



## **INVESTMENT FUND “CBL Eastern European Bond Fund”**

### **SEMIANNUAL REPORT 2018 (NON-AUDITED) (for the six – month period ended 30 June 2018)**

**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, 2018**

\*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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**INFORMATION ON THE INVESTMENT FUND**

Name of the fund:	"CBL Eastern European Bond Fund"
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
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 Fund's Custodian:	AS Citadele Banka
Registered office of the Fund's Custodian:	Republikas laukums 2a, Riga, LV-1010, Latvia
Registration number of the Fund's Custodian:	40103303559
Investment management company's Council and Board members and their positions:	<i>Council of the investment management company:</i> Chairmperson of the Council - Juris Jākobsons - appointed on 11.10.2010 Deputy Chairperson of the Council – Vladimirs Ivanovs – appointed on 06.11.2012 Member of the council – Peter Meier – appointed on 30.09.2015  <i>Board of the investment management company:</i> Chairperson of the Board – Kārlis Purgailis - appointed on 08.09.2017 Board Member - Zigurds Vaikulis - appointed on 19.04.2007 Board Member - Andris Kotāns - appointed on 11.05.2015 Board Member - Lolita Sičeva - appointed on 11.05.2015
Rights and responsibilities related to management of Investment fund	The Council and the Board members shall perform all duties prescribed in laws and regulations of the Republic and in the Articles of Association of the investment management company
Fund managers (Members of Investment Committee):	Andris Kotāns – appointed on 27.10.2008. Edgars Lao – appointed on 16.09.2011.
Rights and responsibilities related to Fund management	The Fund Manager shall perform all duties prescribed in laws and regulations of the Republic of Latvia, in the Articles of Association of the investment management company and in the prospectus of the Fund
Auditor:	"KPMG Baltics" SIA Vesetas iela 7, Riga Riga, LV-1013 Licence No. 55 Latvia



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**INVESTMENT MANAGEMENT COMPANY’S REPORT**

Investment fund “CBL Eastern European Bond Fund” (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 2018, the amount of Fund's net assets increased by 0.70% (EUR 204,931), amounting to EUR 29,358,192. As at 30.06.2018, gross assets amounted to EUR 30,028,561. Return and value are being calculated for each investment class separately. The share value of the “CBL Eastern European Bond Fund” R Acc USD share class during the reporting period increased by EUR 0.32 and at the end of the period it amounted to EUR 20.74; the share value of the “CBL Eastern European Bond Fund” R Acc EUR (hedged) share class during the reporting period decreased by EUR 0.48 and at the end of the period amounted to EUR 18.29. The R Acc USD share class's total return in the first half of 2018 was 3.19% (annualized) in terms of euro, according to the ECB's rates, and negative 2.62% (annualized) 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 2018 was negative 5.09% (annualized) in terms of euro, according to the ECB's rates, and negative 5.00% (annualized) in terms of its base currency (EUR) and market exchange rates.

Eastern European debt market has demonstrated a very strong performance during the last three years, gaining almost 10% p.a. on average. Hence, the market slowdown in the first half of 2018 was hardly surprising and even desirable to some extent. The correction was widespread and affected all countries within the region; however the actual loss was limited and did not spark the panic among investors. The downturn was driven by a lower risk appetite in global financial markets, as well as some region-specific events. During the reporting period Russia regained its investment-grade status, just three years after losing it. Nevertheless, tensions between Russia and the West continued to affect the region's largest debt market, as US Treasury in April announced new sanctions against Russia that for the first time targeted privately-held listed companies. The major negative contribution to the market came from Turkey, where political risks surged in a run-up to presidential and parliament elections, while macroeconomic data showed significant economic overheating risks.

Despite adverse market environment, the Fund's performance was superior during the reporting period amid better performance in Turkey and Russia. Moreover, the Fund's holdings in Estonia, Slovenia, Latvia and Bulgaria delivered positive returns. During the reporting period, we increased exposure to Poland up to 7.95% of Fund's net assets, as we spotted several attractive investment opportunities there, while we decreased exposure to Ukraine to 4.04% of Fund's net assets, as we accepted Metinvest's Eurobond buyback proposal. Following a prolonged period of absence, we opted to invest in Belarusian market, where we acquired Eurobonds of the country's largest retail chain Eurotorg, following the improvements in the company's financial situation. As at the end of the reporting period, the Fund's average yield to maturity was 5.6%, average duration was 3.1 and weighted average credit rating was Ba2.

In the reporting period, the total management costs amounted to EUR 250,288, which did not exceed the maximum amount of 3.00% provided in the Fund's Prospectus. The investment management company fee amounted to EUR 220,806, custodian fee - EUR 26,497, other management expenses - EUR 2,985.

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.



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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 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.

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Kārlis Purgailis  
Chairman of the Board

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Andris Kotāns  
Fund manager

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Edgars Lao  
Fund manager

Riga, 26 July 2018



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**STATEMENT OF ASSETS AND LIABILITIES**

	Notes	<u>30.06.2018.</u>	<u>31.12.2017.</u>
<b>Assets</b>			
Due on demand from credit institutions	1	1,387,141	1,974,336
Financial assets held for trading:			
Debt securities and other fixed income securities	2	28,357,494	27,048,122
Derivative financial instruments	3	283,926	329,703
<b>Total assets</b>		<b><u>30,028,561</u></b>	<b><u>29,352,161</u></b>
<b>Liabilities</b>			
Financial liabilities held for trading			
Derivative financial instruments	3	(628,557)	(155,567)
Accrued expenses		(41,812)	(43,333)
<b>Total liabilities</b>		<b><u>(670,369)</u></b>	<b><u>(198,900)</u></b>
<b>Net assets</b>		<b><u>29,358,192</u></b>	<b><u>29,153,261</u></b>

The accompanying notes on pages 9 to 11 form an integral part of these financial statements.

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Kārlis Purgailis  
Chairman of the Board

Riga, 26 July 2018



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**STATEMENT OF INCOME AND EXPENSE**

	<u>01.01.2018.- 30.06.2018.</u>	<u>01.01.2017.- 30.06.2017.</u>
<b>Income for the reporting period</b>		
Interest income	1,098,207	975,882
Other income	36,636	-
<b>Total income</b>	<b>1,134,843</b>	<b>975,882</b>
<b>Expenses for the reporting period</b>		
Remuneration to investment management company	(220,806)	(218,236)
Custodian Fee	(26,497)	(26,188)
Other fund management expenses	(2,985)	(4,202)
<b>Total expenses</b>	<b>(250,288)</b>	<b>(248,626)</b>
<b>Increase/ (decrease) in investment value</b>		
Realised decrease in investment value	(172,714)	(14,471)
Unrealised decrease in investment value	(1,014,504)	(861,559)
<b>Total decrease in investments</b>	<b>(1,187,218)</b>	<b>(876,030)</b>
<b>Decrease in net assets from investment</b>	<b>(302,663)</b>	<b>(148,774)</b>

The accompanying notes on pages 9 to 11 form an integral part of these financial statements.

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Kārlis Purgailis  
Chairman of the Board

Riga, 26 July 2018



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**STATEMENT OF CHANGES IN NET ASSETS**

<u>"CBL Eastern European Bond fund"</u>	<b>01.01.2018.- 30.06.2018.</b>	<b>01.01.2017.- 30.06.2017.</b>
Net assets at the beginning of the reporting period	29,153,261	29,432,353
(Decrease) in net assets from investment	(302,663)	(148,774)
Transactions with share certificates:		
<i>Inflow from subscription of share certificates</i>	1,339,261	815,326
<i>(Outflow) from redemption of share certificates</i>	(831,667)	(1,109,570)
Net increase/ (decrease) in assets from transactions with share certificates	507,594	(294,244)
Increase/(decrease) in net assets in the reporting period	204,931	(443,018)
<b>Net assets as at the end of the reporting period</b>	<b>29,358,192</b>	<b>28,989,335</b>
<u>"CBL Eastern European Bond fund" R Acc USD share class</u> <u>ISIN : LV0000400125</u>	<b>01.01.2018.- 30.06.2018.</b>	<b>01.01.2017.- 30.06.2017.</b>
Number of share certificates issued as at the beginning of the reporting period	488,880	493,936
Number of share certificates issued as at the end of the reporting period	525,442	485,378
Net assets per share certificate as at the beginning of the reporting period	20.42	21.90
<b>Net assets pershare certificate as at the end of the reporting period</b>	<b>20.74</b>	<b>20.81</b>
<u>"CBL Eastern European Bond fund" R Acc EUR (hedged) share class</u> <u>ISIN : LV0000400174</u>	<b>01.01.2018.- 30.06.2018.</b>	<b>01.01.2017.- 30.06.2017.</b>
Number of share certificates issued as at the beginning of the reporting period	1,022,346	1,032,779
Number of share certificates issued as at the end of the reporting period	1,010,187	1,026,224
Net assets per share certificate as at the beginning of the reporting period	18.77	18.00
<b>Net assets pershare certificate as at the end of the reporting period</b>	<b>18.29</b>	<b>18.41</b>

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Kārlis Purgailis  
Chairman of the Board

Riga, 26 July 2018





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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 DUE ON DEMAND FROM CREDIT INSTITUTIONS**

	<b>30.06.2018.</b>	<b>31.12.2017.</b>	<b>% from Fund's net assets 30.06.2018.</b>
Due on demand from credit institutions AS Citadele Banka	1,387,141	1,974,336	4.72%
<b>Total demand deposits with credit institutions</b>	<b>1,387,141</b>	<b>1,974,336</b>	<b>4.72%</b>

**NOTE 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 1,180,335 (31.12.2017: 2,012,504 EUR).

The following table presents the distribution of by the issuer's country of origin:

<b>Financial instrument</b>	<b>ISIN code</b>	<b>Currency</b>	<b>Nominal amount</b>	<b>Acquisition value (EUR)</b>	<b>Carrying value as at 30.06.2018</b>	<b>% of the Fund's net assets as at 30.06.2018</b>
<b>Financial instruments traded on regulated markets</b>				<b>28,147,513</b>	<b>27,177,159</b>	<b>92.57%</b>
<b>Debt securities of Russian issuers:</b>				<b>5,514,906</b>	<b>5,267,138</b>	<b>17.94%</b>
NLMK 4.5% 06/2023	XS1405775617	USD	1,400,000	1,230,687	1,165,496	3.97%
Novatek OAO 6.604% 02/2021	XS0588433267	USD	1,100,000	1,033,938	1,024,606	3.49%
Severstal 5.9% 10/2022	XS0841671000	USD	1,000,000	851,407	899,557	3.06%
Polyus Finance PLC 5.25% 02/2023	XS1533922933	USD	1,000,000	835,467	851,608	2.90%
PhosAgro 3.949% 04/2023	XS1752568144	USD	900,000	695,066	734,174	2.50%
Credit Bank of Moscow 5.875% 11/2021	XS1510534677	USD	700,000	593,320	591,697	2.02%
Amurmetall 9.8% 02/2009	RU000A0GN9D1	RUB	12,500,000	275,021	-	0.00%
<b>Debt securities of Turkish issuers:</b>				<b>2,675,477</b>	<b>2,478,365</b>	<b>8.44%</b>
Turkey 6.0% 03/2027	US900123CL22	USD	1,200,000	1,016,672	982,144	3.35%
Arcelik 5.0% 04/2023	XS0910932788	USD	1,000,000	830,851	814,585	2.77%
YasarHolding 8.875% 05/2020	XS1132450427	USD	875,000	827,954	681,636	2.32%
<b>Debt securities of Romanian issuers:</b>				<b>2,522,456</b>	<b>2,492,081</b>	<b>8.49%</b>
Globalworth Real Estate Investments Ltd. 2.875% 06/2022	XS1577957837	EUR	950,000	976,874	973,710	3.32%
Digi Communications 5.0% 10/2023	XS1405770576	EUR	850,000	870,786	895,991	3.05%
Romania 6.75% 02/2022	US77586TAA43	USD	650,000	674,796	622,380	2.12%
<b>Debt securities of Azerbaijani issuers:</b>				<b>2,193,225</b>	<b>2,017,451</b>	<b>6.87%</b>
Azerbaijan 4.75% 03/2024	XS1044540547	USD	1,250,000	1,206,325	1,075,301	3.66%
State Oil Co of the Azerbaijan 4.75% 03/2023	XS0903465127	USD	1,100,000	986,900	942,150	3.21%
<b>Debt securities of Croatian issuers:</b>				<b>2,055,477</b>	<b>1,831,706</b>	<b>6.24%</b>
Croatia 6.625% 07/2020	XS0525827845	USD	1,000,000	1,052,935	928,331	3.16%
Hrvatska Elektroprivreda 5.875% 10/2022	XS1309493630	USD	1,000,000	1,002,542	903,375	3.08%
<b>Debt securities of issuers from Kazakhstan:</b>				<b>1,809,187</b>	<b>1,772,403</b>	<b>6.04%</b>
KazMunayGas 9.125% 07/2018	XS0373641009	USD	1,000,000	922,167	896,567	3.06%
Kazkommertsbank 5.5% 12/2022	XS0867478124	USD	1,000,000	887,020	875,836	2.98%
<b>Debt securities of Polish issuers:</b>				<b>1,455,418</b>	<b>1,482,233</b>	<b>5.05%</b>
Synthos 4% 09/2021	XS1115183359	EUR	950,000	949,687	979,136	3.34%
Tauron Polska Energia SA 2.375% 07/2027	XS1577960203	EUR	500,000	505,731	503,097	1.71%



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<b>Financial instrument</b>	<b>ISIN code</b>	<b>Currency</b>	<b>Nominal amount</b>	<b>Acquisition value (EUR)</b>	<b>Carrying value as at 30.06.2018</b>	<b>% of the Fund's net assets as at 30.06.2018</b>
<b>Debt securities of Swedish issuers:</b>				<b>1,443,962</b>	<b>1,464,885</b>	<b>4.99%</b>
DDM Debt AB 9.50% 01/2020	SE0009548332	EUR	800,000	842,035	858,347	2.92%
European Lingerie Group AB 7.75% 02/2021	SE0010831792	EUR	600,000	601,927	606,538	2.07%
<b>Debt securities of Latvian issuers:</b>				<b>1,337,322</b>	<b>1,324,105</b>	<b>4.51%</b>
Latvia 2.75% 01/2020	XS0863522149	USD	800,000	704,791	688,827	2.35%
ELKO Group 8.0% 10/2018	LV0000801892	EUR	625,000	632,531	635,278	2.16%
<b>Debt securities of Ukrainian issuers:</b>				<b>1,099,505</b>	<b>1,186,627</b>	<b>4.04%</b>
Kernel Holding 8.75% 01/2022	XS1533923238	USD	900,000	841,983	787,317	2.68%
First Ukrainian International Bank 11% 12/2018	XS0287015787	USD	294,684	257,522	399,310	1.36%
<b>Debt securities of Hungarian issuers:</b>				<b>1,208,215</b>	<b>1,078,898</b>	<b>3.67%</b>
MOL 6.25% 09/2019	XS0834435702	USD	1,200,000	1,208,215	1,078,898	3.67%
<b>Debt securities of Bulgarian issuers:</b>				<b>887,636</b>	<b>954,654</b>	<b>3.25%</b>
Bulgarian Energy Holding 4.875% 08/2021	XS1405778041	EUR	850,000	887,636	954,654	3.25%
<b>Debt securities of Georgian issuers:</b>				<b>975,515</b>	<b>918,409</b>	<b>3.13%</b>
BGEO Group JSC 6% 07/2023	XS1405775880	USD	1,050,000	975,515	918,409	3.13%
<b>Debt securities of Norway issuers:</b>				<b>861,214</b>	<b>850,306</b>	<b>2.90%</b>
B2Holding AS 7.50% 12/2020	NO0010753072	EUR	800,000	861,214	850,306	2.90%
<b>Debt securities of Belarusian issuers:</b>				<b>828,697</b>	<b>819,596</b>	<b>2.79%</b>
Eurotorg 8.75% 10/2022	XS1577952010	USD	950,000	828,697	819,596	2.79%
<b>Debt securities of the Netherlands issuers:</b>				<b>745,058</b>	<b>719,295</b>	<b>2.45%</b>
Nostrum Oil & Gas 8.0% 07/2022	USN64884AB02	USD	850,000	745,058	719,295	2.45%
<b>Debt securities of Estonian issuers:</b>				<b>534,243</b>	<b>519,007</b>	<b>1.77%</b>
Nelja Energia 6.5% 06/2021	NO0010737174	EUR	500,000	534,243	519,007	1.77%
<b>Financial instruments not traded on regulated markets</b>				<b>1,150,050</b>	<b>1,180,335</b>	<b>4.02%</b>
<b>Debt securities of Estonian issuers:</b>				<b>1,150,050</b>	<b>1,180,335</b>	<b>4.02%</b>
Mainor Ulemiste 5.5% 04/2023	EE3300111343	EUR	600,000	600,000	625,504	2.13%
Creditstar Volakiri 11.00% 06/2019	EE3300111368	EUR	550,000	550,050	554,831	1.89%
<b>Total debt securities and other fixed income securities</b>				<b>29,297,563</b>	<b>28,357,494</b>	<b>96.59%</b>

### NOTE 3 DERIVATIVE FINANCIAL INSTRUMENTS

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.

	30.06.2018.			30.06.2017.			% of Fund's net assets as at 30.06.2018.
	Notional amount	Fair value		Notional amount	Fair value		
Assets		Liabilities	Assets		Liabilities		
<i>Currency swaps</i>	28,452,021	283,926	(628,557)	26,349,818	796,915	(382,602)	(1.17%)
<b>Total foreign exchange contracts</b>	<b>28,452,021</b>	<b>283,926</b>	<b>(628,557)</b>	<b>26,349,818</b>	<b>796,915</b>	<b>(382,602)</b>	<b>(1.17%)</b>

All derivative financial instruments are EUR and USD swaps concluded with “Citadele banka” JSC



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**NOTE 4 PERFORMANCE DYNAMICS OF THE INVESTMENT FUND**

<b>"CBL Eastern European Bond fund" R Acc USD share class</b>	<b>30.06.2018.</b>	<b>31.12.2017.</b>	<b>31.12.2016.</b>	<b>31.12.2015.</b>
<b>Net assets (EUR)</b>	<b>10,895,372</b>	<b>9,983,212</b>	<b>10,815,319</b>	<b>10,210,858</b>
Number of share certificates	525,442	488,880	493,936	532,541
Value of the unit of the investment fund (EUR)	20.74	20.42	21.90	19.17
Profitability of the investment fund*	3.19%	(6.76%)	14.20%	23.60%
<b>Net assets (USD)**</b>	<b>12,701,825</b>	<b>11,972,866</b>	<b>11,400,427</b>	<b>11,108,715</b>
Number of share certificates	525,442	488,880	493,936	532,541
Value of the unit of the investment fund (USD)	24.17	24.49	23.08	20.86
Profitability of the investment fund*	(2.62%)	6.11%	10.61%	10.84%
<b>"CBL Eastern European Bond fund" R Acc EUR (hedged) share class</b>	<b>30.06.2018.</b>	<b>31.12.2017.</b>	<b>31.12.2016.</b>	<b>31.12.2015.</b>
<b>Net assets (EUR)</b>	<b>18,478,306</b>	<b>19,191,715</b>	<b>18,592,090</b>	<b>14,492,267</b>
Number of share certificates	1,010,187	1,022,346	1,032,779	875,201
Value of the unit of the investment fund (EUR)	18.29	18.77	18.00	16.56
Profitability of the investment fund*	(5.09%)	4.28%	8.67%	8.66%
<b>Net assets (EUR)***</b>	<b>18,440,711</b>	<b>19,135,188</b>	<b>18,636,606</b>	<b>14,513,204</b>
Number of share certificates	1,010,187	1,022,346	1,032,779	875,201
Value of the unit of the investment fund (EUR)	18.25	18.72	18.05	16.58
Profitability of the investment fund*	(5.00%)	3.71%	8.84%	8.51%

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

\* Profitability is calculated, assuming 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