



INVESTMENT FUND
CBL Global Emerging Markets Bond Fund

ANNUAL REPORT FOR 2019
(7th 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

Riga, 2020



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INFORMĀCIJA PAR IEGULDĪJUMU FONDU

Name of the Fund:	CBL Global Emerging Markets Bond Fund
Type of the Fund:	Investment fund
Classes:	- R Acc USD ISIN: LV0000400968
	- R Acc EUR (hedged) ISIN: LV0000400828
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:	Citadele banka AS
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 11.10.2010 Deputy Chairperson of the Council - Vladimirs Ivanovs - appointed on 06.11.2012 Member of the Council - Peter Meier - appointed on 30.09.2015</p> <p><i>Board of the investment management company:</i> Chairperson of the Board – Kārlis Purgailis - appointed on 08.09.2017 Board Member - Zigurds Vaikulis - appointed on 19.04.2007 Board Member - Andris Kotāns - appointed on 11.05.2015 Board Member - Lolita Sičeva - appointed on 11.05.2015</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:	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
Auditor:	KPMG Baltics SIA Vesetas iela 7 Rīga, LV-1013 License No 55 Latvia

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INVESTMENT MANAGEMENT COMPANY REPORT

The investment fund "CBL Global Emerging Markets Bond Fund" (hereinafter - the Fund) is a debt security investment fund and, after the amendments were made to the Fund's framework documents, coming into effect on 1 January 2018, the Fund offers two share classes: R Acc USD and R Acc EUR (hedged). Now investors 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. 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.

In 2019, the net assets of the Fund increased by 11.01% or EUR 2,866,476 and at the end of the reporting period amounted to EUR 28,899,979. As at 31 December 2019, gross assets amounted to EUR 29,001,473. The return of the Fund and its value are calculated for each sub-class individually. At the end of the reporting period the value of the unit of the *CBL Global Emerging Markets Bond Fund R Acc USD* class increased by EUR 0.92 and reached EUR 9.51, while the value of the unit of the *CBL Global Emerging Markets Bond Fund R Acc EUR* (hedged) class decreased by EUR 0.52 and at the end of the period increased by EUR 0.58 amounted to EUR 11.49. In 2019, the return of the *CBL Global Emerging Markets Bond Fund R Acc USD* share class was 10.71% (in the euros according to the ECB exchange rates) and 8.54% in the Fund's base currency (USD) fixed by the financial markets at the end of the day. In 2019, the return of the *CBL Global Emerging Markets Bond Fund R Acc EUR* (hedged) share class was 5.32%.

In the global financial markets, the beginning of 2019 was marked by a sharp rise in stock and bond prices recovering after the fall at the end of 2018. A key role was played by the world leading central banks as they changed their monetary policy for 180 degrees, namely, shifting to a monetary stimulus regime. Basic interest rates were reduced all over the world, including the central banks in the US and Eurozone. Moreover, both of them resumed increasing their assets by purchasing debt securities. The 2019 global financial markets closed the year on a strong note owing to the conclusion of the US – China the so called "first phase" trade deal at the end of the year. Overall, as to the investment returns to financial participants, 2019 was one of the best years of the past decade. The performance of the debt securities market in emerging market economies was not an exception either; in the reporting period the value of this market segment grew by approximately 14.5% in terms of the U.S. dollar while the local currency bonds of developing countries – by approximately 13.5% with only a slight increase in the local currency value.

The largest positive contribution to the sovereign Eurobond market of developing countries was provided by the Latin American region, the largest contributor being Mexico who benefited from improved relations with the United States of America by agreeing to stronger border controls and due to the fact that the possibility of not signing a new trade agreement (USMCA) weakens. The sovereign debt securities market represented by Venezuela and Lebanon is another story as in these countries their economy was practically paralyzed because of the increasing protests and rebellions against the existing regime. Significant market losses were also experienced by Argentina where the past Head of State M.Makri lost the presidential elections, which led to rapidly growing speculation of writing off the debt and/or its restructuring.

The largest positive contribution to the corporate Eurobond market of developing countries was provided by the Asian region where China dominated. Nevertheless, Brazil's contribution to the segment performance was the greatest in absolute terms at a separate national level where companies benefited from the positive sentiment that was observed among investors before and after the pension reform was carried out in the country. Finally, in the local currency bond market of developing countries, the largest contribution to the segment's performance was provided by Russia (due to the increase in local assets and the rouble) and Mexico (mainly due to the increase in local assets). The performance of our Fund mainly benefited from the investments in the European (Russia, Ukraine) and Latin American (Mexico) Eurobond market segment followed by the Asian region (India and Indonesia). It was also facilitated by the investments in European and Latin American local currency bond segments. A negative result was produced only by the Latin American sovereign Eurobond market segment, which was affected by the weak performance of Argentina.

In the reporting period, the greatest proportionate increase in the Eurobond segment was in Mexico and Colombia, while the most significant decrease – in Kazakhstan, Turkey, Belarus (at the end of the reporting period the proportion was 0%) and other East European markets. In the reporting period new investments were made in Colombia, Guatemala and Malaysia. However, the greatest changes were in the local currency segment of developing countries, as in December after reviewing the placement of the Fund's strategic assets it was decided to dispose of the local currency securities of developing countries in favor of both the government and corporate Eurobonds of developing countries. At the end of the reporting period, Fund's average yield in terms of the U.S. dollar was 4.9%, average duration - 3.6 and average credit rating - Ba1.

In the reporting period, a number of involvement measures were taken to be in contact with the management bodies of companies both through e-mail and in person where, inter alia, such issues as corporate governance, capital structure, strategy and environmental impact of their activities were addressed.

In the reporting period, the total management costs amounted to EUR 494,605, which did not exceed the maximum amount of 3.00% provided in the Fund's prospectus. In the reporting period, the investment management company fee of EUR 425,744, custodian fee - EUR 51,089 and other Fund management expenses - EUR 17,772. In 2019, the Fund's ongoing charge figure was 1.73% of the Fund's average net asset value.

A significant event as of the last day of the reporting year until the date of signing these financial statements that may have a material impact on the financial situation of the Fund and its performance and which should be mentioned is the spread of coronavirus first in China and afterwards in Europe and the US. Participants in the financial markets, after the spread of the coronavirus outside of China in February, reacted very quickly with the selling of almost all categories of assets. For example, from the beginning of the year to the second half of March, the investment-rating corporate bond segment experienced a drop of approximately 5-10%. The falls in the high-risk bond segment were closer to the levels of 15-20% while in the stock segment – of 25-30% on average depending on the region. The overall negative impact on various global economy sectors is impossible to estimate while the virus spread continues.



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The operations and functions of IPAS CBL Asset Management have been changed to a remote working mode and thus it continues ensuring the continuity of the processes related to the management of the Fund. The information at the disposal of IPAS CBL Asset Management reveals that the Fund's Custodian has reacted similarly – no interruptions in the services provided by the Custodian have been observed.

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.

For the Board of IPAS:

Kārlis Purgailis
Chairman of the Board

Riga, 29 April 2019

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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 25 are prepared based on source documents and present fairly the financial position of the Fund as at 31 December 2019 and the results of its operations in 2019.

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

Andris Kotāns
Fund Manager

Edgars Lao
Fund Manager

Rīga, 29 April 2020



CUSTODIAN BANK REPORT
For the period from 1 January 2019 to 31 December 2019

To the Share Certificate holders of
IF CBL Eastern European Bond Fund

AS Citadele banka, registered with the Register of Enterprises of the Republic of Latvia on 30 June 2010 under No 40103303559, registered office at Republikas laukums 2a, Riga, hereby confirms the following:

- in accordance with the Custody Agreement concluded on 7 April 2017, AS Citadele banka (hereinafter - the Custodian) exercises custodian's functions for the investment fund "CBL Eastern European Bond Fund" (hereinafter - the Fund) established by IPAS CBL Asset Management (hereinafter - the Company);
- the Custodian exercises the functions of the Fund's custodian pursuant to the Law on Investment Management Companies (hereinafter – the Law), and other laws and regulations of the Republic of Latvia applicable to the Custodian (hereinafter – the laws and regulations).

The Custodian is responsible for compliance with the laws and regulations and the Custody Agreement. The main responsibilities of the Custodian include:

- holding of the Fund's assets in accordance with the laws and regulations and the Custody Agreement;
- ensuring the maintenance of the Fund's accounts, receiving and executing the Company's orders as well as settling payments in accordance with the requirements of the laws and regulations and the Custody Agreement;
- ensuring that the Fund's net asset value and the value of the unit of the Fund are calculated in accordance with the requirements of the laws and regulations, regulations of the Financial and Capital Market Commission, Prospectus of the Fund and Fund Rules;
- ensuring that the issue, sale and redemption of the Fund's Share Certificates are performed according to the laws and regulations, Prospectus of the Fund and Fund Rules;
- ensuring that the Fund's income is used according to the laws and regulations, Prospectus of the Fund and Fund Rules.

During the period from 1 January 2019 to 31 December 2019:

- the issue, sale and redemption of the Fund's Share Certificates were performed in accordance with the requirements of the laws and regulations, Prospectus of the Fund and Fund Rules;
- the Fund's assets were held in accordance with the requirements of the laws and regulations and the Custody Agreement;
- the Fund's net asset value was calculated in accordance with the requirements of the laws and regulations, regulations of the Financial and Capital Market Commission, Prospectus of the Fund and Fund Rules;
- the Company's orders were submitted as well as transactions with the Fund's assets were performed in accordance with the requirements of the laws and regulations, Prospectus of the Fund, Fund Rules and the Custody Agreement.

In the reporting period, no errors or non-compliance with the applicable laws and regulations were identified in the Company's operations with the Fund's assets.

Valters Ābele
Board Member

Riga, 2020

* This document is signed electronically with a secure electronic signature and is time-stamped.

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STATEMENT OF ASSETS AND LIABILITIES

	Notes	31.12.2019	31.12.2018
Assets			
Due on demand from credit institutions	3	2,668,368	1,493,080
Financial assets at fair value through profit or loss:			
Debt instruments	4	26,184,809	23,838,854
Share certificates of investment funds and similar securities	5	-	775,676
Derivative financial instruments	6	148,296	155,390
Total assets		29,001,473	26,263,000
Liabilities			
Financial liabilities at fair value through profit or loss :			
Derivative financial instruments	6	(55,060)	(192,011)
Accrued expenses	7	(46,434)	(37,486)
Total liabilities		(101,494)	(229,497)
Net assets		28,899,979	26,033,503

The accompanying notes on pages 12 through 25 form an integral part of these financial statements.

For the Board of IPAS:

Kārlis Purgailis
Chairman of the Board

Riga, 29 April 2020

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STATEMENT OF INCOME AND EXPENSES

	Notes	<u>31.12.2019</u>	<u>31.12.2018</u>
Income for the reporting period			
Interest income	8	1,385,166	1,393,130
Other income		33,698	-
Total income		<u>1,418,864</u>	<u>1,393,130</u>
Expenses for the reporting period			
Remuneration to investment management company		(425,744)	(367,201)
Custodian Fee		(51,089)	(44,064)
Other Fund management expenses		(17,772)	(10,891)
Total expenses		<u>(494,605)</u>	<u>(422,156)</u>
Increase/ (decrease) in investment value			
Realized increase/ (decrease) in investment value	9	502,371	(369,867)
Unrealized increase/ (decrease) in investment value	10	811,835	(590,591)
Total increase/ (decrease) in investments		<u>1,314,206</u>	<u>(960,458)</u>
Foreign currency revaluation result		(574,496)	(954,849)
Increase/(decrease) in net assets from investment		<u>1,663,969</u>	<u>(944,333)</u>

The accompanying notes on pages 12 through 25 form an integral part of these financial statements.

For the Board of IPAS:

Kārlis Purgailis
Chairman of the Board

Riga, 29 April 2020

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STATEMENT OF CHANGES IN NET ASSETS

	<u>31.12.2019.</u>	<u>31.12.2018.</u>
<i>CBL Global Emerging Markets Bond Fund</i>		
Net assets at the beginning of the reporting period	26,033,503	20,800,324
(Decrease)/ increase in net assets from investment	1,663,969	(944,333)
Transactions with share certificates		
<i>Inflow from sale of share certificates</i>	3,285,492	7,604,884
<i>Outflow on redemption of share certificates</i>	<u>(2,082,985)</u>	<u>(1,427,372)</u>
Increase/ (decrease) in net assets from transactions with share certificates	1,202,507	6,177,512
Net asset increase in the reporting period	<u>2,866,476</u>	<u>5,233,179</u>
Net assets at the end of the reporting period	<u>28,899,979</u>	<u>26,033,503</u>
<i>CBL Global Emerging Markets Bond Fund: Class R Acc USD</i>		
<i>ISIN : LV0000400968</i>		
Number of share certificates issued as at the beginning of the reporting period	<u>366,599</u>	-
Number of share certificates issued at the end of the reporting period	403,288	366,599
Net assets per share certificate as at the beginning of the reporting period	<u>8.59</u>	-
Net assets per share certificate as at the end of the reporting period	<u>9.51</u>	<u>8.59</u>
<i>CBL Global Emerging Markets Bond Fund: Class R Acc EUR (hedged)</i>		
<i>ISIN : LV0000400828</i>		
Number of share certificates issued as at the beginning of the reporting period	<u>2,103,071</u>	1,819,677
Number of share certificates issued at the end of the reporting period	2,181,735	2,103,071
Net assets per share certificate as at the beginning of the reporting period	<u>10.91</u>	<u>11.43</u>
Net assets per share certificate as at the end of the reporting period	<u>11.49</u>	<u>10.91</u>

The accompanying notes on pages 12 through 25 form an integral part of these financial statements.

For the Board of IPAS:

Kārlis Purgailis
Chairman of the Board

Riga, 29 April 2020

STATEMENT OF CASH FLOWS

	Notes	31.12.2019	31.12.2018
Interest income		1,216,860	1,404,785
Other income		33,698	-
Investment management expenses		(485,969)	(415,433)
Acquisition of financial investments	11	(18,381,974)	(14,637,485)
Sale/ disposal of financial investments		18,533,670	8,544,196
Cash flow from swaps		(931,990)	(920,112)
(Decrease) in cash and cash equivalents from operating activities		<u>(15,705)</u>	<u>(6,024,049)</u>
Inflow from sale of share certificates		3,285,492	7,604,884
Outflow on redemption of share certificates		(2,082,985)	(1,427,372)
Increase in cash and cash equivalents from financing activities		<u>1,202,507</u>	<u>6,177,512</u>
Increase in cash and cash equivalents		<u>1,186,802</u>	<u>153,463</u>
Cash and cash equivalents at the beginning of the reporting period		<u>1,493,080</u>	<u>1,319,091</u>
Foreign currency revaluation result		<u>(11,514)</u>	<u>20,526</u>
Cash and cash equivalents at the end of the reporting period		<u><u>2,668,368</u></u>	<u><u>1,493,080</u></u>

The accompanying notes on pages 12 through 25 form an integral part of these financial statements.

For the Board of IPAS:

Kārlis Purgailis
Chairman of the Board

Riga, 29 April 2020

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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.
	The Fund's base currency is the U.S. dollar (USD).
Investment management company name:	IPAS CBL Asset Management (hereinafter - the Company) Republikas laukums 2a, Riga, 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 and adjusted for the fair value of the financial instruments held for trading.

The monetary unit used in the financial statements is the euro (EUR), the official currency of the Republic of Latvia. The financial statements cover the period 1 January 2019 through 31 December 2019.

Functional and reporting currency

The functional currency of the Fund is the U.S. dollar, but complying with the FCMC requirements, the Fund also maintains accounts in the euros.

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.

The most significant estimates and assumptions refer to the measurement of the fair value of financial assets.

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.

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. 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:

<u>Currency</u>	<u>31.12.2019.</u>	<u>31.12.2018.</u>
BRL	4.5157	4.4440
COP	3701.52	3726.2700
IDR	15595.6	16500.0000
MXN	21.2202	22.49210
PLN	4.2568	4.3014
RUB	69.9563	79.71530
TRY	6.6843	6.05880
USD	1.1234	1.1450
ZAR	15.7773	16.45940

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

The Company recognizes a financial asset when, and only when, the Company becomes a party to the contract. Financial assets are classified as either measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss. The basis for classification is both business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. At acquisition the applicable classification is evaluated based on the guidelines established by the Company. To classify a financial asset to a particular category, the Company at inception determines whether the asset meets the relevant business model and contractual cash flow criteria. The business model is revealed through the activities of the Company. It stems from the Company's typical way of managing its financial assets in order to

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generate cash flows; thus, the assessment is not performed on the basis of scenarios that the Company does not reasonably expect to occur. In a stress case, if cash flows are recovered in a way that is different from the Company's expectations embedded in the business model, it does not give rise to a prior period error nor does it change the classification of the remaining financial assets held in that business model. However, for future acquisitions historical cash flows are considered and may give rise to changes in the business model.

All financial assets are recognized initially at fair value plus directly attributable transaction costs, except in the case of financial assets stated at fair value through profit or loss. All "regular way" purchases and sales of investments are recognized using settlement date accounting. The settlement date is the date when an asset is delivered to or by the Company. Settlement date accounting refers to the recognition of an asset on the day it is transferred to the Company and to the de-recognition of an asset, on the day that it is transferred by the Company.

Financial instruments at fair value through profit or loss

A financial asset is measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income. For equity instruments that would otherwise be measured at fair value through profit or loss an irrevocable election at initial recognition on instrument-by-instrument basis is made to present subsequent changes in fair value in other comprehensive income. Also a financial asset or liability, at initial recognition, may be irrevocably designated as measured at fair value through profit or loss if doing so eliminates or significantly reduces "accounting mismatch" that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases, or when a group of financial liabilities or a group of financial assets and financial liabilities are managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the management.

Excluding interest on interest rate swaps, interest on financial assets measured at fair value through profit or loss is included in net interest income. Revaluation and trading gains or losses arising from changes in fair value of financial assets or financial liabilities that are measured at fair value through profit or loss, as well as interest on interest rate swaps, are recognized directly in the statement of income as net financial income. Such financial assets and liabilities are subsequently re-measured at fair value based on available market prices or broker quotes.

Included in this category are (a) unit-linked investment contract liabilities and respective investments and (b) certain life insurance contract liabilities, which are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy. According to unit-linked investment contract terms, the credit risk associated with the investments made by the insurance underwriter is fully attributable to the counterparty entering into the insurance agreement and not the underwriter. As such, by designating both assets acquired and liabilities undertaken at fair value through profit or loss, a potential accounting mismatch is avoided.

Financial assets and liabilities which are held for trading are measured at fair value through profit or loss. Financial assets and liabilities are held for trading if they are either acquired to generate profit from short-term fluctuations in price or dealer's margin or they are a part of the portfolio characterized by generating short-term profit. The Fund also has balances due on demand from credit institutions; however, given their structure and credit ratings, the expected credit loss allowances are not significant.

Derivative financial instruments

For the purposes of price risk management, the Fund can perform transactions in derivative financial instruments. For accounting purposes, all derivatives are classified as held for trading and are accounted for as follows.

Subsequent to initial recognition and measurement, the contracts are recognized at their fair value. The fair value of these contracts is recognized in the statement of assets and liabilities as derivative financial instruments. The notional value of these contracts is disclosed in the notes to the financial statements.

Profit or loss from changes in claims and liabilities that arise from the contracts are charged to the statement of income and expenses as the foreign currency revaluation result.

Recognition and derecognition

All purchases and sales of financial assets are recognized on the settlement date. Financial assets are derecognized when the contractual rights to receive cash flows from the financial asset expire or when the Company has transferred substantially all the risks and benefits incidental to ownership of an asset. Financial assets at fair value through profit or loss are initially recognized at fair value and all transaction costs are carried to the statement of income and expenses. Other financial assets are initially recognized at fair value plus transaction costs.

Allowances for impairment of financial assets

The Company estimates expected credit losses to reflect the changes in credit risk since initial recognition of debt securities, balances due from credit institutions and central banks and financial commitments. Requirements for impairment allowances apply to financial assets at amortized cost, but do not apply to financial assets at fair value through profit or loss. For financial assets measured at fair value through other comprehensive income, the loss allowance is recognized in other comprehensive income and does not reduce their carrying amount in the balance sheet.

Impairment allowances are recognized based on forward-looking information, even if no credit loss event has occurred. The assessment considers a broad range of information, but as most of these types of exposures are assigned credit ratings, it relies heavily on external credit ratings and reported by rating agencies default rates derived by calculating multi-period rating transition matrices. If unavailable for evaluation purposes, external credit ratings may be substituted by internally calculated credit quality levels. Credit risk triggers (event of insolvency, any delay of payments, restructuring of debt) and individual credit risk analysis of the issuer are also considered. The Group deems investment grade rated exposures as low credit risk, thus these are assumed no to have experienced a significant increase in credit risk. For non-investment grade exposures decrease in external credit rating by more than 3 notches since acquisition is deemed significant increase in credit risk. Expected credit losses are recognized based on the stage in which the exposure is allocated at the reporting date. 12-month expected credit losses are recognized for Stage 1 exposures, where credit risk since initial recognition has not increased significantly. Lifetime expected credit losses are recognized for Stage 2 exposures, whose credit risk has increased significantly since initial recognition, and Stage 3 exposures which are credit impaired. Stage 3 exposures, if any identified, would additionally be subjected to comprehensive evaluation, including comparison to market valuations for similar exposures, analysis of market depth of the respective security, past trading performance and all other available information.

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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.

Securities are revaluated based on the bid prices available from Bloomberg and NASDAQ OMX Riga financial information. Securities purchase and sales transactions are recognized at the settlement date. The acquisition cost is measured using the FIFO (*first in, first out*) method.

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 statement of income and expensed, 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 of the Republic of Latvia.

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 following new standards, amendments and interpretations with effective date of 1 January 2019 were adopted for these financial statements without a material impact thereon.

IFRS 16 SFPS 'Leases' (replaces IAS 17, IFRIC interpretation 4, IFRIC interpretation 15, IFRIC interpretation 27).

IFRIC interpretation 23 "Uncertainty over Income Tax Treatments"

IFRS 9: Prepayment features with negative compensation (Amendment)

IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)

IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)

Annual Improvements to IFRSs 2015 – 2017 Cycle – Amendments to IFRS 2, IFRS 11, IAS 12 and IAS 23.

Future guidance that does not have any impact on the 2019 year financial data

The EU has issued a number of new standards, amendments to standards and interpretations that are effective for annual periods beginning on or after 1 January 2020, but that have not yet been endorsed by the EU. They have not been applied in preparing these financial statements. The Fund is not inclined towards their early adoption. The Company is in the process of evaluating the potential effect, if any, of the changes arising from these new standards and interpretations

IFRS 17 'Insurance contracts' effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 and IFRS 9 have also been applied.

Amendments to References to Conceptual Framework in IFRS Standard

Amendments to IFRS 3 –Definition of a Business

Amendments to IAS 1 and IAS 8 –Definition of Material

Amendments to IFRS 10 and IAS 28 –Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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NOTE 3 DUE ON DEMAND FROM CREDIT INSTITUTIONS

	31.12.2019	% of the Fund's net assets 31.12.2019	31.12.2018	% of the Fund's net assets 31.12.2018
Due on demand from credit institutions, AS Citadele Banka	2,668,368	9.23%	1,493,080	5.74%
Total demand deposits with credit institutions	2,668,368	9.23%	1,493,080	5.74%

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	31.12.2019	31.12.2018	Annual yield to maturity 31.12.2019	% of the Fund's net assets 31.12.2019
Debt instruments of credit institutions:	1,411,525	1,936,076	3.66%	4.88%
Debt instruments of credit institutions of non-OECD countries	1,411,525	1,936,076	3.66%	4.88%
Corporate debt instruments:	20,080,912	14,816,558	4.82%	69.48%
Corporate debt instruments of non-OECD countries	14,383,436	11,765,821	4.96%	49.77%
Corporate debt instruments of OECD countries	5,222,995	3,050,737	4.31%	18.07%
Latvian corporate debt instruments	474,481	-	6.07%	1.64%
Government debt instruments:	2,151,877	2,352,048	2.40%	7.45%
Government debt instruments of non-OECD countries	2,151,877	1,094,166	2.40%	7.45%
Government debt instruments of OECD countries	-	1,257,882	-	-
Financial institution debt instruments:	2,540,495	4,734,172	4.44%	8.79%
Debt instruments of financial institutions of non-OECD countries	768,036	2,088,087	1.51%	2.66%
Debt instruments of financial institutions of OECD countries	1,772,459	2,646,085	5.71%	6.13%
Total debt instruments and other fixed income instruments	26,184,809	23,838,854	4.52%	90.60%

All debt instruments and other fixed income instruments are classified as financial assets at fair value through profit or loss.

In 2019, all fixed income financial instruments held by the Fund are traded on regulated markets, except for not traded on regulated markets instruments worth EUR 455,81 (2018: EUR 912,699).

The following table presents the debt instruments broken down by the issuer's country of origin:

Financial instrument	ISIN code	Currency	Nominal amount	Acquisition value (EUR)	Carrying amount 31.12.2019	% of the Fund's net assets 31.12.2019
Financial instruments traded on regulated markets:				24,996,732	25,728,991	89.02%
Debt instruments of Mexican issuers:				2,697,823	2,780,949	9.63%
Nemak SAB de CV 3.25% 03/2024	XS1533916299	EUR	750,000	777,790	785,032	2.72%
El Puerto de Liverpool SAB de CV 3.95% 20/2024	USP3691NBE96	USD	800,000	755,054	738,384	2.55%
Credito Real SAB de CV SOFOM ER 5.0% 02/2027	XS2060698219	EUR	600,000	599,860	637,521	2.21%
Grupo KUO SAB De CV 5.75% 07/2027	USP4954BAF33	USD	650,000	565,119	620,012	2.15%
Debt instruments of Indian issuers:				2,289,341	2,519,709	8.71%
ONGC Videsh Vankorneft Pte Ltd 3.75% 07/2026	XS1457499645	USD	1,000,000	787,587	925,821	3.19%
Bharti Airtel 5.35% 05/2024	USN1384FAB15	USD	900,000	767,845	854,483	2.96%
JSW Steel Ltd 5.95% 04/2024	XS1981202861	USD	800,000	733,909	739,405	2.56%
Debt instruments of Brazilian issuers:				2,202,089	2,221,143	7.68%
Globo Comunicacao e Participacoes SA 4.875% 04/2022	USP47773AL38	USD	1,000,000	937,348	933,708	3.23%
MARB BondCo PLC 6.875% 01/2025	USG5825AAB82	USD	750,000	733,551	729,362	2.52%
Marfrig 8% 08/2023	USN54468AF52	USD	600,000	531,190	558,073	1.93%
Debt instruments of Indonesian issuers:				1,999,395	2,209,300	7.64%
Chandra Asri Petrochemical 4.95% 11/2024	USY7141GAA05	USD	900,000	713,591	792,384	2.74%
Listrindo Capital BV 4.95% 09/2026	USN5276YAD87	USD	850,000	669,457	780,159	2.70%
Indonesia 1.75% 04/2025	XS1810775145	EUR	600,000	616,347	636,757	2.20%
Debt instruments of South African issuers:				1,832,112	1,922,630	6.65%
SASOL Financing USA LLC 5.875% 03/2024	US80386WAA36	USD	1,150,000	1,034,925	1,123,382	3.88%
Sappi Papier Holding GmbH 3.125% 04/2026	XS1961852750	EUR	800,000	797,187	799,248	2.77%
Debt instruments of Russian issuers:				1,684,027	1,860,888	6.44%
NLMK 4.5% 06/2023	XS1405775617	USD	700,000	639,421	659,352	2.28%
Rusal Capital 4.85% 02/2023	XS1759468967	USD	700,000	581,226	647,885	2.24%
PhosAgro 3.949% 04/2023	XS1752568144	USD	600,000	463,380	553,651	1.92%
Debt instruments of Romanian issuers:				1,305,486	1,337,882	4.63%
Globalworth Real Estate Investments Ltd 3.0% 03/2025	XS1799975922	EUR	700,000	739,217	768,036	2.66%
Digi Communications 5% 10/2023	XS1405770576	EUR	550,000	566,269	569,846	1.97%
Debt instruments of Lithuanian issuers:				1,109,842	1,175,221	4.06%
Maxima Grupe UAB 3.25% 09/2023	XS1878323499	EUR	650,000	649,517	691,638	2.39%

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Financial instrument	ISIN code	Currency	Nominal amount	Acquisition value (EUR)	Carrying amount 31.12.2019	% of the Fund's net assets
						31.12.2019
AUGA group AB 6.00% 12/2024	LT0000404238	EUR	500,000	460,325	483,583	1.67%
Debt instruments of Colombian issuers:				1,036,841	1,028,485	3.56%
Colombia 3.875% 03/2026	XS1385239006	EUR	850,000	1,036,841	1,028,485	3.56%
Debt instruments of Chilean issuers:				1,032,242	1,015,992	3.52%
ENAP 3.75% 08/2026	USP37110AK24	USD	1,100,000	1,032,242	1,015,992	3.52%
Debt instruments of Guatemalan issuers:				767,860	751,312	2.60%
Comunicaciones Celulares SA Via Comcel Trust 6.875% 02/2024	USG2300TAA00	USD	800,000	767,860	751,312	2.60%
Debt instruments of Peruvian issuers:				683,135	736,991	2.55%
SAN Miguel Industrias Pet SA 4.50% 09/2022	USP84523AB85	USD	800,000	683,135	736,991	2.55%
Debt instruments of Georgian issuers:				658,890	718,773	2.49%
BGEO Group JSC 6% 07/2023	XS1405775880	USD	750,000	658,890	718,773	2.49%
Debt instruments of Panamanian issuers:				668,802	692,752	2.40%
Global Bank Corp 4.5% 10/2021	USP47718AC86	USD	750,000	668,802	692,752	2.40%
Debt instruments of Ukrainian issuers:				632,838	689,019	2.38%
Ukraine Railways Via Rail Capital Markets PLC 8.25% 07/2024	XS1843433472	USD	700,000	632,838	689,019	2.38%
Debt instruments of Norwegian issuers:				700,499	679,120	2.35%
B2Holding ASA 6.35% 05/2024	NO0010852742	EUR	700,000	700,499	679,120	2.35%
Debt instruments of Paraguayan issuers:				631,703	625,947	2.17%
Telefonica Celular 5.875% 04/2027	USP90475AB31	USD	650,000	631,703	625,947	2.17%
Debt instruments of Malaysian issuers:				569,117	574,689	1.99%
Press Metal Labuan Ltd 4.80% 11/2022	XS1704655635	USD	650,000	569,117	574,689	1.99%
Debt instruments of Turkish issuers:				546,267	524,996	1.82%
Arcelik 3.875% 09/2021	XS1109959467	USD	500,000	546,267	524,996	1.82%
Debt instruments of Argentinian issuers:				630,722	486,635	1.68%
Argentine Republic Government 5.0 % 01/2027	XS1503160498	EUR	1,000,000	630,722	486,635	1.68%
Debt instruments of Latvian issuers:				451,295	474,481	1.64%
Air Baltic Corp AS 6.75% 07/2024	XS1843432821	EUR	450,000	451,295	474,481	1.64%
Debt instruments of Swedish issuers:				401,094	363,358	1.26%
European Lingerie Group AB 7.75% 02/2021	SE0010831792	EUR	400,000	401,094	363,358	1.26%
Debt instruments of Kazakh issuers:				465,312	338,719	1.17%
Nostrum Oil & Gas 7.00% 02/2025	USN64884AD67	USD	800,000	465,312	338,719	1.17%
Financial instruments not traded on regulated markets:				450,000	455,818	1.58%
Debt instruments of Estonian issuers:				450,000	455,818	1.58%
Mainor Ulemiste 5.5% 04/2023	EE3300111343	EUR	450,000	450,000	455,818	1.58%
Total debt instruments and other fixed income instruments:				25,446,732	26,184,809	90.60%

NOTE 5 SHARE CERTIFICATES OF INVESTMENT FUNDS AND SIMILAR CERTIFICATES

	% of the Fund's net assets		% of the Fund's net assets	
	31.12.2019	31.12.2019	31.12.2018	31.12.2018
Share certificates of investment funds	-	-	775,676	2.98%
Share certificates of investment funds of OECD countries	-	-	775,676	2.98%
Total share certificates of investment funds	-	-	775,676	2.98%

As at 31 December 2019, the Fund did not hold any share certificates.

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.

	31.12.2019			31.12.2018			% of the Fund's net assets 31.12.2019
	Notional amount	Fair value		Notional amount	Fair value		
		Assets	Liabilities		Assets	Liabilities	
Foreign currency exchange transactions							
Swaps	36,229,382	148,296	(55,060)	31,501,091	155,390	(192,011)	0.32%
Total derivative financial instruments	36,229,382	148,296	(55,060)	31,501,091	155,390	(192,011)	0.32%

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

NOTE 7 ACCRUED EXPENSES

	2019	2018
Accrued expenses for investment management company fees	(37,915)	(29,958)
Accrued expenses for custodian fees	(4,550)	(3,595)
Accrued expenses for professional services	(3,969)	(3,933)
Total accrued expenses	(46,434)	(37,486)

NOTE 8 INTEREST INCOME

	2019	2018
From debt instruments and other fixed income instruments at fair value through profit or loss	1,385,166	1,393,130
Total interest income	1,385,166	1,393,130

NOTE 9 REALIZED INCREASE/ (DECREASE) IN INVESTMENT VALUE

	2019	2018
Proceeds from sale of investments in the reporting period*	18,297,178	8,425,015
Cost of investments sold during the reporting period	(18,058,335)	(8,638,613)
Change in sold investments recognized in prior reporting years	263,528	(156,269)
Total realized (decrease)/increase in investment value	502,371	(369,867)

* 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/ (DECREASE) IN INVESTMENT VALUE

	2019	2018
From debt securities and other fixed income instruments	811,835	(587,960)
From share certificates of investment funds and similar securities	-	(2,631)
Total unrealized (decrease)/increase in investment value	811,835	(590,591)

NOTE 11 CHANGES IN INVESTMENTS

The following table shows the changes in investments in 2019:

	31.12.2018	Increase during the reporting period	Decrease during the reporting period*	Fair value revaluation result and interest income recognized	31.12.2019
Financial assets at fair value through profit or loss:					
<i>Debt instruments and other fixed income instruments</i>	23,838,854	18,087,751	(18,602,034)	2,860,238	26,184,809
<i>Share certificates of investment funds and similar securities</i>	775,676	294,223	(1,148,496)	78,597	-
<i>Derivative financial instruments, net</i>	(36,621)	-	-	129,857	93,236
Total investments	24,577,909	18,381,974	(19,750,530)	3,068,692	26,278,045

* 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 shows the changes in investments in 2018:

	31.12.2017	Increase during the reporting period	Decrease during the reporting period*	Fair value revaluation result and interest income recognized	31.12.2018
Financial assets at fair value through profit or loss:					
<i>Debt instruments and other fixed income instruments</i>	18,372,367	14,637,485	(9,740,937)	569,939	23,838,854
<i>Share certificates of investment funds and similar securities</i>	945,621	-	(208,044)	38,099	775,676
<i>Derivative financial instruments, net</i>	194,688	-	-	(231,309)	(36,621)
Total investments	19,512,676	14,637,485	(9,948,981)	376,729	24,577,909

* 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.

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NOTE 13 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table 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.

2019	Level 1:	Level 2:	Level 3:	Total
Financial assets				
Financial assets at fair value through profit or loss:				
Debt instruments and other fixed income instruments	24,323,977	1,860,832	-	26,184,809
<i>Derivative financial instruments, net</i>	-	148,296	-	148,296
	24,323,977	2,009,128	-	26,333,105
Financial liabilities				
Financial instruments at fair value through profit or loss				
		(55,060)		(55,060)
	24,323,977	1,954,068	-	26,278,045
2018				
	Level 1:	Level 2:	Level 3:	Total
Financial assets				
Financial assets at fair value through profit or loss:				
Debt instruments and other fixed income instruments	22,543,797	841,104	453,953	23,838,854
<i>Share certificates of investment funds and similar securities</i>	775,676	-	-	775,676
<i>Derivative financial instruments, net</i>	-	155,390	-	155,390
	23,319,473	996,494	453,953	24,769,920
Financial liabilities				
Financial instruments at fair value through profit or loss				
		(192,011)		(192,011)
	23,319,473	804,483	453,953	24,577,909

The following table analyzes the estimated fair value of financial instruments at the end of 2018 by levels of the fair value hierarchy under which the fair value assessment has been categorized. In 2019, the Fund did not hold any financial instruments of Level 3 of the fair value assessment hierarchy.

EUR	Financial assets at fair value through profit or loss:	Total
Balance as at 1 January 2018	400,884	400,884
Total profit or loss:		
in the statement of income and expenses	70,788	70,788
Additions	450,050	450,050
Settlement	(467,769)	(467,769)
Balance as at 31 December 2018	453,953	453,953

The following table presents the valuation methods used to arrive at the fair values of Level 2 and Level 3 as well as the significant unobservable inputs in 2018:

Type	Valuation 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:

As at 31 December 2018	Impact on the statement of income and expenses	
	Increase	(Decrease)
Discount rate (2% change)	3,693	(3,742)

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.

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Risk management framework

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 risk), foreign currency exchange rates (foreign currency 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 coupon yield for such financial instruments 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 financial instruments and interest income (2019, EUR)					Changes in the market value of fixed income financial instruments and interest income (2019, 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	8,831	(1,426,158)	(1,417,327)	EUR	-100	(8,831)	1,426,158	1,417,327
USD	100	-	(2,277,356)	(2,277,356)	USD	-100	-	2,277,356	2,277,356
Total		8,831	(3,703,514)	(3,694,683)	Total		(8,831)	3,703,514	3,694,683

Changes in the market value of fixed income securities and interest income (2019, % of net assets)					Changes in the market value of fixed income securities and interest income (2019, % 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	0.03%	-4.93%	-4.90%	EUR	-100	-0.03%	4.93%	4.90%
USD	100	-	-7.88%	-7.88%	USD	-100	-	7.88%	7.88%
Total		0.03%	-12.81%	-12.78%	Total		-0.03%	12.81%	12.78%

Changes in the market value of fixed income financial instruments and interest income (2018, 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	6,579	(189,909)	(183,330)
IDR	100	-	(1,133)	(1,133)
ZAR	100	-	(3,002)	(3,002)
BRL	100	-	(22,804)	(22,805)
MXN	100	-	(8,599)	(8,599)
PLN	100	-	(18,470)	(18,470)
USD	100	-	(660,879)	(660,879)
RUR	100	-	(659)	(659)
TRY	100	-	(10,170)	(10,170)
COP	100	-	(5,263)	(5,263)
Total		6,579	(920,888)	(914,309)

Changes in the market value of fixed income securities and interest income (2018, % 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	0.03%	-0.73%	-0.70%
IDR	100	-	0.00%	0.00%
ZAR	100	-	-0.01%	-0.01%
BRL	100	-	-0.09%	-0.09%
MXN	100	-	-0.03%	-0.03%
PLN	100	-	-0.07%	-0.07%
USD	100	-	-2.53%	-2.53%
RUR	100	-	0.00%	0.00%
TRY	100	-	-0.04%	-0.04%
COP	100	-	-0.02%	-0.02%
Total		0.03%	-3.52%	-3.49%

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Changes in the market value of fixed income financial instruments and interest income (2018, EUR)					Changes in the market value of fixed income securities and interest income (2018, % 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	(6,579)	189,909	183,330	EUR	-100	-0.03%	0.73%	0.70%
IDR	-100	-	1,133	1,133	IDR	-100	-	0.00%	0.00%
ZAR	-100	-	3,002	3,002	ZAR	-100	-	0.01%	0.01%
BRL	-100	-	22,804	22,805	BRL	-100	-	0.09%	0.09%
MXN	-100	-	8,599	8,599	MXN	-100	-	0.03%	0.03%
PLN	-100	-	18,470	18,470	PLN	-100	-	0.07%	0.07%
USD	-100	-	660,879	660,879	USD	-100	-	2.53%	2.53%
RUR	-100	-	659	659	RUR	-100	-	0.00%	0.00%
TRY	-100	-	10,170	10,170	TRY	-100	-	0.04%	0.04%
COP	-100	-	5,263	5,263	COP	-100	-	0.02%	0.02%
Total		(6,579)	920,888	914,309	Total		-0.03%	3.52%	3.49%

Foreign currency risk

Foreign currency 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. Foreign currency risk of the Fund is effectively managed by concluding forward and/or swap transactions.

The following table shows the breakdown of assets and liabilities of the Fund by currency profile as at 31 December 2019:

	USD	EUR	Total
Assets			
Due on demand from credit institutions	1,581,926	1,086,442	2,668,368
Financial instruments at fair value through profit or loss:			
Debt instruments and other fixed income instruments	16,800,255	9,384,554	26,184,809
Derivative financial instruments	(24,756,758)	24,905,054	148,296
Total assets	(6,374,577)	35,376,050	29,001,473
Liabilities			
Financial instruments at fair value through profit or loss:			
Derivative financial instruments	10,163,401.00	(10,218,461)	(55,060)
Accrued expenses	-	(46,434)	(46,434)
Total liabilities	10,163,401	(10,264,895)	(101,494)
Net assets	3,788,824	25,111,155	28,899,979
<i>Net long/(short) position</i>	<i>13.11%</i>	<i>86.89%</i>	<i>100.00%</i>

The following table shows the breakdown of assets and liabilities of the Fund by currency profile as at 31 December 2018:

	USD	EUR	Other currencies	Total
Assets				
Due on demand from credit institutions	564,882	928,198	-	1,493,080
Financial instruments at fair value through profit or loss:				
Debt instruments and other fixed income instruments	14,671,022	6,002,282	3,165,550	23,838,854
Share certificates of investment funds and similar securities	775,676	-	-	775,676
Derivative financial instruments	14,041,062	(13,885,672)	-	155,390
Total assets	30,052,642	(6,955,192)	3,165,550	26,263,000
Liabilities				
Financial instruments at fair value through profit or loss:				
Derivative financial instruments	1,144,496	(1,336,507)	-	(192,011)
Accrued expenses	-	(37,486)	-	(37,486)
Total liabilities	1,144,496	(1,373,993)	-	(229,497)
Net assets	31,197,138	(8,329,185)	3,165,550	26,033,503
<i>Net long/(short) position</i>	<i>119.83%</i>	<i>(31.99%)</i>	<i>12.16%</i>	<i>100.00%</i>

As at 31 December 2018, the other currency distribution was as follows: BRL - 559,870 EUR, COP - 224,554 EUR, IDR- 425,574 EUR, MXN- 604,202 EUR, PLN- 421,283 EUR, RUR- 268,601 EUR, TRY- 343,870 EUR, ZAR- 317,596 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.

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Effect of exchange rate fluctuations (2019)			
Currency	Share in the Fund (% of net assets)	Change in the exchange rate against USD	Impact on the Fund's value
USD	13.11%	0.00%	0.00%
EUR	86.89%	5.01%	4.35%
Total	100.00%		4.35%

Effect of exchange rate fluctuations (2018)			
Currency	Share in the Fund (% of net assets)	Change in the exchange rate against USD	Impact on the Fund's value
USD	119.83%	0.00%	0.00%
EUR	-31.99%	7.22%	-2.31%
MXN	2.32%	13.05%	0.30%
BRL	2.15%	15.82%	0.33%
IDR	1.63%	6.36%	0.10%
PLN	1.63%	9.84%	0.16%
TRY	1.32%	27.54%	0.37%
ZAR	1.22%	16.52%	0.20%
RUB	1.03%	13.58%	0.14%
COP	0.86%	12.13%	0.10%
Total	100.00%		-0.61%

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 shows the breakdown of the Fund's assets by credit ratings as at 31 December 2019:

	High-quality financial instruments	Investment grade financial instruments	Higher risk financial instruments	Speculative financial instruments	No rating	Total
Due on demand from credit institutions	-	-	2,668,368	-	-	2,668,368
Financial instruments at fair value through profit or loss:						
<i>Debt instruments and other fixed income instruments</i>	-	8,142,612	12,753,525	3,985,913	1,302,759	26,184,809
<i>Derivative financial instruments</i>	-	-	93,236	-	-	93,236
Total investments	-	8,142,612	15,515,129	3,985,913	1,302,759	28,946,413

The following table shows the breakdown of the Fund's assets by credit ratings as at 31 December 2018:

	High-quality financial instruments	Investment grade financial instruments	Higher risk financial instruments	Speculative financial instruments	No rating	Total
Due on demand from credit institutions	-	-	1,493,080	-	-	1,493,080
Financial instruments at fair value through profit or loss:						
<i>Debt instruments and other fixed income instruments</i>	1,430,306	6,938,963	9,931,067	3,638,718	1,899,800	23,838,854
<i>Share certificates of investment funds and similar securities</i>	-	-	-	-	775,676	775,676
<i>Derivative financial instruments</i>	-	-	(36,621)	-	-	(36,621)
Total investments	1,430,306	6,938,963	11,387,526	3,638,718	2,675,476	26,070,989

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.

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The following table shows the geographical profile of assets and liabilities of the Fund as at 31 December 2019:

	Latvia	Other OECD countries	Non-OECD countries	Total
Assets				
Due on demand from credit institutions	2,668,368	-	-	2,668,368
Financial instruments at fair value through profit or loss:				
<i>Debt instruments and other fixed income instruments</i>	474,481	6,995,454	18,714,874	26,184,809
<i>Derivative financial instruments</i>	148,296	-	-	148,296
Total assets	3,291,145	6,995,454	18,714,874	29,001,473
Liabilities				
Derivative financial instruments	(55,060)	-	-	(55,060)
Accrued expenses	(46,434)	-	-	(46,434)
Total liabilities	(101,494)	-	-	(101,494)
Net assets	3,189,651	6,995,454	18,714,874	28,899,979

The following table shows the geographical profile of assets and liabilities of the Fund as at 31 December 2018:

	Latvia	Other OECD countries	Non-OECD countries	Total
Assets				
Due on demand from credit institutions	1,493,080	-	-	1,493,080
Financial instruments at fair value through profit or loss:				
<i>Debt instruments and other fixed income instruments</i>	-	6,954,704	16,884,150	23,838,854
<i>Share certificates of investment funds and similar securities</i>	-	775,676	-	775,676
<i>Derivative financial instruments</i>	155,390	-	-	155,390
Total assets	1,648,470	7,730,380	16,884,150	26,263,000
Liabilities				
Derivative financial instruments	(192,011)	-	-	(192,011)
Accrued expenses	(37,486)	-	-	(37,486)
Total liabilities	(229,497)	-	-	(229,497)
Net assets	1,418,973	7,730,380	16,884,150	26,033,503

The following table shows the breakdown of the Fund's net assets by countries:

Country	Carrying amount 31.12.2019	Carrying amount 31.12.2018	% of the Fund's net assets 31.12.2019
Latvia	3,189,651	1,418,973	11.04%
Mexico	2,780,949	1,717,664	9.62%
India	2,519,709	2,033,375	8.71%
Brazil	2,221,143	2,008,605	7.68%
Indonesia	2,209,300	1,360,858	7.64%
South Africa	1,922,630	1,618,740	6.65%
Russia	1,860,888	1,992,859	6.44%
Romania	1,337,882	1,235,246	4.62%
Lithuania	1,175,221	543,953	4.08%
Colombia	1,028,485	-	3.56%
Chile	1,015,992	599,488	3.52%
Guatemala	751,312	-	2.60%
Peru	736,991	681,076	2.55%
Georgia	718,773	652,655	2.49%
Panamas	692,752	641,011	2.40%
Ukraine	689,019	735,714	2.38%
Norway	679,120	519,982	2.35%
Paraguay	625,947	486,324	2.17%
Malaysia	574,689	-	1.99%
Turkey	524,996	1,167,707	1.82%
Argentina	486,635	386,458	1.68%
Estonia	455,818	912,699	1.58%
Sweden	363,358	902,170	1.26%
Kazakhstan	338,719	1,000,941	1.17%
Luxembourg	-	775,676	-
Belarus	-	619,982	-
Poland	-	421,283	-
USA	-	169,758	-
International financial institution	-	1,430,306	-
Total	28,899,979	26,033,503	100.00%

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The following table shows the breakdown of the Fund's net assets by sectors:

Sector	Carrying amount	Carrying amount	% of the Fund's net assets
	31.12.2019	31.12.2018	31.12.2019
Commodities	5,889,996	4,149,878	20.38%
Consumption services	3,345,478	1,375,890	11.58%
Telecommunications services	2,801,588	1,840,143	9.69%
Financial services	2,540,495	4,734,172	8.79%
Manufacturing	2,520,503	2,035,224	8.72%
Consumer staples	2,462,656	3,478,558	8.52%
Energy	2,280,532	1,266,735	7.89%
Government	2,151,877	2,352,048	7.45%
Commercial banks	1,411,525	1,936,076	4.88%
Utilities	780,159	670,130	2.70%
Other	2,715,170	2,194,649	9.40%
Total	28,899,979	26,033,503	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 following table shows the maturity profile of the Fund's assets and liabilities as at 31 December 2019:

	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	2,668,368	-	-	-	-	-	2,668,368
Financial instruments at fair value:							
<i>Debt instruments and other fixed income instruments</i>	-	-	-	-	16,792,115	9,392,694	26,184,809
<i>Derivative financial instruments</i>	38,491	109,805	-	-	-	-	148,296
Total assets	2,706,859	109,805	-	-	16,792,115	9,392,694	29,001,473
Liabilities							
Financial instruments at fair value:							
<i>Debt instruments and other fixed income instruments</i>	(28,641)	(26,419)	-	-	-	-	(55,060)
Accrued expenses	(42,465)	-	(3,969)	-	-	-	(46,434)
Total liabilities	(71,106)	(26,419)	(3,969)	-	-	-	(101,494)
Net assets	2,635,753	83,386	(3,969)	-	16,792,115	9,392,694	28,899,979
<i>Net position, %</i>	<i>9.13%</i>	<i>0.29%</i>	<i>-0.01%</i>	<i>-</i>	<i>58.09%</i>	<i>32.50%</i>	<i>100.00%</i>

The following table shows the maturity profile of the Fund's assets and liabilities as at 31 December 2018:

	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	1,493,080	-	-	-	-	-	1,493,080
Financial instruments at fair value:							
<i>Debt instruments and other fixed income instruments</i>	84,931	902,340	1,148,128	436,308	13,166,185	8,100,962	23,838,854
<i>Share certificates of investment funds and similar securities</i>	-	-	-	-	-	775,676	775,676
<i>Derivative financial instruments</i>	24,036	131,354	-	-	-	-	155,390
Total assets	1,602,047	1,033,694	1,148,128	436,308	13,166,185	8,876,638	26,263,000
Liabilities							
Financial instruments at fair value:							
<i>Debt instruments and other fixed income instruments</i>	(134,875)	(57,136)	-	-	-	-	(192,011)
Accrued expenses	(33,553)	-	(3,933)	-	-	-	(37,486)
Total liabilities	(168,428)	(57,136)	(3,933)	-	-	-	(229,497)
Net assets	1,433,619	976,558	1,144,195	436,308	13,166,185	8,876,638	26,033,503
<i>Net position, %</i>	<i>5.51%</i>	<i>3.75%</i>	<i>4.40%</i>	<i>1.67%</i>	<i>50.57%</i>	<i>34.10%</i>	<i>100.00%</i>

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NOTE 15 INFORMATION ON THE FUND'S SHARE CERTIFICATE HOLDERS

The following tables show the proportion of the share certificates held by the Citadele group and the Company's related parties who have a significant influence in the Company as well as the proportion of the share certificates held by the Fund's related parties and other investors in the total number of the share certificates issued:

IF CBL Global Emerging Markets Bond Fund: Class R Acc EUR (hedged)			% of the total number
	31.12.2019	31.12.2018	31.12.2019
Share certificates held by related parties	780,278	791,691	35.76%
Share certificates held by third parties	1,401,457	1,311,380	64.24%
Number of share certificates at the end of the reporting period	2,181,735	2,103,071	100.00%

IF CBL Global Emerging Markets Bond Fund: Class R Acc USD			% of the total number
	31.12.2019	31.12.2018	31.12.2019
Share certificates held by related parties	14,386	8,998	3.57%
Share certificates held by third parties	388,902	357,601	96.43%
Number of share certificates at the end of the reporting period	403,288	366,599	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 2019 and 2018.

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

CBL Global Emerging Markets Bond Fund: Class R Acc USD			
	31.12.2019	31.12.2018	
Net assets (EUR)	3,833,606	3,150,523	
Number of share certificates	403,288	366,599	
Value of the unit of the investment fund (EUR)	9.51	8.59	
IF return *	10.71%	3.02%	
Net assets (USD)**	4,306,673	3,607,348	
Number of share certificates	403,288	366,599	
Value of the unit of the investment fund (EUR)	10.68	9.84	
IF return *	8.54%	(1.60%)	
CBL Global Emerging Markets Bond Fund: Class R Acc EUR (hedged)			
	31.12.2019	31.12.2018	31.12.2017
Net assets (EUR)	25,066,373	22,947,788	20,800,324
Number of share certificates	2,181,735	2,103,071	1,819,677
Value of the unit of the investment fund (EUR)	11.49	10.91	11.43
IF return *	5.32%	(4.55%)	4.10%
Net assets (EUR)***	25,066,373	22,947,788	20,766,672
Number of share certificates	2,181,735	2,103,071	1,819,677
Value of the unit of the investment fund (EUR)	11.49	10.91	11.41
IF return *	5.32%	(4.38%)	3.82%

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

The return of CBL Global Emerging Markets Bond Fund: Class R Acc EUR (hedged) of the previous reporting periods refers to the fund CBL Global Emerging Markets Bond Fund.

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

** Net asset value in USD is established using exchange rates fixed by the financial markets at the end of the day.

*** Net asset value in EUR is established using exchange rates fixed by the financial markets at the end of the day, while in 2018 and 2017 – using exchange rates fixed by Reuters at the end of the day.

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NOTE 18 EVENTS AFTER THE END OF THE REPORTING PERIOD

Recent Covid-19-related events -19

Due to the recent developments because of the Covid-19 spread, the Company monitors the situation very carefully and takes all relevant measures to ensure support both to its customers and employees. As the effect of future developments is unclear, the management takes proactive measures to prepare for various scenarios and to strengthen the Company's sustainability.

The operations and functions of IPAS CBL Asset Management have been changed to a remote working mode and thus it continues ensuring the continuity of the processes related to the management of the Fund. The information at the disposal of IPAS CBL Asset Management reveals that the Bank has reacted similarly – no interruptions in the services provided by the Company have been observed.

A significant event as of the last day of the reporting year until the date of signing these financial statements that may have a material impact on the financial situation of the Fund and its performance and which should be mentioned is the spread of coronavirus first in China and afterwards in Europe and the US . Financial market participants reacted to the virus spread outside China in February with very rapid sales of almost all types of assets. For example, from the beginning of the year to the second half of March, the investment-rating corporate bond segment experienced a drop of approximately 5-10%. The falls in the high-risk bond segment were closer to the levels of 15-20% while in the stock segment – of 25-30% on average depending on the region.

From 1 March to mid-April 2020, the outflow of funds from CBL Global Emerging Markets Bond Fund reached EUR 3,063,670 or 12.84% of assets. We believe that further outflow of funds is unlikely; however, where this occurs, we do not expect any difficulties for the bond fund in realizing the portfolio positions to the extent necessary, given the high liquidity of the portfolio and the fact that no subsequent cash outflow has been observed.



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Independent Auditors' Report

To the shareholders of investment fund 'CBL Global Emerging Markets Bond Fund'

Report on the audit of financial statements

Our opinion on the financial statements

We have audited the financial statements of investment fund 'CBL Global Emerging Markets Bond Fund' ("the Fund") managed by IPAS 'CBL Asset Management' ("the Asset Manager") as set out on pages 8 to 25 of the accompanying Annual Report. The accompanying financial statements include:

- Overview of assets and liabilities as at 31 December 2019,
- Report on income and expenses for the year then ended,
- Statement of changes to net assets for the year then ended,
- 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 2019, and of its financial performance and changes in net assets and 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 (hereinafter – ISAs) adopted in the Republic of Latvia. 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 the Fund Manager in accordance with the Code of Ethics for Professional Accountants (IESBA Code) by the International Ethics Standards Board for Accountants and the 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.

Emphasis of Matter

We draw attention to Note 18 to the financial statements which describes significant subsequent events in relation to the pandemic caused by Covid-19 which have no impact on the financial statements and contains commentary by the Asset Manager as to the potential impact of these developments on the daily operations of the Asset Manager and the financial position and performance of the Fund. Our opinion is not qualified in respect of this matter.



Reporting on Other Information

The management of the Asset Manager is responsible for the other information. The other information comprises:

- Information about the investment plan, as set out on page 3 of the accompanying Annual Report,
- Asset Manager's Report, as set out on pages 4 and 5 of the accompanying Annual Report.
- Statement of responsibility of the board of the Asset Manager, as set out on page 6 of the accompanying Annual Report.
- Custodian Bank Report, as set out on page 7 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 entity 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, our responsibility is to express an opinion on whether the Asset Manager's Report is prepared in accordance with the requirements of Regulation No. 99 'Regulation on the preparation of annual reports, consolidated annual reports and interim reports of an investment fund and open alternative investment fund' issued by the Financial and Capital Market Commission.

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

- the information presented in the Asset Manager's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Asset Manager's Report has been prepared in accordance with the requirements of Regulation No. 99 of the Financial and Capital Market Commission of the Republic of Latvia.

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

The Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the IFRS as adopted by the European Union and for the maintenance of 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, the management of the Fund 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 on 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 judgement 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 Asset Manager'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 the 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.



*Translation from Latvian
In case of discrepancies, the text in Latvian prevails.*

We communicate with those charged with governance of the Fund and the Asset Manager 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 AS

Licence No. 55

Rainers Vilāns
Certified Auditor of Latvia
Certificate No.200
Partner pp KPMG Baltics AS
Riga, Latvia
29 April 2020