

**INVESTMENT FUND**  
**“CBL Russian Equity Fund”**  
**(previously “Citadele Russian Equity Fund”)**

**ANNUAL REPORT FOR 2014**  
**(11th 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, 2015**

**IF "CBL Russian Equity Fund"**  
**Annual Report for 2014**  
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**IF "CBL Russian Equity Fund"**  
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**General information on the investment fund**

Name of fund:	"CBL Russian Equity Fund" (previously - "Citadele Russian Equity Fund")
Type of fund:	Investment fund
Registration date of fund:	05 March 2004 (re-registration date 30 March 2015)
Registration number of fund:	F41-06.03.04.098/41
Name of the investment management company:	"CBL Asset Management" IPAS (previously "Citadele Asset Management" IPAS)
Registered office of the investment management company:	Republikas laukums 2a, Riga, LV-1010, Latvia
Registration number of the investment management company:	40003577500
License number of the investment management company:	06.03.07.098/285
Name of the custodian bank:	"Citadele banka" AS
Registered office of the custodian bank:	Republikas laukums 2a, Riga, 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>  Chairperson of the Council – Juris Jākobsons – appointed on 30.09.2010.  Deputy Chairperson of the Council – Vladimirs Ivanovs – appointed on 01.11.2012.  Member of the Council – Philip Nigel Allard – appointed on 01.11.2012  Member of the Council – Philip Nigel Allard – released on 25.06.2014  Member of the Council- Aldis Paegle – appointed on 04.07.2014.</p> <p><i>Board of the investment management company:</i>  Chairperson of the Board – Uldis Upenieks – appointed on 01.11.2012.  Member of the Board – Zigurds Vaikulis – appointed on 30.03.2007.</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
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 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, Riga, LV-1013 Licence No. 55 Latvia

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**Investment management company's report**

The assets of the fund "CBL Russian Equity Fund" (previously - "Citadele Russian Equity Fund") (hereinafter - the Fund) are managed by the asset management company "CBL Asset Management" having its registered office at Republikas laukums 2a, Riga, LV- 1010 (hereinafter - the Company). The Company was established on 11 January 2002. Registration number: 40003577500. The Company holds a licence No 06.03.07.098/285 for investment operations, last re-registered on 19 February 2014.

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 price appreciation and dividends. The Fund's base currency is US dollar.

In 2014 the Russian stock market and global equity markets exhibited contrasting results due to several reasons. In general, developed equity markets, especially the US market, gained from the improvement of macroeconomic data in the US, although the Federal Reserve completely terminated the monetary easing programme. What's more, worries among investors that the US interest rate will increase resulted in the US dollar appreciation. Meanwhile, in 2014 emerging markets countries suffered from the substantial decline in the local currencies value, as well as from regional problems both in Russia and Brazil. Thus, overall emerging equity markets closed the year with losses, in spite of of good results from equity markets in India and Turkey.

At the same time, the Russian stock market faced substantial headwinds in 2014. During the year, the value of RTS index fell by 45.2% in USD terms and thereby exhibited the worst performance among the whole emerging equity markets universe represented by MSCI-EM index, which recorded a loss of 4.6% in USD terms. Similar to the emerging equity markets, during the first month of the year Russian shares fell due to devaluation of the local currency, as well as from the macro pulse weakening. In February, the situation got worse, as the unrest in Ukraine started to weigh on the market. Meanwhile, an abrupt market decline followed in March on the back of unprecedented increase in geopolitical tensions around Ukraine and annexation of Crimea. Russian assets faced selling pressure also in April, as sudden outbursts of violence in the south-east parts of Ukraine, harsh diplomatic rhetoric, and fears of Western sanctions negatively affected investors' mood. However, in May the Russian stock market somewhat rebounded due to favourable tendencies in the global equity markets and, most importantly, fading geopolitical tensions. Ukraine successfully held presidential elections and the Russian president Vladimir Putin announced withdrawal of soldiers from the border. The positive dynamics of the Russian stock market continued also in June due to increase in oil price caused by the unrest in Iraq. Also Putin's decision to cancel the right to use the military force in Ukraine was good news. Nevertheless, the situation greatly worsened in July, when a civil airline was shot down in the eastern part of Ukraine. That attracted more international attention to the violent military conflict, and opened doors for the EU and the US to impose even harsher sanctions upon Russia. Some of the sanctions prohibited several Russian state banks and energy companies from accessing Western capital markets, as well as limited the sales of certain energy sector equipment and dual-use technologies. The August meeting between Putin and Ukrainian president Poroshenko was fruitless. Moreover, the fears of lingering sanction war escalated, as Russia imposed its own counter-sanctions, prohibiting import of several agriculture goods. In autumn, Russian equity market continued sliding down, as oil price reached the lowest level in five years, exerting significant pressure on ruble's exchange rate. The drop in oil was caused by unsupportive demand/supply balance, as well as OPEC's decision to abstain from cutting production from 30mn barrel per day. At the same time, the armed conflict in the eastern part of Ukraine and signs of growing political isolation during the G20 summit did not facilitate improvement in investor moods either. Unfortunately, in December external backdrop became even more challenging for the Russian assets, causing the most rapid equity market decline in the last two and a half years, while the national currency also continued showing negative results. Persistent oil price decline, as well as limited supply and increasing demand for foreign currency caused by the sanctions, triggered the depreciation of ruble to a new all-time low. In response, the central bank significantly hiked the interest rates to 17% and expanded the foreign currency liquidity instruments.

Sector-wise, the Fund reduced investments in the financial sector, reacting to the sanctions against several Russian banks, concerns about wider restrictions from the EU and the US against the whole Russian financial system, as well as significant increase in provision charges related to deteriorating quality of assets. In response to the fall in oil prices, the Fund also reduced exposure to the Energy sector. We also reduced the weight of Consumer Discretionary sector due to the depreciation of ruble and the respective decline in local purchasing power. In addition, we cut the relative weight of the Telecommunication sector, since the industry's revenues are denominated in local currency. On the other hand, during the reporting period the exposure to Materials sector increased, as local steel and industrial metal producers benefitted from lower costs due to weaker ruble. Changes

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**Investment management company's report**

in the Fund's investments in other sectors were insignificant. As of 31.12.2014 cash balances comprised 15.51% of the Fund's net assets.

During the reporting year all the sectors exerted negative impact on the Fund's performance. The greatest negative impact came from investments in Financial services, Energy and Telecommunication sectors, followed by Consumer goods and IT services.

In 2014, the amount of the Fund's net assets decreased by 54.23%, or EUR 4,245,182, and amounted to EUR 3,583,380 at the year-end. During the reporting period the value of the Fund's share decreased by EUR 7.14 to EUR 9.29. Overall in 2014 the Fund returned -43.46% denominated in euros and -49.49% in the Fund's base currency (USD).

During the reporting period, management costs in the amount of USD 161,113, or 2.27% of the average value of net assets, were covered from the Fund's assets, which does not exceed the maximum value of 4.00% outlined in the Fund's prospectus.

Looking at 2015, we believe that the Russian stock market will continue to remain volatile, and geopolitical risks together with the oil price dynamics will remain key Russian stock market drivers. In light of the already diminishing income and credit growth, the outlook on domestic consumption, the main driving force of the economic growth recently, has worsened. As a result we expect Russia to fall in recession in 2015 with the GDP decline to continue for two to three consecutive quarters. It is likely that 2015 will bring rapid acceleration of inflation, as ruble depreciation continues to spill over.



Uldis Upenieks  
Chairperson of the Board



Andris Kotāns  
Member of the Investment  
Committee



Igors Lahtadirs  
Member of the Investment  
Committee



Elchin Jafarov  
Member of the Investment  
Committee

Riga  
24 April 2015

**IF "CBL Russian Equity Fund"**  
**Annual Report for 2014**  
**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 "CBL Russian Equity Fund" (hereinafter - the Fund).

The financial statements on pages 8 to 22 are prepared based on source documents and present fairly the financial position of the Fund as at 31 December 2014 and the results of its operations for 2014.

The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by 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 methods have been consistently applied in the reporting period. 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 "CBL Russian Equity Fund" 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  
Chairperson of the Board

Riga  
24 April 2015



## CUSTODIAN BANK REPORT

For holders of IF "Citadele Russian Equity fund"  
Investment fund applications

With this Citadele Bank JSC, which is registered in LR Enterprise register on June 30, 2010 with No. 40103303559 and located at 2a Republikas square, Riga, certifies, that:

According to the law "On investment companies" of Republic of Latvia, regulations of Financial and Capital Market Commission (FCMC), other requirements of LR legislation and contract with Custodian bank, which is concluded on the April 13, 2007., Citadele Bank JSC, (further in the text - Custodian) carries out functions of custodian bank for the IF "Citadele Russian Equity fund" (further in the text - Fund) founded by IPAS "CBL Asset Management";

Custodian is responsible for fulfilling of Custodian bank contract and requirements of LR legislation related to custodian banks. The main obligations of the Custodian are the following:


- to store assets of the Fund, as well as documents, which confirm title according to the requirements of LR legislation;
- to ensure maintenance of the Fund account, reception and execution of Company's orders, as well as performance of transactions according with requirements of LR legislation and current market practice;
- to ensure the Company with regular reports on assets of the Fund and its value (prices of the securities);
- to follow the correctness of the value of the Fund and its certificates set by the Company and its conformity with LR legislation acts;
- to follow the correctness and legal status of issuing, sales and repurchasing of investment certificates performed by the Company;

Issuing, sales and repurchasing of the investment certificates is performed according to the requirements of the law "On investment companies", fund prospect and Fund management regulations; Storage of the Fund assets is performed according to the requirements of the law "On investment companies" and Custodian bank contract;

Calculation of the net value of the Fund assets is performed according to the requirements of the law "On investment companies", regulations of Financial and Capital Market Commission (FCMC), Fund prospect and Fund management regulations;

Orders of the Company, as well as transactions with the assets of IF "Citadele Russian Equity fund" are performed according to the requirements of the law "On investment companies", Fund prospect and Fund management regulations and Custodian bank contract.

In the accounting period no mistakes and illegal matters were observed in performance of the Company with Fund assets. Citadele bank JSC is very satisfied with co-operation in performing of the functions of Custodian bank.



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Guntis Belavskis  
Chairman of the Board, p.p.

Riga, February 23, 2015

**IF "CBL Russian Equity Fund"**  
**Annual Report for 2014**  
**Statement of financial position**  
**(EUR)**

Note	<u>31.12.2014</u>	<u>31.12.2013</u>
<b>Assets</b>		
3	555,783	330,749
4	<u>3,035,758</u>	<u>7,512,594</u>
	<b>3,591,541</b>	<b>7,843,343</b>
<b>Liabilities</b>		
5	<u>(8,161)</u>	<u>(14,781)</u>
	<b>(8,161)</b>	<b>(14,781)</b>
	<u><b>3,583,380</b></u>	<u><b>7,828,562</b></u>

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



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 Uldis Upenieks  
 Chairperson of the Board


Riga  
 24 April 2015



**IF "CBL Russian Equity Fund"**  
**Annual Report for 2014**  
**Statement of comprehensive income**  
**(EUR)**

Note	2014	2013
<b>Income</b>		
6	616	3,321
	210,929	278,416
	<b>211,545</b>	<b>281,737</b>
<b>Expenses</b>		
	(107,478)	(157,267)
	(8,747)	(12,473)
	(5,347)	(13,426)
	<b>(121,572)</b>	<b>(183,166)</b>
<b>(Decrease)/increase in investment value</b>		
7	(1,165,313)	(203,866)
8	(1,719,021)	563,053
	<b>(2,884,334)</b>	<b>359,187</b>
	(64,038)	(458,545)
	<b>(2,858,399)</b>	<b>(787)</b>

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

  
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 Uldis Upenieks  
 Chairperson of the Board

Riga  
 24 April 2015

**IF "CBL Russian Equity Fund"**  
**Annual Report for 2014**  
**Statement of changes in net assets**  
**(EUR)**

	<b>2014</b>	<b>2013</b>
Net assets as at the beginning of the period	7,828,562	8,435,484
Comprehensive expenses	(2,858,399)	(787)
Transactions with investment certificates		
<i>Inflow from sale of investment certificates</i>	1,393,956	1,605,110
<i>Outflow on redemption of investment certificates</i>	(2,780,740)	(2 211 245)
Decrease in net assets from transactions with investment certificates	(1,386,784)	(606,135)
Decrease in net assets for the reporting period	(4,245,183)	(606,922)
<b>Net assets as at the end of the period</b>	<b>3,583,379</b>	<b>7,828,562</b>
Issued investment certificates as at the beginning of the reporting period	476,487	497,448
Issued investment certificates as at the end of the reporting period	385,544	476,487
Net asset value per investment certificate as at the beginning of the reporting period	16.43	16.96
<b>Net asset value per investment certificate as at the end of the reporting period</b>	<b>9.29</b>	<b>16.43</b>

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


Uldis Upeniaks  
Chairperson of the Board

Riga  
24 April 2015

**IF "CBL Russian Equity Fund"**  
**Annual Report for 2014**  
**Statement of Cash Flows**  
**(EUR)**

	<u>2014</u>	<u>2013</u>
Interest income	616	3,321
Dividend income	210,929	278,416
Investment management expenses	(128,537)	(183,593)
Acquisition of financial investments	(2,619,504)	(4,022,851)
Sales of financial investments	4,140,029	4,397,012
Foreign currency translation result	(3,875)	1,968
<b>Increase in cash from operating activities</b>	<b><u>1,599,658</u></b>	<b><u>474,273</u></b>
Inflow from sale of investment certificates	1,393,956	1,605,110
Outflow on redemption of investment certificates	(2,780,740)	(2,211,245)
<b>Decrease in cash from financing activities</b>	<b><u>(1,386,784)</u></b>	<b><u>(606,135)</u></b>
<b>Increase /(decrease) in cash</b>	<b><u>212,874</u></b>	<b><u>(131,862)</u></b>
<b>Cash as at the beginning of the reporting period</b>	<b>330,749</b>	<b>484,986</b>
<b>Result of revaluation of cash denominated in foreign currencies</b>	<b><u>12,160</u></b>	<b><u>(22,375)</u></b>
<b>Cash at the end of the reporting period</b>	<b><u>555,783</u></b>	<b><u>330,749</u></b>

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

  
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 Uldis Openieks  
 Chairperson of the Board

Riga  
 24 April 2015

**IF "CBL Russian Equity Fund"**  
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**Notes**  
**(EUR)**

**1. General information**

Name of fund:	"CBL Russian Equity Fund" (previously "Citadele Russian Equity Fund")
Type of fund:	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:	"CBL Asset Management" IPAS (hereinafter - the Company) Republikas laukums 2a, Riga, LV-1010, Latvia

**2. Summary of significant accounting policies**

***Basis of preparation***

The financial statements of IF "CBL Russian Equity Fund" 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, except for the fair value basis for trading and available-for-sale financial instruments.

The presentation currency in the financial statements is euro (EUR), the monetary unit of the Republic of Latvia. The financial statements cover the period from the 1 January 2014 to 31 December 2014.

***Functional and Presentation Currency***

The functional currency of the Fund is US dollar (USD), however in accordance with the FCMC as adopted by the EU requirements the Fund ensures accounting in the official currency of Latvia - euros.

Due to the change of the official currency of Latvia, from 1 January 2014 the presentation currency of the Fund is euro which replaced the national currency of Latvia, the lats. Comparative financial information of previous periods presented in lats, were translated into euros using the official exchange rate of LVL 0.702804 to EUR 1. As the Latvian lat was previously pegged to the euro at the same exchange rate, the change in the presentation currency had no effect on the Fund's financial position, financial performance or cash flows. The amounts disclosed in the financial statements are provided in euros, which represent the presentation currency of the Fund. The opening balances as at 1 January 2014 agree with the published prior period closing balances after conversion from lats to euro.

***Critical accounting estimates and judgements***

The preparation of the financial statements in conformity with IFRS as adopted by EU 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 as adopted by EU 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***

All significant interest income and expenses are disclosed on an accrual basis.

Interest income and expenses are recognized in the comprehensive income statement based on the effective interest rate of on the asset/liability. Interest income and expenses include discount or premium amortization or other difference between the book value of an interest bearing instrument and its value on the maturity date calculated based on 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.

**IF "CBL Russian Equity Fund"**  
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**(EUR)**

**Foreign currency revaluation**

Transactions in foreign currencies are translated into euros at the foreign exchange rate published by the European Central Bank as at the transaction date. All monetary assets and liabilities denominated in foreign currencies are translated to euros according to the exchange rate of the European Central Bank on the last day of the reporting year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value in the foreign currency are retranslated into both the functional and presentation currency at the spot exchange rate at the date that the fair value was determined. 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.

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

<u>Currency</u>	<u>31.12.2014</u>	<u>31.12.2013</u>
USD	1.2141	1.3647
GBP	0.7789	0.8337
RUB	72.337	45.0515
HKD	9.417	-
LVL	-	0.702804

**Cash**

Cash comprises Fund's demand deposits with credit institutions.

**Financial Instruments**

Financial instruments are classified at the following categories: 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.

SFPS 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 Fund classifies all financial assets using valuation techniques listed in the 1<sup>st</sup> category of this hierarchy. Prices quoted in active market (unadjusted) are used in the valuation. This level includes shares quoted in stock exchange as well as debt securities and other financial instruments sold in the stock exchange.

**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 comprehensive income statement as increase/ (decrease) in investment.

Securities are revaluated on the basis of Bloomberg's and Russian stock exchange available financial information on the bid prices of securities. Unlisted securities are valued 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.

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**(EUR)**

**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" and their notional amount is reported in the notes of the financial statements.

Gains or losses from changes in assets and liabilities arising from 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.

**Operating Segments**

By managing the Fund, the manager of the Fund analyses its return per one unit and does not divide in separate segments, whose results of operations would be assessed separately. Therefore these financial statements do not contain detail analysis of segments.

**Taxes**

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

**New Accounting Standards and Interpretations**

The Fund has applied the accounting policies described in the note to all reporting periods disclosed in these financial statements, except for the following changes.

The Fund has adopted the following new standards and amendments to standards, including the consequent amendments in other standards the initial application date of which was 1 January 2013, and concluded that the amendments do not refer to the Fund:

- (i) *IFRS 10 "Consolidated financial statements" (2011)*
- (ii) *IFRS 11 Joint Arrangements*
- (iii) *IFRS 12 Disclosure of interests in other entities;*
- (iv) *Amendments to IAS 32 as regards Offsetting Financial Assets and Financial Liabilities*
- (v) *Amendments to IAS 36 as regards disclosures about recoverable amount of non-financial assets*
- (vi) *Amendments to IAS 39 as regards renewal of financial instruments and continuing of hedge accounting.*

**New Standards and Interpretations**

Several new standards, amendments to standards and interpretations effective after 1 January 2014 that have not been applied to these financial statements. Standards and interpretations application of which will not affect the financial statements are listed below.

- (i) *IAS 19 Employee Benefits (effective for annual periods beginning on or after 01 February 2015)*
- (ii) *IFRIC 21 Levies (effective for annual periods beginning on or after 17 June 2014).*
- (iii) *Annual amendments to IFRS.*

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**Annual Report for 2014**  
**Notes**  
**(EUR)**

**3. Demand deposits with credit institutions**

	31.12.2014	31.12.2013	% of Fund's net assets as at 31.12.2014
Demand deposits with credit institutions, AS "Citadele banka"	555,783	330,749	15.51%
<b>Total demand deposits with credit institutions</b>	<b>555,783</b>	<b>330,749</b>	<b>15.51%</b>

The Fund receives interest on demand deposits at fixed rates.

**4. Shares**

	31.12.2014	31.12.2013	% of Fund's net assets as at 31.12.2014
<b>Equity shares</b>	<b>3,035,758</b>	<b>7,512,594</b>	<b>84.72%</b>
Non - OECD region equity shares	3,035,758	7,512,594	84.72%
<b>Total shares</b>	<b>3,035,758</b>	<b>7,512,594</b>	<b>84.72%</b>

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

As at 31 December 2014, 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	Cost (EUR)	Carrying amount as at 31.12.2014	% of Fund's net assets 31.12.2014
<b>Financial instruments traded on regulated markets</b>				<b>4,736,498</b>	<b>3,035,758</b>	<b>84.72%</b>
<b>Russian issuers:</b>				<b>4,736,498</b>	<b>3,035,758</b>	<b>84.72%</b>
LUKOIL	US6778621044	USD	10,800	501,313	345,233	9.64%
NORILSK NICKEL	US46626D1081	USD	24,700	324,310	287,668	8.03%
MAGNIT OAO	US55953Q2021	USD	6,650	265,857	244,863	6.83%
NOVATEK OAO	US6698881090	USD	3,660	291,686	232,876	6.50%
PHOSAGRO	US71922G2093	USD	23,963	209,434	195,596	5.46%
SBERBANK	US80585Y3080	USD	47,600	381,391	150,943	4.21%
GAZPROM OAO	US3682872078	USD	34,800	215,249	130,375	3.64%
SURGUTNEFTEGAZ	RU0009029524	RUR	310,000	151,497	125,694	3.51%
MAIL.RU GROUP LTD	US5603172082	USD	9,000	251,861	120,163	3.35%
OGK-4 OJSC	RU000A0JNGA5	RUR	3,866,603	202,155	120,055	3.35%
MEGAFON	US58517T2096	USD	9,600	245,599	119,002	3.32%
YANDEX NV	NL0009805522	USD	8,000	214,533	119,002	3.32%
MAGNITOGORSK IRON & STEEL WORKS	US5591892048	USD	50,000	96,718	94,926	2.65%
MOSCOW EXCHANGE MICEX-RTS OAO	RU000A0JR4A1	RUR	105,000	139,089	87,223	2.43%
SEVERSTAL OAO	US8181503025	USD	10,600	67,443	76,394	2.13%
NOVOLIPETSK STEEL OJSC	US67011E2046	USD	8,000	85,561	74,458	2.08%
EURASIA DRILLING CO LTD	US29843U2024	USD	4,500	139,836	66,716	1.86%
MOBILE TELESYSTEMS OJSC	US6074091090	USD	10,000	151,469	65,892	1.84%
UNITED CO RUSAL PLC	JE00B5BCW814	HKD	120,000	60,820	63,715	1.78%
GLOBALTRANS INVESTMENT PLC	US37949E2046	USD	13,616	104,906	55,177	1.54%
LENTA LTD	US52634T2006	USD	10,700	82,769	55,170	1.54%
BASHNEFT OAO	RU0007976957	RUR	2,900	122,379	48,469	1.35%
MOSTOTREST	RU0009177331	RUR	46,000	159,497	42,860	1.20%

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Financial instrument	ISIN code	Currency	Amount	Cost (EUR)	Carrying amount as at 31.12.2014	% of Fund's net assets 31.12.2014
QIWI PLC	US74735M1080	USD	1,700	41,151	28,004	0.78%
M VIDEO	RU000A0JPGA0	RUR	16,350	87,919	27,824	0.78%
LSR GROUP	US50218G2066	USD	18,840	51,872	25,759	0.72%
TMK OAO	US87260R2013	USD	9,075	60,868	17,192	0.48%
ETALON GROUP LTD	US29760G1031	USD	9,786	29,316	14,509	0.40%
TGK-6	RU000A0JNG06	RUR	7	-	-	0.00%
<b>Total shares:</b>				<b>4 736 498</b>	<b>3 035 758</b>	<b>84.72%</b>

**5. Accrued expenses**

	31.12.2014	31.12.2013
Accrued commission fees payable to investment management company	(6,601)	(12,351)
Accrued commission fees payable to custodian bank	(560)	(979)
Accrued fees payable for professional services	(1,000)	(1,451)
<b>Total accrued liabilities</b>	<b>(8,161)</b>	<b>(14,781)</b>

**6. Interest income**

	2014	2013
From demand deposits with credit institutions	616	3,321
<b>Total interest income</b>	<b>616</b>	<b>3,321</b>

**7. Realized decrease in investment value**

	2014	2013
Proceeds from sales of investments in the reporting period	4,524,624	4,445,459
(Decrease)/ increase in disposed investment recognized in prior reporting periods	(858,560)	570,190
Cost of investments sold during the reporting period	(4,831,377)	(5,219,515)
<b>Total realised decrease in investment value</b>	<b>(1,165,313)</b>	<b>(203,866)</b>

**8. Unrealized (losses)/gains**

	2014	2013
From shares	(1,719,021)	563,053
<b>Total unrealized (losses) /gains</b>	<b>(1,719,021)</b>	<b>563,053</b>

**9. Investment overview**

The table below presents change in investments during the reporting year:

	31.12.2013	Increase during the reporting period	decrease during the reporting period	Foreign exchange revaluation result	Total change in investment	31.12.2014
Financial assets held for trading						
Shares	7,512,594	2,495,926	(4,140,029)	(71,978)	(2,760,755)	3,035,758
Options	-	123,578	-	-	(123,578)	-
<b>Total investments</b>	<b>7,512,594</b>	<b>2,619,504</b>	<b>(4,140,029)</b>	<b>(71,978)</b>	<b>(2,884,333)</b>	<b>3,035,758</b>



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The table below presents change in investments during 2013:

	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	7,965,594	3,795,577	(4,173,245)	(442,527)	367,195	7,512,594
Debt securities	-	185,706	(117,990)	1,781	(69,497)	-
Options	-	41,568	(86,430)	2,719	42,143	-
Investment funds	-	-	(19,347)	-	19,347	-
<b>Total investments</b>	<b>7,965,594</b>	<b>4,022,851</b>	<b>(4,397,012)</b>	<b>(438,027)</b>	<b>359,188</b>	<b>7,512,594</b>

## 10. Pledged assets

During the reporting period, 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 1<sup>st</sup> 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.

## 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 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. The Management of the Fund 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.

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**Equity price risk**

Changes in equity prices depend on the following two groups of factors: changes in stock indices of a respective country (for instance, RIGSE Latvian companies stock index) and the financial position of issuer (prospects of earnings profit), which affects changes in the demand and supply balance. 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 0.75. The beta was calculated on the basis of the data for the year 2014. 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 to the Fund's value
47.52%	37.70%

At the end of 2013, the beta 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 in 2013. The changes of the market index are calculated as annualised standard deviation.

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

**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.

Table below shows the Fund's assets and liabilities by currencies as at 31 December 2014:

	EUR	USD	GBP	RUB	HKD	Total
<b>Assets</b>						
Demand deposits with credit institutions	2,387	521,164	1,221	31,011	-	555,783
Financial assets held for trading						
Shares	-	2,519,918	-	452,125	63,715	3,035,758
<b>Total assets</b>	<b>2,387</b>	<b>3,041,082</b>	<b>1,221</b>	<b>483,136</b>	<b>63,715</b>	<b>3,591,541</b>
<b>Liabilities</b>						
Accrued expenses	(1,000)	(7,161)	-	-	-	(8,161)
<b>Total liabilities</b>	<b>(1,000)</b>	<b>(7,161)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,161)</b>
<b>Net assets</b>	<b>1,387</b>	<b>3,033,921</b>	<b>1,221</b>	<b>483,136</b>	<b>63,715</b>	<b>3,583,380</b>
<i>Net long/(short) position</i>	0.04%	84.67%	0.03%	13.48%	1.78%	100.00%

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

	EUR	USD	GBP	RUB	LVL	Total
<b>Assets</b>						
Demand deposits with credit institutions	-	292,008	292	34,229	4,220	330,749
Financial assets held for trading						
Shares	-	5,081,715	80,102	2,350,777	-	7,512,594
<b>Total assets</b>	<b>-</b>	<b>5,373,723</b>	<b>80,394</b>	<b>2,385,006</b>	<b>4,220</b>	<b>7,843,343</b>
<b>Liabilities</b>						
Accrued expenses	(1,451)	(13,330)	-	-	-	(14,781)
<b>Total liabilities</b>	<b>(1,451)</b>	<b>(13,330)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,781)</b>
<b>Net assets</b>	<b>(1,451)</b>	<b>5,360,393</b>	<b>80,394</b>	<b>2,385,006</b>	<b>4,220</b>	<b>7,828,562</b>
<i>Net long/(short) position</i>	<i>(0.02%)</i>	<i>68.47%</i>	<i>1.03%</i>	<i>30.47%</i>	<i>0.05%</i>	<i>100.00%</i>

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

Effect of currency exchange rate (2014)				Effect of currency exchange rate (2013)			
Currency	Density in Fund (% of net assets)	Exchange rate against USD	Effect on Fund value	Currency	Density in Fund (% of net assets)	Exchange rate against USD	Effect on Fund value
USD	84.67%	0.00%	0.00%	USD	68.47%	0.00%	0.00%
RUR	13.48%	28.03%	3.78%	RUB	30.47%	8.14%	2.48%
HKD	1.78%	0.31%	0.01%	GBP	1.03%	7.54%	0.08%
EUR	0.04%	6.26%	0.00%	EUR	-0.02%	7.39%	0.00%
GBP	0.03%	5.69%	0.00%	LVL	0.05%	7.49%	0.00%
<b>Total</b>	<b>100.00%</b>		<b>0.62%</b>	<b>Total</b>	<b>100.00%</b>		<b>2.56%</b>

**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.

Table below shows the Fund's assets and liabilities by geographic profile as at 31 December 2014:

	Latvia	Other Non - OECD region countries	Total
<b>Assets</b>			
Demand deposits with credit institutions	555,783	-	555,783
Financial assets held for trading			
Shares	-	3,035,758	3,035,758
<b>Total assets</b>	<b>555,783</b>	<b>3,035,758</b>	<b>3,591,541</b>
<b>Liabilities</b>			
Accrued expenses	(8,161)	-	(8,161)
<b>Total liabilities</b>	<b>(8,161)</b>	<b>-</b>	<b>(8,161)</b>
<b>Net assets</b>	<b>547,622</b>	<b>3,035,758</b>	<b>3,583,380</b>

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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	330,749	-	330,749
Financial assets held for trading			
Shares	-	7,512,594	7,512,594
<b>Total assets</b>	<b>330,749</b>	<b>7,512,594</b>	<b>7,843,343</b>
<b>Liabilities</b>			
Accrued expenses	(14,781)	-	(14,781)
<b>Total liabilities</b>	<b>(14,781)</b>	<b>-</b>	<b>(14,781)</b>
<b>Net assets</b>	<b>315,968</b>	<b>7,512,594</b>	<b>7,828,562</b>

Table below shows the Fund's assets and liabilities by countries:

Country	Carrying amount as at 31.12.2014	Carrying amount as at 31.12.2013	% of Fund's net assets 31.12.2014
Russia	3,035,758	7,512,594	84.72%
Latvia	547,622	315,968	15.28%
<b>Total</b>	<b>3,583,380</b>	<b>7,828,562</b>	<b>100.00%</b>

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

Sector	31.12.2014	31.12.2013	% of Fund's net assets as at 31.12.2014
Energy resources	949,363	2,646,554	26.49%
Raw materials	809,949	744,291	22.60%
Consumer goods	300,033	780,433	8.37%
Financial services	278,434	1,141,258	7.77%
IT services	267,169	497,726	7.46%
Telecommunication services	184,894	734,624	5.16%
Public utilities	120,055	232,008	3.35%
Logistics	98,037	244,861	2.74%
Consumer services	27,824	406,503	0.78%
Pharmacy	-	84,336	-
<b>Total</b>	<b>3,035,758</b>	<b>7,512,594</b>	<b>84.72%</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.

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Table below shows the Fund's assets and liabilities by maturity profile as at 31 December 2014:

	Within 1 month	1 - 6 months	No maturity	Total
<b>Assets</b>				
Demand deposits with credit institutions	555,783	-	-	555,783
Financial assets held for trading Shares	-	-	3,035,758	3,035,758
<b>Total assets</b>	<b>555,783</b>	<b>-</b>	<b>3,035,758</b>	<b>3,591,541</b>
<b>Liabilities</b>				
Accrued expenses	(7,161)	(1,000)	-	(8,161)
<b>Total liabilities</b>	<b>(7,161)</b>	<b>(1,000)</b>	<b>-</b>	<b>(8,161)</b>
<b>Net assets</b>	<b>548,622</b>	<b>(1,000)</b>	<b>3,035,758</b>	<b>3,583,380</b>
<i>Net position %</i>	<i>15.31%</i>	<i>(0.03%)</i>	<i>84.72%</i>	<i>100.00%</i>

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	330,749	-	-	330,749
Financial assets held for trading Shares	-	-	7,512,594	7,512,594
<b>Total assets</b>	<b>330,749</b>	<b>-</b>	<b>7,512,594</b>	<b>7,843,343</b>
<b>Liabilities</b>				
Accrued expenses	(13,330)	(1,451)	-	(14,781)
<b>Total liabilities</b>	<b>(13,330)</b>	<b>(1,451)</b>	<b>-</b>	<b>(14,781)</b>
<b>Net assets</b>	<b>317,419</b>	<b>(1,451)</b>	<b>7,512,594</b>	<b>7,828,562</b>
<i>Net position %</i>	<i>4.05%</i>	<i>(0.02)%</i>	<i>95.97%</i>	<i>100.00%</i>

### 13. Information on holders of investment certificates

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

	31.12.2014	31.12.2013	% of total certificates as at 31.12.2014
Investment certificates held by related parties	70	70	0.02%
Investment certificates held by other persons	385,474	476,417	99.98%
<b>Issued investment certificates as at the end of the reporting period</b>	<b>385,544</b>	<b>476,487</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. AS Citadele Banka receives remuneration also as the custodian bank, as disclosed in the statement of comprehensive income (see also Note 5), as well as Citadele banka AS is holding the Fund's resources (see Note 3).

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The remuneration paid to the investment management company during the reporting period is disclosed in the statement of comprehensive income. 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 2013 the related parties of the Fund made no transactions with the Fund's investment certificates. 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 2014 and 31 December 2013.

**15. Dynamics of net asset value**

	31.12.2014	31.12.2013	31.12.2012
<b>Net assets (EUR)</b>	<b>3,583,380</b>	<b>7,828,562</b>	<b>8,435,484</b>
Number of investment certificates	385,544	476,487	497,448
Value of investment fund's shares (EUR)	9.29	16.43	16.96
Performance of the investment fund**	(-43.46%)	(-3.13%)	13.94%
<b>Net assets (USD)*</b>	<b>4,383,882</b>	<b>10,727,485</b>	<b>11,165,778</b>
Number of investment certificates	385,544	476,487	497,448
Value of investment fund's shares (USD)	11.37	22.51	22.45
Performance of the investment fund**	(-49.49%)	0.27%	16.76%

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

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

**16. Subsequent events**

On 30 March 2015 IPAS „CBL Asset Management“ changed the title of its investment fund from „Citadele Russian Equity Fund“ to “CBL Russian Equity Fund”.



## **Independent Auditors' Report**

### **To the shareholders of Investment fund “CBL Russian Equity Fund”**

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

We have audited the accompanying separate financial statements of Investment fund “CBL Russian Equity Fund” (“the Fund”), which is managed by the investment management company “CBL Asset Management” (“the Manager”). These financial statements comprise the separate statement of financial position as at 31 December 2014, the separate statements of comprehensive income, changes in net assets and cash flows for the year ended 31 December 2014, 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 Fund'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 Fund'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 Investment fund "CBL Russian Equity Fund" as at 31 December 2014 and of its financial performance and its cash flows for the year ended 31 December 2014 in accordance with International Financial Reporting Standards as adopted by the European Union.

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

In addition, our responsibility is to assess whether the accounting information included in the investment management company's 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's 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 Fund. In our opinion, the investment management company's report is consistent with the financial statements.

KPMG Baltics SIA  
Licence No 55

Ondrej Fikrle  
Partner pp. KPMG Baltics SIA  
Riga, Latvia  
24 April 2015

Inga Lipšāne  
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.