

INVESTMENT FUND
CBL Global Emerging Markets Bond Fund

ANNUAL REPORT FOR 2017
(5th financial year)

PREPARED IN ACCORDANCE WITH
FCMC 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

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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, Riga, 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, Riga, 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> <i>Chairperson of the Council – Juris Jākobsons – appointed on 11.10.2010</i> <i>Deputy Chairperson of the Council - Vladimirs Ivanovs - appointed on 06.11.2012</i> <i>Member of the Council - Peter Meier - appointed on 30.09.2015</i> <i>Board of the investment management company:</i> <i>Chairperson of the Board – Uldis Upenieks – appointed on 01.11.2012 dismissed on 03.08.2017</i> <i>Chairperson of the Board – Kārlis Purgailis - appointed on 08.09.2017</i> <i>Board Member - Zigurds Vaikulis - appointed on 19.04.2007</i> <i>Board Member - Andris Kotāns - appointed on 11.05.2015</i> <i>Board Member - Lolita Sičeva - appointed on 11.05.2015</i></p>
Rights and responsibilities related to investment fund management:	The Council and the Board members shall perform all duties prescribed in laws and regulations of the Republic and in the Articles of Association of the investment management company
Fund Managers:	<p>Andris Kotāns – appointed on 15.03.2013 Edgars Lao – appointed on 15.03.2013</p>
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
Auditor:	<p>KPMG Baltics SIA Vesetas iela 7 Riga, LV-1013 License No 55 Latvia</p>

INVESTMENT MANAGEMENT COMPANY REPORT

The 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 the investment management company CBL Asset Management, legal address Republikas laukums 2a, Rīga, LV-1010, registered under No. 40003577500. The Investment Company's operating license is No. 06.03.07.098/367.

The Fund aims at achieving 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 in the Fund's policy during the reporting period.

At the end of the reporting period, the net assets of the Fund amounted to EUR 20,800,324. As at 31 December 2017, gross assets amounted to EUR 20,831,767. During the reporting period the value of the unit of the Fund increased by EUR 0.45 and at the end of the reporting period it amounted to EUR 11.43. In 2017, the return of the Fund was 4.10% in terms of its base currency (EUR) and 3.82% in terms of the foreign exchange rates fixed by the financial markets at the end of the day.

The year 2017 proved to be very successful in the global financial markets, and the global stock markets, experiencing minor fluctuations, gradually reached new, the historically highest, levels. Due to the favorable investment sentiment, the market of sovereign bonds issued by emerging countries also demonstrated an excellent performance for the second consecutive year, as the temporary rise in the US government rates was over-compensated by the decrease in risk premiums. At the same time, the local currency bonds of emerging countries benefited both from the steep decrease in returns and the weakness of the U.S. dollar. In the reporting period, all the Eurobond markets of emerging countries demonstrated positive results while the steepest growth was delivered by Latin America; in Brazil, the authorities have so far yielded mixed results in combating the high corruption although in 2017 the country's economy stabilized after the recession in the previous two years. In Argentina, the President Mauricio Makri has strengthened his positions so that there is a hope of market-friendly reforms to be continued. In December 2017, Ramaphosa was elected the new leader of the African National Congress (ANC), the leading party of the Republic of South Africa; Ramaphosa is known by his favorable attitude towards market, and later he took office of the President of the Republic of South Africa.

In the reporting period, all regions contributed positively to the Fund's performance, and the largest positive contribution to the Fund came from the Eastern European region, which also has the largest market share as well as the investments in the debt securities of Brazilian and Mexican issuers. In the reporting year, after the assessment, new investments were made in Ukrainian, Georgian, Peruvian and other sovereign securities; at the same time the Fund sold its investments in Azerbaijan, Namibia, Bahrain and other countries. Emerging market bond yields declined due to the market's positive performance, hence the Fund's average yield-to-maturity decreased to 4.8% from 5.6% a year ago. The Fund's average duration decreased to 3.2 from 3.3 at the beginning of the reporting period, and the weighted-average credit rating remained unchanged, i.e. Ba1. At the end of 2017, the Fund's exposure to the local currency bond markets was 17.09% of the Fund's net assets.

In the reporting period, the management costs amounted to EUR 350,686, which did not exceed the maximum amount of 4.00% provided in the Fund's prospectus. The investment management company fee amounted to EUR 305,290, custodian fee - EUR 36,635, other management expenses - EUR 8,761.

Subsequent to the year-end, the Company made amendments to the Fund's Framework documents which came into effect on 1 January 2018. In accordance with the said amendments, the Fund will issue share certificates of several classes. In the future, investors will have the opportunity to invest both in the euros, i.e. in R Acc EUR (hedged) class share certificates, and in the U.S. dollars, i.e. in the new R Acc USD class share certificates.

**IF CBL Global Emerging Markets Bond Fund
Annual Report for 2017**

The management team of IPAS CBL Asset Management closely follows developments both on domestic and global scale of such factors as stability 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. The instrument selection, regardless of the sector and the country will continue to be a decisive factor in the Fund's investment process.

A blue ink signature of Kārlis Purgailis, consisting of a large loop followed by a series of horizontal strokes.

Kārlis Purgailis
Chairman of the Board

A blue ink signature of Andris Kotāns, featuring a stylized 'A' followed by several horizontal strokes.

Andris Kotāns
Fund Manager

A blue ink signature of Edgars Lao, showing a stylized 'E' followed by a series of horizontal strokes.

Edgars Lao
Fund Manager

Riga, 27 April 2018

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 through 35 are prepared based on source documents and present fairly the financial position of the Fund as at 31 December 2017 and the results of its operations in 2017.

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.



Kārlis Purgailis
Chairman of the Board

Rīga,
27 April 2018

Riga, March 5th, 2018

CUSTODIAN BANK REPORT

To the Share Certificates holders of IF "CBL Global Emerging Markets Bond fund"
For the period from 1st January 2017 to 31st December 2017

JSC "Citadele banka", registered in the Register of Enterprises of the Republic of Latvia on June 30, 2010 with No. 40103303559, registered office: Republikas laukums 2a, Riga, hereby confirms the following:

- in accordance with the Custody Agreement concluded on 7th April 2017, JSC "Citadele banka" (hereinafter the Custodian) performs custodian's duties for the investment fund "CBL Global Emerging Markets Bond fund" (hereinafter the Fund) established by IPAS "CBL Asset Management" (hereinafter the Company);
- the Custodian has performed the functions of the Fund's custodian pursuant to the law "On Investment Management Companies" (hereinafter the Law), Regulations of Financial and Capital Market Commission and other applicable laws and regulations of the Republic of Latvia.

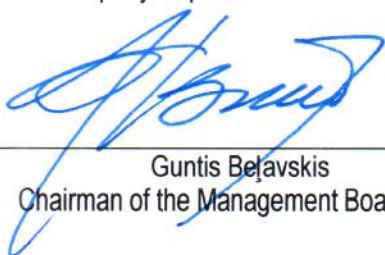
The Custodian is responsible for performance of obligations set forth in laws and regulations of the Republic of Latvia and in the Custodian Agreement. The main responsibilities of the Custodian include:

- holding of the Fund's assets as well as documents confirming ownership of the Fund's assets in accordance with the laws and regulations of the Republic of Latvia and Custody Agreement;
- ensuring the maintenance of the Fund's accounts, receiving and executing the Company's orders, as well as settlement of the orders according with requirements of laws and regulations of the Republic of Latvia, Custody Agreement and current market practice;
- ensuring the Company with regular reports on Fund's assets and its value (prices of the securities);
- ensuring that the value of the Fund and Fund's Share Certificates is estimated in accordance with requirements of the Law, Regulations of Financial and Capital Market Commission, Fund's prospectus and Fund Management Regulations.;
- ensuring that the issue, sale and repurchase of the Fund's Share Certificates is performed in accordance with the Law, Fund's prospectus and Fund Management Regulations.

During the period from January 1st, 2017 to December 31st, 2017:

- Issue, sale and repurchase of the Fund's Share Certificates were effected in compliance with requirements of the Law, Fund's prospectus and Fund Management Regulations;
- Fund assets were held in accordance with requirements of the Law and Custody Agreement;
- The value of the Fund's net assets was assessed in accordance with requirements of the Law, Regulations of Financial and Capital Market Commission, Fund's prospectus and Fund Management Regulations;
- the Company's orders, as well as transactions executed with the Fund's assets were performed in accordance with the Law, Fund's prospectus, Fund Management Regulations and the Custody Agreement.

During the reporting period, no errors or non-compliance with the applicable laws and regulations of the Republic of Latvia were detected in the Company's operations with the Fund's assets.



Guntis Belavskis
Chairman of the Management Board, p.p.

STATEMENT OF ASSETS AND LIABILITIES

Notes		31.12.2017	31.12.2016
	Assets		
3	Due on demand from credit institutions	1,319,091	1,291,325
	<i>Financial assets held for trading:</i>		
4	Debt securities and other fixed income securities	18,372,367	17,748,077
5	Share certificates of investment funds and similar securities	945,621	1,055,307
6	Derivative financial instruments	194,688	12,910
	Total assets	20,831,767	20,107,619
	Liabilities		
	<i>Financial liabilities held for trading:</i>		
6	Derivative financial instruments	-	(488,805)
7	Accrued expenses	(31,443)	(30,745)
	Total liabilities	(31,443)	(519,550)
	Net assets	20,800,324	19,588,069

The accompanying notes on pages 12 to 35 form an integral part of these financial statements.



Kārlis Purgailis
Chairman of the Board

Riga,
27 April 2018

STATEMENT OF INCOME AND EXPENSES

Notes

		31.12.2017	31.12.2016
	Income for the reporting period		
8	Interest income	1,310,259	1,056,750
	Other income	15,937	27,948
	Total income	1,326,196	1,084,698
	Expenses for the reporting period		
		(305,290)	(291,551)
	Remuneration to investment management company	(36,635)	(34,986)
	Custodian Fee	(8,761)	(9,987)
	Other Fund management expenses		
	Total expenses	(350,686)	(336,524)
	Increase in investment value		
9	Realized increase in investment value	222,770	601,413
10	Unrealized increase in investment value	233,258	796,694
	Total increase in investments	456,028	1,398,107
	Foreign currency revaluation result	(620,637)	(181,380)
	Increase in net assets from investment	810,901	1,964,901

The accompanying notes on pages 12 to 35 form an integral part of these financial statements.




Kārlis Purgailis
Chairman of the Board

Riga,
27 April 2018

STATEMENT OF CHANGES IN NET ASSETS

	31.12.2017	31.12.2016
Net assets at the beginning of the reporting period	19,588,069	19,192,046
Increase in net assets from investment	810,901	1,964,901
Transactions with share certificates		
<i>Inflow from sale of share certificates</i>	<i>1,227,563</i>	<i>844,884</i>
<i>Outflow on redemption of share certificates</i>	<i>(826,209)</i>	<i>(2,413,762)</i>
Increase/ (decrease) in net assets from transactions with share certificates	401,354	(1,568,878)
Net asset increase in the reporting period	1,212,255	396,023
Net assets at the end of the reporting period	20,800,324	19,588,069
Number of share certificates issued as at the beginning of the reporting period	1,783,899	1,933,897
Number of share certificates issued at the end of the reporting period	1,819,677	1,783,899
Net assets per share certificate as at the beginning of the reporting period	10.98	9.92
Net assets per share certificate as at the end of the reporting period	11.43	10.98

The accompanying notes on pages 12 to 35 form an integral part of these financial statements.



Kārlis Purgailis
Chairman of the Board

Riga,
27 April 2018

CASH FLOW STATEMENT

	31.12.2017	31.12.2016
Interest income	1,248,501	1,057,754
Other income	-	-
Investment management expenses	(349,988)	(335,501)
Acquisition of financial investments	(11,912,684)	(9,567,329)
Sale/ disposal of financial investments	10,061,003	10,325,063
Foreign currency revaluation result	645,430	(455,547)
(Decrease)/ increase in cash and cash equivalents from operating activities	(307,738)	1,024,440
Inflow from sale of share certificates	1,227,563	844,884
Outflow on redemption of share certificates	(826,209)	(2,413,762)
Increase/ (decrease) in cash and cash equivalents from financing activities	401,354	(1,568,878)
Increase/ (decrease) in cash and cash equivalents	93,616	(544,438)
Cash and cash equivalents at the beginning of the reporting period	1,291,325	1,808,425
Foreign currency revaluation result	(65,850)	27,338
Cash and cash equivalents at the end of the reporting period	1,319,091	1,291,325

The accompanying notes on pages 12 to 35 form an integral part of these financial statements.



Kārlis Purgailis
Chairman of the Board

Riga,
27 April 2018

NOTES TO THE FINANCIAL STATEMENTS

NOTE 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 emerging 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 securities of only one country or sector.
Investment management company name:	IPAS CBL Asset Management (hereinafter - the Company) Republikas laukums 2a, Rīga, LV-1010, Latvia

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements of IF CBL Global Emerging Markets Bond Fund (hereinafter - the Fund) are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and 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, except for the financial instruments held for trading that are accounted for at fair value and financial assets measured at fair value through profit or loss.

The monetary unit used in the financial statements is the euro (EUR), the official currency of the Republic of Latvia, which is also the Fund's functional and presentation currency.

The financial statements cover the period 1 January 2017 through 31 December 2017.

Functional and financial reporting currency

The financial accounting of the Fund is carried out in the euros, which is the Fund's report and functional currency. The opening balances of assets and liabilities as at 1 January 2017 are the same as the closing balances of the financial statements published for the year 2016.

Significant estimates and assumptions

The preparation of financial statements in conformity with IFRS 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 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 preparing the financial statements, the significant estimates are used mainly in determining the 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.

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 the Fund's management and Custodian fee is calculated as a certain part of the value of the Fund's assets, accrued on a daily basis but paid out on a monthly basis (except for the variable remuneration to the asset manager for the Fund's performance which is paid once a year).

Foreign currency revaluation

Transactions in foreign currencies are revaluated into euro at the foreign exchange rate stated by the European Central Bank as at the transaction date. Monetary assets and liabilities denominated in foreign currencies are revaluated into euro according to the foreign exchange rate stated 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 revaluated into functional currency at the exchange rate at the date when 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 the EUR) stated by the European Central Bank that were mainly applied when preparing the statement of assets and liabilities of the fund were as follows:

Currency	31.12.2017	31.12.2016
BRL	3.9729	3.4305
COP	3586.41	3166.3666
IDR	16239.1200	14173.4300
HUF	310.3300	309.8300
MXN	23.6612	21.7719
PLN	4.1770	4.4103
RUR	69.3920	64.3000
TRY	4.5464	3.7072
USD	1.1993	1.0541
ZAR	14.8054	14.4570

Cash and cash equivalents

Cash and cash equivalents comprise the 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, held-to-maturity investments and loans and receivables. The classification depends on the purpose of acquisition of the financial instrument. The 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, share 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. The Fund's balances due from credit institutions are carried at their amortized cost using the effective interest rate method less impairment, if any.

Provisions for impairment of receivables are established when there is objective evidence that the Fund will not be able to collect the full amount due to it according to the original repayment terms. The 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 Company has access at that date. The fair value of liabilities reflects the risk of default.

When possible, the Company measures the fair value of the Fund's financial instruments using the price of the respective financial instrument quoted in an active market. A market is regarded 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 Company 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 Company 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.

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 which 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.

The description of the methods used in determining the fair value by 3 levels based on the level of the observable inputs used in the valuation techniques is provided below.

Level 1 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. Securities that are traded in active OTC markets are also included in this category.

Level 2 represents financial instruments whose fair value is 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.

Level 3 represents financial instruments whose fair value is determined using available market data and the 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.

Taxes

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

New standards and interpretations

The Company has adopted the following new standards and amendments to standards, including the resulting amendments to other standards, whose initial effective date was 1 January 2017. The following guidelines, which came into effect on 1 January 2017, had no effect on these financial statements:

- Amendments to IAS 7 *Statement of Cash Flows*
- Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses*
- Annual Improvements to IFRS

Several new standards and interpretations have been published, which are effective for reporting periods beginning on or after 1 January 2018 or have not been endorsed for use in the European Union:

IFRS 9 *Financial Instruments* (effective for reporting periods beginning on or after 1 January 2018). The main features of the new standard are the following:

- Financial assets are classified into three measurement categories: assets to be subsequently measured at amortized cost, assets to be subsequently measured at fair value through other comprehensive income (FVOCI) and assets to be subsequently measured at fair value through profit or loss (FVTPL).
- The classification of debt instruments depends on the company's business model in which the financial asset is managed and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If the debt instrument is held to collect cash flows, it can be measured at amortized cost if it meets the SPPI requirements. Debt instruments, which meet the SPPI requirements but which are held in the portfolio for both reasons - to collect cash flows generated by these assets and to be sold, can be measured at FVOCI. Financial assets whose cash flows do not meet the SPPI requirements must be measured at FVTPL (e.g. derivative financial instruments). Embedded derivatives are not separated from financial assets, but are included in the classification assessment as to whether they meet the SPPI criterion.
- Equity instruments are always measured at fair value. However, the Management has an option to make an irrevocable election to present in other comprehensive income subsequent changes in the fair value if the instrument is not held for trading. If an equity instrument is held for trading, changes in the fair value must be presented in profit or loss.
- Most of the requirements set forth in IAS 39 with regard to the classification and measurement of financial liabilities remained unchanged in IFRS 9. The main change relates to the requirement to present fair value changes due to own credit on liabilities designated as at fair value through profit or loss to be presented in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment, namely, the expected credit loss (ECL) model. The model contains a 'three stage' approach which is based on the change in the credit quality of financial assets since initial recognition. In practice, the new requirements mean that the company will have to record a day one loss equal to the 12-month ECL on initial recognition of financial assets even though they are not credit impaired (or lifetime ECL for trade receivables). In case of significant increase in credit risk, the impairment must be measured based on the lifetime ECL of the asset rather than the 12-month ECL. The model includes some operational simplifications for leases and trade receivables.
- Hedge accounting requirements were supplemented to align accounting more closely with risk management. The Standard offers companies the accounting policy choice: to introduce hedge accounting according to IFRS 9 or continue applying IAS 39 with regard to all hedging instruments, since IFRS 9 does not yet regulate macro hedge accounting.

The Company does not expect IFRS 9 to 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. The Company believes that the Fund's impairment losses are unlikely to increase. For the assets within the expected credit loss model application scope, these losses will become less permanent, however, the overall share and maturity composition of these assets are not intended to be significant. The Company has not yet finalized drafting its IFRS 9 accounting policy.

IFRS 15 Revenue from Contracts with Customers (effective for reporting periods beginning on or after 1 January 2018). The new standard introduces recognition of revenue upon transferring goods or services to the buyer at the transaction price. If individual goods and services are combined to offer packages, individual sales of goods or services is to be recognized as a separate transaction and any contractual discounts must usually be allocated to each element of the transaction. Where a transaction contains elements of variable consideration, the minimum amount not subject to a significant cancellation risk must be recognized. Costs related to concluding contracts with customers must be capitalized and amortized over the term of the contract.

The Company does not expect IFRS 15 to significantly affect the financial statements of the Fund. Taking into account the activities of the Fund and the types of revenue generated by the Fund, it is not expected that the introduction of the requirements specified in IFRS 15 will change the timing of revenue recognition and its measurement.

Amendments to IFRS 15 Revenue from Contracts with Customers (effective for reporting periods beginning on or after 1 January 2018).

IFRS 16: 'Leases' (effective for accounting periods beginning on or after 1 January 2019). The new Standard sets out principles for the recognition, measurement, presentation and disclosure of leases. All lease agreements entitle the lessee to use the asset and, shall the lease payments be made within specified time period, comprise a financing component. Accordingly, IFRS 16 eliminates classification of leases as finance or operating leases, which was required under IAS 17. Instead, IFRS 16 provides a single lessee accounting model. In its accounts, a lessee recognizes: (a) assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value, and (b) depreciation charges of the leased assets separately from the interest expense on the lease liability. The requirements of IFRS 16 with regard to lessor accounting are, to a great extent, similar to those of IAS 17. Accordingly, lessors continue to classify leases as finance and operating leases and maintain separate accounts depending on the classification.

The Company does not expect IFRS 16 to significantly affect the financial statements of the Fund, given the Fund has not entered into any agreements within the scope of IFRS 16.

Amendments to IFRS 2 *Share-based Payment* (effective for reporting periods beginning on or after 1 January 2018, not yet endorsed by the EU).

IFRS 17 *Insurance Contracts* (effective for reporting periods beginning on or after 1 January 2021, not yet endorsed by the EU).

IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration* (effective for reporting periods beginning on or after 1 January 2018, not yet endorsed by the EU).

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments* (effective for reporting periods beginning on or after 1 January 2019, not yet endorsed by the EU).

Amendments to IAS 40 *Transfer of Investment Property - reclassification of investment properties* (effective for reporting periods beginning on or after 1 January 2018, not yet endorsed by the EU).

Amendments to IFRS 9 *Financial instruments - pre-payment features with negative compensation* (effective for reporting periods beginning on or after 1 January 2019, not yet endorsed by the EU).

Amendments to IAS 28 *Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures* (effective for reporting periods beginning on or after 1 January 2019, not yet endorsed by the EU).

Annual Improvements to IFRS Standards These amendments include changes to seven standards:

- IFRS 12 *Disclosure of Interests in Other Entities* (effective for reporting periods beginning on or after 1 January 2017, not yet endorsed by the EU).
- IFRS 1 *First-time Adoption of International Financial Reporting Standards* (effective for reporting periods beginning on or after 1 January 2018, not yet endorsed by the EU).
- IAS 28 *Investments in Associates and Joint Ventures* (effective for reporting periods beginning on or after 1 January 2018, not yet endorsed by the EU).
- IFRS 3 *Business Combinations* (effective for reporting periods beginning on or after 1 January 2019, not yet endorsed by the EU).

- IFRS 11 *Joint Arrangements* (effective for reporting periods beginning on or after 1 January 2019, not yet endorsed by the EU).
- IAS 12 *Income Taxes* (effective for reporting periods beginning on or after 1 January 2019, not yet endorsed by the EU).
- IAS 23 *Borrowing Costs* (effective for reporting periods beginning on or after 1 January 2019, not yet endorsed by the EU).

The Company has decided not to implement any new standards or interpretations before their effective date. The Management of the asset management company believes that implementation of the new standards, amendments and interpretations will have no material effect on the Fund's financial statements in the year of implementation.

NOTE 3 DUE ON DEMAND FROM CREDIT INSTITUTIONS

	31.12.2017	31.12.2016	% of the Fund's net assets as at 31.12.2017
Due on demand from credit institutions, AS Citadele Banka	1,319,091	1,291,325	6.34%
Total demand deposits with credit institutions	1,319,091	1,291,325	6.34%

Interest on the balances due on demand is calculated at fixed rates.

NOTE 4 DEBT SECURITIES AND OTHER FIXED INCOME SECURITIES

	31.12.2017	31.12.2016	Annual yield until the maturity 31.12.2017	% of the Fund's net assets 31.12.2017
Debt securities of credit institutions:	3,021,474	1,623,368	5.88%	14.53%
Debt securities of credit institutions of non-OECD countries	3,021,474	1,623,368	5.88%	14.53%
Debt securities of credit institutions of OECD countries	-	-	0.00%	0.00%
Corporate debt securities	8,863,633	10,618,879	4.67%	42.61%
Corporate debt securities of non-OECD countries	6,911,479	8,353,619	5.04%	33.23%
Corporate debt securities of OECD countries	1,539,576	2,265,260	2.64%	7.40%
Latvian corporate debt securities	412,578	-	6.04%	1.98%
Government debt securities:	3,249,646	2,994,307	5.47%	15.63%
Government debt securities of non-OECD countries	2,289,401	2,109,057	7.76%	11.01%
Government debt securities of OECD countries	960,245	885,250	0.00%	4.62%
Financial institution debt securities:	3,237,614	2,511,523	7.38%	15.57%
Debt securities of financial institutions of non-OECD countries	1,667,239	1,494,962	6.41%	8.02%
Debt securities of financial institutions of OECD countries	1,570,375	1,016,561	8.41%	7.55%
Total debt securities and other fixed income securities	18,372,367	17,748,077	5.49%	88.34%

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

All fixed income securities are traded on regulated markets, except for the fixed income securities EUR 400,884 worth which are not traded on regulated markets. In 2016, all the fixed income securities owned by the Fund were listed on stock exchanges of regulated markets.

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

Financial instrument	ISIN code	Currency	Nominal amount	Acquisition value (EUR)	Carrying value as at 31.12.2017	% of the Fund's net assets as at 31.12.2017
<u>Financial instruments traded on regulated markets</u>				18,291,298	17,971,483	86.41%
Debt securities of Brazilian issuers:				2,107,671	2,016,666	9.68%
EMBRAER OVERSEAS LTD	USG30376AB69	USD	600,000	591,759	553,951	2.66%
MARFRIG HOLDINGS EUROPE BV	USN54468AF52	USD	600,000	531,190	523,070	2.51%
JBS	USA29866AA70	USD	600,000	539,600	516,420	2.48%
BRAZILIAN GOVERNMENT INTERNATIONAL BOND	US105756BN96	BRL	1,500,000	445,122	423,225	2.03%
Debt securities of Mexican issuers:				1,763,039	1,709,704	8.22%
CREDITO REAL SAB DE CV	USP32457AA44	USD	600,000	543,832	544,264	2.62%
SOFOM ER	XS1533916299	EUR	500,000	517,757	522,385	2.51%
NEMAK SAB DE CV	XS1198002690	EUR	450,000	476,224	480,994	2.31%
CEMEX SAB DE CV MEXICO	MX0MGO0000Q0	MXN	4,000,000	225,226	162,061	0.78%
Debt securities of Russian issuers:				1,498,659	1,434,750	6.90%
NOVOLIPETSK STEEL VIA STEEL FUNDING DAC	XS1405775617	USD	700,000	639,420	608,979	2.93%
HOME CREDIT & FINANCE BANK OOO VIA EURASIA CAPITAL SA	XS0846652666	USD	600,000	551,590	515,199	2.48%
RUSSIAN RAILWAYS	XS0764253455	RUB	21,000,000	307,649	310,572	1.49%
Debt securities of Turkish issuers:				1,198,227	1,202,938	5.79%
TURKEY	XS1057340009	EUR	600,000	651,960	666,741	3.21%
ARCELIK	XS1109959467	EUR	500,000	546,267	536,197	2.58%
Debt securities issued by international financial institutions:				1,314,610	1,142,034	5.50%
EUROPEAN BANK FOR RECONSTRUCTION & DEVELOPMENT	XS1090177442	IDR	6,700,000,000	463,163	443,208	2.13%
INTERNATIONAL BANK FOR RECONSTRUCTION & DEVELOPMENT	XS1503155068	MXN	10,000,000	422,277	407,007	1.96%
EUROPEAN INVESTMENT BANK	XS0648456167	TRY	850,000	308,303	190,504	0.92%
EUROPEAN INVESTMENT BANK	XS0877809375	TRY	450,000	120,867	101,315	0.49%

Financial instrument	ISIN code	Currency	Nominal amount	Acquisition value (EUR)	Carrying value as at 31.12.2017	% of the Fund's net assets as at 31.12.2017
Debt securities of Romanian issuers:				1,080,225	1,119,208	5.38%
CABLE COMMUNICATIONS SYSTEMS	XS1405770576	EUR	550,000	566,269	594,003	2.86%
GLOBALWORTH REAL ESTATE INVESTMENTS LTD	XS1577957837	EUR	500,000	513,956	525,205	2.52%
Debt securities of Ukrainian issuers:				949,374	1,026,771	4.94%
KERNEL HOLDING SA	XS1533923238	USD	550,000	515,758	521,350	2.51%
FIRST UKRAINIAN INTERNATIONAL BANK	XS0287015787	USD	456,874	433,616	505,421	2.43%
Debt securities of Kazakh issuers:				934,781	938,838	4.52%
KAZKOMMERTSBANK JSC	XS0867478124	USD	650,000	580,460	554,676	2.67%
NOSTRUM OIL & GAS	USN64884AA29	USD	450,000	354,321	384,162	1.85%
Debt securities of Bulgarian issuers:				881,476	904,567	4.35%
BULGARIAN ENERGY HOLDING EAD	XS1405778041	EUR	450,000	469,929	501,547	2.41%
VIVACOM	XS0994993037	EUR	400,000	411,547	403,020	1.94%
Debt securities of Argentinian issuers:				820,994	856,869	4.12%
ARGENTINE REPUBLIC GOVERNMENT	XS1503160225	EUR	400,000	395,237	435,479	2.09%
PROVINCIA DE BUENOS AIRES/ARGENTINA	XS0234085461	EUR	416,667	425,757	421,390	2.03%
Debt securities of Indonesian issuers:				758,932	765,319	3.68%
INDONESIA GOVERNMENT INTERNATIONAL BOND	XS1432493879	EUR	700,000	758,932	765,319	3.68%
Debt securities of South African issuers:				732,079	756,840	3.64%
SAPPI PAPIER HOLDING GMBH	XS1117298676	EUR	500,000	481,857	512,852	2.47%
SOUTH AFRICA	ZAG000024738	ZAR	3,500,000	250,222	243,988	1.17%
Debt securities of Georgian issuers:				534,155	533,920	2.57%
BGEO GROUP JSC	XS1405775880	USD	600,000	534,155	533,920	2.57%
Debt securities of Peruvian issuers:				519,282	514,120	2.47%
SAN MIGUEL INDUSTRIAS PET SA	USP84523AB85	USD	600,000	519,282	514,120	2.47%
Debt securities of Indian issuers:				512,288	493,851	2.37%
VEDANTA RESOURCES PLC	USG9328DAJ93	USD	550,000	512,288	493,851	2.37%

Financial instrument	ISIN code	Currency	Nominal amount	Acquisition value (EUR)	Carrying value as at 31.12.2017	% of the Fund's net assets as at 31.12.2017
Debt securities of Paraguayan issuers:				514,461	473,582	2.28%
TELEFONICA CELULAR DEL PARAGUAY SA	USP90475AA57	USD	550,000	514,461	473,582	2.28%
Debt securities of Panamanian issuers:				501,215	470,685	2.26%
GLOBAL BANK CORP	USP47718AC86	USD	550,000	501,215	470,685	2.26%
Debt securities of Shri Lankan issuers:				493,212	441,573	2.12%
NATIONAL SAVINGS BANK	USY62526AA99	USD	500,000	493,212	441,573	2.12%
Debt securities of Swedish issuers:				420,425	429,933	2.07%
DDM DEBT AB	SE0009548332	EUR	400,000	420,425	429,933	2.07%
Debt securities of Latvian issuers:				400,200	412,578	1.98%
ELKO GRUPA AS	LV0000801892	EUR	400,000	400,200	412,578	1.98%
Debt securities of USA issuers:				209,163	195,294	0.94%
MORGAN STANLEY	US61747WAA71	BRL	700,000	209,163	195,294	0.94%
Debt securities of Polish issuers:				146,830	131,443	0.63%
POLAND	PL0000106126	PLN	500,000	146,830	131,443	0.63%
Financial instruments not traded on regulated markets				391,376	400,884	1.93%
Debt securities of Estonian issuers:				391,376	400,884	1.93%
CREDITSTAR INTERNATIONAL OU	EE3300111046	EUR	400,000	391,376	400,884	1.93%
Total debt securities and other fixed income securities				18,682,674	18,372,367	88.34%

NOTE 5 SHARE CERTIFICATES OF INVESTMENT FUNDS AND SIMILAR CERTIFICATES

	31.12.2017	31.12.2016	% of the Fund's net assets as at 31.12.2017
Share certificates of investment funds	945,621	1,055,307	4.55%
Share certificates of investment funds of OECD countries	945,621	1,055,307	4.55%
Total share certificates of investment funds	945,621	1,055,307	4.55%

All share certificates of investment funds are classified as held for trading.

As at 31 December 2017, no share certificates owned by the Fund (EUR 945,621 worth) were traded on regulated markets, while the manager provides their net asset value quotations on a daily basis.

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

Financial instrument	ISIN code	Currency	Amount	Acquisition value (EUR)	Carrying value as at 31.12.2017	% of the Fund's net assets as at 31.12.2017
Financial instruments not traded on regulated markets				882,534	945,621	4.55%
Securities of Luxembourgian issuers				882,534	945,621	4.55%
SCHRODER INTERNATIONAL SELECTION FUND - ASIAN LOCAL CURRENCY	LU0358730231	USD	8,400	882,534	945,621	4.55%
Total share certificates of investment funds and similar securities				882,534	945,621	4.55%

NOTE 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.

	31.12.2017			31.12.2016			% of the Fund's net assets as at 31.12.2017
	Notional amount	Fair value		Notional amount	Fair value		
		Assets	Liabilities		Assets	Liabilities	
Foreign currency exchange transactions							
Swaps	11,379,731	194,688	-	12,508,335	12,910	(488,805)	0.94%
Forwards	-	-	-	-	-	-	0.00%
Total derivative financial instruments	11,379,731	194,688	-	12,508,335	12,910	(488,805)	0.94%

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

NOTE 7 ACCRUED EXPENSES

	2017	2016
Accrued expenses for investment management company fees	(24,562)	(24,047)
Accrued expenses for custodian fees	(2,948)	(2,886)
Accrued expenses for professional services	(3,933)	(3,812)
Total accrued expenses	(31,443)	(30,745)

NOTE 8 INTEREST INCOME

	2017	2016
From due on demand from credit institutions	-	2,980
From debt securities and other fixed income securities classified as financial assets held for trading	1,310,259	1,053,770
Total interest income	1,310,259	1,056,750

NOTE 9 REALIZED INCREASE IN INVESTMENT VALUE

	2017	2016
Proceeds from sale of investments in the reporting period*	10,202,169	9,992,515
Amortized cost of investments sold during the reporting period	(9,670,280)	(9,135,278)
Appreciation of disposed investments recognized in prior reporting years	(309,119)	(255,824)
Total realized increase in investment value	222,770	601,413

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

NOTE 10 UNREALIZED INCREASE IN INVESTMENT VALUE

	2017	2016
From debt securities and other fixed income securities	126,164	788,769
From share certificates of investment funds and similar securities	107,094	7,925
Total unrealized increase in investment value	233,258	796,694

NOTE 11 CHANGES IN INVESTMENTS

The following table shows the changes in investments in 2017:

	31.12.2016	Increase during the reporting period	Decrease during the reporting period*	Fair value adjustment	31.12.2017
Financial investments held for trading:					
<i>Debt securities and other fixed income securities</i>	17,748,077	11,912,684	(11,194,243)	(94,151)	18,372,367
<i>Share certificates of investment funds and similar securities</i>	1,055,307	-	(99,695)	(9,991)	945,621
<i>Derivative financial instruments, net</i>	(475,895)	-	-	670,583	194,688
Total investments	18,327,489	11,912,684	(11,293,938)	566,441	19,512,676

* 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 the 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>Share 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.

NOTE 12 PLEDGED ASSETS

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

NOTE 13 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The table below analyzes 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.

2017	Level 1:	Level 2:	Level 3:	Total
Financial assets				
Financial investments held for trading:				
<i>Debt securities and other fixed income securities</i>	17,558,905	412,578	400,884	18,372,367
<i>Share certificates of investment funds and similar securities</i>	945,621	-	-	945,621
<i>Derivative financial instruments</i>	-	194,688	-	194,688
	18,504,526	607,266	400,884	19,512,676
Financial instruments measured at fair value through profit or loss	-	-	-	-
	18,504,526	607,266	400,884	19,512,676

2016	Level 1:	Level 2:	Level 3:	Total
Financial assets				
Financial investments held for trading:				
<i>Debt securities and other fixed income securities</i>	16,946,218	-	801,859	17,748,077
<i>Share 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

The table compares the opening and closing balances for Level 3 of the fair value assessment hierarchy.

EUR	Financial investments held for trading	Total
Balance as at 1 January 2017	801,859	801,859
Total profit or loss:		
in the statement of income and expenses	49,591	49,591
Acquisition	-	-
Settlement	(44,000)	(44,000)
Reclassification from Level 3	(406,566)	(406,566)
Balance as at 31 December 2017	400,884	400,884
EUR	Financial investments held for trading	Total
Balance as at 1 January 2016	779,762	779,762
Total profit or loss:		
in the 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

The table below describes the valuation method used to arrive at the fair values of Level 2 and Level 3 as well as the significant unobservable inputs:

Type	Assessment method	Significant unobservable data	Relationship between the relevant unobservable data and the fair value measurement
Financial investments held for trading (derivative financial instruments) – Level 2	Discounted cash flow method	n/a	n/a
Financial investments held for trading (debt securities and other fixed income securities) – Level 3	Discounted cash flow method	Discount rate	The estimated fair value would increase (decrease) if: the discount rate were lower (higher)

If at the end of the reporting period there were changes in any of the relevant unobservable input data used for the fair value measurement of financial instruments held for trading and all other input data held constant, the impact of such changes would be as follows:

	Impact on the profit or loss statement
As at 31 December 2017	Increase/ (decrease)
Discount rate increase (2% change)	(3,249)
Discount rate decrease (2% change)	3,291
	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

NOTE 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 the future.

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 performs an analysis of the Fund's distribution of investments by maturity, geographic location and currency 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 issuer 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, 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). After revaluation (moment starting from which a new interest rate will be applied) the yield rate for such securities coupons increases (decreases), resulting in increase (decrease) of the interest income.

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 the market value of fixed income securities and interest income
(2017, 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	-	(253 165)	(253 165)
IDR	100	-	(4 990)	(4 990)
ZAR	100	-	(4 381)	(4 381)
BRL	100	-	(28 018)	(28 018)
MXN	100	-	(13 265)	(13 265)
PLN	100	-	(3 163)	(3 163)
HUF	100	-	-	-
USD	100	-	(270 687)	(270 687)
RUR	100	-	(3 518)	(3 518)
TRY	100	-	(1 180)	(1 180)
COP	100	-	-	-
Total		-	(582 365)	(582 365)

Changes in the market value of fixed income securities 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)
Total		-	(568 034)	(568 034)

Changes in the market value of fixed income securities and interest income
(2017, % 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	-	-1.22%	-1.22%
IDR	100	-	-0.02%	-0.02%
ZAR	100	-	-0.02%	-0.02%
BRL	100	-	-0.13%	-0.13%
MXN	100	-	-0.06%	-0.06%
PLN	100	-	-0.02%	-0.02%
HUF	100	-	0.00%	0.00%
USD	100	-	-1.30%	-1.30%
RUR	100	-	-0.02%	-0.02%
TRY	100	-	-0.01%	-0.01%
COP	100	-	0.00%	0.00%
Total		0.00%	-2.80%	-2.80%

Changes in the market value of fixed income securities 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%
Total		-	-2.90%	-2.90%

Changes in the market value of fixed income securities and interest income
(2017, 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	-	253 165	253 165
IDR	-100	-	4 990	4 990
ZAR	-100	-	4 381	4 381
BRL	-100	-	28 018	28 018
MXN	-100	-	13 265	13 265
PLN	-100	-	3 163	3 163
HUF	-100	-	-	-
USD	-100	-	270 687	270 687
RUR	-100	-	3 518	3 518
TRY	-100	-	1 180	1 180
COP	-100	-	-	-
Total		-	582 365	582 365

Changes in the market value of fixed income securities 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
Total		-	568 034	568 034

Changes in the market value of fixed income securities and interest income
(2017, % 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	-	1.22%	1.22%
IDR	-100	-	0.02%	0.02%
ZAR	-100	-	0.02%	0.02%
BRL	-100	-	0.13%	0.13%
MXN	-100	-	0.06%	0.06%
PLN	-100	-	0.02%	0.02%
HUF	-100	-	0.00%	0.00%
USD	-100	-	1.30%	1.30%
RUR	-100	-	0.02%	0.02%
TRY	-100	-	0.01%	0.01%
COP	-100	-	0.00%	0.00%
Total		0.00%	2.80%	2.80%

Changes in the market value of fixed income securities 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%
Total		0.00%	2.90%	2.90%

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 concluding forward and/or swap transactions.

The following table shows the distribution of assets and liabilities of the Fund by currency profile as at 31 December 2017:

	USD	EUR	Other	Total
Assets				
Due on demand from credit institutions	211,402	1,107,689	-	1,319,091
Financial assets held for trading:				
<i>Debt securities and other fixed income securities</i>	8,155,223	7,608,527	2,608,617	18,372,367
<i>Share certificates of investment funds and similar securities</i>	945,621	-	-	945,621
<i>Derivative financial instruments</i>	(11,379,731)	11,574,419	-	194,688
Total assets	(2,067,485)	20,290,635	2,608,617	20,831,767
Liabilities				
Financial liabilities held for trading:				
<i>Derivative financial instruments</i>	-	-	-	-
Payables from redemption of share certificates	-	-	-	-
Accrued expenses		(31,443)	-	(31,443)
Total liabilities	-	(31,443)	-	(31,443)
Net assets	(2,067,485)	20,259,192	2,608,617	20,800,324
<i>Net long/(short) position</i>	<i>(9.94%)</i>	<i>97.40%</i>	<i>12.54%</i>	<i>100.00%</i>

As at 31 December 2017, other currencies are distributed as follows: BRL- EUR 618,519, IDR- EUR 443,208, MXN- EUR 569,068, PLN- EUR 131,443, RUR- EUR 310,572, EUR TRY- 291,819 and ZAR- EUR 243,988.

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The following table shows the distribution of assets and liabilities of the Fund by currency profile 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:				
Debt securities and other fixed income securities	9,504,193	5,630,271	2,613,613	17,748,077
Share certificates of investment funds and similar securities	1,055,307	-	-	1,055,307
Derivative financial instruments	(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:				
Derivative financial instruments	(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
Net long/(short) position	(8.06%)	94.72%	13.34%	100.00%

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

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.

Effect of exchange rate fluctuations (2017)				Effect of exchange rate fluctuations (2016)			
Currency	Share in the Fund (% of net assets)	Change in the exchange rate against EUR	Impact on the Fund's value	Currency	Share in the Fund (% of net assets)	Change in the exchange rate against EUR	Impact on the Fund's value
EUR	97.40%	0.00%	0.00%	EUR	94.72%	0.00%	0.00%
IDR	2.13%	7.22%	0.15%	IDR	0.82%	10.40%	0.09%
ZAR	1.17%	15.56%	0.18%	ZAR	1.60%	19.62%	0.31%
BRL	2.97%	13.82%	0.41%	BRL	1.86%	17.94%	0.33%
MXN	2.74%	12.72%	0.35%	MXN	1.56%	17.18%	0.27%
PLN	0.64%	4.66%	0.03%	PLN	1.42%	7.39%	0.10%
HUF	0.00%	3.99%	0.00%	HUF	1.54%	5.32%	0.08%
USD	-9.94%	7.35%	-0.73%	USD	-8.06%	8.27%	-0.67%
RUR	1.49%	12.29%	0.18%	RUR	1.12%	20.15%	0.23%
TRY	1.40%	12.66%	0.18%	TRY	1.80%	12.19%	0.22%
COP	0.00%	10.46%	0.00%	COP	1.62%	18.42%	0.30%
Total	100.00%		0.75%	Total	100.00%		1.26%

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 is unable or refuses to meet the obligations. Consequently, only safe counterparties with a good reputation are 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 the 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);
- High 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 2017:

	High-quality financial instruments	Investment grade financial instruments	Higher risk financial instruments	Speculative financial instruments	No rating	Total
Due on demand from credit institutions	-	-	1,319,091	-	-	1,319,091
Financial assets held for trading:						
<i>Debt securities and other fixed income securities</i>	1,142,034	3,198,304	5,945,100	6,338,113	1,748,816	18,372,367
<i>Share certificates of investment funds and similar securities</i>	-	-	-	-	945,621	945,621
<i>Derivative financial instruments</i>	-	-	194,688	-	-	194,688
Total investments	1,142,034	3,198,304	7,458,879	6,338,113	2,694,437	20,831,767

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

	High-quality financial instruments	Investment grade financial instruments	Higher risk 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>	987,009	3,945,252	5,666,540	5,933,905	1,215,371	17,748,077
<i>Share 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	987,009	3,945,252	5,666,540	6,749,335	2,270,678	19,618,814

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 most affects the issuer's solvency) and distribution across sectors are presented in the table below.

The following table reflects the geographical profile of assets and liabilities of the Fund as at 31 December 2017:

	Latvia	Other OECD countries	Non-OECD countries	Total
Assets				
Due on demand from credit institutions	1,319,091	-	-	1,319,091
Financial assets held for trading:				
<i>Debt securities and other fixed income securities</i>	412,578	4,070,196	13,889,593	18,372,367
<i>Share certificates of investment funds and similar securities</i>	-	945,621	-	945,621
<i>Derivative financial instruments</i>	194,688	-	-	194,688 -
Total assets	1,926,357	5,015,817	13,889,593	20,831,767
Liabilities				
Derivative financial instruments	-	-	-	-
Accrued expenses	-	(31,443)	-	(31,443)
Total liabilities	-	(31,443)	-	(31,443)
Net assets	1,926,357	4,984,374	13,889,593	20,800,324

The following table reflects the geographical profile 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>Share 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 shows the distribution of the Fund's net assets across individual countries:

Country	Carrying value as at 31.12.2017	Carrying value as at 31.12.2016	% of the Fund's net assets 31.12.2017
Brazil	2,016,666	1,802,269	9.68%
Latvia	1,894,914	1,191,251	9.10%
Mexico	1,709,704	1,649,365	8.22%
Russia	1,434,750	1,256,174	6.90%
Turkey	1,202,938	515,334	5.79%
International financial institution	1,142,034	987,009	5.50%
Romania	1,119,208	585,848	5.38%
Ukraine	1,026,771	-	4.94%
Luxembourg	945,621	1,055,307	4.55%
Kazakhstan	938,838	1,169,240	4.52%
Bulgaria	904,567	886,397	4.35%
Argentina	856,869	562,082	4.12%
Indonesia	765,319	1,322,199	3.68%
South Africa	756,840	1,176,291	3.64%
Georgia	533,920	-	2.57%
Peru	514,120	-	2.47%
India	493,851	593,699	2.37%
Paraguay	473,582	534,366	2.28%
Panama	470,685	-	2.26%
Shri Lanka	441,573	512,559	2.12%
Sweden	429,933	-	2.07%
Estonia	400,884	395,293	1.93%
USA	195,294	207,756	0.94%
Poland	131,443	278,356	0.63%
Azerbaijan	-	612,323	0.00%
Namibia	-	598,343	0.00%
Bahrain	-	569,903	0.00%
Norway	-	413,512	0.00%
Croatia	-	412,304	0.00%
Hungary	-	300,889	0.00%
Total	20,800,324	19,588,069	100.00%

The following table shows the distribution of the Fund's net assets across sectors:

Sector	Carrying value as at 31.12.2017	Carrying value as at 31.12.2016	% of the Fund's net assets 31.12.2017
Government	3,249,646	2,994,307	15.62%
Financial services	3,237,614	2,511,523	15.57%
Commercial banks	3,021,474	1,623,368	14.53%
Manufacturing	1,859,637	686,806	8.94%
Commodities	1,615,682	2,255,637	7.77%
Consumer staples	1,560,840	2,194,253	7.50%
Telecommunications	1,470,605	2,099,650	7.07%
Consumption services	1,058,582	-	5.09%
Utilities	501,547	1,228,721	2.41%
IT services	412,578	406,566	1.98%
Energy	384,162	1,747,246	1.85%
Other	2,427,957	1,839,992	11.67%
Total	20,800,324	19,588,069	100.00%

Liquidity risk

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

The table below summarizes the maturity profile of the Fund's assets and liabilities as at 31 December 2017:

	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	1,319,091	-	-	-	-	-	1,319,091
Financial assets held for trading:							
Debt securities and other fixed income securities	-	-	502,199	1,447,675	9,711,791	6,710,702	18,372,367
Share certificates of investment funds and similar securities	-	-	-	-	-	945,621	945,621
Derivative financial instruments	67,607	127,081	-	-	-	-	194,688
Total assets	1,386,698	127,081	502,199	1,447,675	9,711,791	7,656,323	20,831,767
Liabilities							
Financial liabilities held for trading							
Derivative financial instruments	-	-	-	-	-	-	-
Accrued expenses	(27,510)	-	(3,933)	-	-	-	(31,443)
Total liabilities	(27,510)	-	(3,933)	-	-	-	(31,443)
Net assets	1,359,188	127,081	498,266	1,447,675	9,711,791	7,656,323	20,800,324
<i>Net position, %</i>	<i>6.53%</i>	<i>0.61%</i>	<i>2.40%</i>	<i>6.96%</i>	<i>46.69%</i>	<i>36.81%</i>	<i>100.00%</i>

The table below summarizes the maturity profile 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>Share 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, %</i>	<i>5.67%</i>	<i>(1.41%)</i>	<i>(0.26%)</i>	<i>5.16%</i>	<i>62.78%</i>	<i>28.06%</i>	<i>100.00%</i>

NOTE 15 INFORMATION ON THE FUND'S SHARE CERTIFICATE HOLDERS

The following table shows the proportion of the share certificates held by the Company's shareholder of a significant influence in the Company and other related parties of the Fund as well as other investors in the total number of the share certificates issued:

	31.12.2017	31.12.2016	% of the total number as at 31.12.2017
Share certificates held by the Company's shareholder, AS Citadele Banka	550,000	550,000	30.23%
Share certificates held by third parties	1,269,677	1,233,899	69.77%
Number of share certificates issued at the end of the reporting period	1,819,677	1,783,899	100.00%

NOTE 16 RELATED PARTY TRANSACTIONS

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

During the reporting period the related parties did not conduct any transactions with the Fund's share certificates. Purchase and re-selling 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 2017 and 2016.

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

NOTE 17 PERFORMANCE DYNAMICS OF THE INVESTMENT FUND

	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Net assets (EUR)	20,800,324	19,588,069	19,192,046	10,979,782	9,775,730
Number of share certificates	1,819,677	1,783,899	1,933,897	1,090,760	968,677
Value of the unit of the investment fund (EUR)	11.43	10.98	9.92	10.07	10.09
Profitability of the investment fund *	4.10%	10.69%	(1.49%)	(0.20%)	1.75%
Net assets (EUR)**	20,766,672	19,612,792	19,229,930	11,009,984	9,723,210
Number of share certificates	1,819,677	1,783,899	1,933,897	1,090,760	968,677
Value of the unit of the investment fund (EUR)	11.41	10.99	9.94	10.09	10.04
Profitability of the investment fund *	3.82%	10.56%	(1.49%)	0.50%	0.77%

* Profitability is calculated, assuming there are 365 days in a year.

** Net asset value is revaluated into the EUR using exchange rates determined in financial markets at the end of the day.



KPMG Baltics SIA
Vešetas 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"

Report on the Audit of the Financial Statements

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" ("AIFM") set out on pages 8 to 35 of the accompanying Annual Report, which comprise:

- the statement of assets and liabilities as at 31 December 2017,
- the statement of income and expenses for the year then ended,
- the statement of changes in net assets for the year then ended,
- the cash flow statement 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 2017, 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 AIFM 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

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

- the Information on the Investment Fund, as set out on page 3 of the accompanying Annual Report,



- the Investment Management Company's Report, as set out on page 4 of the accompanying Annual Report,
- the Statement of Responsibility of the Board of the Investment Management Company, 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 Related to Other Information* 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 Related to Other Information

In addition, in accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Investment Management Company's Report, our responsibility is to consider whether the Investment Management Company's Report 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 Investment Management Company's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Investment Management Company's Report has been prepared in accordance with the requirements 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.

KPMG Baltics SIA
Licence Nr.55

/Ondrej Fikrle/

Ondrej Fikrle
Partner pp KPMG Baltics SIA
Rīga, Latvia
30 April 2018

/Valda Užāne/

Valda Užāne
Sworn auditor
Certificate No. 4

This report is an English translation of the original Latvian. In the event of discrepancies between the two reports, the Latvian version prevails