



**INVESTMENT FUND
CBL OPPORTUNITIES FUNDS**

Sub-fund

CBL Optimal Opportunities Fund - EUR

ANNUAL REPORT for 2022

Prepared in accordance with International Financial Reporting Standards adopted by the European Union

Riga, 2023



**CBL ASSET
MANAGEMENT**

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INFORMATION ABOUT THE INVESTMENT FUND

| | |
|---|--|
| Name of the Fund: | CBL Opportunities Funds |
| Date of registration of the Fund: | 24 August 2007 |
| Type of the Fund: | Investment fund with sub-funds |
| Name of the Sub-fund: | CBL Optimal Opportunities Fund - EUR |
| Number of the Sub-fund: | FFL70 |
| ISIN of the Sub-fund: | LV0000400398 |
| Name of the investment management company: | CBL Asset Management IPAS |
| Registered office of the investment management company: | Republikas laukums 2a, Rīga LV-1010, Latvia |
| Registration number of the investment management company: | 40003577500 |
| Number of the license for investment management company operations: | 06.03.07.098/367 |
| Name of the Fund's Custodian: | Citadele banka AS |
| Registered office of the Fund's Custodian: | Republikas laukums 2a, Rīga LV-1010, Latvia |
| Registration number of the Fund's Custodian: | 40103303559 |
| Name, surname and position of members of the Supervisory Board and the Management Board of the investment management company: | Supervisory Board of the investment management company: Chairperson of the Supervisory Board - Vaidas Žagūnis, appointed on 03.08.2021 Deputy Chairperson of the Supervisory Board - Vladimirs Ivanovs, appointed on 03.08.2021 Member of the Supervisory Board - Magnus Blohmé, appointed on 03.08.2021 Management Board of the investment management company: Chairperson of the Management Board - Kārlis Purgailis Member of the Management Board - Zigurds Vaikulis Member of the Management Board - Andris Kotāns Member of the Management Board - Lolita Sičeva |
| Rights and responsibilities related to the investment fund management: | Members of the Supervisory Board and Management Board shall perform all duties provided for in the laws and regulations of the Republic of Latvia and the Articles of Association of the investment management company |
| Fund Managers: | Zigurds Vaikulis Reinis Gerasimovs |
| Rights and responsibilities related to the Fund management: | The Fund Managers shall perform all duties of the Fund Manager provided for in the laws and regulations of the Republic of Latvia, Articles of Association of the investment management company and the Fund Prospectus |
| Auditors: | Rainers Vilāns Certified Auditor Certificate No. 200 KPMG Baltics SIA Roberta Hirša iela 1, Rīga Latvia, LV-1045 Licence No. 55 |

INVESTMENT MANAGEMENT COMPANY REPORT

The asset manager of the sub-fund CBL Optimal Opportunities Fund - EUR of the investment fund CBL Opportunities Funds (hereinafter - the Fund) is CBL Asset Management, an investment management company with registered office at Republikas laukums 2a, Riga, LV-1010, and registration number 40003577500. The investment company's operating licence number is 06.03.07.098/367.

The investment objective of the Fund is to achieve long-term capital appreciation by investing in share certificates (units) and equivalent securities of investment funds registered in Latvia or other Member States of the European Union. Investments may be made in money market, bond, balanced and equity investment funds as well as ETFs and equity securities traded on regulated markets in the Member States of the European Union and the OECD without sectoral restrictions. Equity funds may represent up to 70% of the Fund's assets.

The net assets of the Fund decreased by EUR 1,814,982 or 20.65% during the reporting period and amounted to EUR 6,972,572 at the end of the year. Gross assets amounted to EUR 6,982,609 as at 31.12.2022. The value per share decreased by EUR 2.54 to EUR 10.49 during the year. The yield for the period under review in euro terms was 19.49% (negative).

Interest rates were the main factor influencing global financial market developments and price direction over the past year. Higher-than-expected inflation provoked a more aggressive response from central banks, resulting in a rare and generally highly unfavourable phenomenon for portfolio investment in financial markets for most of 2022: falling prices for both equities and bonds.

2022 will go down in history with unprecedented inflation records and a dramatic shift in the policy stance of Central Banks - from excessively loose at the beginning of the year to highly restrictive at the end of 2022. Since mid-2021, inflation in Western countries has been driven up by strong demand and tight supply chains. In spring 2022, the inflationary force was amplified by the jump in energy, food and other resource prices following Russia's invasion of Ukraine. Persistent consumption, combined with inflation numbers unprecedented in decades, pushed central banks harder and harder on the brake pedal. The US Federal Reserve's rate hike campaign was one of the fastest in US history - within a year, the dollar benchmark rate rose from zero to the 4.25-4.50% region. The ECB started raising rates in the middle of the year, ending eight years of the strange experiment of negative rates. By the end of 2022, the ECB had raised the policy rate by 2.5 percentage points. In the second half of 2022, resource prices fell steadily, and towards the end of the year, Western inflation dynamics showed clear signs of deceleration. But high core inflation did not make central banks feel too comfortable - they are determined to keep raising rates in the first half of 2023.

Despite the backdrop of high inflation and existential geopolitical stresses, there was no crisis in Western household spending (even in real terms - excluding inflationary effects). Additional savings, sustained wage growth and borrowing during the pandemic helped to maintain relatively high spending intensity. Labour markets remained strong in both the US and Europe. Businesses were thus still able to pass on rising costs to consumers with relative ease, allowing them to maintain high profitability. In the euro area, energy bills in 2022 were on average 3-4% of GDP higher than before Covid, but these extra costs were offset by government subsidies to cope with the energy crisis. Towards the end of the year, warmer weather, lower gas prices and the opening of China after almost three years of isolation helped to improve sentiment in the Eurozone. Positive glimmers emerged in some previously red-flashing indicators and economists' opinions.

Global equity markets spent most of 2022 in a bear market, or downtrend, with upswings that were short-lived and gains that could not be sustained. Investor nervousness was largely driven by uncertainty about the future trajectory of interest rates, inflation and the economy. Aggressive base rate hikes pushed up yields on bonds already on the market, pushing down their prices. This decline was later amplified by rising risk premia, with investors' risk aversion increasingly reflected in bond prices. In November 2022, with the first signs of a peak in US inflation, the rise in long-term interest rates, important for the markets, came to an end, and in the US they even started to fall in a targeted manner. This marked the low point for both equity and bond markets.

Global financial markets recovered towards the end of the year, but ended the year deep in negative territory overall. Safe US corporate bonds, Eurozone investment-grade indices and emerging market debt markets ended the year with similar losses of around 17-18%. Western speculative-grade bonds recorded falls in the range of 10-15% in euro-hedged terms. Until the last quarter of the year, more aggressive monetary policy in the US continued to keep downward pressure on the euro. After stumbling below parity against the US dollar in autumn last year, the euro recovered some of its losses and by the end of the year was almost 6% cheaper against the dollar than a year earlier.

Signs of an inflation slowdown towards the end of 2022 allowed the view that monetary restraint could end relatively soon without triggering the global economic recession that had been expected all last year to occur soon to continue to spread. However, the rhetoric of the US and Eurozone central banks underlined the persistence of risks of persistent inflation and confirmed their determination to keep raising rates. In a context of soaring interest rates, there were risks of "market accidents", few doubted that. And such risks materialised in March 2023, when liquidity and financial problems of some banks raised concerns about the stability of the financial sector in Western countries. The cases of the US and Swiss banks are specific, they were dealt with swiftly and effectively - there is no question of a growing systemic financial crisis. At the same time, more cautious banks as well as consumers could have a negative impact on global economic growth rates. Even without the recent developments in the financial sector, apart from the factor of a China "freed" from pandemic restrictions, the world economy lacks clear growth drivers. Corporate earnings forecasts for this year and next are optimistic, even in a scenario where there is no economic stagnation. All in all, this year does not promise to be a walk in the park.

During the reporting period, the following changes occurred in the Fund. The share of funds invested in bond funds at the end of the year represents 64.01% of the Fund's net asset value, up by 2.86 percentage points (pp) compared to the beginning of the year. The share of equity funds decreased by 2.09 pp to 33.15% of the Fund's net asset value. Free cash represents 2.99% of the Fund's net assets. All funds in the Fund are registered in a Member State of the European Union. Most of the funds (54.20%) are invested in funds registered in Luxembourg. The Fund also contains investment funds registered in Latvia and Ireland.

Total management costs for the period under review amounted to EUR 90,458, which is within the 1.70% ceiling set in the prospectus. The remuneration of the Investment Management Company amounted to EUR 71,446, the remuneration of

the Custodian Bank to EUR 13,537 and other management expenses to EUR 5,475. The Fund's ongoing charges ratio for the period under review was 1.19% of the Fund's average net asset value. The prospectuses of the investment funds managed by the Company do not provide for performance fees.

There have been no significant events that have materially affected the financial position of the Fund since the end of the reporting year to the date of its approval in 2023.

The Fund Manager will continue to closely monitor trends in global financial markets. In order to adapt the Fund's structure to the assessment of the current and expected situation, changes will be made mainly in the weighting of equity fund investments.

On behalf of the Management Board of the Investment Management Company:

Kārlis Purgailis
Chairperson of the Management
Board

Zigurds Vaikulis
Fund Manager

Reinis Gerasimovs
Fund Manager

Riga, 27 April 2023

*This report is signed with a secure electronic signature and contains a time stamp.

REPORT ON THE IMPLEMENTATION OF THE ENGAGEMENT POLICY

The Asset Manager shall participate in the management of the companies in which the assets of the Fund are invested by exercising its voting rights, where the voting rights held by the Fund amount to at least 5% of the total number of votes. During the reporting period, the Asset Manager did not implement any engagement activities through voting rights at general meetings of shareholders and/or bondholders and did not use the services of proxy advisors.

On behalf of the Management Board of the Investment Management Company:

Kārlis Purgailis
Chairperson of the Management Board

Zigurds Vaikulis
Fund Manager

Reinis Gerasimovs
Fund Manager

Riga, 27 April 2023

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STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT BOARD OF THE INVESTMENT MANAGEMENT COMPANY

The Management Board of the Investment Management Company (hereinafter – the Company) is responsible for preparation of financial statements of the sub-fund CBL Optimal Opportunities Fund – EUR of the investment fund CBL Opportunities Funds (hereinafter – the Fund).

The financial statements set out on pages 8 to 21 have been prepared on the basis of the supporting documents and give a true and fair view of the financial position of the Fund as at 31 December 2022 and of its performance for the year then ended.

The above financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, as required by the Financial and Capital Markets Commission (FCMC) regulations on "Preparation of the annual report, consolidated annual report and half-yearly report of an investment fund and open-ended alternative investment fund", on a going concern basis. Appropriate accounting policies have been consistently applied during the reporting period. The judgements and estimates made by management in the preparation of the financial statements have been prudent and reasonable.

The Management Board of the Investment Management Company is responsible for the maintenance of proper accounting records, the safeguarding of assets of the CBL Optimal Opportunities Fund - EUR and detecting and preventing fraud and other unfair practices. The Management Board is also responsible for compliance with the Law on Investment Management Companies of the Republic of Latvia, the regulations of the Financial and Capital Market Commission and other legislative requirements of the Republic of Latvia.

On behalf of the Management Board of the Investment Management Company:

Kārlis Purgailis
Chairperson of the Management
Board

Rīga, 27 April 2023

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STATEMENT OF ASSETS AND LIABILITIES

| | Notes | <u>31.12.2022</u> | <u>31.12.2021</u> |
|---|--------------|--------------------------|--------------------------|
| Assets | | | |
| Due on demand from credit institutions | 3 | 208,336 | 326,278 |
| Financial assets at fair value through profit or loss | | | |
| Share certificates of investment funds and similar securities | 4 | <u>6,774,273</u> | <u>8,470,520</u> |
| Total assets | | <u>6,982,609</u> | <u>8,796,798</u> |
| Liabilities | | | |
| Accrued expenses | 5 | <u>(10,037)</u> | <u>(9,244)</u> |
| Total liabilities | | <u>(10,037)</u> | <u>(9,244)</u> |
| Net assets | | <u>6,972,572</u> | <u>8,787,554</u> |

The accompanying notes on pages 12 to 21 are an integral part of these financial statements.

On behalf of the Management Board of the Investment Management Company:

Kārlis Purgailis
 Chairperson of the Management
 Board

Riga, 27 April 2023

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STATEMENT OF INCOME AND EXPENSES

| | Notes | <u>2022</u> | <u>2021</u> |
|---|-------|--------------------|-----------------|
| Expenses for the reporting period | | | |
| Remuneration to the investment management company and the manager | | (71,446) | (63,659) |
| Remuneration to the custodian bank | | (13,537) | (12,062) |
| Other Fund management expenses | | (5,475) | (2,381) |
| Total expenses | | (90,458) | (78,102) |
| (Decrease)/increase in investment value | | | |
| Realised (decrease)/increase in investment value | 6 | (100,697) | 5,141 |
| Unrealised (decrease)/increase in investment value | 7 | (1,528,465) | 475,033 |
| Total (decrease)/increase in investment value | | (1,629,162) | 480,174 |
| (Decrease)/increase in net assets from investments | | (1,719,620) | 402,072 |

The accompanying notes on pages 12 to 21 are an integral part of these financial statements.

On behalf of the Management Board of the Investment Management Company:

Kārlis Purgailis
 Chairperson of the Management
 Board

Riga, 27 April 2023

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STATEMENT OF CHANGES IN NET ASSETS

| | <u>2022</u> | <u>2021</u> |
|--|-------------------------|-------------------------|
| Net assets at the beginning of the reporting year | 8,787,554 | 4,866,441 |
| (Decrease)/increase in net assets from investment | (1,719,620) | 402,072 |
| Transactions in share certificates and units | | |
| Inflow from sale of share certificates and units | 598,623 | 3,773,348 |
| Outflow on redemption of share certificates and units | (693,985) | (254,307) |
| (Decrease)/increase in net assets from transactions in share certificates and units | <u>(95,362)</u> | <u>3,519,041</u> |
| (Decrease)/increase in net assets during the reporting period | (1,814,982) | 3,921,113 |
| Net assets at the end of the reporting year | <u>6,972,572</u> | <u>8,787,554</u> |
| Number of issued share certificates and units at the beginning of the reporting year | 674,254 | 397,400 |
| Number of issued share certificates and units at the end of the reporting year | 664,438 | 674,254 |
| Net assets per share certificate and unit at the beginning of the reporting year | 13.03 | 12.25 |
| Net assets per share certificate and unit at the end of the reporting year | <u>10.49</u> | <u>13.03</u> |

The accompanying notes on pages 12 to 21 are an integral part of these financial statements.

On behalf of the Management Board of the Investment Management Company:

Kārlis Purgailis
Chairperson of the Management Board

Riga, 27 April 2023

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CASH FLOW STATEMENT

| | Notes | <u>2022</u> | <u>2021</u> |
|---|-------|-------------------------|---------------------------|
| Cash flow from operating activities | | | |
| Investment management expenses | | (89,665) | (74,758) |
| Acquisition of investments | 8 | (768,837) | (3,390,639) |
| Inflow from sale of investments | 6, 8 | 835,922 | 126,935 |
| Decrease in cash and cash equivalents from operating activities | | <u>(22,580)</u> | <u>(3,338,462)</u> |
| Cash flow from financing activities | | | |
| Inflow from sale of share certificates and units | | 598,623 | 3,773,348 |
| Outflow on redemption of share certificates and units | | (693,985) | (254,307) |
| (Decrease)/increase in cash and cash equivalents from financing activities | | <u>(95,362)</u> | <u>3,519,041</u> |
| Net (decrease)/increase in cash and cash equivalents during the reporting period | | <u>(117,942)</u> | <u>180,579</u> |
| Cash and cash equivalents at the beginning of the reporting year | | <u>326,278</u> | <u>145,699</u> |
| Cash and cash equivalents at the end of the reporting year | 3 | <u>208,336</u> | <u>326,278</u> |

The accompanying notes on pages 12 to 21 are an integral part of these financial statements.

On behalf of the Management Board of the Investment Management Company:

Kārlis Purgailis
 Chairperson of the Management Board

Riga, 27 April 2023

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

| | |
|--|--|
| Name of the Fund: | CBL Opportunities Funds |
| Type of fund: | Investment fund with sub-funds |
| Scope of the Fund: | The investment objective of the investment fund is to achieve long-term capital appreciation by investing in share certificates (units) and equivalent securities of investment funds registered in Latvia or other Member States of the European Union. Investments can be made in money market, bond, balanced and equity investment funds, as well as ETFs and equity securities traded on regulated markets in the European Union and OECD Member States without sectoral restrictions |
| Name of the sub-fund: | CBL Optimal Opportunities Fund - EUR |
| Scope of the sub-fund: | Under normal market conditions, up to 100% of the sub-fund's assets may be invested in units of investment funds, including ETFs, and up to 70% in equity securities or share certificates of the investment funds, which invest in equity securities, including ETFs |
| Name of the investment management company: | CBL Asset Management IPAS (the Company) Republikas laukums 2a, Riga LV-1010, Latvia |

NOTE 2 SIGNIFICANT ACCOUNTING PRINCIPLES

Principles for the preparation of financial statements

The financial statements of CBL Optimal Opportunities Fund - EUR have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, as required by the Financial and Capital Markets Commission (FCMC) regulations on "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 under the historical cost convention and modified to reflect the fair value of financial instruments held for trading.

The monetary unit used in the financial statements is the euro (EUR), the monetary unit of the Republic of Latvia. The financial statements cover the period from 1 January 2022 to 31 December 2022. The opening balances of the Statement of Assets and Liabilities on 1 January 2022 are the same as the closing balances of the published financial statements for 2021.

Functional and reporting currency

Financial accounting of the Fund is carried out in the euros, which is the functional currency of the Fund, and accordingly the presentation currency of these financial statements is euro.

Significant estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures in the notes to the financial statements at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Similarly, the preparation of the financial statements requires management of the investment entity to make assumptions and judgements in applying the Fund's chosen accounting policies.

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

Income and expense recognition

All interest income and expenses are accounted for on an accrual basis.

Interest income and expense on assets or liabilities carried at amortised cost is recognised in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the future cash flows of a financial instrument over the expected life of the financial asset or liability. For financial instruments at fair value through profit or loss, interest income is recognised on an accrual basis, but without applying the effective interest rate.

Remuneration for managing the Fund and Custodian fee is calculated as a percentage of the value of the Fund's assets and accrues daily but is paid monthly.

Revaluation of foreign currencies

Transactions in foreign currencies are translated into euros at the foreign exchange rate published by the European Central Bank on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are revalued in euro at the foreign exchange rate published by the European Central Bank at the end of the last day of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value in a foreign currency are translated into both functional currencies using the exchange rate of the day on which their fair value was determined. Gains or losses arising from changes in foreign exchange rates are included in the statement of income and expenses as gains or losses on revaluation of foreign currency positions.

The exchange rates published by the European Central Bank for the currencies most used in the preparation of the Fund's statement of assets and liabilities (foreign currency units to EUR) were as follows:

| <u>Currency</u> | <u>31.12.2022</u> | <u>31.12.2021</u> |
|-----------------|-------------------|-------------------|
| USD | 1.0666 | 1.1326 |

Cash and cash equivalents

Cash and cash equivalents consist of current balances on the Fund's accounts and other short-term highly liquid investments with original maturities of 3 months or less.

Financial instruments

Financial assets are recognised in the balance sheet when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are classified as at amortised cost or at fair value through profit or loss. The basis for classification is both the business model within which the financial assets are managed and the contractual cash flow characteristics of the financial asset. The asset classification category is determined at the time of acquisition based on guidelines established by management. To decide whether a financial asset is classified in a particular category, the Company determines at the time of acquisition whether the asset meets the criteria for a particular business model and contractual cash flows. The business model is revealed through the activities of the Fund. It results from the way in which the Company typically manages the Fund's financial assets to generate cash flows. Therefore, this assessment is not made on the basis of scenarios that the Company does not consider sufficiently realistic. In the event of a stress scenario, if cash flows were recovered in a manner different from that expected by the Company under a typical business model, this would not be a reason to consider that a prior period error has occurred, nor would it require a reclassification of the remaining financial assets relating to a particular business model. However, historical cash flows would need to be assessed when classifying future acquisitions and could be the basis for a change in the business model. Financial assets are initially recognised at fair value plus directly attributable transaction costs, except for financial assets at fair value through profit or loss. Regular way purchases or sales of assets are recognised using settlement date accounting. The settlement date is the date on which the asset is transferred to the Fund or the Fund transfers the asset to a third party. The settlement date refers to the recognition of an asset on the date the asset is transferred to the Fund and the derecognition of the asset on the date the Company transfers it to a third party.

Financial instruments at fair value through profit or loss

Financial assets are measured at fair value through profit or loss if they are not measured at amortised cost or at fair value through other comprehensive income. Due to the nature of the Fund's business, most financial assets are classified in this category as the Fund's business model is designed to generate an increase in the Fund's net assets as a result of holding and trading financial assets. Financial assets or liabilities may be designated as at fair value through profit or loss on initial recognition if doing so would avoid or significantly reduce accounting mismatches, that would otherwise arise from accounting for assets or liabilities or recognising income or expense from them differently, or a group with financial liabilities or financial assets and financial liabilities is measured and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy and information about that group is reported internally to management on a fair value basis.

Except for interest on interest rate swaps, interest on financial assets at fair value through profit or loss is included in net interest income. Revaluation and trading gains or losses arising from changes in the fair value of the financial assets concerned, as well as interest on interest rate swaps, are included directly in the 'Net finance income' line in the profit or loss. Such financial assets and liabilities are remeasured after initial recognition at fair value based on quoted market prices or prices quoted by brokers.

This category includes certain assets and liabilities that are managed and whose return is measured on a fair value basis in accordance with a documented risk management or investment strategy.

Financial assets and liabilities held for trading are measured at fair value through profit or loss. Financial assets and liabilities are held for trading if they are acquired to profit from short-term price movements or dealer margin, or if they are included in a portfolio characterised by short-term profit-taking. The Fund also has demand claims on credit institutions, but given the short-term structure and credit ratings, the allowance for credit losses is not material.

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 a financial instrument using quoted prices in an active market. A market is considered active if transactions in the asset or liability occur frequently enough and in sufficient volume to permit regular price information to be obtained.

The revaluation of securities is carried out using financial information available on Bloomberg and NASDAQ OMX Riga on the bid prices of these securities. Purchases and sales of securities are recognised on the settlement date. The acquisition value of securities sold is determined using the FIFO (first in, first out) method.

Where a quoted price in an active market is not available, the Company uses valuation techniques that use observable market data as much as possible and unobservable inputs as little as possible. The valuation method chosen includes all factors that market participants would consider in determining the transaction price.

At initial recognition, the best evidence of the fair value of a financial instrument is the transaction price, i.e., the fair value of the consideration paid or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is not evidenced either by a quoted price in an active market for an identical asset or liability or by the results of a valuation technique that uses only observable inputs, the financial instrument is initially measured at fair value, adjusted to reflect the difference between the fair value at initial recognition and the transaction price. This difference is subsequently recognised in profit or loss, as appropriate, taking into account the expected life of the instrument, but not later than the point at which the value can be fully supported by observable market data or the transaction is completed.

The portfolios of financial assets and financial liabilities exposed to market risk and credit risk managed by the Company on the basis of net exposure to either market risk or credit risk are valued by reference to the price that would be paid to sell a net long position (or paid to transfer a net short position) in the individual risks. These portfolio level adjustments are allocated to individual assets and liabilities based on relative risk adjustments for each individual portfolio of instruments.

A description of the methods used to determine fair value by 3 levels, based on the degree of observability of the information used in the valuation techniques, is presented below.

Level 1 represents financial instruments whose fair value is based on quoted prices in an active market. This category mainly includes equity instruments, debt instruments, short-term bonds and standardised derivatives that are valued using quoted exchange prices. Securities traded in active markets outside the stock exchange are also included in this category. Level 2 represents financial instruments for which available market inputs, such as prices for similar financial instruments, are used to measure fair value and which are traded in the market. This category consists mainly of less liquid debt instruments and derivatives that are valued on the basis of observable market data. The price of less liquid debt securities is adjusted for yield spreads available in the market.

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

The Company recognises changes in the fair value hierarchy level for instruments at the end of the reporting period in which the changes have occurred. There have been no changes in the fair value hierarchy levels compared to last year. The portfolios of financial assets and financial liabilities exposed to market risk and credit risk that the Company manages for the Fund, based on the net exposure to either market risk or credit risk, are valued by reference to the price that would be paid to sell a net long position (or paid to transfer a net short position) in the individual exposures. These portfolio-level adjustments are allocated to individual assets and liabilities based on the relative risk adjustment for each individual instrument in the portfolio.

Taxes

The income of the Fund is subject to income taxes in the country where it is earned. The Fund is not subject to corporate income tax in the Republic of Latvia.

New standards and interpretations

The following describes new standards, amendments to standards and interpretations that have been endorsed by the EU for annual periods beginning after 1 January 2022. These standards have not been applied in the preparation of these financial statements. The Fund has not had any transactions affected by the new effective standards or its accounting policies already comply with the requirements of the new standards. The new requirements that came into effect in 2022 did not have a material impact on the Fund.

- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts;
- Classification of liabilities as current or non-current (amendments to IAS 1);
- Definition of an accounting estimate (amendments to IAS 8);
- Accounting policy disclosures (amendments to IAS 1 and IFRS 2 Statement of Practice);
- Deferred tax relating to assets and liabilities arising from a separate transaction (amendments to IAS 12).

NOTE 3 DUE ON DEMAND FROM CREDIT INSTITUTIONS

| | 31.12.2022 | % of the Fund's net assets 31.12.2022 | 31.12.2021 | % of the Fund's net assets 31.12.2021 |
|--|------------|--|------------|--|
| Due on demand from credit institutions, Citadele banka AS | 208,336 | 2.99% | 326,278 | 3.71% |

NOTE 4 SHARE CERTIFICATES OF INVESTMENT FUNDS AND SIMILAR SECURITIES FUNDS

| | 31.12.2022 | % of the Fund's net assets 31.12.2022 | 31.12.2021 | % of the Fund's net assets 31.12.2021 |
|--|------------------|--|------------------|--|
| Share certificates of investment funds and similar securities: | | | | |
| Investment funds registered in OECD countries | 5,085,717 | 72.94% | 6,345,173 | 72.20% |
| Investment funds registered in Latvia | 1,688,556 | 24.22% | 2,125,347 | 24.19% |
| Total share certificates of investment funds and similar securities | 6,774,273 | 97.16% | 8,470,520 | 96.39% |

The following table shows share certificates of investment funds and similar securities by country of origin of the issuer at 31 December 2022:

| Financial instrument | ISIN code | Currency | Quantity | Acquisition value (EUR) | Carrying amount 31.12.2022 | % of the Fund's net assets 31.12.2022 |
|---|--------------|----------|----------|-------------------------|----------------------------|---------------------------------------|
| Financial instruments not traded on regulated markets: | | | | 7,163,771 | 6,774,273 | 97.16% |
| Share certificates of investment funds registered in Luxembourg: | | | | 3,885,024 | 3,778,795 | 54.20% |
| NN L US Credit | LU0803997666 | EUR | 104 | 645,298 | 601,183 | 8.62% |
| BlackRock Global Funds - US Dollar Bond Fund | LU1564327929 | EUR | 57,788 | 598,407 | 524,715 | 7.53% |
| Amundi Funds - Pioneer US Bond | LU1883851682 | EUR | 491 | 545,150 | 481,656 | 6.91% |
| Schroder International Selection Fund - EURO Corporate Bond | LU0113258742 | EUR | 18,238 | 459,232 | 411,613 | 5.90% |
| GS Global CORE Equity | LU0280841296 | EUR | 14,349 | 279,296 | 409,520 | 5.87% |
| Robeco Capital Growth Funds - High Yield Bonds | LU0227757233 | EUR | 1,705 | 400,674 | 390,257 | 5.60% |
| JPM US Aggregate Bond Fund | LU1432507090 | EUR | 4,118 | 410,372 | 370,254 | 5.31% |
| Fundsmith Equity Fund Feeder | LU0690374029 | EUR | 4,503 | 260,684 | 225,046 | 3.23% |
| Robeco Capital Growth - US Premium Equities | LU0454739615 | EUR | 399 | 124,743 | 209,480 | 3.00% |
| Morgan Stanley Investment Funds - US Advantage Fund | LU0360484769 | EUR | 1,943 | 161,168 | 155,071 | 2.23% |
| Share certificates of investment funds registered in Latvia: | | | | 1,919,788 | 1,688,556 | 24.22% |
| CBL Global Emerging Markets Bond Fund R Acc EUR (hedged) | LV0000400828 | EUR | 54,823 | 597,273 | 529,592 | 7.59% |
| CBL European Leaders Equity Fund | LV0000400794 | EUR | 11,135 | 528,059 | 469,879 | 6.74% |
| CBL Eastern European Bond Fund R Acc EUR (hedged) | LV0000400174 | EUR | 25,460 | 450,596 | 379,101 | 5.44% |
| CBL US Leaders Equity Fund R Acc EUR (hedged) | LV0000400992 | EUR | 32,907 | 343,860 | 309,984 | 4.45% |
| Share certificates of investment funds registered in Ireland: | | | | 1,358,959 | 1,306,922 | 18.74% |
| PIMCO Funds Global Investors Series PLC - Total Return Bond Fund | IE0033989843 | EUR | 30,672 | 699,536 | 595,340 | 8.53% |
| Vanguard Investment Series PLC - US 500 Stock Index Fund | IE0032126645 | EUR | 12,481 | 455,120 | 532,452 | 7.64% |
| PIMCO US High Yield Bond Fund | IE0032883534 | EUR | 6,576 | 204,303 | 179,130 | 2.57% |
| Total share certificates of investment funds: | | | | 7,163,771 | 6,774,273 | 97.16% |

As the Company does not have access to sufficiently detailed information on the assets of these investment funds managed by financial institutions on behalf of investors, these assets have not been analysed by their actual issuer, except for the investment fund registered in Latvia and managed by CBL Asset Management IPAS.

The following table shows investment fund units and equivalent securities by country of origin of issuer at 31 December 2021:

| Financial instrument | ISIN code | Currency | Quantity | Acquisition value (EUR) | Carrying amount 31.12.2021 | % of the Fund's net assets 31.12.2021 |
|---|--------------|----------|----------|-------------------------|----------------------------|---------------------------------------|
| Financial instruments not traded on regulated markets: | | | | 7,230,127 | 8,470,520 | 96.39% |
| Share certificates of investment funds registered in Luxembourg: | | | | 3,275,192 | 3,929,189 | 44.71% |
| BlackRock Global Funds - US Dollar Bond Fund | LU1564327929 | EUR | 57,788 | 598,407 | 624,110 | 7.10% |
| Amundi Funds - Pioneer US Bond | LU1883851682 | EUR | 491 | 545,150 | 567,866 | 6.46% |
| GS Global CORE Equity | LU0280841296 | EUR | 16,200 | 314,762 | 542,538 | 6.17% |
| Schroder International Selection Fund - EURO Corporate Bond | LU0113258742 | EUR | 18,238 | 459,232 | 490,558 | 5.58% |
| Robeco Capital Growth Funds - High Yield Bonds | LU0227757233 | EUR | 1,705 | 400,674 | 434,383 | 4.94% |
| JPM US Aggregate Bond Fund | LU1432507090 | EUR | 4,118 | 410,372 | 431,990 | 4.92% |
| Morgan Stanley Investment Funds - US Advantage Fund | LU0360484769 | EUR | 1,943 | 161,168 | 359,241 | 4.09% |
| Fundsmith Equity Fund Feeder | LU0690374029 | EUR | 4,503 | 260,684 | 274,788 | 3.13% |
| Robeco Capital Growth - US Premium Equities | LU0454739615 | EUR | 399 | 124,743 | 203,715 | 2.32% |
| Share certificates of investment funds registered in Ireland: | | | | 2,158,686 | 2,415,984 | 27.49% |
| PIMCO Funds Global Investors Series PLC - Total Return Bond Fund | IE0033989843 | EUR | 34,212 | 777,738 | 799,530 | 9.10% |
| PIMCO Funds Global Investors Series PLC - Global Investment Grade Credit Fund | IE0032876397 | EUR | 36,075 | 688,233 | 733,406 | 8.34% |
| Vanguard Investment Series PLC - US 500 Stock Index Fund | IE0032126645 | EUR | 13,667 | 488,412 | 674,063 | 7.67% |
| PIMCO US High Yield Bond Fund | IE0032883534 | EUR | 6,576 | 204,303 | 208,985 | 2.38% |
| Share certificates of investment funds registered in the Republic of Latvia: | | | | 1,796,249 | 2,125,347 | 24.19% |
| CBL Global Emerging Markets Bond Fund R Acc EUR (hedged) | LV0000400828 | EUR | 54,823 | 597,273 | 640,335 | 7.29% |
| CBL European Leaders Equity Fund | LV0000400794 | EUR | 9,536 | 448,333 | 620,575 | 7.06% |
| CBL Eastern European Bond Fund R Acc EUR (hedged) | LV0000400174 | EUR | 22,701 | 406,783 | 442,898 | 5.04% |
| CBL US Leaders Equity Fund R Acc EUR (hedged) | LV0000400992 | EUR | 32,907 | 343,860 | 421,539 | 4.80% |
| Total share certificates of investment funds: | | | | 7,230,127 | 8,470,520 | 96.39% |

As the Company does not have access to sufficiently detailed information on the assets of these investment funds managed by financial institutions on behalf of investors, these assets have not been analysed by their actual issuer, except for the investment fund registered in Latvia and managed by CBL Asset Management IPAS.

The following table shows the breakdown of the Fund's securities portfolio by investment object:

| | % of the Fund's net assets | | % of the Fund's net assets | |
|-----------------------------------|----------------------------|------------------|----------------------------|---------------|
| | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 |
| Bond funds | 4,462,841 | 5,374,061 | 64.01% | 61.15% |
| Equity funds | 2,311,432 | 3,096,459 | 33.15% | 35.24% |
| Total portfolio breakdown: | 6,774,273 | 8,470,520 | 97.16% | 96.39% |

NOTE 5 ACCRUED EXPENSES

| | <u>31.12.2022</u> | <u>31.12.2021</u> |
|---|----------------------|---------------------|
| Accrued expenses for investment management company fees | 5,714 | 6,906 |
| Accrued expenses for custodian fees | 1,083 | 1,309 |
| Accrued audit expenses | 2,030 | 1,029 |
| Bank of Latvia (FCMC until 31.12.2022) fee | 1,210 | - |
| Total accrued expenses | <u>10,037</u> | <u>9,244</u> |

NOTE 6 REALISED (DECREASE)/ INCREASE IN INVESTMENT VALUE

| | <u>31.12.2022</u> | <u>31.12.2021</u> |
|--|-------------------------|---------------------|
| Income for the period from sale of investments* | 835,923 | 126,935 |
| Acquisition value of investments sold during the reporting period | (835,194) | (99,037) |
| Impairment (write-down) of sold investments recognised in previous reporting periods | (101,426) | (22,757) |
| Total realised (decrease)/increase in investment value | <u>(100,697)</u> | <u>5,141</u> |

* For the reporting period, gains on the sale (redemption) of investments are recognised at the exchange rate on the date of purchase of the security.

NOTE 7 UNREALISED (DECREASE)/INCREASE IN INVESTMENT VALUE

| | <u>31.12.2022</u> | <u>31.12.2021</u> |
|--|---------------------------|-----------------------|
| From share certificates and similar securities of investment funds | (1,528,465) | 475,033 |
| Total unrealised (decrease)/increase in investment value | <u>(1,528,465)</u> | <u>475,033</u> |

NOTE 8 CHANGES IN INVESTMENTS DURING THE REPORTING PERIOD

The table below shows the changes in investments in 2022:

| | <u>31.12.2021</u> | <u>Increase in reporting during the period</u> | <u>Decrease in the statement during the period*</u> | <u>Fair value adjustment</u> | <u>31.12.2022</u> |
|---|-------------------------|--|---|------------------------------|-------------------------|
| Financial assets at fair value through profit or loss | | | | | |
| Share certificates and similar securities of investment funds | 8,470,520 | 768,837 | (835,922) | (1,629,162) | 6,774,273 |
| Total investments | <u>8,470,520</u> | <u>768,837</u> | <u>(835,922)</u> | <u>(1,629,162)</u> | <u>6,774,273</u> |

* Decrease during the reporting period is carried at the exchange rate on the date the investment is sold. This item includes gains on sale, redemption of investments.

The table below shows the changes in investments in 2021:

| | <u>31.12.2020</u> | <u>Increase in reporting during the period</u> | <u>Decrease in the statement during the period*</u> | <u>Fair value adjustment</u> | <u>31.12.2021</u> |
|---|-------------------------|--|---|------------------------------|-------------------------|
| Financial assets at fair value through profit or loss | | | | | |
| Share certificates and similar securities of investment funds | 4,726,643 | 3,390,639 | (126,935) | 480,173 | 8,470,520 |
| Total investments | <u>4,726,643</u> | <u>3,390,639</u> | <u>(126,935)</u> | <u>480,173</u> | <u>8,470,520</u> |

* Decrease during the reporting period is carried at the exchange rate on the date the investment is sold. This item includes gains on sale, redemption of investments.

NOTE 9 PLEDGED ASSETS

During the reporting period, the Fund did not issue any guarantees or sureties or pledge or otherwise encumber any assets.

NOTE 10 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The management of the investment management company considers that the carrying amounts of financial assets and liabilities are consistent with their fair values. Fair values are determined using market quotes, based on information published by stock exchanges and brokers, and based on daily net asset quotations by fund managers. All financial assets of the Fund qualify as Level 1.

NOTE 11 RISK MANAGEMENT

Investment process risk can be defined as a probability of undesirable outcome that may materialise in a given market economy at a given point in time. Risk management is described as risk identification, measurement and its possible prevention. The investment process may be affected by the exchange rate risk, interest rate risk, price risk, credit risk, liquidity risk and other risks, including operational risk. The Fund's investment strategy is designed to minimise these risks, but 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 of the Company, which develops and presents the information on risk profile to the Fund Manager. The Fund Manager 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 investing for the account of the Fund, the Fund Manager shall obtain sufficient information on potential or acquired investment targets and shall monitor the financial and economic situation of issuers in whose securities the Fund's assets will be or have been 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 Manager 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.

Interest rate risk

The security price risk of fixed-income securities (bonds) depends largely on fluctuations in market interest rates and changes in the credit quality of the issuer. Changes in market interest rates have the most direct impact on the attractiveness of a security as it is, by definition, an alternative source of interest income. If interest rates rise in the market, the prices of fixed income securities fall, and vice versa. On the other hand, a rise (fall) in market interest rates has a positive (negative) impact on coupon rates for floating rate fixed income securities (where the coupon is set as a base rate, e.g., Euribor or Libor, plus an additional margin). After revaluation (the point at which a new interest rate will be applied), the coupon yield on such securities increases (decreases), resulting in an increase (decrease) in interest income.

In the fund selection process, the Fund Manager focuses on the Fund's duration as the main indicator of interest rate risk, based on the forecasts developed for the development of the fixed income market. It is not possible to calculate the Fund's duration precisely because the information on its components is not published at the same time (lag of 3 months or more).

Price volatility risk

For equity securities (shares), price changes depend on two variables: the changes in the country's equity indices (in Latvia, for example, the changes in the RIGSE index), and the financial situation of the issuer (its ability to make a profit in the long term), which in turn affects the fluctuations between the demand and supply balance. The former is also often referred to as systematic risk; the latter as specific risk.

Systematic risk is managed on the basis of forecasts of the overall development of the economy in a given geographical region and the potential development of the economy in a given sector. Specific risk is managed by a detailed study of the issuer's financial position and profitability as well as other factors affecting the price of the security, mainly based on the issuer's public reports, media coverage, etc. This focuses on both the volatility (deviations) of security prices and their correlations. As a result, it is possible to calculate the total price risk of the securities in the portfolio, considering their historical yields.

In the fund selection process, the Fund Manager selects the most appropriate funds that are in line with the Fund's strategy, based on the forecasts developed for the development of individual regions and sectors. It is not possible to calculate accurately the sensitivity of the Fund to changes in individual market indices as the information on their components is not published at the same time (lag of 3 months or more).

The risk of market price volatility was calculated as the standard deviation for the relevant reference period. The standard deviation of the reference index values of the relevant investment fund category was used for the price volatility risk calculation.

| | Standard deviation in the reference index | Carrying amount, EUR | Potential negative impact on the current year profit, EUR | Potential positive impact on the current year profit, EUR | % of the Fund's net assets EUR* |
|---|---|----------------------|---|---|---------------------------------|
| 2022 | | | | | |
| Classified as financial assets at fair value through profit or loss | | | | | |
| Including investments in share certificates: | | | | | |
| Equity funds | 25.00% | 2,311,432 | (577,858) | 577,858 | 8.29% |
| Bond funds | 20.00% | 4,462,841 | (892,568) | 892,568 | 12.80% |
| Total: | | 6,774,273 | (1,470,426) | 1,470,426 | 21.09% |

*Net carrying amount of equity instrument assets is disclosed as a percentage of the Fund's net assets.

The risk of market price volatility was calculated on the basis of the standard deviation for the 2021 reference period. The standard deviation of the reference index values of the relevant investment fund category was used for the price volatility risk calculation.

| | Standard deviation in the reference index | Carrying amount, EUR | Potential negative impact on the current year profit, EUR | Potential positive impact on the current year profit, EUR | % of the Fund's net assets EUR* |
|---|---|----------------------|---|---|---------------------------------|
| 2021 | | | | | |
| Classified as financial assets at fair value through profit or loss | | | | | |
| Including investments in share certificates: | | | | | |
| Equity funds | 15.00% | 3,096,459 | (464,469) | 464,469 | 5.29% |
| Bond funds | 10.00% | 5,374,061 | (537,406) | 537,406 | 6.12% |
| Total: | | 8,470,520 | (1,001,875) | 1,001,875 | 11.41% |

*Net carrying amount of equity instrument assets is disclosed as a percentage of the Fund's net assets.

The following table shows the geographical breakdown of the Fund's assets and liabilities at 31 December 2022, based on the Funds' countries of incorporation.

| | Latvia | Other OECD countries | Total |
|---|------------------|----------------------|------------------|
| Assets | | | |
| Due on demand from credit institutions | 208,336 | - | 208,336 |
| Financial assets at fair value through profit or loss | | | |
| Share certificates of investment funds and similar securities | 1,688,556 | 5,085,717 | 6,774,273 |
| Total assets | 1,896,892 | 5,085,717 | 6,982,609 |
| Liabilities | | | |
| Accrued expenses | (10,037) | - | (10,037) |
| Total liabilities | (10,037) | - | (10,037) |
| Net assets | 1,886,855 | 5,085,717 | 6,972,572 |

The following table shows the geographical breakdown of the Fund's assets and liabilities at 31 December 2021, based on the Funds' countries of registration.

| | Latvia | Other OECD countries | Total |
|---|------------------|----------------------|------------------|
| Assets | | | |
| Due on demand from credit institutions | 326,278 | - | 326,278 |
| Financial assets at fair value through profit or loss | | | |
| Share certificates of investment funds and similar securities | 2,125,347 | 6,345,173 | 8,470,520 |
| Total assets | 2,451,625 | 6,345,173 | 8,796,798 |
| Liabilities | | | |
| Accrued expenses and other liabilities | (9,244) | - | (9,244) |
| Total liabilities | (9,244) | - | (9,244) |
| Net assets | 2,442,381 | 6,345,173 | 8,787,554 |

The following table shows the breakdown of the Fund's net assets by country:

| Country | Carrying amount | % of the Fund's net assets | Carrying amount | % of the Fund's net assets |
|--------------|------------------|----------------------------|------------------|----------------------------|
| | 31.12.2022 | 31.12.2022 | 31.12.2021 | 31.12.2021 |
| Luxembourg | 3,778,795 | 54.20% | 3,929,189 | 44.71% |
| Latvia | 1,886,855 | 27.06% | 2,442,381 | 27.80% |
| Ireland | 1,306,922 | 18.74% | 2,415,984 | 27.49% |
| Total | 6,972,572 | 100.00% | 8,787,554 | 100.00% |

Exchange rate risk

During the year under review, the Fund's assets were denominated exclusively in the base currency, resulting in no foreign currency exposure to the Fund and no impact on the value of the Fund due to exchange rate fluctuations.

Credit risk

Credit risk refers to the probability that the value of a Fund may decline if the Fund's counterparty or the issuer of the debt obligations is unable or refuses to meet its obligations. Consequently, only reputable and reliable counterparties are selected for transactions in the Fund's assets. The Fund Manager regularly monitors the solvency of the Fund's counterparties, researching their credit ratings, financial condition and media coverage.

The credit quality of the Fund's assets is managed on the basis of the credit ratings assigned by the international rating agencies. In addition, the financial statements of the issuers, their financial position and future prospects are examined.

The cash balance is kept at Citadele banka AS. On 31 October 2022, the international credit rating agency revised the credit rating of Citadele banka AS to Baa2 with a stable outlook.

Liquidity risk

Liquidity risk may arise if the Fund has difficulties meeting its financial obligations. The Fund Manager maintains an asset structure of the Fund that enables the Fund to sell securities in a timely manner and without material loss.

For liquidity measurement purposes, balances of assets and liabilities are reported according to their remaining maturities.

The following table shows the maturity structure of the Fund's assets and liabilities at 31 December 2022.

| | Up to 1 month | 1 to 6 months | Indefinite | Total |
|---|----------------|----------------|------------------|------------------|
| Assets | | | | |
| Due on demand from credit institutions | 208,336 | - | - | 208,336 |
| Financial assets at fair value through profit or loss | | | | |
| Share certificates of investment funds and similar securities | - | - | 6,774,273 | 6,774,273 |
| Total assets | 208,336 | - | 6,774,273 | 6,982,609 |
| Liabilities | | | | |
| Accrued expenses | (8,007) | (2,030) | - | (10,037) |
| Total liabilities | (8,007) | (2,030) | - | (10,037) |
| Net assets | 200,329 | (2,030) | 6,774,273 | 6,972,572 |
| Net position % | 2.87% | (0.03%) | 97.16% | 100.00% |

The following table shows the maturity structure of the Fund's assets and liabilities at 31 December 2021.

| | Up to 1 month | 1 to 6 months | Indefinite | Total |
|---|----------------|----------------|------------------|------------------|
| Assets | | | | |
| Due on demand from credit institutions | 326,278 | - | - | 326,278 |
| Financial assets at fair value through profit or loss | | | | |
| Share certificates of investment funds and similar securities | - | - | 8,470,520 | 8,470,520 |
| Total assets | 326,278 | - | 8,470,520 | 8,796,798 |
| Liabilities | | | | |
| Accrued expenses | (8,215) | (1,029) | - | (9,244) |
| Total liabilities | (8,215) | (1,029) | - | (9,244) |
| Net assets | 318,063 | (1,029) | 8,470,520 | 8,787,554 |
| Net position % | 3.62% | (0.01%) | 96.39% | 100.00% |

NOTE 12 INFORMATION ON HOLDERS OF SHARE CERTIFICATES OF THE FUND

The following table sets out the number of share certificates held by the Company's related parties and other persons in the total number of issued share certificates:

| | % of the total number | | % of the total number | |
|---|-----------------------|----------------|-----------------------|----------------|
| | 31.12.2022 | 31.12.2022 | 31.12.2021 | 31.12.2021 |
| Share certificates held by related parties | 531,685 | 80.02% | 582,754 | 86.43% |
| Share certificates held by other persons | 132,753 | 19.98% | 91,500 | 13.57% |
| Number of issued share certificates at the end of the reporting period | 664,438 | 100.00% | 674,254 | 100.00% |

NOTE 13 RELATED PARTY TRANSACTIONS

Most of the Fund's investments are purchased through a custodian bank. Citadele banka AS also receives a custodian fee, which is shown in the statement of income and expenses, and Citadele banka AS holds the cash of the Fund (see also Note 3).

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

During the reporting period, the Fund had investments in investment funds managed by an affiliated investment management company of EUR 1,688,556 and EUR 2,125,347 at 31 December 2021.

During 2022, related parties carried out transactions in the Fund's investment units (see Note 12). During 2022, related parties acquired 9,170 units and sold 60,239 units. During 2021, related parties bought 215,666 units and sold 6,686 units. The Fund's purchases and repurchases of investment units are calculated considering only the investment units held by related parties that were classified as related parties of the Fund in both 2022 and 2021.

NOTE 14 PERFORMANCE DYNAMICS OF THE INVESTMENT FUND

| | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|--|------------------|------------------|------------------|
| Net assets of the Fund (EUR) | 6,972,572 | 8,787,554 | 4,866,441 |
| Number of share certificates of the Fund | 664,438 | 674,254 | 397,400 |
| Value of the unit of the Fund | 10.49 | 13.03 | 12.25 |
| Fund return* | (19.49%) | 6.37% | 8.99% |

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

NOTE 15 EVENTS AFTER THE END OF THE REPORTING PERIOD

There have been no significant events since the end of the reporting year and up to the date of approval that have materially affected the financial position of the Fund.

Signs of an inflation slowdown towards the end of 2022 allowed the view that monetary restraint could end relatively soon without triggering the global economic recession that had been expected all last year to occur soon to continue to spread. However, the rhetoric of the US and Eurozone central banks underlined the persistence of risks of persistent inflation and confirmed their determination to keep raising rates. In a context of soaring interest rates, there were risks of "market accidents" - few doubted that. And such risks materialised in March 2023, when liquidity and financial problems of some banks raised concerns about the stability of the financial sector in Western countries. The cases of the US and Swiss banks are specific, they were dealt with swiftly and effectively - there is no question of a growing systemic financial crisis. At the same time, more cautious banks as well as consumers could have a negative impact on global economic growth rates. Even without the recent developments in the financial sector, apart from the factor of a China "freed" from pandemic restrictions, the world economy lacks clear growth drivers. Corporate earnings forecasts for this year and next are optimistic, even in a scenario where there is no economic stagnation. All in all, this year does not promise to be a walk in the park.

Riga,

DATE: AS STATED IN THE TIME STAMP OF THE ELECTRONIC SIGNATURE

**CUSTODIAN BANK REPORT
For the period from 1st January 2022 to 31st December 2022**

To the holders of "CBL Opportunities Funds" Investment Fund
sub-fund "CBL Optimal Opportunities Fund - EUR" Share Certificates

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

- in accordance with the custody agreement concluded on 7th April 2017 (hereinafter - the Custody Agreement), AS "Citadele banka" (hereinafter the Custodian) performs custodian's duties for the investment fund "CBL Opportunities Funds" sub-fund "CBL Optimal Opportunities Fund - EUR" (hereinafter - the Fund) established by IPAS "CBL Asset Management" (hereinafter - the Company);
- the Custodian performs the functions of the Fund's custodian pursuant to the law "On Investment Management Companies" and other laws and regulations applicable to the Custodian (hereinafter - the Law).

The Custodian is responsible for the performance of obligations set forth for it in the Law and in the Custody Agreement. The main duties of the Custodian include:

- holding the Fund's assets in accordance with the Law and the Custody Agreement;
- ensuring the maintenance of the Fund's accounts, receiving and executing the Company's orders, as well as settlement of the orders according to requirements of the Law and the Custody Agreement;
- ensuring that the value of Fund's net assets and Fund Share Certificates is estimated in accordance with requirements of the Law, Regulations of Financial and Capital Market Commission, Fund prospectus and the Fund Management Rules;
- ensuring that issue, sale or repurchase of the Fund Share Certificates is effected in compliance with requirements of the Law, Fund's prospectus and the Fund Management Rules.
- ensuring that Fund income is allocated in accordance with the Law, the Fund prospectus and the Fund Management Rules.

During the period from January 1st, 2022 to December 31st, 2022 according to the information provided to the Custodian by the Company:

- Issue, sale and repurchase of the Fund Share Certificates were effected in compliance with requirements of the Law, Fund prospectus and the Fund Management Rules;
- Fund assets were held in accordance with requirements of the Law and the Custody Agreement;
- the value of Fund's net assets was assessed in accordance with requirements of the Law, Regulations of Financial and Capital Market Commission, Fund prospectus and the Fund Management Rules;
- the Company's orders, as well as transactions executed with the Fund's assets were performed in accordance with the Law, Fund prospectus, the Fund Management Rules and the Custody Agreement.

Chairman of the Management Board

Johan Åkerblom

THIS DOCUMENT IS SIGNED ELECTRONICALLY WITH SECURE ELECTRONIC SIGNATURE AND CONTAINS TIME STAMP



KPMG Baltics SIA
Roberta Hirša iela 1,
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Independent Auditors' Report

To the shareholders of investment fund "CBL Opportunities Funds" Sub-fund "CBL Optimal Opportunities Fund – EUR"

Report on the audit of financial statements

Our opinion on the financial statements

We have audited the financial statements of investment fund 'CBL Opportunities Funds' Sub-fund 'CBL Optimal Opportunities Fund – EUR' ("the Fund") managed by IPAS 'CBL Asset Management' ("the Asset Manager") as set out on pages 8 to 21 of the accompanying Annual Report. The accompanying financial statements include:

- Overview of assets and liabilities as at 31 December 2022,
- 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 Opportunities Funds' Sub-fund 'CBL Optimal Opportunities Fund – EUR' as at 31 December 2022, 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.



Reporting on Other Information

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

- Information about the investment fund, as set out on page 3 of the accompanying Annual Report,
- Investment Management Companies Report, as set out on pages 4 and 5 of the accompanying Annual Report.
- Report on the implementation of the engagement policy, presented on page 6 of the accompanying Annual Report
- Statement of responsibility of the board of the Asset Manager, as set out on page 7 of the accompanying Annual Report.
- Custodian Bank Report, as set out on page 22 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 Fund Manager and Fund 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. 181 '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 ("Regulation No. 181").

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



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

In preparing the financial statements, the management of the Fund Manager 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 Fund Manager 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 scepticism 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 Manager to cease Fund 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 SIA

Licence No. 55

Rainers Vilāns

Member of the Board

Sworn auditor

Certificate No. 200

Riga, Latvia

27 April 2023

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