

INVESTMENT FUND
“CBL Eastern European Bond Fund”

(until 18.04.2016 the sub-fund of “CBL Eastern European Fixed Income Funds”, “CBL Eastern European Bond Fund - USD”)

HALF-YEAR REPORT 2017 (UNAUDITED)
(at June 30th, 2017)

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, 2017

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

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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" (until 18.04.2016 a sub-fund of "CBL Eastern European Fixed Income Funds", "CBL Eastern European Bond Fund - USD")
Type of fund:	Investment fund (UCITS IV)
Share classes:	- R Acc USD ISIN: LV000400125 - R Acc EUR (hedged) ISIN: LV000400174
Registration date:	20 July 2009
Fund number:	FFL93
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> Chairmperson of the Council - Juris Jākobsons - appointed on 30.09.2010 Deputy Chairperson of the Council – Vladimirs Ivanovs – appointed on 01.11.2012 Member of the council – Peter Meier – appointed on 30.09.2015 Council Member – Aldis Paegle – appointed on 04.07.2014, released 24.08.2016 <i>Board of the investment management company:</i> Chairmperson 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	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, which must be performed by the Fund's manager.
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 license, which was last re-registered on 19 January 2015, is 06.03.07.098/367.

The Fund aims to achieve long-term capital appreciation 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.

During the first half of 2017, the amount of Fund's net assets decreased by 1.51% (EUR 443,019), amounting to EUR 28,989,335. As at 30.06.2017, gross assets amounted to EUR 29,414,697. The share value of the “CBL Eastern European Bond Fund” R Acc USD share class during the reporting period decreased by EUR 1.09 and at the end of the year it amounted to EUR 20.81; the share value of the “CBL Eastern European Bond Fund” R Acc EUR (hedged) share class during the reporting period increased by EUR 0.41 and at the end of the year amounted to EUR 18.41. The R Acc USD share class's total return in the first half of 2017 was negative 4.98% (annualized negative 9.78%) in terms of euro, according to the ECB's rates, and positive 2.90% (annualized positive 5.94%) in terms of its base currency (USD) and market exchange rates. The R Acc EUR (hedged) share class's total return in the first half of 2017 was positive 2.28% (annualized positive 4.65%) in terms of euro, according to the ECB's rates, and positive 1.94% (annualized positive 3.95%) in terms of its base currency (EUR) and market exchange rates.

2017 started on a positive tone in Eastern European debt markets – metals' prices increased and investors were seeking higher risk. Later, in the second half of the reporting period, oil prices became more volatile and turned downwards amidst greater production volumes in the USA. Eastern European debt market expressed resilience and returned 5.75% over the reporting period. The market saw both the Ukrainian issuer's Kernel debut in the Eurobond market as well as Russia's Severstal return. Ukraine's Metinvest finalized its debt restructuring and International Bank of Azerbaijan started theirs. Eastern Europe's GDP growth accelerated to 2.8% y/y in the first quarter and is expected to be at 2.4% y/y in the second quarter, and resilient growth is expected beyond, too. In politics, Turkey decided to change its constitution in a controversial referendum, increasing powers to its president, whilst Ukraine continues its work on reforms requested by the IMF to continue receiving its financial disbursements.

In the reporting period, all the countries, except Azerbaijan, showed positive contributions to the Fund, the biggest contributors being Russia and Turkey which coincidentally had the biggest investment weights in the Fund: 12.11% and 9.83%, respectively. Azerbaijan's results were poorer due to its state-owned bank's debt restructuring; investment weights in the country were reduced to 7.07%. As at the end of the reporting period, the Fund investments were diversified among 30 issuers in 14 countries, average yield to maturity was 4.9%, average duration was 2.6 and weighted average credit rating was Ba2.



Management costs during the reporting period amounted to USD 275,383 (EUR 248,626) or 1.73% of average value of net assets during the period, which does not exceed the maximum amount of 3.00% prescribed in the Fund's prospectus.

During the period between the last day of the reporting year and the date of the approval of the annual report there have been no significant events that have material effect on the Fund's financial position and the interpretation of its results.

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 policies of leading economies, as well as potential inflationary 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
Chairman of the Board

Andris Kotāns
Investment Committee Member

Edgars Lao
Investment Committee Member

Riga, 27 July 2017



IF “CBL Eastern European Bond Fund”
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Statement of assets and liabilities
(EUR)

Note		<u>30.06.2017.</u>	<u>31.12.2016.</u>
	Assets		
1	Due on demand from credit institutions	3,680,659	2,364,411
	<i>Financial assets held for trading</i>		
2	Debt securities and other fixed income securities	24,937,123	27,574,835
3	Derivatives	796,915	463,969
	Total assets	29,414,697	30,403,215
	Liabilities		
	Financial liabilities held for trading		
3	Derivatives	(382,602)	(925,393)
	Accrued expenses	(42,760)	(45,469)
	Total liabilities	(425,362)	(970,862)
	Net assets	28,989,335	29,432,353

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

Uldis Upenieks
Chairman of the Board

Riga, 27 July 2017



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 Statement of income and expense
 (EUR)

	01.01.2017.- 30.06.2017.	01.01.2016.- 30.06.2016.
Reporting period income		
Interest income	975,882	532,594
Other income	-	9,594
Total income	975,882	542,188
Expenses		
Investment management company fee	(218,236)	(138,655)
Custodian bank fee	(26,188)	(16,639)
Other fund management expenses	(4,202)	(6,496)
Total expenses	(248,626)	(161,790)
Increase in investment value		
Realised (decrease)/increase in investment value	(14,471)	65,908
Unrealised (decrease)/increase in investment value	(861,559)	444,031
Total (decrease)/increase in investment value	(876,030)	509,939
(Decrease)/increase in net assets from investment	(148,774)	890,337

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

Uldis Upenieks
 Chairman of the Board

Riga, 27 July 2017

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<u>"CBL Eastern European Bond fund"</u>	01.01.2017.- 30.06.2017.	01.01.2016.- 30.06.2016.
Net assets as at the beginning of the period	29,432,353	10,210,858
(Decrease)/increase in net assets from investment	(148,774)	890,337
Transactions with investment certificates:		
<i>Inflow from sale of investment certificates</i>	815,326	2,360,192
<i>(Outflow) on redemption of investment certificates</i>	(1,109,570)	(715,160)
<i>Added net assets from the Investment Fund “CBL Eastern European Bond Fund – EUR”, at the time of merger</i>	-	15,919,227
Net (decrease)/increase in assets from transactions with investment certificates	(294,244)	17,564,259
(Decrease)/increase in net assets for the period	(443,018)	18,454,596
Increase in net assets for the period	28,989,335	28,665,454

<u>"CBL Eastern European Bond fund" share class R Acc USD</u> <u>ISIN : LV0000400125</u>	01.01.2017.- 30.06.2017.	01.01.2016.- 30.06.2016.
Issued investment certificates as at the beginning of the period	493,936	532,541
Issued investment certificates as at the end of the period	485,378	522,211
Net assets per investment certificate as at the beginning of the period	21.90	19.17
Net assets per investment certificate as at the end of the period	20.81	19.89

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>	01.01.2017.- 30.06.2017.	01.01.2016.- 30.06.2016.
Issued investment certificates as at the beginning of the period	1,032,779	875,201
Issued investment certificates as at the end of the period	1,026,224	1,050,887
Net assets per investment certificate as at the beginning of the period	18.00	16.56
Net assets per investment certificate as at the end of the period	18.41	17.40

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
 Chairman of the Board

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(EUR)

1. Demand deposits with credit institutions

	30.06.2017.	31.12.2016.	% from net assets 30.06.2017.
Balances due from credit institutions, “Citadele banka” JSC	3,680,659	2,364,411	12.70%
Total demand deposits with credit institutions	3,680,659	2,364,411	12.70%

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 1,756,245 (31.12.2016: EUR 503,294).

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

Financial instrument	ISIN code	Acquisition currency	Amount	Purchase value (EUR)	Carrying value as at 30.06.2017	% from net assets as at 30.06.2017
Financial instruments traded in regulated markets				21,512,311	23,180,878	79.96%
Debt securities of Russian issuers:				3,393,897	3,514,229	12.11%
SEVERSTAL	XS0841671000	USD	1,000	559,334	963,419	3.31%
HOME CREDIT & FINANCE BANK OOO VIA EURASIA CAPITAL SA	XS0846652666	USD	1,000	909,707	927,355	3.20%
RUSAL CAPITAL DAC	XS1533921299	USD	1,000	925,710	894,742	3.09%
CREDIT BANK OF MOSCOW	XS1510534677	USD	800	724,125	728,713	2.51%
AMURMETALL	RU000A0GN9D1	RUB	12,500	275,021	0	0.00%
Debt securities of Turkish issuers:				2,690,927	2,850,207	9.83%
TURKEY	US900123AX87	USD	1,100	823,066	1,058,804	3.65%
EXPORT CREDIT BANK OF TURKEY	XS0774764152	USD	1,075	1,039,907	987,876	3.41%
YASAR HOLDINGS AS	XS1132450427	USD	875	827,954	803,527	2.77%
Debt securities of Croatian issuers:				2,592,380	2,689,826	9.29%
CROATIA	XS0525827845	USD	1,000	1,052,935	993,041	3.43%
HRVATSKA ELEKTROPRIVREDA	XS1309493630	USD	1,000	1,002,542	961,132	3.32%
ZAGREBACKI HOLDING	XS0309688918	EUR	14	536,903	735,653	2.54%
Debt securities of Hungarian issuers:				2,375,351	2,283,972	7.88%
MOL	XS0834435702	USD	1,200	1,208,215	1,154,625	3.98%
HUNGARY	US445545AD87	USD	1,150	1,167,136	1,129,347	3.90%
Debt securities of Kazakh issuers:				1,642,039	2,116,771	7.30%

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Financial instrument	ISIN code	Acquisition currency	Amount	Purchase value (EUR)	Carrying value as at 30.06.2017	% from net assets as at 30.06.2017
HALYK BANK	XS0583796973	USD	1,000	913,023	987,847	3.41%
NOSTRUM OIL & GAS	USN64884AA29	USD	650	138,314	583,846	2.01%
KAZKOMMERTSBANK JSC	XS0867478124	USD	650	590,702	545,078	1.88%
Debt securities of Azerbaijani issuers:				2,193,225	2,051,874	7.07%
REPUBLIC OF AZERBAIJAN INTERNATIONAL BOND	XS1044540547	USD	1,250	1,206,325	1,111,526	3.83%
STATE OIL CO OF THE AZERBAIJAN REPUBLIC	XS0903465127	USD	1,100	986,900	940,348	3.24%
Debt securities of Bulgarian issuers:				1,920,461	1,987,300	6.86%
BULGARIAN ENERGY HOLDING EAD	XS1405778041	EUR	950	992,064	1,066,140	3.68%
VIVACOM	XS0994993037	EUR	900	928,396	921,160	3.18%
Debt securities of Ukrainian issuers:				686,467	1,603,707	5.54%
METINVEST BV	XS1571247490	USD	950	0	769,784	2.66%
FIRST UKRAINIAN INTERNATIONAL BANK	XS0287015787	USD	1,048	501,330	639,915	2.21%
KERNEL HOLDING SA	XS1533923238	USD	200	185,138	194,008	0.67%
Debt securities of Polish issuers:				949,687	999,524	3.45%
SYNTHOS	XS1115183359	EUR	950	949,687	999,524	3.45%
Debt securities of Georgian issuers:				933,932	910,968	3.14%
BGEO GROUP JSC	XS1405775880	USD	1,000	933,932	910,968	3.14%
Debt securities of Romanian issuers:				870,786	901,490	3.11%
CABLE COMMUNICATIONS SYSTEMS	XS1405770576	EUR	850	870,786	901,490	3.11%
Debt securities of Sweden issuers:				630,631	635,750	2.19%
DDM DEBT AB	SE0009548332	EUR	600	630,631	635,750	2.19%
Debt securities of Latvian issuers:				632,531	635,260	2.19%
PAREX BANKA	LV0000800696	EUR	8,000	0	0	0.00%
ELKO GRUPA AS	LV0000801892	EUR	625	632,531	635,260	2.19%
<u>Financial instruments not traded in regulated markets</u>				<u>1,743,067</u>	<u>1,756,245</u>	<u>6.06%</u>
Debt securities of Estonian issuers:				1,743,067	1,756,245	6.06%
VEGA RESIDENTS BOND	EE3300111228	EUR	650	650,000	655,904	2.26%
CREDITSTAR INTERNATIONAL OU	EE3300111046	EUR	600	587,064	597,048	2.06%

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(EUR)

Financial instrument	ISIN code	Acquisition currency	Amount	Purchase value (EUR)	Carrying value as at 30.06.2017	% from net assets as at 30.06.2017
MAINOR ULEMISTE AS	EE3300110691	EUR	500	506,003	503,293	1.74%
Q VARA	EE3300079987	EUR	15	0	0	0.00%
Total debt securities and other fixed income securities				23,255,378	24,937,123	86.02%

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.

	30.06.2017.			30.06.2016.			% of Fund's net assets as at 30.06.2017.
	Notional amount	Fair value		Notional amount	Fair value		
Assets		Liabilities	Assets		Liabilities		
Foreign exchange contracts: Swaps	26,349,818	796,915	(382,602)	31,377,802	463,969	(916,613)	1.43%
Foreign exchange contracts: forwards	-	-	-	225,218	-	(8,780)	-
Total foreign exchange contracts	26,349,818	796,915	(382,602)	31,603,020	463,969	(925,393)	1.43%

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	30.06.2017.	31.12.2016.	31.12.2015.	31.12.2014.
Net assets (EUR)	10,100,662	10,815,319	10,210,858	8,933,007
Number of investment certificates	485,378	493,936	532,541	575,854
Investment fund share value (EUR)	20.81	21.90	19.17	15.51
Profitability of the investment fund*	(9.78%)	14.20%	23.60%	3.90%
Net assets (USD)**	11,526,876	11,400,427	11,108,715	10,839,243
Number of investment certificates	485,378	493,936	532,541	575,854
Investment fund share value (USD)	23.75	23.08	20.86	18.82
Profitability of the investment fund*	5.94%	10.61%	10.84%	(7.75%)

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)	30.06.2017.	31.12.2016.	31.12.2015.	31.12.2014.
Net assets (EUR)	18,890,175	18,592,090	14,492,267	10,363,493
Number of investment certificates	1,026,224	1,032,779	875,201	680,178
Investment fund share value (EUR)	18.41	18.00	16.56	15.24
Profitability of the investment fund*	4.65%	8.67%	8.66%	(8.58%)
Net assets (EUR)***	18,882,239	18,636,606	14,513,204	10,393,417
Number of investment certificates	1,026,224	1,032,779	875,201	680,178
Investment fund share value (EUR)	18.40	18.05	16.58	15.28
Profitability of the investment fund*	3.95%	8.84%	8.51%	(7.84%)

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