

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

**HALF-YEAR REPORT 2015 (UNAUDITED)**

(at June 30<sup>th</sup>, 2015)

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

Translation from Latvian original\*

\*This version of financial statements is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of financial statements takes precedence over this translation.

**Riga, 2015**

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**IF "CBL Russian Equity Fund"**

**Half-year report 2015**

**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 the fund:	5 March 2004 (re-registration date 30 March 2015)
Number of the 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
Licence number of the investment management company:	06.03.07.098/367
Name of the custodian bank:	"Citadele banka" JSC
Registered office of the custodian bank:	Republikas laukums 2a, Riga, LV-1010, Latvia
Registration number of the investment management company:	40103303559
Names and positions of Council Members and Board Members of the investment management company::	<p><i>Council of the investment management company:</i>            Chairman of the Council – Juris Jakobsons – appointed on 30.09.2010            Deputy Chairman of the Council – Vladimirs Ivanovs – appointed on 01.11.2012.            Member of the Council – Aldis Paegle – appointed on 04.07.2014.</p> <p><i>Board of the investment management company:</i>            Chairman of the Board – Uldis Upenieks – appointed on 01.11.2012.            Member of the Board – Zigurds Vaikulis – appointed on 30.03.2007            Member of the Board – Andris Kotans – appointed on 11.05.2015.            Member of the Board – Lolita Siceva – appointed on 11.05.2015</p>
The related rights and obligations of the management of the investment fund:	All the duties of the Council and Board members stated in the legislation of the Republic of Latvia and the Statutes of the investment management company are performed by the Council and Board members.
Names of Fund Managers:	Kristiāna Janvare – appointed on 15.08.2008. Andris Kotans – appointed on 26.01.2011. Elchin Jafarov – appointed on 25.09.2011. Igors 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 Certified audit company licence No. 55 Vesetas street 7 LV-1013, Riga

**IF “CBL Russian Equity Fund”**  
**Half-year report 2015**  
**Statement of financial position**  
**(EUR)**

The assets of 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) and founded on 11 January 2002. Registration number 40003577500. The Company holds a license No. 06.03.07.098/367 for investment operations.

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 the first half of 2015, Russian equity market demonstrated strong rebound. RTS index surged by impressive 18.9%, demonstrating the best performance across core Emerging Markets equities, which on average gained 1.7% (MSCI EM index). Such outperformance was driven by mitigation of geopolitical risks, as well as recovery in oil prices, both of which resulted in stabilization of rouble, returning confidence to the market.

Russian equities started 2015 on a weaker footing, as in January rouble continued its disastrous trend of late-2014 amid weaker commodity prices and concerns over upcoming external corporate debt repayments. On top of that, the military standoff in Ukraine substantially deteriorated, and S&P downgraded Russia to below investment grade BB+ rating with a negative outlook. However, already in February Russian equities exhibited strong rebound driven by rouble fighting back some losses thanks to oil price jumping by 18%, as well as abating geopolitical risks. In particular, the ‘Norman format’ meeting (also known as ‘Minsk 2’) among the leaders of Russia, Ukraine, France, and Germany produced much awaited Donbass cease-fire agreement. In March, Russian equities, along with global Emerging Markets stocks, took a breather, digesting the Fed’s forward guidance on interest rates, which pointed to looming monetary tightening. Also, shaky cease fire in Donbass was repeatedly tested by occasional exchanges of fire. Despite that, Russian assets catapulted in April, as the continuing recovery in oil prices and appreciating rouble fueled solid rally. In addition, corporate earnings season for 1Q proved to be rather supportive, as numerous blue chips from Metals & Mining and Retail sectors reported decent financial results, although other sectors were more mixed. Nevertheless, in May we witnessed the reversal of the rouble’s appreciation trend, as the oil price rally started to run out of steam, and, most importantly, the Central Bank of Russia signaled its preference for weaker currency in order to mitigate the slowdown, as well as indirectly helping to boost fiscal revenues. The regulator resumed FX purchases for the first time since November and cancelled several FX repo auctions. Meanwhile, in light of the senior Western officials visiting Moscow, investors’ focus slowly shifted away from geopolitical tensions to near term macroeconomic challenges, as the Ministry of Economy’s estimates suggested that the country’s GDP decline deepened to 4.2% y/y in 2Q2015. Finally, in June Russian equities were pinned down by both global and country-specific factors. Among the former, breakdown of Greece debt negotiations and unexpected referendum on the bailout terms resulted in muted global risk appetite. On the local front, Russian macro pulse remained downbeat. According to the May’s report published by Rosstat, industrial output contracted by 5.5% y/y, fixed capital investments slid by 7.6% y/y, and the drop in retail sales reached 9.2% y/y.

Over the period, we increased exposure to Energy sector on the back of oil price recovery. We also increased the relative weight of Materials sector, acquiring additional shares in companies which can benefit from lower production costs in the aftermath of rouble exchange rate weakness. On the other hand, we reduced exposure to the Information Technology and Industrials sectors due to the sharp decline in domestic demand. Changes in the Fund’s investments in other sectors were comparatively insignificant. As at 30.06.2015, the relative weight of cash stood at 12.42% of the Fund’s net assets.

Over the period, all sectors contributed positively to the Fund’s results. The largest positive contribution was delivered by Energy and Materials, which were followed by Consumer Staples and Financials.

In the first half-year of 2015, the Fund’s net assets increased by 24.14% or by EUR 864,861 and at the end of the reporting period amounted to EUR 4,448,241. The Fund’s share price increased by EUR 3.02 and amounted to EUR 12.31. Overall performance of the Fund in the first half of 2015 was +32.51% (+76.40% annualized) denominated in euro and +21.28% (+47.57% annualized) in the Fund’s base currency.

During the reporting period, management costs in the amount of USD 60,856, or 2.41% 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.

**IF “CBL Russian Equity Fund”  
Half-year report 2015  
Statement of financial position  
(EUR)**

Since the end of the period, the value of the Fund's share has experienced a significant decline (-10.73% in the Fund's base currency, as of 27.08.2015) primarily due to the oil price weakening, as well as correction on global equity markets. Overall, looking at the second half of 2015, we expect the performance of Russian equities to remain volatile, determined by dynamics of commodity markets, as well as geopolitical developments. Recent weakness in oil price seems to be of structural demand-supply nature, and hence is likely to last for longer than initially projected. Hence, we think that the decline in local domestic demand might be more protracted, with the economy returning to growth no early than 4Q2015. At the same time, rouble's depreciation reveals attractive opportunities in non-energy export sectors, where operating margins benefit from lower production costs..

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Uldis Upenieks  
Chairman of the Board

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Andris Kotans  
Investīciju komitejas loceklis

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Igoris Lahtadirs  
Investīciju komitejas loceklis

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Elchin Jafarov  
Investīciju komitejas loceklis

Rīga, 28 August 2015

**IF “CBL Russian Equity Fund”  
Half-year report 2015  
Statement of financial position  
(EUR)**

Note		<u>30.06.2015.</u>	<u>31.12.2014.</u>
	<b>Assets</b>		
1	Demand deposits with credit institutions	552,987	555,783
	<i>Financial assets held for trading</i>		
2	Shares	<u>3,904,257</u>	<u>3,035,758</u>
	<b>Total assets</b>	<u><b>4,457,244</b></u>	<u><b>3,591,541</b></u>
	<b>Liabilities</b>		
	Accrued expenses	<u>(9,003)</u>	<u>(8,161)</u>
	<b>Total liabilities</b>	<u><b>(9,003)</b></u>	<u><b>(8,161)</b></u>
	<b>Net assets</b>	<u><b>4,448,241</b></u>	<u><b>3,583,380</b></u>

The accompanying notes set out on pages 9 to 10 form an integral part of these financial statements.

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Uldis Upenieks  
Chairman of the Board

Riga, 28 August 2015

**IF "CBL Russian Equity Fund"**  
**Half-year report 2015**  
**Statement of comprehensive income**  
**(EUR)**

	<b>01.01.2015.- 30.06.2015.</b>	<b>01.01.2014.- 30.06.2014.</b>
<b>Income</b>		
Dividends income	533	286
Interest income	74,047	14,508
<b>Total income</b>	<b>74,580</b>	<b>14,794</b>
<b>Expenses</b>		
Investment management company fee	(45,940)	(62,206)
Custodian bank fee	(3,850)	(4,997)
Other fund management expenses	(4,636)	(2,553)
<b>Total expenses</b>	<b>(54,426)</b>	<b>(69,756)</b>
<b>Increase in investment value</b>		
Realised increase /(decrease) in investment value	220,178	(510,593)
Unrealised increase /(decrease) in investment value	596,517	(256,226)
<b>Total increase /(decrease) in investment value</b>	<b>816,695</b>	<b>(766,819)</b>
Foreign currency revaluation gain	346,739	(42,915)
<b>Total comprehensive income</b>	<b>1,183,588</b>	<b>(864,696)</b>

The accompanying notes set out on pages 9 to 10 form an integral part of these financial statements.

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Uldis Upenieks  
Chairman of the Board

Riga, 28 August 2015

**IF "CBL Russian Equity Fund"**  
**Half-year report 2015**  
**Statement of changes in net assets**  
**(EUR)**

	<u>01.01.2015.- 30.06.2015.</u>	<u>01.01.2014.- 30.06.2014.</u>
Net assets as at the beginning of the period	3,583,380	7,828,562
Total comprehensive income	1,183,588	(864,696)
Transactions with investment certificates:		
Inflow from sale of investment certificates	119,081	369,192
Outflow on redemption of investment certificates	(437,808)	(1,658,419)
(Decrease) in net assets from transactions with investment certificates	<u>(318,727)</u>	<u>(1,289,227)</u>
Increase/(decrease) in net assets for the reporting period	<u>864,861</u>	<u>(2,153,923)</u>
<b>Net assets as at the end of the reporting period</b>	<b><u>4,448,241</u></b>	<b><u>5,674,639</u></b>
Issued investment certificates as at the beginning of the reporting period	<u>385,544</u>	<u>476,487</u>
Issued investment certificates as at the end of the reporting period	<u>361,284</u>	<u>378,850</u>
Net asset value per investment certificate as at the beginning of the reporting period	<u>9.29</u>	<u>16.43</u>
<b>Net asset value per investment certificate as at the end of the reporting period</b>	<b><u>12.31</u></b>	<b><u>14.98</u></b>

The accompanying notes set out on pages 9 to 10 form an integral part of these financial statements.

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Uldis Upenieks  
Chairman of the Board

Riga, 28 August 2015



**IF “CBL Russian Equity Fund”**  
**Half-year report 2015**  
**Notes**  
**(EUR)**

**1. Demand deposits with credit institutions**

	30.06.2015.	31.12.2014.	% no Fonda neto aktiviem 30.06.2015.
Demand deposits with credit institutions, JSC Citadele banka	552,987	555,783	12.43%
<b>Total demand deposits with credit institutions</b>	<b>552,987</b>	<b>555,783</b>	<b>12.43%</b>

The Fund receives interest on demand deposits at fixed rates.

**2. Debt securities and other fixed income securities**

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

All fixed income securities are listed.

The table below presents debt securities by the issuer's country of residence as at 30 June 2015:

Financial instrument	ISIN	Currency	Amount	Acquisition value (EUR)	Carrying amount (EUR) as at 30.06.2015.	% of Fund's net assets as at 30.06.2015.
<b><u>Financial instruments traded on regulated markets</u></b>				<b><u>4,188,692</u></b>	<b><u>3,904,257</u></b>	<b><u>87.77%</u></b>
<b>Russian issuers:</b>				<b>4,188,692</b>	<b>3,904,257</b>	<b>87.77%</b>
LUKOIL	US6778621044	USD	9,850	454,272	387,873	8.71%
MAGNIT OAO	US55953Q2021	USD	7,850	308,157	382,362	8.60%
NOVATEK OAO	US6698881090	USD	3,660	291,686	332,013	7.46%
NORILSK NICKEL	US46626D1081	USD	20,400	272,077	309,127	6.95%
PHOSAGRO	US71922G2093	USD	21,563	187,155	241,859	5.44%
GAZPROM OAO	US3682872078	USD	44,800	247,316	205,201	4.61%
SBERBANK EURASIA DRILLING CO LTD	US80585Y3080	USD	42,600	333,313	195,696	4.40%
SEVERSTAL OAO	US29843U2024	USD	9,000	136,558	131,996	2.97%
NOVOLIPETSK STEEL OJSC	US8181503025	USD	10,600	67,443	99,757	2.24%
MAIL.RU GROUP LTD	US67011E2046	USD	8,000	85,561	96,523	2.17%
MAGNITOGORSK IRON & STEEL WORKS	US5603172082	USD	5,000	134,787	92,636	2.08%
MEGAFON GLOBALTRANS	US5591892048	USD	30,000	58,031	90,357	2.03%
INVESTMENT PLC	US58517T2096	USD	5,600	137,645	69,318	1.56%
TMK OAO	US37949E2046	USD	13,616	104,906	57,803	1.30%
ETALON GROUP LTD	US87260R2013	USD	9,075	60,868	34,511	0.78%
UNITED CO RUSAL PLC	US29760G1031	USD	9,786	29,316	17,580	0.40%
SURGUTNEFTEGAZ	JE00B5BCW814	HKD	300,000	168,218	133,502	3.00%
OGK-4 OJSC	RU0009029524	RUR	310,000	151,497	211,812	4.76%
BASHNEFT OAO	RU000A0JNGA5	RUR	3,866,603	202,155	188,323	4.23%
MOSCOW EXCHANGE MICEX-RTS OAO	RU0007976957	RUR	5,700	181,803	173,500	3.90%
ALROSA AO	RU000A0JR4A1	RUR	105,000	139,089	116,476	2.62%
VOLGA TERRITORIAL GENERATING	RU0007252813	RUR	66,000	66,428	66,492	1.49%
MOBILE TELESYSTEMS OJSC	RU000A0HML36	RUR	1	-	-	0.00%
	US6074091090	USD	14,300	114,727	121,669	2.74%

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**(EUR)**

Financial instrument	ISIN	Currency	Amount	Acquisition value (EUR)	Carrying amount (EUR) as at 30.06.2015.	% of Fund's net assets as at 30.06.2015.
YANDEX NV	NL0009805522	USD	8,000	214,533	106,104	2.39%
QIWI PLC	US74735M1080	USD	1,700	41,151	41,767	0.94%
<b>Total securities and other fixed income securities</b>				<b>4,188,692</b>	<b>3,904,257</b>	<b>87.77%</b>

### 3. Dynamics of net asset value

	30.06.2015.	31.12.2014.	31.12.2013.	31.12.2012.
<b>Net assets (EUR)</b>	<b>4,448,241</b>	<b>3,583,380</b>	<b>7,828,562</b>	<b>8,435,484</b>
Number of investment certificates	361,284	385,544	476,487	497,448
Value of investment fund's shares (EUR)	12.31	9.29	16.43	16.96
Performance on investment fund's shares*	76.40%	(43.46)%	(3.13)%	13.94%
<b>Net assets (USD)**</b>	<b>4,983,147</b>	<b>4,383,882</b>	<b>10,727,485</b>	<b>11,165,778</b>
Number of investment certificates	361,284	385,544	476,487	497,448
Value of investment fund's shares (USD)	13.79	11.37	22.51	22.45
Performance on investment fund's shares*	47.57%	(49.49)%	0.27%	16.76%

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

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