



**INVESTMENT FUND
CBL Russian Equity Fund**

ANNUAL REPORT FOR 2019
(16th financial year)

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

Riga, 2020



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INFORMĀCIJA PAR IEGULDĪJUMU FONDU

Name of the Fund:	CBL Russian Equity Fund
Type of the Fund:	Investment fund
Registration date of the Fund:	5 March 2004
Number of the Fund:	F41
Investment management company name:	
Investment management company's registered office:	CBL Asset Management IPAS Republikas laukums 2a, Riga, LV-1010, Latvia
Investment management company's registration number:	40003577500
Number of license for investment management company operations :	06.03.07.098/367
Name of the Fund's Custodian:	AS Citadele Banka
Registered office of the Fund's Custodian:	Republikas laukums 2a, Riga, LV-1010, Latvia
Registration number of the Fund's Custodian:	40103303559
Investment management company's Council and Board members and their positions:	<i>Council of the investment management company:</i> Chairperson of the Council – Juris Jākobsons – appointed on 11.10.2010 Deputy Chairperson of the Council - Vladimirs Ivanovs - appointed on 06.11.2012 Member of the Council - Peter Meier - appointed on 30.09.2015 <i>Board of the investment management company:</i> Chairperson of the Board – Kārlis Purgailis - appointed on 08.09.2017 Board Member - Zigurds Vaikulis - appointed on 19.04.2007 Board Member - Andris Kotāns - appointed on 11.05.2015 Board Member - Lolita Sičeva - appointed on 11.05.2015
Rights and responsibilities related to the investment fund management:	The Council and the Board members shall perform all duties prescribed in laws and regulations of the Republic and in the Articles of Association of the investment management company
Fund managers (members of the Investment Committee):	Andrejs Pilka – appointed on 29.08.2019 Igoris Lahtadirs – appointed on 21.11.2013 Andris Kotāns – appointed on 26.01.2011, resigned 29.08.2019
Rights and responsibilities related to the Fund's management:	The Fund Manager shall perform all duties prescribed in laws and regulations of the Republic of Latvia, in the Articles of Association of the investment management company and in the prospectus of the Fund
Auditor:	KPMG Baltics SIA Vesetas iela 7 Riga, LV-1013 License No 55 Latvia

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The manager of the investment fund *CBL Russian Equity Fund* (hereinafter the Fund) is the investment management company CBL Asset Management, registered office Republikas laukums 2, Riga, LV-1010 (hereinafter the Company). The Company was founded on 11 January 2002. The Company's registration number is 40003577500. The Company's operating license number is 06.03.07.098/367, which was last re-registered on 19 January 2015.

The Fund aims at achieving long-term capital appreciation by investing primarily in equities of companies that are registered or carry out principal activities in the Russian Federation. Income of the Fund consists of appreciation of equity shares and dividends received. The base currency of the Fund is the U.S. dollar.

In 2019, Russian equities performed very well with the RTS index growing by 56% and MSCI Russia index by 54%, which is one of the best performances results) among global emerging markets. The favorable conditions in the global financial markets gave vital support to them. At the beginning of the year, after the 2018 year end correction, a strong growth followed in practically all the regions of the world. Together with this, optimism was also seen by an upsurge in commodities markets and a considerable rise in oil prices, which pushed higher also Russian equities. Initially the optimism was backed mainly by the promises of the US President Donald Trump to reach an agreement with the Chinese government on reciprocal trade issues. However, it rather quickly became clear that there would be no easy solution to the US-China trade war. Throughout the year, the leaders of both countries provided contradictory information as to the progress of the negotiations, and only at the end of the year, the initial agreement was reached cancelling the application of increased tariffs. During the year, the news caused fluctuations in global stock markets, however, a major counterweight to this was the supportive monetary policy of the world's central banks, which maintained investor optimism.

In addition to global events, investors in the Russian stock market were focused on positive changes in the corporate governance of companies. Thus, the market was astonished by Gazprom's announcement of doubling its dividend payouts, giving investors a 7% dividend yield. This was a very pleasant surprise, as historically, the company had never pampered investors with high dividend payouts. Gazprom equities rose by about 100% during the year. Following Gazprom's example, more Russian companies introduced changes in their dividend policies, which even further supported the stock market. Investors began to view Russian equities more favorably which was certainly due to high dividend yields, which exceeded 7% in 2019, and was the most attractive level among the major stock markets.

The Fund slightly underperformed the market with its value growing by 34% over the year. This was mainly due to the Fund's relatively lower exposure to the energy sector and especially due to a smaller proportion of Gazprom's shares in the Fund's portfolio which is limited by regulatory requirements. In 2019, the largest positive contribution to the Fund was generated by its investments in the energy, materials and financial sectors which were also the largest in proportional terms of the Fund's assets. During the year, investments in the financial sector also provided one of the highest returns in the Fund's portfolio and presented an increase of almost 60%. Over the year there was no sector in the Fund's investments that showed a negative return.

In 2019, the Fund's net assets decreased by EUR 235,398 and totaled EUR 3,361,030 at the end of the year. As at 31 December 2019, its gross assets amounted to EUR 3,369,061. At the same time, the value of the unit of the Fund over the year decreased by EUR 5.00, amounting to EUR 19.69. The total return of the Fund in 2019 was 34.04% in terms of the euro and 31.51% in terms of the Fund's base currency (USD).

In the reporting period, the management costs amounted to EUR 95,008, which did not exceed the maximum amount of 4.00% provided in the Fund's prospectus. The investment management company fee of EUR 75,224, custodian fee – EUR 6,770, other management expenses - EUR 13,014 were covered from the Fund's assets. In 2019, the Fund's ongoing charge figure was 2.56% of the Fund's average net asset value.

As of the last day of the reporting year until the date of signing these financial statements there have been no significant events of material effect on the Fund's financial position.

No significant involvement measures were taken during the reporting period (in accordance with the provisions of the Sustainability and Involvement Policy).

A significant event as of the last day of the reporting year until the date of signing these financial statements that may have a material impact on the financial situation of the Fund and its performance and which should be mentioned is the spread of coronavirus first in China and afterwards in the rest of the world. Participants in the financial markets, after the spread of the coronavirus outside of China in February, reacted very quickly with the selling of almost all categories of assets. The Russian stock market also fell sharply. In addition to the collective panic corrections on world financial markets, the situation on the Russian stock market was negatively affected by the significant reduction in oil prices. The total negative impact on various global economy sectors and countries, including Russia, is very difficult to estimate while the virus spread continues. The Fund Managers expect stock markets to remain highly volatile for a significant length of time.

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

Kārlis Purgailis
Chairman of the Board

Riga, 2020

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**IF CBL Russian Equity Fund
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The Board of Investment Management Company (here and after - the Company) is responsible for preparation of financial statements of the investment fund 'CBL Russian Equity Fund' (hereinafter - the Fund).

The financial statements on pages 7 through 19 are prepared based on source documents and present fairly the financial position of the Fund as at 31 December 2019 and the results of its operations in 2019.

The financial statements mentioned above are prepared in accordance with the International Financial Reporting Standards adopted by the European Union, as required by the regulation of the Financial and Capital Market Commission (FCMC) *On Preparation of Annual Reports, Consolidated Annual Reports and Semi-Annual Reports of Investment Fund and Open Alternative Investment Fund* on a Going Concern Basis. Appropriate accounting methods have consistently been 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 CBL Russian Equity Fund assets and the prevention and detection of fraud and other irregularities. The Board is also responsible for ensuring compliance with the Law on Investment Management Companies, regulations of the Financial and Capital Market Commission and other laws and regulations of the Republic of Latvia.

Kārlis Purgailis
Chairman of the Board

Andrejs Pilka
Fund Manager

Igors Lahtadirs
Fund Manager

Riga, 2020

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

To the Share Certificate holders of
IF CBL Russian Equity Fund

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

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

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

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

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

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

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

Valters Ābele
Board Member

Riga, 2020

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STATEMENT OF ASSETS AND LIABILITIES

	Notes	31.12.2019	31.12.2018
Assets			
Due on demand from credit institutions	3	271,300	193,339
Financial assets at fair value through profit or loss			
Equity instruments	4	3,097,761	3,411,038
Total assets		3,369,061	3,604,377
Liabilities			
Accrued expenses	5	(8,031)	(7,949)
Total liabilities		(8,031)	(7,949)
Net assets		3,361,030	3,596,428

The accompanying notes on pages 11 through 19 form an integral part of these financial statements.

For the Board of IPAS:

Kārlis Purgailis
Chairman of the Board

Riga, 2020

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**IF CBL Russian Equity Fund
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IENĀKUMU UN IZDEVUMU PĀRSKATS

	Notes	<u>2019</u>	<u>2018</u>
Income			
Dividend income		230,975	196,254
Total income		<u>230,975</u>	<u>196,254</u>
Expenses			
Remuneration to investment management company		(75,224)	(80,136)
Custodian Fee		(6,770)	(7,212)
Other Fund management expenses		<u>(13,014)</u>	<u>(13,008)</u>
Total expenses		<u>(95,008)</u>	<u>(100,356)</u>
Increase/ decrease in investment value			
Realized increase in investment value	6	228,239	50,303
Unrealized increase/(decrease) in investment value	7	<u>584,173</u>	<u>(280,973)</u>
			<u>(230,670)</u>
Total increase/(decrease) in investments		<u>812,412</u>	
Foreign currency revaluation result		<u>153,813</u>	<u>48,779</u>
Increase/(decrease) in net assets from investment		<u>1,102,192</u>	<u>(85,993)</u>

The accompanying notes on pages 11 through 19 form an integral part of these financial statements.

For the Board of IPAS:

Kārlis Purgailis
Chairman of the Board

Riga, 2020

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STATEMENT OF CHANGES IN NET ASSETS

	<u>2019</u>	<u>2018</u>
Net assets at the beginning of the reporting period	3,596,428	4,063,069
Increase/(decrease) in net assets from investment	1,102,192	(85,993)
Transactions with share certificates and units		
Inflow from sale of share certificates and units	69,581	141,440
Outflow on redemption of share certificates and units	<u>(1,407,171)</u>	<u>(522,088)</u>
(Decrease) in net assets from transactions with share certificates	<u>(1,337,590)</u>	<u>(380,648)</u>
Net asset (decrease) in the reporting period	<u>(235,398)</u>	<u>(466,641)</u>
Net assets at the end of the reporting period	<u>3,361,030</u>	<u>3,596,428</u>
Number of share certificates issued and units as at the beginning of the reporting period	<u>244,813</u>	269,011
Number of share certificates issued and units at the end of the reporting period	<u>170,712</u>	<u>244,813</u>
Net assets per share certificate as at the beginning of the reporting period	<u>14.69</u>	<u>15.10</u>
Net assets per share certificate as at the end of the reporting period	<u>19.69</u>	<u>14.69</u>

The accompanying notes on pages 11 through 19 form an integral part of these financial statements.

For the Board of IPAS:

Kārlis Purgailis
Chairman of the Board

Riga, 2020

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STATEMENT OF CASH FLOWS

	Notes	2019	2018
Dividend income		230,975	196,254
Investment management expenses		(95,286)	(98,725)
Acquisition of financial investments	8	(482,982)	(1,194,170)
Sale of financial investments		1,757,582	1,421,186
Foreign currency revaluation result		2,383	211
Increase in cash and cash equivalents from operating activities		1,412,672	324,756
Inflow from sale of share certificates		69,581	141,440
Outflow on redemption of share certificates		(1,407,171)	(557,812)
Decrease in cash and cash equivalents from financing activities		(1,337,590)	(416,372)
Increase/ (decrease) in cash and cash equivalents		75,082	(91,616)
Cash and cash equivalents at the beginning of the reporting period		193,339	295,818
Foreign currency revaluation result		2,879	(10,863)
Cash and cash equivalents at the end of the reporting period		271,300	193,339

The accompanying notes on pages 11 through 19 form an integral part of these financial statements.

For the Board of IPAS:

Kārlis Purgailis
Chairman of the Board

Riga, 2020

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NOTES TO THE FINANCIAL STATEMENTS**NOTE 1 GENERAL INFORMATION**

Name of the Fund:	CBL Russian Equity Fund
Type of the Fund:	Investment fund
Scope of the Fund:	Investing primarily in equities of companies that are registered or carry out their core activities in the Russian Federation.
Investment management company name:	CBL Asset Management IPAS (hereinafter - the Company) Republikas laukums 2a, Riga, LV-1010, Latvia

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation**

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

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

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

Opening balances of Statement of assets and liabilities as at 1 January 2019 agree with the closing balances of the published financial statements for the year 2018.

Functional and reporting currency

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

Significant estimates and assumptions

The preparation of financial statements in conformity with IFRS as adopted by the EU requires making of substantial assumptions. Moreover, when preparing the financial statements, the management of the Company has to make assumptions and judgments to apply the Fund's accounting policy. Preparation of financial statements in compliance with IFRS as adopted by the EU requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures in the financial statements at the date of financial statements, as well as income and expenses recognized in the reporting period.

The most significant estimates and assumptions relate to determination of fair value of financial assets.

Income and expense recognition

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

Interest income and expenses are recognized in the statement of income and expenses, using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

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

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

Foreign currency revaluation

Transactions in foreign currencies are revaluated into euro at the foreign exchange rate stated by the European Central Bank as at the transaction date. Monetary assets and liabilities denominated in foreign currencies are revaluated into euro according to the foreign exchange rate stated by the European Central Bank as at the end of the last day of the reporting period. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are revaluated into functional currency at the exchange rate at the date when the fair value was determined. The exchange rates (foreign currency units against the EUR) stated by the European Central Bank that were mainly applied when preparing the statement of assets and liabilities of the fund were as follows:

Currency	31.12.2019	31.12.2018
USD	1.12340	1.14500
RUB	69.95630	79.71530
HKD	8.74730	8.96750

Cash and cash equivalents

The Fund's cash and cash equivalents represent all balances due on demand from credit institutions.

Financial instruments

The Company recognizes a financial asset when, and only when, the Company becomes a party to the contract. Financial assets are classified as either measured at amortized cost or at fair value through profit or loss. The basis for classification is both business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. At acquisition the applicable classification is evaluated based on the guidelines established by the Company. To classify a financial asset to a particular category, the Company at inception determines whether the asset meets the relevant business model and contractual cash flow criteria. The business model is revealed through the activities of the Fund. It stems from the Company's typical way of managing the Fund's financial assets in order to generate cash flows; thus, the assessment is not performed on the basis of scenarios that the Company does not reasonably expect to occur. In a stress case, if cash flows are realized in a way that is different from the Company's expectations embedded in the business model, it does not give rise to a prior period error nor does it change the classification of the remaining financial assets held in that business model. However, for future acquisitions historical cash flows are considered and may give rise to changes in the business model.

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

Financial assets and liabilities at amortized cost

For a financial asset to be measured at amortized cost it should be both held within a business model whose objective is to hold financial assets to collect contractual cash flows and the contractual terms of the financial asset should give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are carried at amortized cost using the effective interest rate method, less any allowance for impairment.

The impairment allowance for financial assets that are not-credit impaired (Stage 1 and Stage 2) is measured as the present value of all cash shortfalls which is the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive is counted at the effective interest rate of a financial asset. The impairment allowance for financial assets that are credit impaired at the reporting date (Stage 3) is measured as the difference between the gross carrying amount and the present value of estimated future cash flows discounted at the effective interest rate of the financial asset. For the purchased or originated credit-impaired financial assets the credit-adjusted effective interest rate is applied from initial recognition.

A gain or loss on a financial asset that is measured at amortized cost is recognized in profit or loss when the financial asset is derecognized, reclassified, through the amortization process or in order to recognize impairment gains or losses. Financial assets at amortized cost are recognized on drawdown. From the date of signing a contractual agreement till drawdown, they are accounted for as off-balance sheet commitments.

When the financial asset or part of it cannot be recovered, it or the respective part is written-off and charged against impairment for credit losses. The Company makes the decision regarding any write-off of financial assets. Recoveries of previously written-off assets or parts of assets are credited to the statement of profit or loss.

The Company classifies all financial liabilities as subsequently measured at amortized cost using the effective interest rate method, except for derivatives and certain deposit components of the insurance plan liabilities which are measured at fair value through profit or loss. A gain or loss on a financial liability that is measured at amortized cost is recognized in profit or loss when the financial liability is derecognized and through the amortization process.

Financial instruments at fair value through profit or loss

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

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

Included in this category are certain life insurance contract liabilities, which are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

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

Allowances for impairment of financial assets

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

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

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identified, would additionally be subjected to comprehensive evaluation, including comparison to market valuations for similar exposures, analysis of market depth of the respective security, past trading performance and all other available information.

Fair value of financial assets and liabilities

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

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

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

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

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

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

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

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

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

Level 3 represents financial instruments whose fair value is determined using available market data and the Company's internal estimates.

The Fund recognizes changes in the fair value hierarchy level for instruments at the end of the reporting period in which the changes have occurred.

Taxes

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

Changes in accounting policies

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

New standards and interpretations

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

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

IFRIC interpretation 23 "Uncertainty over Income Tax Treatments"

IFRS 9: Prepayment features with negative compensation (Amendment)

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

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

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

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

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

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

Amendments to References to Conceptual Framework in IFRS Standard

Amendments to IFRS 3 –Definition of a Business

Amendments to IAS 1 and IAS 8 –Definition of Material

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

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NOTE 3 DUE ON DEMAND FROM CREDIT INSTITUTIONS

	% of the Fund's net assets		% of the Fund's net assets	
	31.12.2019	31.12.2019	31.12.2018	31.12.2018
Due on demand from credit institutions, AS Citadele Banka	271,300	8.07%	193,339	5.38%
Total demand deposits with credit institutions	271,300	8.07%	193,339	5.38%

NOTE 4 EQUITY INSTRUMENTS

	% of the Fund's net assets		% of the Fund's net assets	
	31.12.2019	31.12.2019	31.12.2018	31.12.2018
Corporate equity instruments	3,097,761	92.17%	3,411,038	94.85%
Equity instruments of companies in non-OECD countries	3,097,761	92.17%	3,411,038	94.85%
Total equity instruments	3,097,761	92.17%	3,411,038	94.85%

All equity instruments are classified as financial assets at fair value through profit or loss. As at 31 December 2019, all equity instruments owned by the Fund were traded on regulated markets.

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

Financial instrument	ISIN code	Currency	Amount	Acquisition value (EUR)	Carrying amount 31.12.2019	% of the Fund's net assets 31.12.2019
Financial instruments traded on regulated markets				2,415,121	3,097,761	92.17%
Equity instruments of Russian issuers:				2,415,121	3,097,761	92.17%
Sberbank	US80585Y3080	USD	21,500	239,929	314,538	9.36%
Lukoil	US69343P1057	USD	3,500	144,784	308,439	9.18%
Gazprom OAO	US3682872078	USD	40,400	152,699	295,610	8.80%
NOVATEK OAO	US6698881090	USD	1,560	252,858	281,894	8.39%
Severstal OAO	US8181503025	USD	11,500	130,166	154,882	4.61%
Yandex NV	NL0009805522	USD	4,000	116,364	154,780	4.61%
Tatneft PJSC	US8766292051	USD	2,350	79,583	154,212	4.59%
Magnit PJSC	US55953Q2021	USD	14,200	167,679	152,378	4.53%
Mail.Ru Group Ltd	US5603172082	USD	7,700	162,689	150,792	4.49%
X5 RETAIL GROUP	US98387E2054	USD	4,900	138,686	150,481	4.48%
MMC Norilsk Nickel PJSC	US55315J1025	USD	5,500	85,151	149,568	4.45%
Mobile TeleSystems PJSC	US6074091090	USD	16,500	145,876	148,785	4.43%
Rosneft oil	US67812M2070	USD	22,400	100,076	143,564	4.27%
Gazprom Neft PJSC	US36829G1076	USD	4,400	134,426	131,209	3.89%
PhosAgro OAO	US71922G2093	USD	11,050	129,884	124,822	3.71%
Novolipetsk Steel OJSC	US67011E2046	USD	4,800	51,336	97,760	2.91%
QIWI plc	US74735M1080	USD	4,540	69,953	77,916	2.32%
Magnitogorsk Iron & Steel Works	US5591892048	USD	8,000	47,325	61,670	1.83%
Globaltrans Investment PLC	US37949E2046	USD	2,616	17,988	20,492	0.61%
TMK OAO	US87260R2013	USD	4,075	27,347	13,458	0.40%
Etalon Group Ltd	US29760G1031	USD	6,786	20,322	10,511	0.31%
Volga Territorial Generating	RU000A0HML36	RUB	1	-	-	0.00%
Equity instruments of Kazakh issuers:				123	-	0.00%
Kazakhstan Kagazy PLC	US48667M4015	USD	14,000	123	-	0.00%
Total equity instruments:				2,415,121	3,097,761	92.17%

NOTE 5 ACCRUED EXPENSES

	31.12.2019	31.12.2018
Accrued expenses for investment management company fees	(5,746)	(5,683)
Accrued expenses for custodian fees	(517)	(511)
Accrued expenses for professional services	(1,768)	(1,755)
Total accrued expenses	(8,031)	(7,949)

NOTE 6 REALIZED INCREASE/ (DECREASE) IN INVESTMENT VALUE

	2019	2018
Proceeds from sale of investments in the reporting period*	1,804,146	1,531,339
Cost of investments sold during the reporting period	(18,044)	(162,084)
(Depreciation) of sold investments recognized in prior reporting years	(1,557,863)	(1,318,952)
Total realized increase in investment value	228,239	50,303

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

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NOTE 7 UNREALIZED INCREASE/ (DECREASE) IN INVESTMENT VALUE

	2019	2018
From equity instruments	584,173	(280,973)
Total unrealized increase/(decrease) in investment value	584,173	(280,973)

NOTE 8 CHANGES IN INVESTMENTS

The following table shows the changes in investments in 2019:

	31.12.2018	Increase during the reporting period	Decrease during the reporting period*	Fair value adjustment	31.12.2019
Financial assets at fair value through profit or loss					
Equity instruments	3,411,038	482,982	(1,757,582)	961,323	3,097,761
Total investments	3,411,038	482,982	(1,757,582)	961,323	3,097,761

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

The following table shows the changes in investments in 2018:

	31.12.2017	Increase during the reporting period	Decrease during the reporting period*	Fair value adjustment	31.12.2018
Financial assets at fair value through profit or loss					
Equity instruments	3,813,035	1,194,170	(1,421,186)	(174,981)	3,411,038
Total investments	3,813,035	1,194,170	(1,421,186)	(174,981)	3,411,038

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

NOTE 9 PLEDGED ASSETS

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

NOTE 10 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Management of the investment management company believes that the carrying amounts of financial assets and liabilities correspond to their fair values. The fair value is determined using market quotes, based on the information published by stock exchanges and brokerage companies. All equity instruments owned by the Fund are traded on regulated markets and are classified in the fair valuation hierarchy at Level 1. The fair value of balances due on demand from credit institutions corresponds to their carrying amount.

NOTE 11 RISK MANAGEMENT

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

Risk management framework

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

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

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

When developing the Fund's investment strategy and setting risk limits, the Company performs an analysis of the Fund's distribution of maturity, geographic location and types of currency investments by assessing the risk level for each of these factors. The Company acts in strict compliance with the Prospectus of the Fund, Fund Management Regulations, as well as regulations and restrictions prescribed in laws and regulations of the Republic of Latvia.

Market risk

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

Price risk

Changes in prices of equity securities (shares) depend on two variables - changes in the respective national stock index (for Russian companies these are changes in the stock market index - RTS) and the financial position of the particular issuer (in terms of capacity to generate profit), which in turn affects the fluctuations of the balance of supply and demand. The first variable is also often referred to as systematic risk; whereas the second - as specific risk. The systemic risk is managed

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based on forecasts regarding the overall economic development in the specific geographical region and the potential economic development of the industry. The specific risk is managed on the basis of detailed analysis of the issuer's financial situation and capacity to generate profit as well as other factors affecting the price of the security mainly based on the reports published by the issuer, information in the mass media etc. Here the focus is on both price volatility (deviations) and their correlations. As a result, it is possible to calculate the overall price risk of the portfolio securities, taking into account their historical yield.

At the end of the reporting period, the Beta factor (a measure of a stock's volatility in relation to the overall market) was 0.79. The Beta factor was calculated based on the data of the reporting year. The selected market index since 1 July 2017 has been MSCIRussia10/40NetTR (Russian stock market index). The market index volatility is calculated as the standard deviation in the respective reporting period.

Market volatility	Fund value volatility
30.00%	23.72%

At the end of 2018, the Beta factor was 0.91 and it was calculated based on the 2018 data. The selected market index since 1 July 2017 has been MSCIRussia10/40NetTR (Russian stock market index). The market index volatility is calculated as the standard deviation in the respective reporting period.

Market volatility	Fund value volatility
23.43%	21.25%

Foreign currency risk

Foreign currency risk arises when the nominal currency of securities and other financial instruments in the Fund differs from the Fund's currency (USD). Exchange rate fluctuations may cause profit or loss depending on the direction of exchange rate fluctuations and the currency's position in the Fund. Foreign currency risk can be hedged by the effect of diversification, which occurs when the Fund has several currencies and the exchange rate fluctuations of these currencies are not closely interrelated.

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

	EUR	USD	RUB	Total
Assets				
Due on demand from credit institutions	450	270,850	-	271,300
Financial assets through profit or loss				
Equity instruments	-	3,097,761	-	3,097,761
Total assets	450	3,368,611	-	3,369,061
Liabilities				
Accrued expenses	(1,768)	(6,263)	-	(8,031)
Total liabilities	(1,768)	(6,263)	-	(8,031)
Net assets	(1,318)	3,362,348	-	3,361,030
<i>Net / (short) long position</i>	<i>(0.04%)</i>	<i>100.04%</i>	-	<i>100.00%</i>

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

	EUR	USD	RUB	HKD	Total
Assets					
Due on demand from credit institutions	311	193,028	-	-	193,339
Financial assets through profit or loss					
Equity instruments	-	2,854,057	487,664	69,317	3,411,038
Total assets	311	3,047,085	487,664	69,317	3,604,377
Liabilities					
Accrued expenses	(1,755)	(6,194)	-	-	(7,949)
Total liabilities	(1,755)	(6,194)	-	-	(7,949)
Net assets	(1,444)	3,040,891	487,664	69,317	3,596,428
<i>Net / (short) long position</i>	<i>(0.04%)</i>	<i>84.55%</i>	<i>13.56%</i>	<i>1.93%</i>	<i>100.00%</i>

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

Effect of exchange rate fluctuations (2019)				Effect of exchange rate fluctuations (2018)			
Currency	Share in the Fund (% of net assets)	Change in the exchange rate against USD	Impact on the Fund's value	Currency	Share in the Fund (% of net assets)	Change in the exchange rate against USD	Impact on the Fund's value
USD	100.04%	0.00%	0.00%	USD	84.55%	0.00%	0.00%
EUR	-0.04%	5.01%	0.00%	RUR	13.56%	13.58%	1.84%
Total	100.00%		0.00%	HKD	1.93%	0.71%	0.01%
				EUR	-0.04%	7.22%	0.00%
				Total	100.00%		1.85%

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Concentration risk

The issuer's line of business and geographical position represent additional risk factors that may affect the price of the issuer's securities or solvency, therefore it is important to identify concentration risk - i.e., the extent to which the Fund's value depends on changes in certain regions and/or sectors. Geographical distribution of risk concentration (based on the country whose position affects the issuer's solvency the most) and distribution across sectors are presented in tables below. The following table shows the geographical profile of assets and liabilities of the Fund as at 31 December 2019:

	Latvia	Non-OECD countries	Total
Assets			
Due on demand from credit institutions	271,300	-	271,300
Financial assets through profit or loss			
Equity instruments	-	3,097,761	3,097,761
Total assets	271,300	3,097,761	3,369,061
Liabilities			
Accrued expenses	(8,031)	-	(8,031)
Total liabilities	(8,031)	-	(8,031)
Net assets	263,269	3,097,761	3,361,030

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

	Latvia	Other OECD countries	Non-OECD countries	Total
Assets				
Due on demand from credit institutions	193,339	-	-	193,339
Financial assets through profit or loss				
Equity instruments		31,094	3,379,944	3,411,038
Total assets	193,339	31,094	3,379,944	3,604,377
Liabilities				
Accrued expenses	(7,949)	-	-	(7,949)
Total liabilities	(7,949)	-	-	(7,949)
Net assets	185,390	31,094	3,379,944	3,596,428

The following table shows the breakdown of the Fund's net assets by countries (based on the issuer's country of registration):

Country	% of the Fund's net assets		% of the Fund's net assets	
	Carrying amount 31.12.2019	31.12.2019	Carrying amount 31.12.2018	31.12.2018
Russia	3,097,761	92.17%	3,379,944	93.98%
Latvia	263,269	7.83%	185,390	5.15%
Switzerland	-	0.0%	31,094	0.87%
Total	3,361,030	100.00%	3,596,428	100.00%

The following table shows the breakdown of the Fund's securities portfolio by sectors.

Sector	% of the Fund's net assets		% of the Fund's net assets	
	31.12.2019	31.12.2019	31.12.2018	31.12.2018
Energy	1,328,386	39.52%	1,416,036	39.38%
Commodities	588,702	17.52%	790,421	21.98%
Telecommunications services	454,357	13.52%	141,631	3.94%
Commercial banks	314,538	9.36%	-	0.00%
Consumer staples	302,859	9.01%	331,209	9.21%
IT services	77,916	2.32%	266,653	7.41%
Manufacturing	20,492	0.61%	200,700	5.58%
Financial services	10,511	0.31%	383,507	10.66%
Utilities	-	0.00%	60,881	1.69%
Total	3,097,761	92.17%	3,591,038	99.85%

Liquidity risk

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

Investments in the Russian market are subject to increased risk that the market for various assets may temporarily lack liquidity. This may lead to a situation where it is not possible to sell financial instruments or other assets or they are sold for a reduced price.

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

	Up to 1 month	1-6 months	Indefinite	Total
Assets				
Due on demand from credit institutions	271,300	-	-	271,300
Financial assets through profit or loss				
Equity instruments	-	-	3,097,761	3,097,761
Total assets	271,300	-	3,097,761	3,369,061
Liabilities				
Accrued expenses	(6,263)	(1,768)	-	(8,031)
Total liabilities	(6,263)	(1,768)	-	(8,031)
Net assets	265,037	(1,768)	3,097,761	3,361,030
<i>Net position, %</i>	<i>7.88%</i>	<i>(0.05%)</i>	<i>92.17%</i>	<i>100.00%</i>

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

	Up to 1 month	1-6 months	Indefinite	Total
Assets				
Due on demand from credit institutions	193,339	-	-	193,339
Financial assets through profit or loss				
Equity instruments	-	-	3,411,038	3,411,038
Total assets	193,339	-	3,411,038	3,604,377
Liabilities				
Accrued expenses	(6,194)	(1,755)	-	(7,949)
Total liabilities	(6,194)	(1,755)	-	(7,949)
Net assets	187,145	(1,755)	3,411,038	3,596,428
<i>Net position, %</i>	<i>5.20%</i>	<i>(0.05%)</i>	<i>94.85%</i>	<i>100.00%</i>

NOTE 12 INFORMATION ON THE FUND'S INVESTMENT CERTIFICATE HOLDERS

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

	% of the total number		% of the total number	
	31.12.2019	31.12.2019	31.12.2018	31.12.2018
Share certificates held by related parties	12,041	7.05%	16,140	6.59%
Share certificates held by third parties	158,671	92.95%	228,673	93.41%
The number of share certificates issued at the end of the reporting period	170,712	100.00%	244,813	100.00%

NOTE 13 RELATED PARTY TRANSACTIONS

The majority of the Fund's investments are acquired through the custodian bank. AS Citadele banka receives custodian fee, which is charged to the statement of income and expenses (see Note 5); and cash of the Fund is also placed with AS Citadele banka (see Note 3).

Remuneration paid to the investment management company in the reporting year is disclosed in the statement of income and expenses.

In the reporting period, the related parties did not conduct any transactions with the Fund's share certificates. Transactions with the Fund's share certificates are calculated taking into account only the share certificates held by those related parties which have been classified as related parties of the Fund in 2019 and 2018.

NOTE 14 PERFORMANCE DYNAMICS OF THE INVESTMENT FUND

	31.12.2019	31.12.2018	31.12.2017
Net assets (EUR)	3,361,030	3,596,428	4,063,069
Number of share certificates	170,712	244,813	269,011
Value of the unit of the Fund	19.69	14.69	15.10
Fund return**	34.04%	(2.72%)	(5.86%)
Net assets (USD)*	3,775,782	4,117,910	4,868,464
Number of share certificates	170,712	244,813	269,011
Value of the unit of the Fund (USD)	22.12	16.82	18.10
Fund return**	31.51%	(7.07%)	7.23%

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

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

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NOTE 15 EVENTS AFTER THE END OF THE REPORTING PERIOD

Recent Covid-19-related events

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

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

A significant event as of the last day of the reporting year until the date of signing these financial statements that may have a material impact on the financial situation of the Fund and its performance and which should be mentioned is the spread of coronavirus first in China and afterwards in the rest of the world. Participants in the financial markets, after the spread of the coronavirus outside of China in February, reacted very quickly with the selling of almost all categories of assets. The Russian stock market also fell sharply. In addition to the collective panic corrections on world financial markets, the situation on the Russian stock market was negatively affected by the significant reduction in oil prices. The total negative impact on various global economy sectors and countries, including Russia, is very difficult to estimate while the virus spread continues.

From the end of 2019 until the lowest point as of March 2020, the Russian stock market shrunk by approximately 46%; however, it managed to recover and as at 20 April 2020 Russian equities had grown by approximately 28%. The value of the equity instruments of Russian issuers is still by more than 30% lower than at the end of 2019. The Fund Managers expect stock markets to remain highly volatile over the first six months of 2020.

From 1 March to mid-April 2020, the outflow of funds from CBL Russian Equity Fund reached EUR 146'614 or 5.39% of assets. We believe that further outflow of funds is unlikely; however, where this occurs, we do not expect any difficulties for the bond fund in realizing the portfolio positions to the extent necessary, given the high liquidity of the portfolio.



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Independent Auditors' Report

To the shareholders of investment fund 'CBL Russian Equity Fund'

Report on the audit of financial statements

Our opinion on the financial statements

We have audited the financial statements of investment fund 'CBL Russian Equity Fund' ("the Fund") managed by IPAS 'CBL Asset Management' ("the Asset Manager") as set out on pages 7 to 19 of the accompanying Annual Report. The accompanying financial statements include:

- Overview of assets and liabilities as at 31 December 2019,
- Report on income and expenses for the year then ended,
- Statement of changes to net assets for the year then ended,
- Statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of investment fund 'CBL Russian Equity Fund' as at 31 December 2019, and of its financial performance and changes in net assets and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

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

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

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

Emphasis of Matter

We draw attention to Note 15 to the financial statements which describes significant subsequent events in relation to the pandemic caused by Covid-19 which have no impact on the financial statements and contains commentary by the Asset Manager as to the potential impact of these developments on the daily operations of the Asset Manager and the financial position and performance of the Fund. Our opinion is not qualified in respect of this matter.



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

Reporting on Other Information

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

- Information about the investment plan, as set out on page 3 of the accompanying Annual Report,
- Asset Manager's Report, as set out on pages 4 and 5 of the accompanying Annual Report.
- Statement of responsibility of the board of the Asset Manager, as set out on page 5 of the accompanying Annual Report.
- Custodian Bank Report, as set out on page 6 of the accompanying Annual Report.

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

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

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

Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information

In addition, in accordance with the 'Law on Audit Services' of the Republic of Latvia, our responsibility is to express an opinion on whether the Asset Manager's Report is prepared in accordance with the requirements of Regulation No. 99 'Regulation on the preparation of annual reports, consolidated annual reports and interim reports of an investment fund and open alternative investment fund' issued by the Financial and Capital Market Commission.

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

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

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union and for such internal control as management determines is



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necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

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



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

KPMG Baltics AS

Licence No. 55

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