

INVESTMENT FUND
CBL Global Emerging Markets Bond Fund

ANNUAL REPORT FOR 2016
(4th financial year)

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

Riga, 2017

IF CBL Global Emerging Markets Bond Fund
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IF CBL Global Emerging Markets Bond Fund
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Information on the investment fund

Name of the Fund:	CBL Global Emerging Markets Bond Fund
Type of the Fund:	Investment fund
Registration date of the Fund:	23 May 2013 (re-registered on 30 March 2015)
Number of the Fund:	FL130
Investment management company name:	CBL Asset Management IPAS
Investment management company's registered office:	Republikas laukums 2a, Rīga, LV-1010, Latvia
Investment management company's registration number:	40003577500
Number of the license for investment management company operations:	06.03.07.098/367
Name of the Fund's Custodian:	AS Citadele Banka
Registered office of the Fund's Custodian:	Republikas laukums 2a, Rīga, LV-1010, Latvia
Registration number of the Fund's Custodian:	40103303559
Investment management company's Council and Board members and their positions:	<p><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 01.11.2012. Member of the Council - Aldis Paegle – appointed on 04.07.2014. Member of the Council - Aldis Paegle dismissed on 24.08.2016. Member of the Council - Peter Meier - appointed on 30.09.2015.</p> <p><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.</p>
Rights and responsibilities related to investment fund management:	Council and Board members shall perform all duties prescribed in laws and regulations of the Republic of Latvia and in the Articles of Association of the investment management company, which must be performed by members of the Council and the Board.
Fund managers:	Andris Kotāns - appointed on 15.03.2013. Edgars Lao - appointed on 15.03.2013.
Rights and responsibilities related to the Fund's management:	The Fund Manager shall perform all duties prescribed in laws and regulations of the Republic of Latvia, in the Articles of Association of the investment management company and in the prospectus of the Fund, which must be performed by the Fund's manager.
Auditor:	KPMG Baltics SIA Vesetas iela 7, Rīga, LV-1013 License No 55 Latvia

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Investment management company report

Investment fund "CBL Global Emerging Markets Bond Fund" (hereinafter - the Fund) is a debt security investment fund and its base currency is EUR. 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, which was last re-registered on 15 January 2015, is 06.03.07.098/367.

The Fund aims to achieve long-term capital appreciation by investing in debt securities issued or guaranteed by central governments, municipalities, central banks, credit institutions and commercial companies of the developing countries. The investment portfolio of the Fund is diversified to include investments in different currencies, industries and countries, thereby achieving a higher protection against volatility of the Fund's asset value versus investments in a single currency, industry or country securities. There were no changes to the Fund's policy during the reporting period.

At the end of the reporting period, the net assets of the Fund amounted to EUR 19,588,069. As at 31.12.2016, gross assets amounted to EUR 20,107,619. The Fund's share value during the reporting period increased by EUR 1.06 and at the end of the reporting period it amounted to EUR 10.98. The return of the Fund in 2016 was 10.66% in terms of its base currency (EUR) and 10.53% in terms of the foreign exchange rates fixed by the financial markets at the end of the day.

Global financial markets started the year on a negative tone, as commodity prices dropped, while the US Federal Reserve's monetary policy and China's economy growth perspectives raised concerns. However, investors' unease disappeared fairly rapidly and financial markets entered the growth phase, which continued for several months. In emerging markets bonds the positive trend dominated until autumn when investors' fears resumed amid potentially more rapid hiking cycle by the Fed and the unanticipated victory by Donald Trump in the US presidential elections. All in all, the reporting year turned out to be very successful for emerging market bonds, as the return both in hard and in local currency bonds in USD terms reached roughly 10%. All emerging market regions demonstrated positive return, while the steepest growth was delivered by Latin America, as oil exporting countries recovered rapidly as the oil price jumped more than 50% in 2016. In addition, the impeachment process against the president Dilma Rousseff was concluded in the region's largest country Brazil and her post was filled by the pro-business vice president Michel Temer. As a result, Brazil-related instruments contributed most positively to the market's growth.


In the reporting period, all regions contributed positively to the Fund's performance, while country-wise the negative contribution came only from investments in Mexico, where local currency depreciated rapidly after Trump's victory in the US presidential elections. In contrast, the largest positive contribution to the Fund, in line with the market in general, came from Brazil. During the reporting period, we completely sold investments in Chile, Peru, Macedonia, Vietnam and China, as valuations, in our view, had become less attractive. At the same time, the exposure to Mexico was increased significantly from 1.38% to 8.43%, and new investments were made in Argentina, Paraguay and elsewhere, where improvements in creditworthiness can be observed. Emerging market bond yields have declined due to the market's positive performance, hence the Fund's average yield-to-maturity decreased to 5.6% from 6.8% a year ago. The Fund's average duration was decreased to 3.3 from 2.8 at the beginning of the reporting period, and the weighted-average credit rating declined by one notch to Ba1 from Baa3. Our view on the local currency bond markets somewhat improved during the year, as a result of which the Fund's exposure to this market increased from 15% to 18.7%.

Management costs during the reporting period amounted to EUR 336,524 or 1.73% of average value of net assets during the period, which does not exceed the maximum amount of 4.00% 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 annual report there have been no significant events that have material effect on the Fund's financial position.

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Investment management company report

The management team of IPAS "CBL Asset Management" closely follows developments both on domestic and global scale of such factors as 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 economic and capital market dynamics of emerging markets. 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 April 2017

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Annual Report for 2016

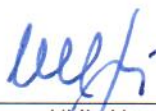
Statement of responsibility of the Board of the investment management company

The Board of Investment Management Company (hereinafter - the Company) is responsible for preparation of financial statements of the investment fund CBL Global Emerging Markets Bond Fund (hereinafter - the Fund).

The financial statements on pages 8 to 34 are prepared based on source documents and present fairly the financial position of the Fund as at 31 December 2016 and the results of its operations in 2016.

Financial statements mentioned above are prepared in accordance with the International Financial Reporting Standards adopted by the European Union, as required by the regulation of the Financial and Capital Market Commission (FCMC) *On preparation of annual reports, consolidated annual reports and semi-annual reports of investment fund and open alternative investment fund* on a going concern basis. Appropriate accounting methods have been consistently applied in the reporting period, except for the changes made to the accounting policies with regard to interest income and revaluation results. Prudent and reasonable judgments and estimates have been made by the Management in the preparation of the financial statements.

The Board of the Company is responsible for the maintenance of proper accounting records, the safeguarding of CBL Global Emerging Markets Bond Fund assets and the prevention and detection of fraud and other irregularities. The Board is also responsible for ensuring compliance with the Law on Investment Management Companies, regulations of the Financial and Capital Market Commission (FCMC) and other laws and regulations of the Republic of Latvia.



Uldis Upenieks
Chairman of the Board

Riga,
27 April 2017

Riga, February 28, 2017

CUSTODIAN BANK REPORT

For holders of IF "CBL Global Emerging Markets Bond fund"
Investment fund applications

With this Citadele Bank JSC, which is registered in LR Enterprise register on June 30, 2010 with No. 40103303559 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 March 15, 2013, Citadele Bank JSC, (further in the text - Custodian) carries out functions of custodian bank for the IF "CBL Global Emerging Markets Bond fund" (further in the text – Fund) founded by IPAS "CBL 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 IF "CBL Global Emerging Markets Bond fund" 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. Citadele bank JSC is very satisfied with co-operation in performing of the functions of Custodian bank.




Guntis Belavskis
Chairman of the Board, p.p.

IF CBL Global Emerging Markets Bond Fund
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Statement of assets and liabilities
(EUR)

Note		31.12.2016	31.12.2015
	Assets		
3	Due on demand from credit institutions	1,291,325	1,808,425
	<i>Financial assets held for trading:</i>		
4	Debt securities and other fixed income securities	17,748,077	16,949,295
5	Investment certificates of investment funds and similar securities	1,055,307	732,661
6	Derivative financial instruments	12,910	48,042
	Total assets	20,107,619	19,538,423
	Liabilities		
	<i>Financial liabilities held for trading:</i>		
6	Derivative financial instruments	(488,805)	(314,568)
7	Accrued expenses	(30,745)	(31,809)
	Total liabilities	(519,550)	(346,377)
	Net assets	19,588,069	19,192,046

The accompanying notes on pages 12 to 37 form an integral part of these financial statements.



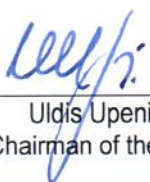
Uldis Upenieks
Chairman of the Board

Riga,
27 April 2017

IF CBL Global Emerging Markets Bond Fund
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Statement of income and expenses
(EUR)

Note	31.12.2016	31.12.2015 (adjusted)
Income of the reporting period		
8 Interest income	1,056,750	897,471
Other income	27,948	3,617
Total income	1,084,698	901,088
Expenses of the reporting period		
Remuneration to investment management company	(291,551)	(270,845)
Custodian Fee	(34,986)	(32,501)
Other Fund management expenses	(9,987)	(9,552)
Total expenses	(336,524)	(312,898)
Total increase/(decrease) in investment value		
9 Realized increase in investment value	601,413	10,631
10 Unrealized increase/(decrease) in investment value	796,694	(485,635)
Total increase/(decrease) in investment value	1,398,107	(475,004)
Foreign currency translation loss	(181,380)	(504,113)
Increase/(decrease) in net assets from investment	1,964,901	(390,927)

The accompanying notes on pages 12 to 37 form an integral part of these financial statements.



Uldis Upenieks
Chairman of the Board

Riga,
27 April 2017

IF CBL Global Emerging Markets Bond Fund
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Statement of changes in net assets
(EUR)

	<u>31.12.2016</u>	<u>31.12.2015</u>
Net assets at the beginning of the reporting period	19,192,046	10,979,782
Increase/(decrease) in net assets from investment	1,964,901	(390,927)
Transactions with share certificates		
<i>Inflow from sale of share certificates</i>	844,884	9,276,682
<i>Outflow on redemption of share certificates</i>	(2,413,762)	(673,491)
Increase in net assets from transactions with share certificates	(1,568,878)	8,603,191
Net asset increase during the reporting period	396,023	8,212,264
Net assets at the end of the reporting period	<u>19,588,069</u>	<u>19,192,046</u>
The number of share certificates issued as at the beginning of the reporting period	1,933,897	1,090,760
The number of share certificates issued at the end of the reporting period	1,783,899	1,933,897
Net assets per share certificate as at the beginning of the reporting period	9.92	10.07
Net assets per share certificate as at the end of the reporting period	<u>10.98</u>	<u>9.92</u>

The accompanying notes on pages 12 to 34 form an integral part of these financial statements.




Uldis Upenieks
Chairman of the Board

Riga,
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Cash flow statement
(EUR)

	31.12.2016	31.12.2015
Cash received as interest income	1,057,754	941,069
Other income	-	3,617
Investment management expenses	(335,501)	(298,207)
Acquisition of financial investments	(9,567,329)	(19,697,401)
Sale/cancellation of financial investments	10,325,063	12,321,169
Foreign currency revaluation result	(455,547)	(1,164,855)
Increase/(decrease) in cash and cash equivalents from operating activities	1,024,440	(7,894,608)
Inflow from sale of share certificates	844,884	9,276,682
Outflow on redemption of share certificates	(2,413,762)	(673,491)
(Decrease)/increase in cash and cash equivalents from financing activities	(1,568,878)	8,603,191
Increase/(decrease) in cash and cash equivalents	(544,438)	708,583
Cash and cash equivalents at the beginning of the reporting period	1,808,425	1,034,013
Result of revaluation of cash and cash equivalents denominated in foreign currencies	27,338	65,829
Cash and cash equivalents at the end of the reporting period	1,291,325	1,808,425

The accompanying notes on pages 12 to 34 form an integral part of these financial statements.



Uldis Upenieks
Chairman of the Board

Riga,
27 April 2017

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Notes
(EUR)

1. General information

Name of the Fund:	CBL Global Emerging Markets Bond Fund (hereinafter - the Fund)
Type of the Fund:	Investment fund
Scope of the Fund:	Investments primarily in debt securities issued or guaranteed by the developing countries' governments, local authorities, central banks, credit institutions and commercial undertakings. The Fund's investment portfolio is diversified between investments in different countries and sectors, with the aim of providing more protection against fluctuations in the value of the Fund's assets, compared with investments in only one country or sector securities.
Investment management company name:	CBL Asset Management IPAS (hereinafter the Company) Republikas laukums 2a, Riga, LV-1010, Latvia

2. Summary of significant accounting policies

Basis of preparation

Financial statements of IF CBL Global Emerging Markets Bond Fund (hereinafter - the Fund) are prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS), as required by the regulation of the Financial and Capital Market Commission (FCMC) *On preparation of annual reports, consolidated annual reports and semi-annual reports of investment fund and open alternative investment fund*.

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

The functional and presentation currency in the financial statements is the official currency of the Republic of Latvia, euro (EUR). The financial statements cover the period from 1 January 2016 to 31 December 2016.

Functional and financial reporting currency

Financial accounting of the Fund is carried out in euro, which is the Fund's reporting and functional currency.

Significant estimates and assumptions

The preparation of financial statements in conformity with IFRS as adopted by the EU requires making of substantial assumptions. Moreover, when preparing the financial statements, the management of the Company has to make assumptions and judgments to apply the Fund's accounting policy. Preparation of financial statements in compliance with IFRS as adopted by EU requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures in the financial statements at the date of financial statements, as well as income and expenses recognized in the reporting period. In the course of the preparation of financial statements, the significant estimates are used mainly in relation to fair value of financial instruments. More detailed information on the uncertainty is disclosed in Note 13.

Income and expense recognition

All interest income and expenses are recognized on an accrual basis.

As a result of changes in accounting policy, certain positions of the Statement of income and expenses of the comparative period have been adjusted, see Note 18.

Interest income and expenses are recognized in the Statement of income and expenses, based on the effective interest rate method. The effective interest rate is the rate that is used for the exact discounting of future cash flows of the financial instrument over the expected useful life of the financial asset or liability.

Income from dividends is recognized as received; in certain cases income from dividends may be recognized following a decrease in stock prices after the issuer has announced the dividend payment.

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

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Foreign currency revaluation

Transactions in foreign currencies are translated into euro at the foreign exchange rate published by the European Central Bank as at the beginning of the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into euro according to the foreign exchange rate published by the European Central Bank as at the end of the last day of the reporting period. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency using the exchange rate at the date on which the fair value was determined. Profit or loss arising from changes in foreign exchange rate is charged to the profit and loss statement as profit or loss on revaluation of foreign exchange positions.

The exchange rates (foreign currency units against EUR) published by the European Central Bank that were mainly applied when preparing the Statement of Assets and Liabilities of the Fund were as follows:

<u>Currency</u>	<u>31.12.2016</u>	<u>31.12.2015</u>
BRL	3.4305	4.3117
COP	3166.3666	3448.4447
IDR	14173.4300	15039.9900
HUF	309.8300	315.9800
MXN	21.7719	18.9145
PLN	4.4103	4.2639
RUR	64.3000	80.6736
TRY	3.7072	3.1765
USD	1.0541	1.0887
ZAR	14.4570	16.9530

Cash and cash equivalents

Cash and cash equivalents comprise Fund's current account balances and other short term high liquidity investments with original maturity of less than 3 months.

Financial instruments

Financial instruments are classified into the following categories: instruments measured at fair value through profit or loss and loans and receivables. Classification depends on the purpose of acquisition of the financial instrument. Management determines the classification of the financial instrument at initial recognition.

Financial instruments measured at fair value through profit and loss

Financial instruments classified as financial instruments measured at fair value through profit or loss include debt securities and other fixed income securities, investment certificates of investment funds and similar securities, as well as derivative financial instruments. All financial assets of the Fund measured at fair value through profit or loss are classified as financial assets held for trading.

Securities held for trading

All investments in securities are classified as securities held for trading, i.e., securities are acquired in order to generate profit from short-term price fluctuations or dealer margin.

Held for trading securities are recognized at fair value based on available market prices. The result of re-measuring trading securities at fair value is included in the statement of income and expense as increase/ (decrease) in investment.

Securities are revalued on the basis of financial information provided by *Bloomberg* on the market demand (*bid*) prices of these securities. Unlisted securities are assessed according to the custodian's information on effected transactions, but in case such information is not available, the securities are assessed at amortized cost. Purchase and sales transactions with securities are recognized at the settlement date. The historical cost is measured using the FIFO (*first in, first out*) method.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include amounts due from credit institutions. Fund's claims against credit institutions are carried at their amortized cost using the effective interest rate method less impairment, if any.

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Provision for impairment of receivables is created when there is objective evidence that the Fund will not be able to collect the full amount due according to the original repayment terms. Provision for impairment is defined as the difference between the amortized cost and the recoverable amount.

Derivative financial instruments

For the purposes of foreign currency risk management, the Fund is engaged in currency forward and swap transactions. For accounting purposes, all derivatives are classified as held for trading and are accounted for as follows.

Subsequent to initial recognition and determination of value, currency forwards are recognized in the balance sheet at their fair value. The fair value of these instruments is recognized in the Statement of assets and liabilities as *Derivatives*. The notional value of these instruments is disclosed in the Notes to the financial statements.

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

Fair value of financial assets and liabilities

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

When possible, the Fund measures the fair value of the financial instruments using the price of the respective financial instrument quoted in an active market. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

As regards initial recognition, the best evidence of fair value is the transaction price, i.e., the fair value of remuneration given or received. If the Fund determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by the quoted market price of an identical asset or liability in an active market, nor by results of assessment methods that use only observable data, the financial instrument is initially carried at fair value which is adjusted to reflect the difference between the fair value at initial recognition and the transaction price. Later this difference is recognized in the profit or loss statement, taking into account the instrument's expected useful life, but no later than the time when the value may be fully justified by observable market data or when the transaction is completed.

IFRS determine the hierarchy of financial instrument fair value assessment techniques, based on whether observable market data is used when determining the fair value of financial instruments or whether such data are unavailable. The financial assets of the Fund measured at fair value are classified in the 1st, 2nd or 3rd level category of this assessment technique.

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

2nd level represents financial instruments whose fair value was determined by using available market data such as prices for similar financial instruments that have been traded in market transactions. This category generally includes less liquid debt securities and derivatives that are measured based on available market data. The price of less liquid debt securities is adjusted by the difference between the available yield rates.

3rd level represents financial instruments whose fair value is determined using available market data and company's internal estimates.

The Company recognizes changes in the fair value hierarchy level for instruments at the end of the reporting period in which the changes have occurred. Compared to the previous year, there have been no changes in the fair value hierarchy.

Financial asset and financial liability portfolios that are exposed to market risk and credit risk, managed by the Fund based on the net exposure to either market risk or credit risk, are assessed taking into account the price that would be paid for the sale of the net long position (or paid to transfer net short position) for particular risks. These portfolio-level adjustments are allocated to individual assets and liabilities based on relative risk adjustments related to each of the individual instruments in the portfolio.

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(EUR)

Taxes

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

Changes in accounting policies

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

The Fund has considered the following new standards and amendments to standards, including the resulting amendments to other standards, whose initial effective date was 1 January 2016, and have concluded that they do not apply to the Fund.

- IFRS 11 : *Accounting for Acquisition of Interests in Joint Operations*
- The 1st *Presentation of Financial Statements*
- IAS 16: *Property, Plant and Equipment* and IAS 38: *Intangible Assets*
- IAS 16: *Property, Plant and Equipment* and IAS 41: *Agriculture*
- IAS 19: *Benefit Plans: Employee Benefits*
- IAS 27: *Separate Financial Statements*
- Annual amendments to IFRS

New standards and interpretations

Several new standards, amendments and interpretations of standards enter into force in the period after 1 January 2017, and they have not been applied in these financial statements. Standards and interpretations applicable to the Fund are described below. There are no plans to apply these standards to the Fund before the prescribed time.

(i) IFRS 9: *Financial instruments* (2014) (In force for the period beginning on or after 1 January 2018, and with certain exceptions will be applied retrospectively. There is no requirement to reclassify comparative data and it is only allowed if the information is available without revaluation. Earlier application is permitted.)

This standard is the replacement of IAS 39 *Financial Instruments: Recognition and Measurement* specifying an exception with regard to hedge accounting where IAS 39 can still be applied and companies may choose whether to apply IFRS 9 or IAS 39.

Although permissible basic categories of financial asset classification are similar to those provided for in IAS 39 - amortized cost, fair value reported in other comprehensive income (FVOCI) or fair value reported at profit or loss statement (FVPL), the classification in the respective valuation category is based on significantly different criteria.

Financial assets are valued at amortized cost if they meet the following two criteria:

- the objective of the entity's business model is to hold the financial asset to collect the contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In addition, the Fund may permanently choose to charge any changes in fair value (including profit or loss from fluctuations in foreign exchange rates) of equity instruments that are not actively traded to other comprehensive income. They may not, in any circumstances, be charged to the profit or loss statement.

Interest income, expected credit losses or gains or losses from foreign exchange fluctuations of debt instruments that are measured at fair value through other comprehensive income are recognized in the profit or loss statement in the same way as those derived from the assets recognized at amortized cost. Other gains and losses are recognized in other comprehensive income and transferred to profit or loss after the respective instruments are derecognized.

IFRS 9 introduces a new expected loss impairment model replacing the 'incurred loss model' of IAS 39, which means that the impairment provision will have to be recognized before the loss event.

IFRS 9 introduces a new comprehensive hedge accounting model, aligning the hedge accounting with risk management. The risk hedging methods: fair value hedge, cash flow hedge and hedge of a net investment in a foreign operation remain unchanged, yet, additional judgments will have to be made for classification purposes.

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The standard includes new requirements, based on which the hedge accounting shall be commenced, continued and terminated, and this allows for additional exposures to be designated as hedged items.

The Fund will have to disclose extensive additional information on risk management and the performed hedging transactions.

It is not expected that IFRS 9 (2014) will significantly affect the financial statements of the Fund. Taking into account the activities of the Fund and its financial instruments, it is not expected that the introduction of the requirements specified in IFRS 9 will change classification and valuation of financial instruments.

(ii) IFRS 15 *Revenue from Contracts with Customers* (effective for accounting periods beginning on or after 1 January 2018. Earlier application is permitted.)

The new standard replaces the currently effective IFRS guidelines on the recognition of revenue. To determine when and to what extent revenue shall be recognized, companies will have to use a five-step model. The new model provides that the entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Depending on whether certain criteria are met, revenue is recognized:

- over time, reflecting the company's financial results; or
- when the control over goods or services is transferred to the customer.

IFRS 15 prescribes principles that should be followed to provide useful qualitative and quantitative information to users of financial statements, enabling them to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Even though the initial assessment of the potential impact of IFRS 15 on financial statements have not yet been completed, the management does not expect that the initial application of the new standard will significantly affect financial statements of the Fund.

(iii) IFRS 16 *Leases* (effective for accounting periods beginning on or after 1 January 2019. Earlier application is permitted if the company also applies IFRS 15). IFRS

16: replaces IAS 17 *Leases* and its interpretations. This standard cancels the double accounting model currently applied by lessees and instead prescribes that most leases shall be recognized in the balance sheet under a single model, abolishing classification of leases as operating or finance.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The new lease model prescribes that in the case of such contract a lessee recognizes a right-of-use asset and a lease liability. With regard to the right-of-use asset depreciation must be assessed and interest expense must be recognized with regard to the liability on accrual basis. As a result, most of the lease expenses will be recognized at the beginning of the lease period, even in cases where the lessee will pay the same amount each year.

The new standard offers the lessees several exceptions restricted as to their volume, which include:

- lease with a term not exceeding 12 months without a buy-out option, and
- lease of an asset with a low value.

The introduction of the new standard will not affect the accounts of lessors where the difference between the operational and financial lease will be retained.

It is not expected that application of the new standard will significantly affect financial statements of the Fund, as no contracts within the scope of IFRS 16 have been concluded.

(iv) Amendments to IFRS 2 : *Classification and Measurement of Share-based Payment* (effective for the reporting period that begins on or after 1 January 2018; must be applied retrospectively. Earlier application is permitted).

Amendments clarify the accounting for share-based payments in the following areas:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

It is expected that at the time of the initial application these amendments will not substantially affect the Fund's financial statements as no share-based payments are being performed.

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(v) Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (IASB has not yet determined the effective date but earlier application is permitted).

The Amendments clarify that recognition of gains or losses from a transaction with associate or joint venture depends on whether the sold or invested assets constitute a business, thus:

- the full amount of gain or loss resulting from a transaction between the investor and its associate or a joint venture is recognized if in the framework of the transaction an asset or assets that constitute a business (disregarding whether it is a part of the subsidiary) are being transferred, but
- only a part of the gain or loss resulting from the transaction between the investor and its associate or a joint venture is recognized if in the framework of the transaction assets that do not constitute a business are being transferred, even if these assets are a part of the subsidiary).

It is not expected that at the time of the initial application these amendments will significantly affect financial statements of the Fund, as the Fund has no subsidiaries, associated companies or joint ventures.

(vi) Amendments to IAS 7 (effective for accounting periods beginning on or after 1 January 2017; must be applied retrospectively. Earlier application is permitted).

The Amendments prescribe additional disclosures that will help users to assess the changes in liabilities from financing activities, including changes resulting from cash flows and other changes (for example, profit or loss from foreign exchange fluctuations, changes incurred in gaining or losing control over subsidiaries, changes in fair value).

It is expected that at the time of the initial application these amendments will not substantially affect the Fund's financial statements.

(vii) Amendments to IAS 12 : *Recognition of Deferred Tax Assets for Unrealized Losses* (effective for reporting periods beginning on or after 1 January 2017; must be applied retrospectively. Earlier application is permitted).

The Amendments clarify how and when, in specific circumstances, the deferred tax assets must be recognized, and explain how to determine future taxable income to consider the recognition of the deferred tax asset.

It is expected that at the time of the initial application these amendments will not affect the Fund's financial statements as the Fund is not subject to corporate income tax.

(viii) Amendments to IAS 40 *Transfers of Investment Property* (effective for accounting periods beginning on or after 1 January 2018; must be applied retrospectively).

The Amendments reinforce the principle prescribed in IAS 40, *Investment property*, regarding the transfer of assets to, or from, investment property, stating that reclassification may only be performed when there has been a change in use of the property. In accordance with the Amendments, reclassification may only be performed when the type of use has actually changed, i.e. the asset meets, or ceases to meet, the definition of investment property and there was an evident change in use. Reclassification may not be based solely on management's intentions for the use of a property.

It is expected that at the time of the initial application these amendments will not affect the Fund's financial statements as the Fund does not hold investment property.

(ix) IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (effective for reporting periods beginning on or after 1 January 2018).

The Interpretation clarifies how to determine the date of transaction in order to establish the effective foreign exchange rate to be used for the initial recognition of an underlying asset, expense or revenue (or its part) or derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in foreign currency. In these circumstances, the date of the transaction is the date of initial recognition of the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

It is not expected that at the time of its initial application this interpretation will have significant impact on the financial statements of the Fund because, for initial recognition, the Fund uses the foreign currency exchange rate effective on the transaction date.

Annual improvements — 2014-2016 cycle were published on 8 December 2016 introducing two amendments in two standards and further amendments to other standards and interpretations resulting thereof, changing the accounting principles applicable to information disclosure, recognition or valuation. Amendments to IFRS 12, *Disclosure of Interests in Other Entities* are effective for reporting periods starting on or after 1 January 2017, and Amendments to IAS 28, *Investments in Associates and Joint Ventures* are effective for reporting periods starting on or after 1 January 2018 and must be applied retrospectively. Earlier application is permitted.

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It is not expected that either of these amendments will significantly affect the financial statements of the Fund.
It is planned to implement the above standards and interpretations of their effective date.

3. Due on demand from credit institutions

	31.12.2016	31.12.2015	% of the Fund's net assets 31.12.2016
Due on demand from credit institutions, AS Citadele Banka	1,291,325	1,808,425	6.59%
Total demand deposits with credit institutions	1,291,325	1,808,425	6.59%

For cash on demand the Fund receives interest income calculated at fixed rate.

4. Debt securities and other fixed income securities

	31.12.2016	31.12.2015	Annual yield before the maturity 31.12.2016	% of the Fund's net assets 31.12.2016
Debt securities of credit institutions:	1,623,368	3,801,929	6.52%	8.29%
Debt securities of credit institutions of non-OECD countries	1,623,368	2,507,629	6.52%	8.29%
Debt securities of credit institutions of OECD countries	-	1,294,300	0.00%	0.00%
Corporate debt securities	10,618,879	8,105,718	5.64%	54.21%
Corporate debt securities of non-OECD countries	8,353,619	6,395,843	5.51%	42.65%
Corporate debt securities of OECD countries	2,265,260	1,303,309	6.13%	11.56%
Latvian corporate debt securities	-	406,566	0.00%	0.00%
Government debt securities:	2,994,307	3,452,456	4.13%	15.29%
Government debt securities of non-OECD countries	2,109,057	2,605,494	5.02%	10.77%
Government debt securities of OECD countries	885,250	846,962	0.00%	4.52%
Financial institution debt securities:	2,511,523	1,589,192	8.33%	12.82%
Debt securities of financial institutions of non-OECD countries	1,494,962	1,052,997	7.22%	7.63%
Debt securities of financial institutions of OECD countries	1,016,561	536,195	9.95%	5.19%
Total debt securities and other fixed income securities	17,748,077	16,949,295	5.85%	90.61%

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

All fixed-income securities are listed on stock exchanges of regulated markets.

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

Financial instrument	ISIN code	Currency	Amount	Acquisition value (EUR)	Carrying value as at 31.12.2016	% of the Fund's net assets 31.12.2016
Financial instruments traded in regulated markets				16,846,826	17,748,077	90.61%
Debt securities of Brazilian issuers:				1,643,100	1,802,269	9.20%
JBS	USA29866AA70	USD	600	539,600	611,952	3.12%
SUZANO	USG8600UAA19	USD	600	572,310	601,110	3.07%
MARFRIG HOLDINGS EUROPE BV	USN54468AF52	USD	600	531,190	589,207	3.01%

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Financial instrument	ISIN code	Currency	Amount	Acquisition value (EUR)	Carrying value as at 31.12.2016	% of the Fund's net assets 31.12.2016
Debt securities of Mexican issuers:				1,730,918	1,649,365	8.43%
GRUPO KUO SAB DE CV	USP4954BAE67	USD	500	476,044	477,760	2.44%
CEMEX SAB DE CV	XS1198002690	EUR	450	476,224	467,494	2.39%
PETROLEOS MEXICANOS	XS0213101073	EUR	350	384,403	398,106	2.03%
MEXICA	MX0MGO0000Q0	MXN	4,000	225,226	177,599	0.91%
MEXICAN BONOS	MX0MGO0000F3	MXN	27,500	169,021	128,406	0.66%
Debt securities of Indonesian issuers:				1,230,847	1,322,199	6.75%
PERTAMINA	USY7138AAC46	USD	700	623,376	687,853	3.51%
INDONESIA	XS1084368593	EUR	600	607,471	634,346	3.24%
Debt securities of Russian issuers:				1,130,554	1,256,174	6.41%
EVRAZ	XS1319822752	USD	500	470,979	538,376	2.75%
HOME CREDIT & FINANCE BANK OOO	XS0846652666	USD	500	457,182	498,486	2.54%
VIA EURASIA CAPITAL SA						
RUSSIAN RAILWAYS	XS0764253455	RUB	140	202,393	219,312	1.12%
Debt securities of South African issuers:				1,079,906	1,176,291	6.00%
SAPPI PAPIER HOLDING GMBH	XS1117298676	EUR	500	481,857	522,452	2.67%
ESKOM HOLDINGS	XS0579851949	USD	350	269,342	339,553	1.73%
SOUTH AFRICA	ZAG000024738	ZAR	4,500	328,707	314,286	1.60%
Debt securities of Kazakhstan issuers:				1,021,478	1,169,240	5.97%
NOSTRUM OIL & GAS	USN64884AA29	USD	700	537,489	661,287	3.38%
KAZAGRO	XS1070363343	EUR	500	483,989	507,953	2.59%
Debt securities issued by international financial institutions				1,049,098	987,009	5.04%
INTERNATIONAL BANK FOR RECONSTRUCTION & DEVELOPMENT	XS1097575192	COP	100	298,789	316,515	1.62%
EUROPEAN INVESTMENT BANK	XS0648456167	TRY	850	308,303	233,705	1.19%
EUROPEAN BANK FOR RECONSTRUCTION & DEVELOPMENT	XS1090177442	IDR	2,200,000	158,070	160,270	0.82%
INTERNATIONAL FINANCE CORP	XS1055095290	BRL	100	163,069	156,789	0.80%
EUROPEAN INVESTMENT BANK	XS0877809375	TRY	450	120,867	119,730	0.61%
Debt securities of Bulgarian issuers:				881,476	886,397	4.52%
BULGARIAN ENERGY HOLDING EAD	XS1405778041	EUR	450	469,929	476,864	2.43%
VIVACOM	XS0994993037	EUR	400	411,547	409,533	2.09%
Debt securities of Azerbaijan issuers:				581,062	612,323	3.13%
INTERNATIONAL BANK OF AZERBAIJAN	XS1076436218	USD	650	581,062	612,323	3.13%
Debt securities of Namibian issuers:				622,068	598,343	3.05%
NAMIBIA	XS0686701953	USD	600	622,068	598,343	3.05%
Debt securities of Indian issuers:				355,388	593,699	3.03%
VEDANTA RESOURCES	USG9328DAG54	USD	600	355,388	593,699	3.03%
Debt securities of Romanian issuers:				566,269	585,848	2.99%
CABLE COMMUNICATIONS SYSTEMS	XS1405770576	EUR	550	566,269	585,848	2.99%
Debt securities of Bahrain issuers:				532,370	569,903	2.91%
BATELCO INTERNATIONAL FINANCE NO. 1 LTD	XS0927183441	USD	600	532,370	569,903	2.91%
Debt securities of Argentinian issuers:				512,522	562,082	2.87%

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Financial instrument	ISIN code	Currency	Amount	Acquisition value (EUR)	Carrying value as at 31.12.2016	% of the Fund's net assets 31.12.2016
ARGENTINE REPUBLIC GOVERNMENT INTERNATIONAL BOND	USP04808AA23	USD	550	512,522	562,082	2.87%
Debt securities of Paraguayan issuers:				514,461	534,366	2.73%
TELEFONICA CELULAR DEL PARAGUAY SA	USP90475AA57	USD	550	514,461	534,366	2.73%
Debt securities of Turkish issuers:				496,775	515,334	2.63%
YASAR HOLDINGS AS	XS1132450427	USD	525	496,775	515,334	2.63%
Debt securities of Sri Lankan issuers:				493,212	512,559	2.62%
NATIONAL SAVINGS BANK	USY62526AA99	USD	500	493,212	512,559	2.62%
Debt securities of Norwegian issuers:				400,332	413,512	2.11%
B2HOLDING ASA	NO0010775166	EUR	400	400,332	413,512	2.11%
Debt securities of Croatian issuers:				404,329	412,304	2.10%
ZAGREBACKI HOLDING	XS0309688918	EUR	8	404,329	412,304	2.10%
Debt securities of Latvian issuers:				400,200	406,566	2.08%
ELKO GRUPA AS	LV0000801892	EUR	400	400,200	406,566	2.08%
Debt securities of Estonian issuers:				391,376	395,293	2.02%
CREDITSTAR INTERNATIONAL OU	EE3300111046	EUR	400	391,376	395,293	2.02%
Debt securities of Hungarian issuers:				283,416	300,889	1.54%
HUNGARY GOVERNMENT BOND	HU0000402953	HUF	8,500	283,416	300,889	1.54%
Debt securities of Polish issuers:				316,506	278,356	1.42%
POLAND GOVERNMENT BOND	PL0000104543	PLN	650	169,676	153,224	0.78%
POLAND	PL0000106126	PLN	500	146,830	125,132	0.64%
Debt securities of the USA issuers:				209,163	207,756	1.06%
MORGAN STANLEY	US61747WAA71	BRL	700	209,163	207,756	1.06%
Total debt securities and other fixed income securities				16,846,826	17,748,077	90.61%

5. Investment certificates of investment funds and similar securities

	% of the Fund's net assets		
	31.12.2016	31.12.2015	31.12.2016
Investment certificates of investment funds	1,055,307	732,661	5.39%
Investment certificates of investment funds of OECD countries	1,055,307	732,661	5.39%
Total investment certificates of investment funds	1,055,307	732,661	5.39%

All investment certificates of investment funds are classified as held for trading securities. As at 31 December 2016, no investment certificates owned by the Fund with total value of EUR 1,055,307 are traded on regulated markets, but the manager provides their net asset value quotations on a daily basis.

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

Financial instrument	ISIN code	Currency	Amount	Acquisition value (EUR)	Carrying value as at 31.12.2016	% of the Fund's net assets 31.12.2016
Financial instruments not traded in regulated markets				955,431	1,055,307	5.39%
Securities of Luxembourg issuers				955,431	1,055,307	5.39%
SCHRODER INTERNATIONAL SELECTION FUND - ASIAN LOCAL CURRENCY	LU0358730231	USD	9,250	955,431	1,055,307	5.39%
Total investment certificates of investment funds and similar securities				955,431	1,055,307	5.39%

6. Derivative financial instruments

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

	31.12.2016			31.12.2015			% of the Fund's net assets as at 31.12.2016
	Notional value	Fair value		Notional value	Fair value		
		Assets	Liabilities		Assets	Liabilities	
Foreign currency exchange transactions							
Currency swaps	12,508,335	12,910	(488,805)	13,059,599	48,042	(314,568)	(2.43%)
Currency forwards	-	-	-	-	-	-	0.00%
Total derivative financial instruments	12,508,335	12,910	(488,805)	13,059,599	48,042	(314,568)	(2.43%)

All derivative financial instruments are EUR and USD swaps concluded with AS Citadele Banka.

7. Accrued expenses

	2016	2015
		(adjusted)
Accrued expenses for investment management company fees	(24,047)	(23,859)
Accrued expenses for custodian fees	(2,886)	(2,863)
Accrued expenses for professional services	(3,812)	(5,087)
Total accrued expenses	(30,745)	(31,809)

8. Interest income

	2016	2015
		(adjusted)
From due on demand from credit institutions	2,980	3,918
From debt securities and other fixed income securities classified as financial assets held for trading	1,053,770	893,553
Total interest income	1,056,750	897,471

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9. Realized increase in investment value

	2016	2015 (adjusted)
Proceeds from sale of investments in the reporting period*	9,992,515	11,522,662
Amortized cost of investments sold during the reporting period	(9,135,278)	(11,497,271)
Appreciation of disposed investments recognized in previous reporting periods	(255,824)	(14,760)
Total realized increase in investment value	601,413	10,631

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

10. Unrealized increase/(decrease) in investment value

	2016	2015 (adjusted)
From debt securities and other fixed income securities	788,769	(460,923)
From investment certificates of investment funds and similar securities	7,925	(24,712)
Total unrealized increase/(decrease) in investment value	796,694	(485,635)

11. Changes in investment value in the reporting period

The following table reflects changes in investments in 2016:

	31.12.2015	Increase during the reporting period	Decrease during the reporting period*	Fair value adjustment	31.12.2016
Financial investments held for trading:					
<i>Debt securities and other fixed income securities</i>	16,949,295	9,174,102	(11,067,049)	2,691,729	17,748,077
<i>Investment certificates of investment funds and similar securities</i>	732,661	287,449	-	35,197	1,055,307
<i>Derivative financial instruments, net</i>	(266,526)	105,778	(227,490)	(87,657)	(475,895)
Total investments	17,415,430	9,567,329	(11,294,539)	2,639,269	18,327,489

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

The following table reflects changes in investments in 2015:

	31.12.2014	Increase during the reporting period	Decrease during the reporting period*	Fair value adjustment	31.12.2015
Financial investments held for trading:					
<i>Debt securities and other fixed income securities</i>	9,965,742	19,325,513	(13,258,320)	916,360	16,949,295
<i>Investment certificates of investment funds and similar securities</i>	345,209	(371,888)	-	(15,564)	732,661
<i>Derivative financial instruments, net</i>	(348,064)	-	-	81,538	(266,526)
Total investments	9,962,887	19,697,401	(13,258,320)	1,013,462	17,415,430

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

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12. Pledged assets

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

13. Fair value of financial assets and liabilities

The table below analyses the estimated fair value of financial instruments at the end of the reporting period by levels of the fair value hierarchy under which the fair value assessment has been categorized. Neither in 2016 nor in 2015 there was no reclassification between fair value hierarchy levels.

2016	1st level:	2nd level:	3rd level:	Total
Financial assets				
Financial instruments held for trading:				
<i>Debt securities and other fixed income securities</i>	16,946,218	-	801,859	17,748,077
<i>Investment certificates of investment funds and similar securities</i>	1,055,307	-	-	1,055,307
<i>Derivative financial instruments</i>	-	12,910	-	12,910
	18,001,525	12,910	801,859	18,816,294
Financial liabilities				
Financial instruments measured at fair value through profit or loss	-	(488,805)	-	(488,805)
	18,001,525	(475,895)	801,859	18,327,489
2015	1st level:	2nd level:	3rd level:	Total
Financial assets				
Financial instruments held for trading:				
<i>Debt securities and other fixed income securities</i>	16,169,533	-	779,762	16,949,295
<i>Investment certificates of investment funds and similar securities</i>	732,661	-	-	732,661
<i>Derivative financial instruments</i>	-	48,042	-	48,042
	16,902,194	48,042	779,762	17,729,998
Financial liabilities				
Financial instruments measured at fair value through profit or loss	-	(314,568)	-	(314,568)
	16,902,194	(266,526)	779,762	17,415,430

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The table shows the comparison of the opening and closing balances for the 3rd level of the fair value assessment hierarchy.

EUR	Financial instruments held for trading	Total
Balance as at 1 January 2016	779,762	779,762
Total profit or loss:		
in Statement of income and expenses	84,205	84,205
Acquisition	391,376	391,376
Settlement	453,484	453,484
Balance as at 31 December 2016	801,859	801,859

EUR	Financial instruments held for trading	Total
Balance as at 1 January 2015	202,022	202,022
Total profit or loss:		
in Statement of income and expenses	54,145	54,145
Acquisition	816,148	816,148
Settlement	(292,553)	(292,553)
Balance as at 31 December 2015	779,762	779,762

The table describes the valuation method used to arrive at the 2nd level and 3rd level fair values, as well as the significant unobservable inputs:

Type	Assessment method	Significant unobservable data	Relationship between relevant unobservable data and the fair value measurement
Financial instruments held for trading (derivatives) - 2nd level	Discounted cash flow method	Not applicable	Not applicable
Financial instruments held for trading (debt securities and other fixed income securities)- 3rd level	Discounted cash flow method	Discount rate	The estimated fair value would increase (decrease) if: - the discount rate was lower (higher);

If at the end of the reporting period there were changes in any of relevant unobservable input data that are used for the fair value measurement of financial instruments held for trading, but other input data would remain unchanged; the impact of such changes would be as follows:

	Impact on the profit or loss statement
as at 31 December 2016	Increase/(decrease)
Discount rate increase (2% change)	(22,966)
Discount rate decrease (2% change)	23,806
as at 31 December 2015	Increase/(decrease)
Discount rate increase (2% change)	(13,536)
Discount rate decrease (2% change)	23,002

14. Risk management

Investment process risk can be defined as a probability of undesirable outcome that may materialize in a given market economy in a given period. Risk management is described as risk identification, measurement and its possible prevention. The investment process can be affected by the exchange rate risk, interest rate risk, risk of price changes, as well as credit risk, liquidity risk and other risks, including operational risk. The investment strategy of the Fund is aimed at minimizing the aforementioned risks, however, the Company cannot guarantee that these risks can be completely avoided in future.

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Risk management structure

Risk identification and measurement is a responsibility of an independent unit - the Risk management department, which develops and presents the information on risk profile to the Fund manager. The Fund manager, however, can make certain decisions on the necessity to reduce existing or potential risks.

Risk measurement process employs models that are developed by the company, are based on historical data and are adjusted according to the economic situation. Certain models are also used to predict the financial risk factor changes under both normal and exceptional financial market circumstances.

The Manager of Investment Fund follows risk diversification and hedging principles whose objective is to reduce the investment risk that are developed in accordance with the Management Policy. When making investments on the Fund's account, the Company obtains sufficient information on potential or acquired investment objects, as well as supervises financial and economic position of issuers of the securities in which the Fund's property has been or is to be invested.

When developing the Fund's investment strategy and setting risk limits, the Company analyzes the Fund's investment distribution across maturities, geographic locations and currencies assessing the risk level for each of these factors. The Company acts in strict compliance with the Prospectus of the Fund, Fund Management Regulations, as well as regulations and restrictions prescribed in laws and regulations of the Republic of Latvia.

Market risk

Market risk is the probability that the Fund's value may decrease when any of the market factors changes, for example, in case of changes in interest rates (interest rate risk), prices of securities (price change risk), foreign currency exchange rates (exchange rate risk) or other market risk factors. The assessment of each of these market risk sources is provided below, however, they cannot be fully diversified.

Interest rate risk

Securities price risk for fixed income securities (bonds) largely depends on market interest rate fluctuations and changes in the issuers credit quality. Market interest rate changes affect the attractiveness of securities in the most direct manner, as substantially it is an alternative source of interest income. If market interest rates are growing then the prices of fixed income securities fall and vice versa. On the other hand, the increase (decrease) in market interest rates have a positive (negative) effect on the coupon rates of fixed income securities with a variable interest rate (when the coupon is fixed as a base rate - such as Euribor or Libor plus an additional margin). Following revaluation (moment starting from which a new interest rate will be applied) the yield rate for such securities coupons increases (decreases), with the result that the interest income increases (decreases).

The tables below show the effects of changes in certain currency market interest rates on the value of a particular Fund, where the interest income changes are calculated for one year. Changes in the real value of the Fund may differ from estimates and the difference may be material.

Changes in fixed-income securities market value and interest income (2016, EUR)					Changes in fixed-income securities market value and interest income (2015, EUR)				
Currency	Changes in the base rates, bp	Changes in the annual interest income	Changes in market value	Impact of the base rate changes on the total value of the portfolio	Currency	Changes in the base rates, bp	Changes in the annual interest income	Changes in market value	Impact of the base rate changes on the total value of the portfolio
EUR	100	-	(194,573)	(194,573)	EUR	100	-	(158,145)	(158,145)
IDR	100	-	(3,143)	(3,143)	IDR	100	-	(2,398)	(2,398)
ZAR	100	-	(8,294)	(8,294)	ZAR	100	-	(9,097)	(9,097)
BRL	100	-	(7,847)	(7,847)	BRL	100	-	(8,096)	(8,096)
MXN	100	-	(9,352)	(9,352)	MXN	100	-	(8,257)	(8,257)
PLN	100	-	(5,142)	(5,142)	PLN	100	-	(7,744)	(7,744)
HUF	100	-	(9,071)	(9,071)	HUF	100	-	(11,121)	(11,121)
USD	100	-	(319,966)	(319,966)	USD	100	-	(429,495)	(429,495)

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RUR	100	-	(4,352)	(4,352)
TRY	100	-	(4,528)	(4,528)
COP	100	-	(1,766)	(1,766)
Kopā		-	(568,034)	(568,034)

Changes in fixed-income securities market value and interest income (2016, % of net assets)

Currency	Changes in the base rates, bp	Changes in the annual interest income	Changes in market value	Impact of the base rate changes on the total value of the portfolio
EUR	100	-	-0.99%	-0.99%
IDR	100	-	-0.02%	-0.02%
ZAR	100	-	-0.04%	-0.04%
BRL	100	-	-0.04%	-0.04%
MXN	100	-	-0.05%	-0.05%
PLN	100	-	-0.03%	-0.03%
HUF	100	-	-0.05%	-0.05%
USD	100	-	-1.63%	-1.63%
RUR	100	-	-0.02%	-0.02%
TRY	100	-	-0.02%	-0.02%
COP	100	-	-0.01%	-0.01%
Kopā		0.00%	-2.90%	-2.90%

Changes in fixed-income securities market value and interest income (2016, EUR)

Currency	Changes in the base rates, bp	Changes in the annual interest income	Changes in market value	Impact of the base rate changes on the total value of the portfolio
EUR	-100	-	194,573	194,573
IDR	-100	-	3,143	3,143
ZAR	-100	-	8,294	8,294
BRL	-100	-	7,847	7,847
MXN	-100	-	9,352	9,352
PLN	-100	-	5,142	5,142
HUF	-100	-	9,071	9,071
USD	-100	-	319,966	319,966
RUR	-100	-	4,352	4,352
TRY	-100	-	4,528	4,528
COP	-100	-	1,766	1,766
Kopā		-	568,034	568,034

RUR	100	-	(4,880)	(4,880)
TRY	100	-	(5,800)	(5,800)
Kopā		-	(645,033)	(645,033)

Changes in fixed-income securities market value and interest income (2015, % of net assets)

Currency	Changes in the base rates, bp	Changes in the annual interest income	Changes in market value	Impact of the base rate changes on the total value of the portfolio
EUR	100	-	-0.82%	-0.82%
IDR	100	-	-0.01%	-0.01%
ZAR	100	-	-0.05%	-0.05%
BRL	100	-	-0.04%	-0.04%
MXN	100	-	-0.04%	-0.04%
PLN	100	-	-0.04%	-0.04%
HUF	100	-	-0.06%	-0.06%
USD	100	-	-2.23%	-2.23%
RUR	100	-	-0.03%	-0.03%
TRY	100	-	-0.03%	-0.03%
Kopā		-	-3.35%	-3.35%

Changes in fixed-income securities market value and interest income (2015, EUR)

Currency	Changes in the base rates, bp	Changes in the annual interest income	Changes in market value	Impact of the base rate changes on the total value of the portfolio
EUR	-100	-	(158,145)	(158,145)
IDR	-100	-	(2,398)	(2,398)
ZAR	-100	-	(9,097)	(9,097)
BRL	-100	-	(8,096)	(8,096)
MXN	-100	-	(8,257)	(8,257)
PLN	-100	-	(7,744)	(7,744)
HUF	-100	-	(11,121)	(11,121)
USD	-100	-	(429,495)	(429,495)
RUR	-100	-	(4,880)	(4,880)
TRY	-100	-	(5,800)	(5,800)
Kopā		-	(645,033)	(645,033)

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Changes in fixed-income securities market value and interest income (2016, % of net assets)					Changes in fixed-income securities market value and interest income (2015, % of net assets)				
Currency	Changes in the base rates, bp	Changes in the annual interest income	Changes in market value	Impact of the base rate changes on the total value of the portfolio	Currency	Changes in the base rates, bp	Changes in the annual interest income	Changes in market value	Impact of the base rate changes on the total value of the portfolio
EUR	-100	-	0.99%	0.99%	EUR	-100	-	0.82%	0.82%
IDR	-100	-	0.02%	0.02%	IDR	-100	-	0.01%	0.01%
ZAR	-100	-	0.04%	0.04%	ZAR	-100	-	0.05%	0.05%
BRL	-100	-	0.04%	0.04%	BRL	-100	-	0.04%	0.04%
MXN	-100	-	0.05%	0.05%	MXN	-100	-	0.04%	0.04%
PLN	-100	-	0.03%	0.03%	PLN	-100	-	0.04%	0.04%
HUF	-100	-	0.05%	0.05%	HUF	-100	-	0.06%	0.06%
USD	-100	-	1.63%	1.63%	USD	-100	-	2.23%	2.23%
RUR	-100	-	0.02%	0.02%	RUR	-100	-	0.03%	0.03%
TRY	-100	-	0.02%	0.02%	TRY	-100	-	0.03%	0.03%
COP	-100	-	0.01%	0.01%					
Kopā		0.00%	2.90%	2.90%	Kopā		-	3.35%	3.35%

Exchange rate risk

Exchange rate risk arises when the nominal currency of securities and other financial instruments in the Fund differs from the Fund's currency. Exchange rate fluctuations may cause profit or loss depending on the direction of exchange rate fluctuations and the currency's position in the Fund. Currency risk of the Fund is effectively managed by closing forward and/or SWAP transactions.

The following table reflects the distribution of assets and liabilities of the Fund across currencies as at 31 December 2016:

	USD	EUR	Other currencies	Total
Assets				
Due on demand from credit institutions	370,145	921,180	-	1,291,325
Financial assets held for trading:				
<i>Debt securities and other fixed income securities</i>	9,504,193	5,630,271	2,613,613	17,748,077
<i>Investment certificates of investment funds and similar securities</i>	1,055,307	-	-	1,055,307
<i>Derivative financial instruments</i>	(3,023,431)	3,036,341	-	12,910
Total assets	7,906,214	9,587,792	2,613,613	20,107,619
Liabilities				
Financial liabilities held for trading:				
<i>Derivative financial instruments</i>	(9,484,903)	8,996,098	-	(488,805)
Accrued expenses		(30,745)	-	(30,745)
Total liabilities	(9,484,903)	8,965,353	-	(519,550)
Net assets	(1,578,689)	18,553,145	2,613,613	19,588,069
<i>Net long/(short) position</i>	<i>(8.06%)</i>	<i>94.72%</i>	<i>13.34%</i>	<i>100.00%</i>

As at 31 December 2016, the remaining currencies are distributed as follows: BRL- 364,545 EUR, COP- 316,515 EUR, HUF- 300,889 EUR, IDR- 160,270 EUR, MXN- 306,005 EUR, PLN- 278,356 EUR, RUR- 219,312 EUR, TRY- 353,435 EUR, ZAR- 314,286 EUR.

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The following table reflects the distribution of assets and liabilities of the Fund across currencies as at 31 December 2015:

	USD	EUR	Other currencies	Total
Assets				
Due on demand from credit institutions	717,484	1,090,941	-	1,808,425
Financial assets held for trading:				
<i>Debt securities and other fixed income securities</i>	10,281,564	4,539,112	2,128,619	16,949,295
<i>Investment certificates of investment funds and similar securities</i>	732,661	-	-	732,661
<i>Derivative financial instruments</i>	(5,962,557)	6,010,599	-	48,042
Total assets	5,769,152	11,640,652	2,128,619	19,538,423
Liabilities				
Financial liabilities held for trading:				
<i>Derivative financial instruments</i>	7,097,042	6,782,474	-	(314,568)
Accrued expenses		(31,809)	-	(31,809)
Total liabilities	7,097,042	6,750,665	-	(346,377)
Net assets	(1,327,890)	18,391,317	2,128,619	19,192,046
<i>Net long/(short) position</i>	<i>(6.92%)</i>	<i>95.83%</i>	<i>11.09%</i>	<i>100.00%</i>

As at 31 December 2015, the remaining currencies are distributed as follows: TRY-269,059 EUR, PLN-298,022 EUR, HUF-283,945 EUR, ZAR- 257,846 EUR, IDR-187,870 EUR, RUR-163,390 EUR, MXN- 264,995 EUR, BRL- 403,492 EUR.

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

Effects of changes in exchange rate (2016)				Effects of changes in exchange rate (2015)			
Currency	Proportion of the Fund (% of net assets)	Change in the exchange rate against EUR	Impact on the Fund's value	Currency	Proportion of the Fund (% of net assets)	Change in the exchange rate against EUR	Impact on the Fund's value
EUR	94.72%	0.00%	0.00%	EUR	95.83%	0.00%	0.00%
IDR	0.82%	10.40%	0.09%	IDR	0.98%	14.56%	0.14%
ZAR	1.60%	19.62%	0.31%	ZAR	1.34%	17.05%	0.23%
BRL	1.86%	17.94%	0.33%	BRL	2.11%	22.35%	0.47%
MXN	1.56%	17.18%	0.27%	MXN	1.38%	14.60%	0.20%
PLN	1.42%	7.39%	0.10%	PLN	1.55%	7.19%	0.11%
HUF	1.54%	5.32%	0.08%	HUF	1.48%	7.93%	0.12%
USD	-8.06%	8.27%	-0.67%	USD	-6.92%	12.25%	-0.85%
RUR	1.12%	20.15%	0.23%	RUB	0.85%	27.93%	0.24%
TRY	1.80%	12.19%	0.22%	TRY	1.40%	15.67%	0.22%
COP	1.62%	18.42%	0.30%				
Kopā	100.00%		1.26%	Kopā	100.00%		0.88%

Credit Risk

Credit risk refers to the probability that the value of the Fund may decrease if the Fund's counterparty or the issuer of debt securities will be unable to or will refuse to meet the obligations. Consequently, only safe counterparties with a good reputation are

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selected when performing transactions with the Fund's assets. The Fund manager regularly monitors the solvency of the Fund's counterparties, analyzes their credit rating, financial situation and information in mass media.

The Fund's asset credit quality is managed based on international rating agencies Standard & Poor's, Moody's and Fitch credit ratings. In addition, issuers' financial statements, financial position and future prospects are also analyzed.

The table shows the classification of debt securities issuers and credit institutions in which the Fund has deposits by credit ratings according to the following classification:

- High-quality financial instruments: MA - AA- (Standard & Poor's); Aaa - Aa3 (Moody's Investors Service); AAA - AA- (Fitch);
- Investment grade financial instruments: A+ - BBB- (Standard & Poor's); A1 - Baa3 (Moody's Investors Service); A+ - BBB- (Fitch);
- Higher risk financial instruments: BB+ - BB- (Standard & Poor's); Ba1 - Ba3 (Moody's Investors Service); BB+ - BB- (Fitch);
- Speculative financial instruments: B+ - C (Standard & Poor's); B1 - C (Moody's Investors Service); B+ - C (Fitch).

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

	Investment grade financial instruments	Higher-risk financial instruments	High-quality financial instruments:	Speculative financial instruments	No rating	Total
Due on demand from credit institutions	-	-	-	1,291,325	-	1,291,325
Financial assets held for trading:						
<i>Debt securities and other fixed income securities</i>	3,945,252	5,666,540	987,009	5,933,905	1,215,371	17,748,077
<i>Investment certificates of investment funds and similar securities</i>	-	-	-	-	1,055,307	1,055,307
<i>Derivative financial instruments</i>	-	-	-	(475,895)	-	(475,895)
Total investments	3,945,252	5,666,540	987,009	6,749,335	2,270,678	19,618,814

The following table reflects the distribution of the Fund's assets across credit ratings as at 31 December 2015:

	Investment grade financial instruments	Higher-risk financial instruments	High-quality financial instruments:	Speculative financial instruments	No rating	Total
Due on demand from credit institutions	-	-	-	1,808,425	-	1,808,425
Financial assets held for trading:						
<i>Debt securities and other fixed income securities</i>	3,718,093	11,944,277	697,165	589,760	-	16,949,295
<i>Investment certificates of investment funds and similar securities</i>	-	-	-	-	732,661	732,661
<i>Derivative financial instruments</i>	-	-	-	(266,526)	-	(266,526)
Total investments	3,718,093	11,944,277	697,165	2,131,659	732,661	19,223,855

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Concentration risk

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

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

	Latvia	Other OECD countries	Non - OECD countries	Total
Assets				
Due on demand from credit institutions	1,291,325	-	-	1,291,325
Financial assets held for trading:				
<i>Debt securities and other fixed income securities</i>	406,566	3,760,505	13,581,006	17,748,077
<i>Investment certificates of investment funds and similar securities</i>	-	1,055,307	-	1,055,307
<i>Derivative financial instruments</i>	12,910	-	-	12,910
Total assets	1,710,801	4,815,812	13,581,006	20,107,619
Liabilities				
Derivative financial instruments	(488,805)	-	-	(488,805)
Accrued expenses	(30,745)	-	-	(30,745)
Total liabilities	(519,550)	-	-	(519,550)
Net assets	1,191,251	4,815,812	13,581,006	19,588,069

The following table reflects the geographical distribution of assets and liabilities of the Fund as at 31 December 2015:

	Latvia	Other OECD countries	Non - OECD countries	Total
Assets				
Due on demand from credit institutions	1,808,425	-	-	1,808,425
Financial assets held for trading:				
<i>Debt securities and other fixed income securities</i>	406,566	3,980,766	12,561,963	16,949,295
<i>Investment certificates of investment funds and similar securities</i>	-	732,661	-	732,661
<i>Derivative financial instruments</i>	48,042	-	-	48,042
Total assets	2,263,033	4,713,427	12,561,963	19,538,423
Liabilities				
Derivative financial instruments	(314,568)	-	-	(314,568)
Accrued expenses	(31,809)	-	-	(31,809)
Total liabilities	(346,377)	-	-	(346,377)
Net assets	1,916,656	4,713,427	12,561,963	19,192,046

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The following table reflects the distribution of net assets and liabilities of the Fund across individual countries:

Country	Carrying value as at 31.12.2016	Carrying value as at 31.12.2015	% of the Fund's net assets 31.12.2016
Brazil	1,802,269	1,947,443	9.20%
Mexico	1,649,365	264,995	8.43%
Indonesia	1,322,199	1,222,214	6.75%
Russia	1,256,174	1,109,876	6.41%
Latvia	1,191,251	1,916,656	6.08%
South Africa	1,176,291	544,693	6.00%
Kazakhstan	1,169,240	994,028	5.97%
Luxembourg	1,055,307	732,661	5.39%
International financial institution	987,009	575,166	5.04%
Bulgaria	886,397	795,809	4.52%
Azerbaijan	612,323	543,702	3.13%
Namibia	598,343	558,969	3.05%
India	593,699	324,443	3.03%
Romania	585,848	589,760	2.99%
Bahrain	569,903	525,046	2.91%
Argentina	562,082	-	2.87%
Paraguay	534,366	-	2.73%
Turkey	515,334	597,135	2.63%
Sri Lanka	512,559	482,339	2.62%
Norway	413,512	-	2.11%
Croatia	412,304	240,414	2.10%
Estonia	395,293	373,196	2.02%
Hungary	300,889	283,945	1.54%
Poland	278,356	298,022	1.42%
USA	207,756	162,999	1.06%
Chile	-	2,000,474	0.00%
Peru	-	595,435	0.00%
Macedonia	-	576,748	0.00%
Vietnam	-	488,754	0.00%
China	-	447,124	0.00%
Total	19,588,069	19,192,046	100.00%

The following table reflects the distribution of net assets and liabilities of the Fund across sectors:

Sector	Carrying value as at 31.12.2016	Carrying value as at 31.12.2015	% of the Fund's net assets 31.12.2016
Government	2,994,307	3,452,456	15.29%
Financial services	2,511,523	1,589,192	12.82%
Raw materials	2,255,637	324,443	11.52%
Consumer goods	2,194,253	1,613,331	11.20%
Telecommunications	2,099,650	930,991	10.72%
Energy	1,747,246	2,235,121	8.92%
Commercial banks	1,623,368	3,801,929	8.29%
Utilities	1,228,721	917,125	6.26%
Industry	686,806	-	3.51%
IT services	406,566	406,566	2.08%
Consumer services	-	1,036,884	0.00%
Logistics	-	641,257	0.00%
Other	1,839,992	2,242,751	9.39%
Total	19,588,069	19,192,046	100.00%

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Liquidity Risk

Liquidity risk can occur if the Fund is having difficulty in meeting its financial obligations. Fund Manager maintains such asset structure which ensures a possibility of selling securities in due time and with no significant losses.

The following table reflects the maturity distribution of the Fund's assets and liabilities as at 31 December 2016:

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-5 years	More than 5 years and indefinite	Total
Assets							
Due on demand from credit institutions	1,291,325	-	-	-	-	-	1,291,325
Financial assets held for trading:							
<i>Debt securities and other fixed income securities</i>	-	-	-	1,010,449	12,296,943	4,440,685	17,748,077
<i>Investment certificates of investment funds and similar securities</i>	-	-	-	-	-	1,055,307	1,055,307
<i>Derivative financial instruments</i>	-	-	12,910	-	-	-	12,910
Total assets	1,291,325	-	12,910	1,010,449	12,296,943	5,495,992	20,107,619
Liabilities							
Financial liabilities held for trading:							
<i>Derivative financial instruments</i>	(151,814)	(276,710)	(60,281)	-	-	-	(488,805)
Accrued expenses	(26,933)	-	(3,812)	-	-	-	(30,745)
Total liabilities	(178,747)	(276,710)	(64,093)	-	-	-	(519,550)
Net assets	1,112,578	(276,710)	(51,183)	1,010,449	12,296,943	5,495,992	19,588,069
<i>Net position in% of net assets</i>	5.67%	(1.41%)	(0.26%)	5.16%	62.78%	28.06%	100.00%

The following table reflects the maturity distribution of the Fund's assets and liabilities as at 31 December 2015:

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-5 years	More than 5 years and indefinite	Total
Assets							
Due on demand from credit institutions	1,808,425	-	-	-	-	-	1,808,425
Financial assets held for trading:							
<i>Debt securities and other fixed income securities</i>	8,797,374	-	-	-	163,390	7,988,531	16,949,295
<i>Investment certificates of investment funds and similar securities</i>	-	-	-	-	-	732,661	732,661
<i>Derivative financial instruments</i>	-	-	48,042	-	-	-	48,042
Total assets	10,605,799	-	48,042	-	163,390	8,721,192	19,538,423

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	Up to 1 month	1-3 months	3-6 months	6-12 months	1-5 years	More than 5 years and indefinite	Total
Liabilities							
Financial liabilities held for trading:							
<i>Derivative financial instruments</i>	(43,848)	(270,720)	-	-	-	-	(314,568)
Accrued expenses	(26,722)	-	(5,087)	-	-	-	(31,809)
Total liabilities	(70,570)	(270,720)	(5,087)	-	-	-	(346,377)
Net assets	10,535,229	(270,720)	42,955	-	163,390	8,721,192	19,192,046
<i>Net position in % of net assets</i>	54.90%	(1.41%)	0.22%	0.00%	0.85%	45.44%	100.00%

15. Information on the holders of the Fund's Share Certificates

The following table reflects the proportion of the share certificates held by related parties and other investors to the total number of the share certificates issued:

	31.12.2016	31.12.2015	% of the total number as at 31.12.2016
Share certificates held by the Company's shareholder, AS Citadele Banka	550,000	450,000	30.83%
Share certificates held by third parties	1,233,899	1,483,897	69.17%
The number of share certificates issued at the end of the reporting period	1,783,899	1,933,897	100.00%

16. Related party transactions

The majority of Fund's investments are acquired through the custodian bank. AS Citadele Banka receives custodian fee, which is disclosed in the Statement of income and expenses; and cash of the Fund is also placed with AS Citadele Banka (see Note 3). Also, all the derivative financial instruments are concluded with AS Citadele Banka (see Note 6).

During the reporting period related parties did not conduct any transactions with the Fund's share certificates. Purchase and reselling transactions of the Fund's share certificates are calculated taking into account only the share certificates held by those related parties, which have been classified as related parties of the Fund in 2016 and also in 2015.

In the reporting period, the Fund had no investments in debt securities issued by the custodian and investment funds that are managed by the associated investment management company.

17. Investment Fund's performance dynamics

	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Net assets (EUR)	19,588,069	19,192,046	10,979,782	9,775,730
The number of share certificates	1,783,899	1,933,897	1,090,760	968,677
The value of the unit of the Investment Fund (EUR)	10.98	9.92	10.07	10.09
Profitability of the Investment Fund*	10.66%	(1.49%)	(0.20%)	1.75%
Net assets (EUR)**	19,612,792	19,229,930	11,009,984	9,723,210
The number of share certificates	1,783,899	1,933,897	1,090,760	968,677
The value of the unit of the Investment Fund (EUR)	10.99	9.94	10.09	10.04
Profitability of the Investment Fund*	10.53%	(1.49%)	0.50%	0.77%

* Profitability is calculated from the beginning of the Fund's operation assuming there are 365 days in a year.

** Net asset value is translated to EUR using exchange rates determined by the financial markets at the end of the day.

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18. Implemented changes in accounting policies

In order to improve accuracy of the recognized interest income and revaluation results, in the reporting period the Fund has changed the accounting policy regarding interest income. According to the effected changes, interest income and expenses do not include discount or premium amortization or other difference between the book value of an interest bearing instrument and its value on the maturity date.

The information provided below summarizes the impact of changes in the accounting policy to the Statement of income and expenses in comparison with the 2015 financial statements.

Comparative Statement of income and expenses:

Note		2015	Increase/ (decrease)	2015
		<u>As reported before</u>		<u>Adjusted</u>
	Income of the reporting period			
8	Interest income	897,471	27,215	924,686
	Dividend income	-	-	-
	Other income	3,617	-	3,617
	Total income	901,088	27,215	928,303
	Expenses of the reporting period			
	Remuneration to investment management company	(270,845)	-	(270,845)
	Custodian Fee	(32,501)	-	(32,501)
	Other Fund management expenses	(9,552)	-	(9,552)
	Total expenses	(312,898)	-	(312,898)
	Decrease in investment value			
9	Realized increase/(decrease) in investment value	10,631	(19,828)	(9,197)
10	Unrealized decrease in investment value	(485,635)	(7,387)	(493,022)
	Total decrease in investment value	(475,004)	(27,215)	(502,219)
	Foreign currency translation loss	(504,113)	-	(504,113)
	Decrease in net assets from investment	(390,927)	-	(390,927)



KPMG Baltics SIA
Vesetas iela 7
Rīga, LV-1013
Latvia

Telephone +371 67038000
Telefax +371 67038002
kpmg.com/lv

Independent Auditors' Report

To the shareholders of Investment fund "CBL Global Emerging Markets Bond Fund"

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of Investment fund "CBL Global Emerging Markets Bond Fund" ("the Fund"), which is managed by the investment management company "CBL Asset Management" ("the Company") set out on pages 8 to 34 of the accompanying Annual Report, which comprise:

- the statement of financial position as at 31 December 2016,
- the statement of comprehensive income for the year then ended,
- the statement of changes in shareholders' equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Investment fund "CBL Global Emerging Markets Bond Fund" as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

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

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

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

Reporting on Other Information

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

- Management report, as set out on pages 4 to 5 of the accompanying Annual Report,
- the Statement of responsibility of the Company's management, as set out on page 6 of the accompanying Annual Report,



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

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

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

Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia

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

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

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

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

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

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

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

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue



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

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

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



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

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Ondrej Fikrle

Ondrej Fikrle
Partner pp
KPMG Baltics SIA
Riga, Latvia
27 April 2017

Valda Užāne

Valda Užāne
Sworn auditor
Certificate No 4