

**OPEN-END INVESTMENT FUND  
“Citadele Russian Equity Fund”**

**ANNUAL REPORT FOR 2013**  
(the 10<sup>th</sup> financial year)

**PREPARED IN ACCORDANCE WITH FCMC REGULATIONS ON “ANNUAL ACCOUNTS OF INVESTMENT FUNDS”  
AND INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION**

**Riga, 2014**

**OIF “Citadele Russian Equity Fund”  
Annual report for the year ended 31 December 2013  
Table of contents**

Information on the Investment fund	3
Investment management company report	4
Statement of responsibility of the Board of the investment management company	6
Custodian bank report	7
Financial Statements:	
Statement of financial position	8
Statement of comprehensive income	9
Statement of changes in net assets	10
Statement of cash flows	11
Notes	12
Auditors' Report	23

**OIF "Citadele Russian Equity Fund"**  
**Annual report for the year ended 31 December 2013**  
**Information on the investment fund**

Name of fund	Citadele Russian Equity Fund
Type of fund	Open-end investment fund
Registration date of Fund:	5 March 2004
Number of fund:	06.03.04.098/13
<i>Name of the investment management company:</i>	"Citadele Asset Management" IPAS
<i>Registered office of the investment management company:</i>	Republikas laukums 2, Rīga, LV-1010, Latvia
<i>Registration number of the investment management company:</i>	40003577500
<i>Licence number of the investment management company:</i>	06.03.07.098/285
Name of the custodian bank:	"Citadele banka" AS
Registered office of the custodian bank:	Republikas laukums 2, Rīga, LV-1010, Latvia
Registration number of the custodian bank:	40103303559
Names and positions of Council Members and Board Members of the investment management company:	<p><i>Council of the investment management company:</i>  Chairman of the Council – Juris Jākobsons – appointed on 30.09.2010.  Deputy Chairman of the Council – Vladimirs Ivanovs – appointed on 01.11.2012.  Member of the Council – Philip Nigel Allard – appointed on 01.11.2012.</p> <p><i>Board of the investment management company:</i>  Chairman of the Board – Uldis Upenieks – appointed on 01.11.2012.  Member of the Board – Zigurds Vaikulis – appointed on 30.03.2007.  Member of the Board – Sergejs Zaicevs – appointed on 25.01.2013.  Member of the Board – Sergejs Zaicevs – resigned on 28.06.2013.</p>
The related rights and obligations of the management of the investment fund	All the duties of the Council and Board members stated in the legislation of the Republic of Latvia and the Statutes of the investment management company are performed by the Council and Board members.
Names of Fund managers (members of the investment committee):	Kristiāna Janvare – appointed on 15.08.2008 Andris Kotāns – appointed on 26.01.2011. Elchin Jafarov – appointed on 25.09.2011. Igoris Lahtadirs – appointed on 21.11.2013.
The related rights and obligations of the management of the fund	All the duties of the Fund managers stated in the legislation of the Republic of Latvia, Statutes of the investment management company and Fund prospectus are performed by the Fund managers.
Auditor:	KPMG Baltics SIA Vesetas iela 7, Rīga Latvia

**OIF "Citadele Russian Equity Fund"**  
**Annual report for the year ended 31 December 2013**  
**Investment management company report**

The assets of the open-end fund "Citadele Russian Equity Fund" (hereinafter – the Fund) are managed by the asset management company "Citadele Asset Management" having its registered office at Republikas laukums 2a, Riga, LV-1010 (hereinafter - the Company). The Company was founded on 11 January, 2002 with the registration number 40003577500. The Company holds a licence No. 06.03.07.098/285 authorising it to render investment management services. The licence was last re-registered on 5 August 2010.

The Fund aims to achieve long-term capital appreciation by investing principally in shares of issuers which are registered or operate in the Russian Federation. The Fund derives income in the form of share appreciation and dividends. The Fund's functional currency is US dollar.

In 2013 demand for developing countries' securities was impacted by significant fluctuations in investors' behaviour. The first half of 2013 can be characterized by a comparatively fluctuating risk asset performance as well as with an inconsistent demand for shares of development countries, the profitability of which fell behind the markets of the developed countries as a result of selective risk. It was related to the fact that the developed markets gained from the improvement of macroeconomic data in the USA and due to comparatively smaller amounts of QE3 realization. From the other side in the first half of 2013 we observed that macroeconomic indices in the Eurozone continued deteriorating and political instability in Italy along with debt crisis in Cyprus did not lay basis for a positive mood. Another negative external factor is the unstable macroeconomic data of China as a result of which there was a decrease in prices of raw materials in the world. In the second half of the year the mood of global investors improved due to support from the global central banks. Namely, ECB unexpectedly reduced the rate by 0.25% and the USA FRS decided commencing only a minimum limiting of monetary improvement programme. The shares of the development countries continued being behind also in the second half of the year, as the macroeconomic indices of China continued deteriorating, and the geopolitical risks in Syria caused additional pressure. In 2013 RTS index value decreased by 5.50% in terms of US dollars slightly falling behind the wide developing countries' shares index MSCI EM that decreased by 5.00% in the same currency.

Russian shares yield was negatively affected by a number of factors, one of which was negative price dynamics both in the market of raw materials and metal (Brent -0.30%, industrial metals -8.50%, gold -28.00%). As to the internal factors, the forecasted deterioration of Russian macroeconomic indices has to be mentioned. Industrial manufacturing and investments in share capital were in stagnation all year long, meanwhile the internal consumption continued slowing down, in December retail sales volumes increased to 3.80% g/g. As another problem in terms of macroeconomic indices is the stable high inflation that in 2013 reached 6.50% and it held back the Russian Central Bank from taking monetary promoting measures. In the end of the year additional pressure was made on the Russian shares market by the increasing asset outflow, as well as the situation regarding stabilization of Iranian nuclear programme that released the geopolitical tension in the Middle east and negatively impacted the price of oil.

During 2013, the Company continued to reduce the exposure to less liquid second-tier stock shares, that, taking in mind investors selective attitude towards risks (avoidance of high risk segments) showed weaker performance than high capitalisation shares. As a result the number of the Fund's investments decreased to 36 in the end of the year (in previous year 43).

In terms of investments structure by industry sectors, investment proportion in the raw material sector was reduced significantly reflecting the negative trends in the steel and industrial metals market as a result of concerns regarding slow down of the Chinese economics, as well as weakening of precious metals price forecasts that was impacted by the USA monetary promotion limiting. On the other hand, during the reporting period the proportion of the Fund investments in the financial services industry was increased by acquiring the shares of the largest Russian stock exchange and real estate developer Etalon. Investments in IT services sector were also increased as in this sector strong increase of corporate profit was observed during the year. Moreover, investment proportion in the telecommunication services sector was increased, in this sector the mobile operators generated profit out of a significant increase in data transmission volumes. Investment proportion was also increased in the consumer goods sector. Changes in the Fund's investments in other sectors were comparatively insignificant. As at 31.12.2013 cash funds share reached 4.22% of the Fund's net assets.

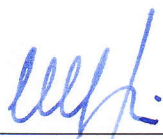
Overall the most positive contribution to the Fund performance was provided by investments in consumers goods, IT services, financial services and consumer services sectors, while the raw materials sector was the only one to show a negative contribution.

The Fund's net assets amount decreased by 7.19% or by 426 547 LVL in 2013 and at the end of the year amounted to 5 501 945 LVL. The Fund's share price increased by 0.37 LVL and amounted to 11.55 LVL at year end. Overall performance of the Fund in 2013 was -3.10% denominated in lats and 0.27% in Fund's base currency.

OIF "Citadele Russian Equity Fund"  
Annual report for the year ended 31 December 2013  
Investment management company report

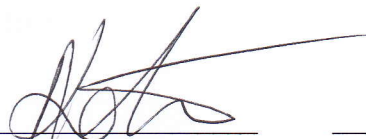
Management costs in the amount of USD 243 324 or 2.33% of the average value of net assets in the period that does not exceed the maximum value of 4.00% provided in the Fund's prospectus, were covered in the reporting period using the Fund's assets

As to 2014, we believe that decline in the former sentiment in all Russian asset classes due to developments in Ukraine can leave continuous negative influence on Russia as investment target. Although share valuations look attractive compared to their history and other global markets, the geopolitical tension in the region is far from the solution and in the average term there might be high level of fluctuations in the market. Moreover, the Russian economy is already suffering from excessive capital outflow due to development in Crimea that might threaten the growth that is still so fragile. In addition, it might be possible that the Russian economic environment might be negatively impacted from the potential sanctions from the Western world that will significantly increase the recession risks in 2014. In light of the current unfavourable fiscal and monetary policy combination, Russian government has comparatively limited number of instruments to perform massive economic stimulation. All in all we believe the above factors along with the lack of profit growth at the companies quoted at the Russian stock exchange is the reason to have a prudent view of the Russian stock dynamics in 2014.



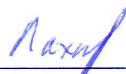
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Uldis Upenieks  
Chairman of the Board



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Andris Kotāns  
Member of the Investment  
Committee



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Igors Lahtadirs  
Member of the Investment  
Committee



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Elchin Jafarov  
Member of the Investment  
Committee

In Riga  
25 April 2014

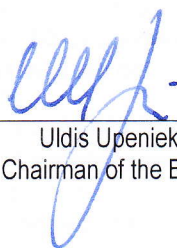
**OIF "Citadele Russian Equity Fund"**  
**Annual report for the year ended 31 December 2013**  
**Statement of responsibility of the Board of the investment management company**

The Board of the investment management company (hereinafter - the Company) is responsible for the preparation of the financial statements of the investment fund Citadele Russian Equity Fund (hereinafter - the Fund).

The financial statements set out on pages 8 to 22 are prepared in accordance with the source documents and present fairly the financial position of the Fund as at 31 December 2013 and 31 December 2012 the results of its operations for the respective periods then ended.

The financial statements are prepared in accordance with International Financial Reporting Standards as adopted in the European Union, as set out in the Regulations of the Financial and Capital Market Commission (FCMC) on Annual Accounts of Investment Funds, on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. 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 the assets of Citadele Russian Equity Fund - USD and the prevention and detection of fraud and other irregularities in the Fund. The Board is also responsible for operating the Fund in compliance with the Law of the Republic of Latvia on Investment Management Companies, regulations of the Financial and Capital Market Commission (FCMC), and other laws and regulations of the Republic of Latvia.



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Uldis Upenieks  
Chairman of the Board

In Riga  
25 April 2014

**REPORT OF THE CUSTODIAN BANK**

for the period of time: as of January 1, 2013 till December 31, 2013

The open investment fund "Citadele Russian Equity Fund"

Hereby AS "Citadele banka", registered in the Commercial Register of the Register of Enterprises of the Republic of Latvia (RL) on 30.06.2010 with a unified registration number No. 40103303559, registered address: Riga, Republikas laukums 2A, certifies that:

- according to the Custodian Bank Agreement signed on April 13, 2007, AS "Citadele banka" (hereinafter - the Custodian Bank) is performing the functions of custodian bank for the open investment fund "Citadele Russian Equity Fund" (hereinafter - the Fund) established by IPAS "Citadele Asset Management" (hereinafter - the Company) ;
- the Custodian Bank performs the functions of the custodian bank according to the law "On Investment Management Companies", provisions of the Financial and Capital Markets Commission and other applicable legal acts of RL.

The Custodian bank is liable for the fulfilment of Custodian Bank Agreement and requirements of legal acts of RL applicable to the custodian banks. Main obligations of the Custodian Bank are the following:

- to hold the assets of the Fund, as well as documents certifying the property rights pursuant to the requirements of legal acts of RL;
- to maintain the Funds accounts, to ensure the acceptance and execution of the Company's orders, as well as the settlement of orders pursuant to the legal acts of RL, the Custodian Bank Agreement and the current market practice;
- to provide the Company with regular reports on the assets of the Fund and its value (prices of securities);
- to follow the accuracy of determination of the Fund's value and the value of the Fund's shares performed by the Company and its compliance with the legal acts of RL;
- to follow the accuracy and lawfulness of the emission, sale and redemption of the investment certificates performed by the Company;

For the period from January 1, 2013 till December 31, 2013:

- emission, sale and redemption of investment certificates had been performed pursuant to requirements of the law "On Investment Management Companies", the Fund's prospectus and the Fund Management Regulations;
- the holding of the Fund's assets had been performed pursuant to the requirements of the law "On Investment Management Companies" and the Custodian Bank Agreement;
- calculation of the Fund's net asset value had been performed according to the requirements of the law "On Investment Management Companies", regulations of the Financial and Capital Markets Commission (FCMC), the Fund's prospectus and the Fund Management Regulations;
- orders of the Company and the transactions performed with the assets of the Fund had been performed according to the requirements of the law "On Investment Management Companies", the Fund's prospectus, the Fund Management Regulations and Custodian Bank Agreement.

No errors or incompliances were detected in Company's actions handling Fund's assets over the reporting period.



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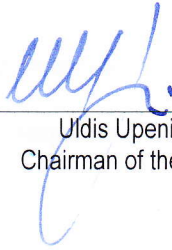
Guntis Bejavskis  
Chairman of the Executive Board, *p.p.*

Riga, March 31, 2014

OIF "Citadele Russian Equity Fund"  
Annual report for the year ended 31 December 2013  
Statement of financial position  
(LVL)

Note		<u>31.12.2013.</u>	<u>31.12.2012.</u>
	<b>Assets</b>		
3	Demand deposits with credit institutions	232,452	340,850
4	Financial assets held for trading Shares	<u>5,279,881</u>	<u>5,598,251</u>
	<b>Total assets</b>	<u><b>5,512,333</b></u>	<u><b>5,939,101</b></u>
	<b>Liabilities</b>		
5	Accrued liabilities	<u>(10,388)</u>	<u>(10,609)</u>
	<b>Total liabilities</b>	<u><b>(10,388)</b></u>	<u><b>(10,609)</b></u>
	<b>Net assets</b>	<u><b>5,501,945</b></u>	<u><b>5,928,492</b></u>

The accompanying notes on pages 12 to 22 form an integral part of these financial statements.



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Uldis Upenieks  
Chairman of the Board

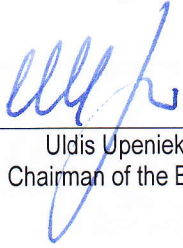
In Riga  
25 April 2014



OIF "Citadele Russian Equity Fund"  
Annual report for the year ended 31 December 2013  
Statement of comprehensive income  
(LVL)

Note		2013	2012
	<b>Income</b>		
6	Interest income	2,334	3,288
	Dividend income	195,672	130,849
	<b>Total income</b>	<b>198,006</b>	<b>134,137</b>
	<b>Expenses</b>		
	Investment management company fee	(110,528)	(102,610)
	Custodian bank fee	(8,766)	(8,114)
	Other fund management expenses	(9,436)	(8,469)
	<b>Total expenses</b>	<b>(128,730)</b>	<b>(119,193)</b>
	<b>Increase in investment value</b>		
7	Realized increase/(decrease) of investments	(143,278)	197,399
8	Non-realized increase of investments	395,716	525,465
	<b>Total increase in investment</b>	<b>252,438</b>	<b>722,864</b>
	Loss from revaluation of foreign exchange	(322,267)	(97,833)
	<b>Total comprehensive income/ (expenses)</b>	<b>(553)</b>	<b>639,975</b>

The accompanying notes on pages 12 to 22 form an integral part of these financial statements.

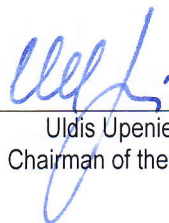
  
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Uldis Upenieks  
Chairman of the Board

In Riga  
25 April 2014

**OIF "Citadele Russian Equity Fund"**  
**Annual report for the year ended 31 December 2013**  
**Statement of changes in net assets**  
**(LVL)**

	<b>2013</b>	<b>2012</b>
Net assets as at the beginning of the period	5,928,492	4,631,793
Total comprehensive income/ (expenses)	(553)	639,975
Transactions with investment certificates		
<i>Inflow from sale of investment certificates</i>	1,128,078	1,627,094
<i>Outflow on redemption of investment certificates</i>	(1,554,072)	(970,370)
Increase / (decrease) in net assets from transactions with investment certificates	(425,994)	656,724
Increase/ (decrease) in net assets for the reporting period	(426,547)	1,296,699
<b>Net assets as at the end of the reporting period</b>	<b>5,501,945</b>	<b>5,928,492</b>
Issued investment certificates as at the beginning of the reporting period	497,448	443,046
Issued investment certificates as at the end of the reporting period	476,487	497,448
Net asset value per investment certificate as at the beginning of the reporting period	11.92	10.45
<b>Net asset value per investment certificate as at the end of the reporting period</b>	<b>11.55</b>	<b>11.92</b>

The accompanying notes on pages 12 to 22 form an integral part of these financial statements.



Uldis Upenieks  
Chairman of the Board

In Riga  
25 April 2014

**OIF "Citadele Russian Equity Fund"**  
**Annual report for the year ended 31 December 2013**  
**Statement of cash flows**  
**(LVL)**

	<u>2013</u>	<u>2012</u>
Interest income	2,334	3,288
Dividend income	195,672	130,849
Investment management expenses	(129,030)	(118,317)
Acquisition of financial assets	(2,827,275)	(3,441,484)
Sales of financial investments	3,090,238	2,880,162
Foreign currency translation result	1,382	429
<b>Increase/ (decrease) in cash from operating activities</b>	<b><u>333,321</u></b>	<b><u>(545,073)</u></b>
Inflow from sale of investment certificates	1,128,078	1,627,093
Outflow on redemption of investment certificates	(1,554,072)	(970,370)
<b>(Decrease)/ increase in cash from financing activities</b>	<b><u>(425,994)</u></b>	<b><u>656,723</u></b>
<b>(Decrease)/increase in cash</b>	<b><u>(92,673)</u></b>	<b><u>111,650</u></b>
Cash as at the beginning of the reporting period	340,850	202,011
Result of revaluation of cash denominated in foreign currencies	(15,725)	27,189
<b>Cash as at the end of the reporting period</b>	<b><u>232,452</u></b>	<b><u>340,850</u></b>

The accompanying notes on pages 12 to 23 form an integral part of these financial statements.

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 Uldis Upenieks  
 Chairman of the Board

In Riga  
 25 April 2014

**OIF “Citadele Russian Equity Fund”  
Annual report for the year ended 31 December 2013**

**Notes  
(LVL)**

**1. General information**

Name of fund	Citadele Russian Equity Fund
Type of fund	Open-end investment fund
Fund's business activity:	Investments mainly in equity shares of corporate entities incorporated or mainly operating in Russian Federation.
Name of the investment management company:	“Citadele Asset Management” IPAS Republikas laukums 2, Rīga, LV-1010, Latvia

**2. Summary of significant accounting policies**

***Basis of preparation***

The financial statements of OIF Citadele Russian Equity Fund – EUR have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union, as set out in the Regulations of the Financial and Capital Market Commission (hereinafter - FCMC) on Annual Accounts of Investment Funds.

The financial statements are prepared on a historical cost basis, as modified for the measurement at fair value of held-for-trading financial instruments.

The monetary unit used in the financial statements is lat (LVL), the monetary unit of the Republic of Latvia. The financial statements cover the period from 1 January 2013 to 31 December 2013.

***Critical accounting estimates and judgements***

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires investment management company's management to make assumptions and exercise its judgement in the process of applying the Fund's accounting policies. IFRS requires that in preparing the financial statements, the management makes estimates and assumptions that affect the reported amounts of assets and liabilities and required disclosure at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

***Income and expense recognition***

Interest income and expense items are recognised on an accruals basis.

Interest income and expense are recognized in the statement of comprehensive income by taking into account the effective interest rate of assets/liabilities. Interest income and expense include amortization of discount or premium or other differences between the accounting amount of an initial interest bearing instrument and its amount at the moment of redemption, calculated by the effective interest rate method.

Dividend income is recognised at the moment of receipt. In some situations dividend income can be recognized when share price decreases after the issuer's announcement on payment of dividends.

Remuneration to investment management company of the Fund and the custodian bank is calculated at a fixed rate of the Fund's assets and is accrued daily, but paid out once a month.

***Foreign currency revaluation***

The Fund's functional currency is the US dollars but, according to the FCMC requirements, the Fund ensures accounting also in Latvian lats. These financial statements are prepared based on transaction accounting in Latvian lats (LVL), which is the presentation currency of the Fund.

Transactions denominated in foreign currencies are translated in Latvian lats (LVL) at the official exchange rate established by the Bank of Latvia at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into lats at the official rate of exchange prevailing at the year end. Any gain or loss resulting from exchange rates fluctuations is included in the statement of comprehensive income as gain or loss from the revaluation of foreign currency positions.

**OIF “Citadele Russian Equity Fund”**  
**Annual report for the year ended 31 December 2013**

**Notes**  
**(LVL)**

**2. Summary of significant accounting policies (continued)**

The exchange rates established by the Bank of Latvia (LVL to 1 foreign currency unit) and mainly applied when preparing the statement financial position of the Fund can be specified as follows:

<u>Currency</u>	<u>31.12.2013.</u>	<u>31.12.2012.</u>
USD	0.515	0.531
GBP	0.843	0.857
RUB	0.0156	0.0174

Since 1 January 2005, the Bank of Latvia has stated a fixed currency exchange rate for the Latvian lat against the euro, i.e. 0.702804. From this moment the Bank of Latvia will also ensure that the market rate will not differ from the official rate by more than 1%. Therefore, the Fund's future profit or loss due to fluctuations of the euro exchange rate will not be material. On 01.01.2014. transition from lats to euro took place, see Note 16.

**Cash**

Cash comprises Fund's demand deposits with credit institutions.

**Financial instruments**

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

*Financial assets and liabilities at fair value through profit or loss*

Financial instruments at fair value through profit or loss include financial assets held for trading. All financial assets at fair value through profit and loss, belonging to the Fund, are classified as financial assets held for trading.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. Loans and receivables include deposits with credit institutions. Deposits with credit institutions are carried at amortized cost, using effective interest rate less provisions for impairment, if applicable.

Impairment provisions are created when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of receivables. The amount of provisions for impairment is the difference between the amortized cost and the recoverable amount.

**Investments in securities**

All investments in securities are classified as held-for-trading securities, i.e. securities are acquired for generating a profit from short-term fluctuations in price or dealer's margin. Held-for-trading securities are recognised at fair value based on available market prices. The result of re-measuring trading securities at fair value is included in the statement of comprehensive income as increase / (decrease) in investment.

Securities are revaluated on the basis of Bloomberg and Russian stock exchange available financial information on the bid prices of securities. Unlisted securities are evaluated on the basis of the custodian bank's information on transactions, but in case such information is not available, respective securities are evaluated at their amortised cost. Securities purchase and sale transactions are recognised on the date of settlements. The cost of securities sold is defined using FIFO (first in, first out) method.

**Derivatives**

In order to manage price risk transactions with derivatives may be executed. For the accounting purposes, all derivatives are classified as held-for-trading and accounted as follows.

Subsequent to initial recognition and measurement contracts are carried in the statement of financial position at their fair value. The fair value of these contracts is recognised in the statement of financial position under "Derivatives".

Gains or losses from changes in assets and liabilities arising on contracts are recognised in the statement of comprehensive income as foreign currency revaluation result.

**Fair value of financial assets and liabilities**

Fair value of financial assets and liabilities represents the amount at which an asset could be exchanged or a liability settled on an arm's length basis.

**OIF "Citadele Russian Equity Fund"**  
**Annual report for the year ended 31 December 2013**

**Notes**  
**(LVL)**

**2. Summary of significant accounting policies (continued)**

**Taxes**

The Fund's income is subject to income tax in the country of its origin. Basically, the Fund's income is exempt from income taxes. The Fund is not a Latvian corporate income tax payer.

On 1 December 2009 Saeima has approved changes to the law "On personal income tax", stating that starting with 1 January 2010 capital gains are subject to 15% income tax charge. For investment funds capital gain is a difference between selling and purchase value of investment certificates. In accordance with transition norms of the law "On personal income tax", in order to calculate income from sale of investment certificates purchased before endorsement of the law (before 01.01.2010) one has to apportion difference between selling and purchase value to the number of months investment held and multiply this by number of months investment held from 01.01.2010 until the settlement date. Changes in the law are applicable only to private persons being residents of the Republic of Latvia.

**New Accounting Standards and Interpretations**

Certain new standards, interpretations and amendments to the existing standards have been published that become effective for the accounting periods beginning on or after 1 January 2013 or later periods and which are not relevant to the Fund or are not yet endorsed by the EU:

Amendments to IAS 19 *Employee Benefits* (effective for annual periods beginning on or after 1 January 2013).

Amendments to IAS 1 „Presentation of Financial Statements” as regards statement of comprehensive income (effective for annual periods beginning on or after 1 January 2012 or later, adopted by the EU in June 2012);

IFRS 9 Financial instruments Part 1: Classification and Measurement (effective for annual periods beginning on or after 1 January 2015; not yet endorsed by the EU).

IFRS 10 "Consolidated Annual Accounts" (effective for annual periods beginning on 1 January 2013 or later, endorsed by the EU in December 2012 for annual periods beginning on or after 1 January 2014).

IFRS 11 "Joint Arrangements" (effective for annual periods beginning on 1 January 2013 or later, endorsed by the EU in December 2012 for annual periods beginning on or after 1 January 2014).

IFRS 12 "*Disclosures of interests in other entities*" (effective for annual periods beginning on 1 January 2013 or later, endorsed by the EU in December 2012 for annual periods beginning on or after 1 January 2014).

Amendments to application of IFRS 10, 11 and 12 (effective for annual periods beginning on 1 January 2013 or later, endorsed by the EU in December 2012 for annual periods beginning on or after 1 January 2013).

IFRS 13, Fair value measurement (effective for annual periods beginning on or after 1 January 2013; endorsed by the EU in December 2012).

IFRS 27 "Consolidated Annual Accounts" (reviewed in 2011) (effective for annual periods beginning on 1 January 2013 or later, adopted in the EU in December 2012 for annual periods beginning on or after 1 January 2014).

IFRS 28 "Associates and Joint Ventures" (reviewed in 2011) (effective for annual periods beginning on 1 January 2013 or later, adopted in the EU in December 2012 for annual periods beginning on or after 1 January 2014).

Amendments to IAS 7 "Financial Instruments: Disclosures" – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013, endorsed by the EU in December 2012).

Amendments to IAS 32 "Financial Instruments: Disclosures" – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014, endorsed by the EU in December 2012).

Amendments to IFRS 1 "First-time Adoption of IFRS" – Government Loans (effective for annual periods beginning on or after 1 January 2013, not yet endorsed by the EU).

Improvements to IFRS (issued in May 2012; most of the amendments are effective for annual periods beginning on or after 1 January 2013, not yet endorsed by the EU):

- IFRS 1 "First time adoption";
- IAS 1 "Financial statement presentation";
- IAS 16 "Property, plant and equipment";
- IAS 32 "Financial instruments: Presentation";
- IAS 34 "Interim financial reporting".

Amendments to IFRS 10, IFRS 12 and IAS 27 on investment entities (effective for annual periods beginning on or after 1 January 2014, not yet endorsed by the EU).

20. IFRIC 20, 'Stripping costs in the production phase of a surface mine' (effective for annual periods beginning on or after 1 January 2013, endorsed by the EU on December 2012).

**OIF “Citadele Russian Equity Fund”**  
**Annual report for the year ended 31 December 2013**

**Notes**  
**(LVL)**

**3. Demand deposits with credit institutions**

	31.12.2013.	31.12.2012.	% of Fund's net assets as at 31.12.2013.
Demand deposits with credit institutions, JSC Citadele banka	232,452	340,850	4.22%
<b>Total demand deposits with credit institutions</b>	<b>232,452</b>	<b>340,850</b>	<b>4.22%</b>

The Fund receives interest on demand deposits at fixed rates.

**4. Shares**

	31.12.2013.	31.12.2012.	% of Fund's net assets as at 31.12.2013.
<b>Equity shares</b>	<b>5,279,881</b>	<b>5,598,251</b>	<b>95.96%</b>
Non-OECD region equity shares	5,279,881	5,598,251	95.96%
<b>Total shares</b>	<b>5,279,881</b>	<b>5,598,251</b>	<b>95.96%</b>

All shares of corporate entities are classified as securities held for trading.

As at 31 December 2013, all the Fund's shares were traded on regulated markets.

The table below presents shares by the issuer's country of residence:

Financial instrument	ISIN code	Currency	Amount	Acquisition value	Carrying amount as at 31.12.2013	% of Fund's net assets as at 31.12.2013.
<b>Financial instruments traded on regulated markets</b>				<b>4,883,342</b>	<b>5,279,881</b>	<b>95.96%</b>
<b>Russian issuers:</b>				<b>4,883,342</b>	<b>5,279,881</b>	<b>95.96%</b>
LUKOIL	US6778621044	USD	15,800	524,491	502,867	9.14%
SBERBANK	US80585Y3080	USD	73,000	468,651	469,562	8.53%
MAGNIT OAO	US55953Q2021	USD	11,350	218,728	380,818	6.92%
MOBILE TELESYSTEMS OJSC	US6074091090	USD	27,000	270,481	297,706	5.41%

**OIF "Citadele Eastern European Bond Fund - USD"**  
**Annual report for the year ended 31 December 2013**

**Notes**  
**(LVL)**

**4. Shares (continued)**

Financial instrument	ISIN code	Currency	Amount	Acquisition value	Carrying amount as at 31.12.2013	% of Fund's net assets as at 31.12.2013.
MAIL.RU GROUP LTD	US5603172082	USD	13,000	248,488	287,885	5.24%
NOVATEK OAO	US6698881090	USD	3,620	228,471	250,935	4.56%
BASHNEFT OAO	RU0007976957	RUB	7,500	221,461	232,549	4.23%
SURGUTNEFTEGAZ	RU0009029524	RUB	545,000	171,970	220,210	4.00%
M VIDEO	RU000A0JPGA0	RUB	47,850	202,887	218,317	3.97%
NORILSK NICKEL	US46626D1081	USD	25,000	234,543	215,399	3.91%
MEGAFON	US58517T2096	USD	12,500	215,972	210,442	3.82%
EURASIA DRILLING CO LTD	US29843U2024	USD	9,000	194,587	206,072	3.75%
TRANSNEFT	RU0009091573	RUB	150	103,429	200,107	3.64%
OGK-4 OJSC	RU000A0JNGA5	RUB	4,466,603	157,943	163,056	2.96%
VSMPO-AVISMA CORP	RU0009100291	RUB	1,262	100,943	150,810	2.74%
LSR GROUP	US50218G2066	USD	59,840	187,584	126,229	2.29%
ROSNEFT OIL CO	US67812M2070	USD	30,140	126,551	117,347	2.13%
DIXY GROUP OJSC	RU000A0JP7H1	RUB	18,000	125,200	113,732	2.07%
GAZPROM OAO	US3682872078	USD	25,000	99,385	109,888	2.00%
MOSCOW EXCHANGE MICEX-RTS OAO	RU000A0JR4A1	RUB	100,000	105,706	99,809	1.82%
ETALON GROUP LTD	US29760G1031	USD	35,000	73,690	95,442	1.73%
GLOBALTRANS INVESTMENT PLC	US37949E2046	USD	11,116	83,350	90,107	1.64%
MOSTOTREST	RU0009177331	RUB	39,000	102,678	81,982	1.49%
SOLLERS	RU0006914488	RUB	5,267	30,855	67,375	1.22%
YANDEX NV	NL0009805522	USD	2,800	57,643	61,919	1.13%
VEROPHARM	RU000A0JL475	RUB	4,027	61,909	59,272	1.08%
SEVERSTAL OAO	US8181503025	USD	11,700	71,504	58,658	1.07%
POLYMETAL	JE00B6T5S470	GBP	12,000	95,566	56,296	1.02%
O'KEY GROUP	US6708662019	USD	8,000	44,749	48,245	0.88%
PHOSAGRO	US71922G2093	USD	8,363	53,927	41,928	0.76%
LUKOIL	RU0009024277	RUB	440	0	13,782	0.25%
SBERBANK	RU0009029540	RUB	7,000	0	11,038	0.20%
MOBILE TELESYSTEMS OJSC	RU0007775219	RUB	1,600	0	8,149	0.15%
NOVATEK OAO	RU000A0DKVS5	RUB	1,000	0	6,251	0.11%
MAGNIT OAO	RU000A0JKQU8	RUB	40	0	5,697	0.10%
TGK-6	RU000A0JNG06	USD	7	0	0	0.00%
<b>Total shares:</b>				<b>4,883,342</b>	<b>5,279,881</b>	<b>95.96%</b>

**5. Accrued liabilities**

	31.12.2013.	31.12.2012.
Accrued commission fees payable to investment management company	(8,680)	(8,822)
Accrued commission fees payable to custodian bank	(688)	(698)
Accrued fees payable for professional services	(1,020)	(1,089)
<b>Total accrued liabilities</b>	<b>(10,388)</b>	<b>(10,609)</b>

**6. Interest income**

	2013	2012
Interest income from demand deposits with credit institutions	2,334	3,288
<b>Total interest income</b>	<b>2,334</b>	<b>3,288</b>



**OIF "Citadele Eastern European Bond Fund - USD"**  
**Annual report for the year ended 31 December 2013**

**Notes**  
**(LVL)**

**7. Realized increase/(decrease) of investments**

	2013	2012
Income from sale of investments	3,124,286	2,745,034
Increase in disposed investment recognized in prior reporting periods	400,732	370,873
Cost of investments sold during the reporting period	(3,668,296)	(2,918,508)
<b>Total realised (decrease) / increase in investment value</b>	<b>(143,278)</b>	<b>197,399</b>

**8. Unrealized increase / (decrease) in investment value**

	2013	2012
From shares	395,716	525,465
<b>Total unrealised increase/ (decrease) in investment value</b>	<b>395,716</b>	<b>525,465</b>

**9. Change in investments during the reporting period**

	31.12.2012.	Increase during the reporting period	Decrease during the reporting period	Foreign exchange revaluation result	Total change in investment	31.12.2013.
Financial assets held for trading						
Shares	5,598,251	2,667,547	(2,932,973)	(311,010)	258,066	5,279,881
Debt securities	-	130,515	(82,924)	1,252	(48,843)	-
Options	-	29,213	(60,744)	1,913	29,618	-
Investment funds	-	-	(13,597)	-	13,597	-
<b>Total investments</b>	<b>5,598,251</b>	<b>2,827,275</b>	<b>(3,090,238)</b>	<b>(307,845)</b>	<b>252,438</b>	<b>5,279,881</b>

**10. Pledged assets**

During the reporting year, no guarantees or collaterals have been issued by the Fund, neither has it pledged or otherwise caused any encumbrance or lien on its assets.

**11. Fair values of financial assets and liabilities**

The management of the investment management company believes that the carrying amounts of financial assets and liabilities approximate to their fair values. The fair value is determined according to the market quotation method, based on available quotes of stock exchanges and brokers.

IFRS 7 states the hierarchy of valuation techniques based on if the technique employs market data that can be monitored or market data that cannot be monitored. The Company classifies all financial assets using valuation techniques listed in the 1st category of this hierarchy. Prices quoted in active market (unadjusted) are used in the valuation technique. This level includes shares quoted in stock exchange as well as debt securities and other financial instruments sold in the stock exchange.

**OIF “Citadele Eastern European Bond Fund - USD”  
Annual report for the year ended 31 December 2013**

**Notes  
(LVL)**

## 12. Risk management

Investment process risk can be defined as probability of undesirable result occurrence that might materialize in the certain market economy in the certain time period. Risk management is characterized as risk identification, measurement and its possible assessment. Investment process may be impacted by currency exchange rate risk, interest rate risk, price change risk, as well as as a result of liquidity and other – including operational risks. The investment strategy of the Fund is aimed at minimising the above mentioned risks, however, the Company cannot guarantee that these risks can be completely avoided in the future.

### **Risk management structure**

Risk identification and measurement are the responsibility of an independent unit – the Risk Management Division which prepares and presents information about risks to the Fund Manager. Fund Manager decides specifically whether it would be necessary to minimise risks.

The risk measurement process employs several models based on historical data and adjusted to consider for the current economic situation. Specific models are used to forecast changes in risk factors in ordinary and extraordinary market situations.

To mitigate the investment risks, the Fund Manager follows the risk diversification and hedging principles to reduce investment risks developed in line with the management policy. When investing on behalf of the Fund, the Fund Manager acquires sufficient information on potential or current 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.

The Company, when developing the Fund's investment strategy and stating limits, performs an analysis of the Fund's investments by maturity, geographic and currency profile, as well as assesses the risks inherent to each of the above factors. The Fund Manager acts in strict compliance with the Prospectus of the Fund, Fund Management Regulations, as well as regulations and restrictions imposed by legislation of the Republic of Latvia.

### **Market risk**

Market risk is a risk that the Fund's value will reduce as a result of changes in any of the following market factors: securities prices (equity price risk), exchange rates (currency risk), interest rates (interest rate risk) etc. Evaluated below are the sources of market risk, however they cannot be eliminated completely.

### **Equity price risk**

Changes in equity prices depend on the following two groups of factors: changes in stock indexes of a respective country (for instance, in Russian Federation these are the changes in RTSI) and the financial position of the issuer (prospects of earning profit), where the first factor is usually referred to as systematic risk and the second – as specific risk. .

Systematic risk is managed on the basis of forecasts of the overall economic development in specific geographic regions and industries. Specific risk management is performed by conducting a detailed analysis of the issuer's financial position and profitability, as well as other factors affecting the equity price, based on the published issuer's reports and mass media information. Equity price deviations and correlations are also a matter of particular focus. Therefore it is possible to calculate the total price risk exposure for all shares in the portfolio only based equity price history.

As at the end of the reporting period, the beta (a ratio showing the change in the Fund's performance relative to the overall market) was 0.59. The beta was calculated on the basis of the data for the year 2013. The RTS index (Russian stock market index) was selected as the market index. The changes of the market index are calculated as annualised standard deviation.

Market changes	Changes of the Fund's value
19.80%	11.69%

At the end of the year 2011 the beta was 0.78. The beta was calculated on the basis of the data for the year 2012. The RTS index (Russian stock market index) was selected as the market index in 2012. The changes of the market index are calculated as annualised standard deviation.

Market changes	Changes of the Fund's value
25.51%	19.92%

**OIF "Citadele Eastern European Bond Fund - USD"**  
**Annual report for the year ended 31 December 2013**

**Notes**  
**(LVL)**

**12. Risk management (continued)**

**Currency risk**

Currency risk arises when the nominal value of Fund's securities or other instruments differs from the Fund's currency (USD). Exchange rate fluctuations may result in a gain or loss, depending on the trend of the fluctuations and the Fund's currency position. Currency risk is minimised by the diversification effect, which arises in situations when the Fund has several currencies, and changes in exchange rates of those currencies are not closely interrelated.

The table below shows the Fund's assets and liabilities by currency profile as at 31 December 2013:

	USD	GBP	RUB	LVL	EUR	Total
<b>Assets</b>						
Demand deposits with credit institutions	205,225	205	24,056	2,966	-	232,452
Financial assets held for trading						
Shares	3,571,449	56,296	1,652,136	-	-	5,279,881
<b>Total assets</b>	<b>3,776,674</b>	<b>56,501</b>	<b>1,676,192</b>	<b>2,966</b>	<b>-</b>	<b>5,512,333</b>
<b>Liabilities</b>						
Accrued liabilities	(9,368)	-	-	-	(1,020)	(10,388)
<b>Total liabilities</b>	<b>(9,368)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,020)</b>	<b>(10,388)</b>
<b>Net assets</b>	<b>3,767,306</b>	<b>56,501</b>	<b>1,676,192</b>	<b>2,966</b>	<b>(1,020)</b>	<b>5,501,945</b>
<i>Net long/short position</i>	<b>68.47%</b>	<b>1.03%</b>	<b>30.47%</b>	<b>0.05%</b>	<b>-0.02%</b>	<b>100.00%</b>

The table below shows the Fund's assets and liabilities by currency profile as at 31 December 2012:

	USD	GBP	RUB	LVL	Total
<b>Assets</b>					
Demand deposits with credit institutions	327,780	1,395	11,675		340,850
Financial assets held for trading					
Shares	5,035,641	562,610	-	-	5,598,251
<b>Total assets</b>	<b>5,363,421</b>	<b>564,005</b>	<b>11,675</b>	<b>-</b>	<b>5,939,101</b>
<b>Liabilities</b>					
Accrued liabilities	(9,520)	-	-	(1,089)	(10,609)
<b>Total liabilities</b>	<b>(9,520)</b>	<b>-</b>	<b>-</b>	<b>(1,089)</b>	<b>(10,609)</b>
<b>Net assets</b>	<b>5,353,901</b>	<b>564,005</b>	<b>11,675</b>	<b>(1,089)</b>	<b>5,928,492</b>
<i>Net long/short position</i>	<b>90.31%</b>	<b>9.51%</b>	<b>0.20%</b>	<b>(0.02)%</b>	<b>100.00%</b>

Effect of the currency exchange rate changes on the Fund's value is represented in the tables below. Changes in exchange rates are analysed standard deviation of a respective rate.

Effect of the currency Exchange rate changes (2013)			
Currency	Share (% of assets)	Change in currency rate against USD	Effect on the Fund's value
USD	69.23%	0.00%	0.00%
GBP	30.69%	8.14%	2.50%
RUB	1.03%	7.54%	0.08%
LVL	0.05%	7.49%	0.00%
<b>Total</b>	<b>100.00%</b>		<b>2.58%</b>

Effect of the currency Exchange rate changes (2012)			
Currency	Share (% of assets)	Change in currency rate against USD	Effect on the Fund's value
USD	90.31%	0.00%	0.00%
GBP	9.51%	6.27%	0.60%
RUB	0.20%	10.83%	0.02%
LVL	-0.02%	8.17%	0.00%
<b>Total</b>	<b>100.00%</b>		<b>0.62%</b>

**OIF "Citadele Eastern European Bond Fund - USD"**  
**Annual report for the year ended 31 December 2013**

**Notes**  
**(LVL)**

**12. Risk management (continued)**

***Risk concentration***

The issuer's industry and geographic position are additional risk factors, which can affect the price of the issuer's securities or the issuer's solvency. Therefore, it is vital to identify concentration risk, i.e. to which extent the Fund's value depends on changes in specific regions or industries. Risk concentration by geographic profile (based on the country most affecting the issuer's solvency) and industry profile is presented in the table below.

The table below shows the Fund's assets and liabilities by geographic profile as at 31 December 2013:

	Latvia	Other non-OECD region countries	Total
<b>Assets</b>			
Demand deposits with credit institutions	232,452	-	232,452
Financial assets held for trading			
Shares	-	5,279,881	5,279,881
<b>Total assets</b>	<b>232,452</b>	<b>5,279,881</b>	<b>5,512,333</b>
<b>Liabilities</b>			
Accrued liabilities	(10,388)	-	(10,388)
<b>Total liabilities</b>	<b>(10,388)</b>	<b>-</b>	<b>(10,388)</b>
<b>Net assets</b>	<b>222,064</b>	<b>5,279,881</b>	<b>5,501,945</b>

The table below shows the Fund's assets and liabilities by geographic profile as at 31 December 2012:

	Latvia	Other non-OECD region countries	Total
<b>Assets</b>			
Demand deposits with credit institutions	340,850	-	340,850
Financial assets held for trading			
Shares	-	5,598,251	5,598,251
<b>Total assets</b>	<b>340,850</b>	<b>5,598,251</b>	<b>5,939,101</b>
<b>Liabilities</b>			
Accrued liabilities	(10,609)	-	(10,609)
<b>Total liabilities</b>	<b>(10,609)</b>	<b>-</b>	<b>(10,609)</b>
<b>Net assets</b>	<b>330,241</b>	<b>5,598,251</b>	<b>5,928,492</b>

The following table shows the Fund's assets and liabilities by country profile:

Country	Carrying amount as at 31.12.2013	Carrying amount as at 31.12.2012	% of Fund's net assets as at 31.12.2013.
Russia	5,279,881	5,598,251	95.96%
Latvia	222,064	330,241	4.04%
<b>Total</b>	<b>5,501,945</b>	<b>5,928,492</b>	<b>100.00%</b>

**OIF “Citadele Eastern European Bond Fund - USD”  
Annual report for the year ended 31 December 2013**

**Notes  
(LVL)**

**12. Risk management (continued)**

The following table shows the Fund's securities portfolio by industry profile.

Sector	31.12.2013.	31.12.2012.	% of Fund's net assets as at 31.12.2013.
Energy resources	1,860,008	1,949,895	33.81%
Financial services	802,080	527,611	14.58%
Consumer goods	548,492	317,114	9.97%
Raw materials	523,091	1,491,219	9.51%
Telecommunication services	516,297	263,084	9.38%
IT services	349,804	88,491	6.36%
Consumer services	285,692	344,090	5.19%
Logistics	172,089	251,913	3.13%
Public utilities	163,056	197,401	2.96%
Pharmacy	59,272	167,433	1.08%
<b>Total</b>	<b>5,279,881</b>	<b>5,598,251</b>	<b>95.96%</b>

**Liquidity risk**

Liquidity risk is a risk that the Fund will have difficulties in meeting its financial obligations. The Fund Manager strives to maintain such asset structure which would ensure a possibility of selling securities in due time and with no significant losses.

Investments in the Russian market are associated with an increased risk that various assets may have a temporarily illiquid market. This may give rise to a situation that financial instruments or other assets cannot be sold at all or can be sold at a lower value.

Table below shows the Fund's assets and liabilities by maturity profile as at 31 December 2013:

	Within 1 month	1 – 6 months	No maturity	Total
<b>Assets</b>				
Demand deposits with credit institutions	232,452	-	-	232,452
Financial assets held for trading				
Shares	-	-	5,279,881	5,279,881
<b>Total assets</b>	<b>232,452</b>	<b>-</b>	<b>5,279,881</b>	<b>5,512,333</b>
<b>Liabilities</b>				
Accrued liabilities	(9,368)	(1,020)	-	(10,388)
<b>Total liabilities</b>	<b>(9,368)</b>	<b>(1,020)</b>	<b>-</b>	<b>(10,388)</b>
<b>Net assets</b>	<b>223,084</b>	<b>(1,020)</b>	<b>5,279,881</b>	<b>5,501,945</b>
<i>Net position %</i>	4.05%	-0.02%	95.96%	100.00%

Table below shows the Fund's assets and liabilities by maturity profile as at 31 December 2012:

	Within 1 month	1 – 6 months	No maturity	Total
<b>Assets</b>				
Demand deposits with credit institutions	340,850	-	-	340,850
Financial assets held for trading				
Shares	-	-	5,598,251	5,598,251
<b>Total assets</b>	<b>340,850</b>	<b>-</b>	<b>5,598,251</b>	<b>5,939,101</b>
<b>Liabilities</b>				
Accrued liabilities	(9,520)	(1,089)	-	(10,609)
<b>Total liabilities</b>	<b>(9,520)</b>	<b>(1,089)</b>	<b>-</b>	<b>(10,609)</b>
<b>Net assets</b>	<b>331,330</b>	<b>(1,089)</b>	<b>5,598,251</b>	<b>5,928,492</b>
<i>Net position %</i>	5.59%	(0.02)%	94.43%	100.00%

**OIF "Citadele Eastern European Bond Fund - USD"**  
**Annual report for the year ended 31 December 2013**

**Notes**  
**(LVL)**

### 13. Information on holders of investment certificates

The table below specifies the proportion of investment certificates held by related parties out of total investment certificates issued:

	31.12.2013.	31.12.2012.	% of total certificates as at 31.12.2013
Investment certificates held by related parties	70	70	0.01%
Investment certificates held by other persons	476,417	497,378	99.99%
<b>Issued investment certificates as at the end of the reporting period</b>	<b>476,487</b>	<b>497,448</b>	<b>100.00%</b>

### 14. Related party transactions

The majority of the Fund's investments are acquired with the mediation of the custodian bank JSC Citadele banka. JSC Citadele banka receives remuneration as the custodian bank, as disclosed in the statement of comprehensive income (see also note 3).

The remuneration paid to the investment management company during the reporting year is disclosed in the statement of comprehensive income (see also Note 5). Since 26.10.2012 the amount of remuneration paid to the investment management company was changed, it was set at 0.18%. From the moment an amendment has entered into force in accordance with LR law regulations and Directive 2009/65/EK, the remuneration fee is calculated as a share of the fund's net asset value to two decimal places.

During the reporting year and during year 2012, the related parties of the Fund did not make any transactions with the Fund's investment certificates. Listed the Fund's investment certificates purchase and sale back transactions are calculated taking into account only the investment certificates held by those related parties, who have been classified as the Fund's related parties both as of 31 December 2013 and 31 December 2012.

### 15. Dynamics of net asset value

	31.12.2013.	31.12.2012.	31.12.2011.
<b>Net assets (LVL)</b>	<b>5,501,945</b>	<b>5,928,492</b>	<b>4,631,793</b>
Number of investment certificates	476,487	497,448	443,046
Value of investment fund's shares (LVL)	11.55	11.92	10.45
Performance on investment fund's shares**	-3.10%	14.03%	(25.94)%
<b>Net assets (USD)*</b>	<b>10,727,485</b>	<b>11,165,778</b>	<b>8,516,181</b>
Number of investment certificates	476,487	497,448	443,046
Value of investment fund's shares (USD)	22.51	22.45	19.22
Performance on investment fund's shares**	0.27%	16.76%	(27.11)%

\*\* The net asset value in euro is determined, based on exchange rates fixed at financial markets at the end of each day.

\* Performance is calculated supposing that a year consists of 365 days.

### 16. Subsequent events

On 1 January 2014 the Republic of Latvia joined eurozone and Latvian lat was replaced by euro. 2014. gada 1. Janvārī "Citadele Russian Equity Fund" mainīja savu finanšu uzskaiti no latiem uz eiro valūtu, un nākamo gadu finanšu pārskati tiks sagatavoti un uzrādīti eiro. Turpmāk salīdzināmā informācija tiks sniegta eiro, piemērojot oficiālo valūtas maiņas kursu: LVL 0,702804 = EUR 1.



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## **Independent Auditors' Report**

### **To the shareholders of Open investment fund "Citadele Russian Equity Fund"**

#### **Report on Financial Statements**

We have audited the accompanying separate financial statements of Open investment fund "Citadele Russian Equity Fund" ("the Fund"), which is managed by the asset management company "Citadele Asset Management" ("the Manager"), which comprise the separate statement of financial position as at 31 December 2013, the separate statements of comprehensive income, changes in net assets and cash flows for the year ended 31 December 2013, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 22.

#### *Management's Responsibility for the Financial Statements*

Management of investment managing company is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Open investment fund "Citadele Russian Equity Fund" as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### *Other matters*

The corresponding prior period comparative information disclosed in these financial statements is based on the Fund's financial statements as at and for the year ended 31 December 2012 which were audited by another auditor who expressed an unmodified auditors' opinion on those financial statements on 26 April 2013.

### **Report on Other Legal and Regulatory Requirements**

In addition, our responsibility is to assess whether the accounting information included in the investment management company report, as set out on pages 4 to 5, the preparation of which is the responsibility of management, is consistent with the financial statements. Our work with respect to the investment management company report was limited to the aforementioned scope and did not include a review of any information other than drawn from the financial statements of the Company. In our opinion, the Management Report is consistent with the financial statements.

KPMG Baltics SIA  
Licence No 55

Ondrej Fikrle  
Partner pp, KPMG Baltics SIA  
Riga, Latvia  
25 April 2014

Inga Lipšane  
Sworn Auditor  
Certificate No 112

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