

INVESTMENT FUND “CBL Russian Equity Fund”

SEMIANNUAL REPORT 2018 (NON-AUDITED) (for the six – month period ended 30 June 2018)

PREPARED IN ACCORDANCE WITH FCMC “NORMATIVE REGULATIONS ON PREPARATION OF ANNUAL REPORTS AND CONSOLIDATED ANNUAL REPORTS OF INVESTMENT FUND AND OPEN ALTERNATIVE INVESTMENT FUND” AND INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

Translation from Latvian original*

Riga, 2018

*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.



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**IF "CBL Russian Equity Fund"
Semiannual Report 2018**

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INVESTMENT FUND INFORMATION

Name of the fund:	"CBL Russian Equity Fund"
Type of fund:	Investment fund
Registration date:	5 March 2004
Fund number:	F41
Name of the investment management company:	"CBL Asset Management" IPAS
Registered office:	Republikas laukums 2a, Riga, LV-1010, Latvia
Registration number:	40003577500
License number:	06.03.07.098/367
Name of the custodian bank:	"Citadele banka", AS
Registered office:	Republikas laukums 2a, Riga, LV-1010, Latvia
Registration number:	40103303559
Investment management company's Board and Council members and their positions:	<p><i>Council of the investment management company:</i> Chairperson of the Council - Juris Jākobsons - appointed on 11.10.2010. Deputy Chairperson of the Council - Vladimirs Ivanovs – appointed on 06.11.2012. Council Member – Peter Meier – appointed on 30.09.2015.</p> <p><i>Board of the investment management company:</i> Chairperson of the Board - Kārlis Purgailis – appointed on 08.09.2017. Board Member - Zigurds Vaikulis – appointed on 19.04.2007. Board Member - Andris Kotāns – appointed on 11.05.2015. Board Member - Lolita Sičeva – appointed on 11.05.2015.</p>
Rights and responsibilities related to management of Investment fund	Council and Board members shall perform all duties specified in Latvian laws and Investment Management Company's Statutes.
Fund managers (Members of Investment Committee):	Andris Kotāns – appointed on 26.01.2011. Elchin Jafarov – appointed on 25.09.2011. Igors Lahtadirs – appointed on 21.11.2013.
Rights and responsibilities related to Fund management	Fund managers shall perform all duties specified in Latvian laws, Investment Management Company's Statutes and Fund prospectus.
Auditor:	"KPMG Baltics" SIA Vesetas iela 7 Riga, LV-1013 Licence No. 55 Latvia



INVESTMENT MANAGEMENT COMPANY REPORT

The manager of the investment fund CBL Russian Equity Fund (hereinafter the Fund) is investment management company CBL Asset Management, registered office Republikas laukums 2a, 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.

The Fund aims to achieve 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 US dollar.

Russian equities moved sideways during the first half of 2018. MSCI Russia's index added modest 1.2%, while the domestic RTS index ended the period unchanged. On the one hand, the market was supported by favorable oil price, with Brent oil rising by impressive 18.8% during the period. On the other hand, geopolitics once again had a negative impact. In April, the United States published a new list of sanctions against Russia, substantially increasing their scope. For the first time, sanctions were targeted against listed companies (including the world's second largest aluminum producer, Rusal), which were effectively isolated from the US financial infrastructure. In addition, external pressure on the market was also caused by unfavorable external sentiment, with the value of emerging market equities index MSCI EM falling by 7.7%.

During the period, the Fund lagged behind the market, losing 3.2% of its value. The worst result was related to the relatively smaller exposure of the Fund to energy sector, as well as relatively larger exposure to raw materials and consumer products sectors, which exhibited disappointing performance due to specific corporate reasons. During the reporting period, the largest negative contribution came from investments in consumer goods, raw materials and financial services sectors. On the other hand, energy sector delivered the largest positive contribution to the Fund.

The Fund's net assets declined by 6.29% in the first half of 2018, or 255,645 euros, and amounted to EUR 3,807,424 at the end of the period. Gross assets as of 30.06.2018 stood at 3,814,945. The Fund's share price decreased during the reporting period by EUR 0.08 to EUR 15.02. The Fund's annualized return in the first half of 2018 was negative at 1.07% in euro and minus 6.46% in the Fund's base currency (USD).

Management fees in the reporting period amounted to EUR 50,416, which does not exceed the maximum amount of 4.00% specified in the Prospectus of the Fund. The remuneration of the investment management company amounted to 41,486 euros, the remuneration to the custodian bank was 3,734 euros, and other management expenses stood at 5,196 euros.

Looking at the second half of the year, the manager expects that the performance of Russian equities will be mainly determined by such external factors as geopolitics, oil price movement, as well as the overall demand for risk assets and the emerging markets equities in particular.

Kārlis Purgailis
Chairperson of the Board

Andris Kotāns
Fund Manager

Elchin Jafarov
Fund Manager

Igors Lahtadirs
Fund Manager

Riga, 26 July 2018

STATEMENT OF ASSETS AND LIABILITIES

	Note	<u>30.06.2018.</u>	<u>31.12.2017.</u>
Assets			
Due on demand from credit institutions	1	261,943	295,818
Financial assets held for trading			
Shares	2	3,553,002	3,813,035
Derivative financial instruments		-	-
Total assets		3,814,945	4,108,853
Liabilities			
Accrued expenses		(7,521)	(8,946)
Other liabilities		-	(36,838)
Total liabilities		(7,521)	(45,784)
Net assets		3,807,424	4,063,069

The accompanying notes on pages 8 to 9 form an integral part of these financial statements.

Kārlis Purgailis
Chairperson of the Board

Riga, 26 July 2018

STATEMENT OF INCOME AND EXPENSE

	01.01.2018.- 30.06.2018.	01.01.2017.- 30.06.2017.
Income for the reporting period		
Interest income	-	-
Dividend income	50,529	49,488
Other income	-	-
Total income	50,529	49,488
Expenses for the reporting period		
Remuneration to investment management company	(41,486)	(36,971)
Custodian Fee	(3,734)	(3,166)
Other fund management expenses	(5,196)	(5,841)
Total expenses	(50,416)	(45,978)
Increase/ (decrease) in investment value		
Realized (decrease) in investment value	(42,066)	(69,398)
Unrealized increase/ (decrease) in investments	33,066	(451,697)
Total (decrease) in investments	(9,000)	(521,095)
(Decrease) in net assets from investment	(8,887)	(517,585)

The accompanying notes on pages 8 to 9 form an integral part of these financial statements.

Kārlis Purgailis
Chairperson of the Board

Riga, 26 July 2018

STATEMENT OF CHANGES IN NET ASSETS

	01.01.2018.- 30.06.2018.	01.01.2017.- 30.06.2017.
Net assets at the beginning of the reporting period	4,063,069	4,146,492
(Decrease) in net assets from investment	(8,887)	(517,585)
Transactions with share certificates		
<i>Inflow from subscription of share certificates</i>	61,503	145,757
<i>(Outflow) from redemption of share certificates</i>	(308,261)	(319,929)
(Decrease) in net assets from transactions with share certificates	(246,758)	(174,172)
(Decrease) in net assets in the reporting period	(255,645)	(691,757)
Net assets as at the end of the reporting period	3,807,424	3,454,735
Number of share certificates issued as at the beginning of the reporting period	269,011	258,490
Number of share certificates issued as at the end of the reporting period	253,513	247,271
Net assets per share certificate as at the beginning of the reporting period	15.10	16.04
Net assets pershare certificate as at the end of the reporting period	15.02	13.97

The accompanying notes on pages 8 to 9 form an integral part of these financial statements.

Kārlis Purgailis
Chairperson of the Board

Riga, 26 July 2018

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 DUE ON DEMAND FROM CREDIT INSTITUTIONS

	30.06.2018.	31.12.2017.	% from net assets as at 30.06.2018.
Due on demand from credit institutions			
AS Citadele banka	261,943	295,818	6.88%
Total demand deposits with credit institutions	261,943	295,818	6.88%

NOTE 2 SHARES

All commercial company shares are classified as held for trading securities. All shares owned by the Fund are traded on regulated markets.

The following table presents the distribution of by the issuer's country of origin:

Financial instrument	ISIN code	Currency	Amount	Acquisition value (EUR)	Carrying value as at 30.06.2018. (EUR)	% of the Fund's net assets as at 30.06.2018.
Financial instruments traded in regulated markets				3,334,277	3,553,002	93.31%
Shares of Russian issuers				3,272,952	3,517,625	92.38%
Rosneft oil	US67812M2070	USD	67,000	303,276	358,276	9.41%
Lukoil	US69343P1057	USD	6,000	223,787	351,312	9.23%
Sberbank	US80585Y3080	USD	28,400	294,991	349,945	9.19%
Alrosa PAO	RU0007252813	RUB	132,500	303,276	180,969	4.75%
Surgutneftegas OJSC	RU0009029524	RUB	410,000	223,787	176,648	4.64%
NOVATEK OAO	US6698881090	USD	1,400	294,991	176,412	4.63%
Tatneft PJSC	US8766292051	USD	3,200	177,787	173,752	4.56%
X5 RETAIL GROUP	US98387E2054	USD	7,000	186,478	160,199	4.21%
Gazprom OAO	US3682872078	USD	42,000	148,154	158,374	4.16%
Magnitogorsk Iron & Steel Works	US5591892048	USD	20,000	111,452	151,141	3.97%
Moscow Exchange						
MICEX-RTS PJSC	RU000A0JR4A1	RUB	100,500	212,266	150,685	3.96%
Mobile TeleSystems PJSC	US6074091090	USD	20,000	141,274	150,283	3.95%
Severstal OAO	US8181503025	USD	11,500	130,166	144,317	3.79%
Yandex NV	NL0009805522	USD	4,400	126,626	133,230	3.50%
PhosAgro OAO	US71922G2093	USD	11,050	129,884	121,893	3.20%
Novolipetsk Steel OJSC	US67011E2046	USD	4,800	51,336	99,846	2.62%
MMC Norilsk Nickel PJSC	US55315J1025	USD	6,000	97,717	92,229	2.42%
Mail.Ru Group Ltd	US5603172082	USD	3,200	70,782	79,437	2.09%
Unipro PJSC	RU000A0JNGA5	RUB	1866,603	103,144	73,865	1.94%
QIWI plc	US74735M1080	USD	4,540	69,953	60,167	1.58%
United Co RUSAL PLC	JE00B5BCW814	HKD	240,000	137,764	53,789	1.41%
MegaFon PJSC	US58517T2096	USD	5,000	39,717	37,678	0.99%
Lenta Ltd	US52634T2006	USD	5,800	28,279	27,512	0.72%

Financial instrument	ISIN code	Currency	Amount	Acquisition value (EUR)	Carrying value as at 30.06.2018. (EUR)	% of the Fund's net assets as at 30.06.2018.
Globaltrans Investment PLC	US37949E2046	USD	2,616	17,988	22,484	0.59%
TMK OAO	US87260R2013	USD	4,075	27,347	17,233	0.45%
Etalon Group Ltd	US29760G1031	USD	6,786	20,322	15,949	0.42%
Volga Territorial Generating	RU000A0HML36	RUB	1	-	-	-%
Shares of Switzerland issuers				61,184	35,377	0.93%
LUXOFT HOLDING INC	VGG572791041	USD	1,700	61,184	35,377	0.93%
Shares of Kazakhstan issuers				123	-	-%
Kazakhstan Kagazy PLC	US48667M4015	USD	14,000	123	-	-%
Shares of Ukrainian issuers				18	-	-%
Ekvin	UA2007051004	USD	2,000	18	-	-%
Total shares:				3,334,277	3,553,002	93.31%

NOTE 3 PERFORMANCE DYNAMICS OF THE INVESTMENT FUND

	30.06.2018	30.12.2017.	31.12.2016.	31.12.2015.
Net assets (EUR)	3,807,424	4,063,069	4,146,492	3,765,847
Number of share certificates	253,513	269,011	258,490	355,707
Value of the unit of the Investment Fund	15.02	15.10	16.04	10.59
Profitability of the investment Fund**	(1.07)%	(5.86)%	51.29%	13.99%
Net assets (base currency)*	4,438,405	4,868,464	4,363,755	4,116,147
Number of share certificates	253,513	269,011	258,490	355,707
Value of the unit of the Investment Fund	17.51	18.10	16.88	11.57
Profitability of the investment Fund**	(6.46)%	7.23%	45.74%	1.76%

*Net asset value in US dollars is determined using exchange rates that are determined in financial markets at the end of the day.

** Profitability is calculated, assuming that there are 365 days in the year.