770,475	9.67%
HALYK SAVINGS BANK-KAZAK	XS0583796973	USD	1,000	894,350	977,230	3.41%
Nostrum Oil	USN64884AA29	USD	1,150	876,324	928,653	3.24%
KAZAGRO NATL MGMT HLDNG	XS1070363343	EUR	900	929,357	864,592	3.02%
Debt securities of Croatian issuers:				2,696,296	2,604,317	9.09%
HRVATSKA ELEKTROPRIVREDA	XS1309493630	USD	1,000	946,999	952,517	3.32%

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Financial instrument	ISIN code	Acquisition currency	Amount	Purchase value (EUR)	Carrying value as at 30.06.2016	% from net assets as at 30.06.2016
CROATIA	XS1028953989	EUR	900	1,033,782	927,694	3.24%
ZAGREBACKI HOLDING	XS0309688918	EUR	14	715,515	724,106	2.53%
Debt securities of Hungarian issuers:				2,118,937	2,173,405	7.58%
HUNGARY	US445545AD87	USD	1,150	1,159,780	1,176,585	4.10%
MOL GROUP FINANCE SA	XS0834435702	USD	1,000	959,157	996,820	3.48%
Debt securities of Bulgarian issuers:				2,047,491	1,892,515	6.61%
BULGARIAN ENERGY HLD	XS0989152573	EUR	950	1,035,299	973,317	3.40%
VIVACOM	XS0994993037	EUR	900	1,012,192	919,198	3.21%
Debt securities of Georgian issuers:				975,988	1,014,518	3.54%
BANK OF GEORGIA JSC	XS0783935561	USD	1,050	975,988	1,014,518	3.54%
Debt securities of Polish issuers:				1,048,568	952,214	3.32%
SYNTHOS FINANCE AB	XS1115183359	EUR	950	1,048,568	952,214	3.32%
Debt securities of Romanian issuers:				996,844	898,698	3.14%
CABLE COMM SYST NV	XS0954673777	EUR	850	996,844	898,698	3.14%
Debt securities of Azerbaijani issuers:				843,766	884,119	3.08%
INTERNATIONAL BANK OF AZERBAIJAN	XS1076436218	USD	1,000	843,766	884,119	3.08%
Debt securities of Macedonian issuers:				753,452	705,497	2.46%
FYR MACEDONIA	XS1087984164	EUR	700	753,452	705,497	2.46%
Debt securities of Latvian issuers:				694,252	635,259	2.22%
AS ELKO GRUPA	LV0000801892	EUR	625	694,252	635,259	2.22%
<u>Financial instruments not traded in regulated markets</u>				<u>1,129,610</u>	<u>1,029,528</u>	<u>3.60%</u>
Debt securities of Estonian issuers:				1,129,610	1,029,528	3.60%
Creditstar International OU	EE3300110683	EUR	525	574,316	526,232	1.84%
Mainor Ulemiste AS	EE3300110691	EUR	500	555,294	503,296	1.76%
Q Vara	EE3300079987	EUR	15	0	0	0.00%
Debt securities of Latvian issuers:				0	0	0.00%
Parex Banka SC	LV0000800696	EUR	8,000	0	0	0.00%
Total debt securities and other fixed income securities				26,810,160	26,396,854	92.10

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3. Derivatives

The following table presents the notional amounts and fair values of foreign exchange contracts. The notional amounts of foreign exchange contracts represent the amounts receivable under these contracts. The notional amounts of other financial instruments represent the value of the underlying assets.

	30.06.2016.			30.06.2015.			% of Fund's net assets as at 30.06.2016.
	Notional amount	Fair value		Notional amount	Fair value		
Assets		Liabilities	Assets		Liabilities		
Foreign exchange contracts:							
Swaps	18,706,595	74,705	(250,450)	2,203,877	20,870	(37,194)	(0.61%)
Foreign exchange contracts:							
forwards	9,338,918	76,669	(89,264)	-	-	-	(0.05%)
Total foreign exchange contracts	28,045,513	151,374	(339,714)	2,203,877	20,870	(37,194)	(0.66%)

All contracts are concluded with “Citadele banka” JSC

4. Dynamics of investment fund's performance

"CBL Eastern European Bond fund" share class R Acc USD	30.06.2016.	31.12.2015.	31.12.2014.	31.12.2013.
Net assets (EUR)	10,384,424	10,210,858	8,933,007	12,276,239
Number of investment certificates	522,211	532,541	575,854	822,467
Investment fund share value (EUR)	19.89	19.17	15.51	14.93
Profitability of the investment fund*	7.58%	23.60%	3.90%	(0.33%)
Net assets (USD)**	11,528,788	11,108,715	10,839,243	16,777,634
Number of investment certificates	522,211	532,541	575,854	822,467
Investment fund share value (USD)	22.08	20.86	18.82	20.40
Profitability of the investment fund*	12.07%	10.84%	(7.75%)	2.93%

Prior period returns of the “CBL Eastern European Bond Fund” share class R Acc USD refer to the “CBL Eastern European Bond Fund – USD” sub-fund.

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"CBL Eastern European Bond fund" share class R Acc EUR (hedged)	30.06.2016.	31.12.2015	31.12.2014	31.12.2013
Net assets (EUR)	18,284,409	14,492,267	10,363,493	16,934,370
Number of investment certificates	1,050,887	875,201	680,178	1,015,969
Investment fund share value (EUR)	17.40	16.56	15.24	16.67
Profitability of the investment fund*	10.42%	8.66%	(8.58%)	(2.96%)
Net assets (EUR)**	18,277,695	14,513,204	10,393,417	16,845,937
Number of investment certificates	1,050,887	875,201	680,178	1,015,969
Investment fund share value (EUR)	17.39	16.58	15.28	16.58
Profitability of the investment fund*	10.04%	8.51%	(7.84%)	2.28%

Prior period returns of the "CBL Eastern European Bond Fund" share class R Acc EUR (hedged) refer to the "CBL Eastern European Bond Fund – EUR" sub-fund.

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

** Net asset value in US dollars is determined using exchange rates that are determined in financial markets at the end of the day.

*** Net asset value in EUR is determined using exchange rates that are determined in financial markets at the end of the day