



Investment Fund CBL Eastern European Bond Fund Annual Report 2020

Prepared in accordance with
FCMC Regulations on Preparation of
Annual Reports, Consolidated Annual Reports
and Semi-Annual Reports of Investment Fund
and Open Alternative Investment Fund and
International Financial Reporting Standards
adopted by the European Union

Riga, 2021

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INFORMATION ON THE INVESTMENT FUND

Name of the Fund:	CBL Eastern European Bond Fund
Type of the Fund:	Investment fund (UCITS IV)
Classes:	- R Acc USD ISIN: LV0000400125 - R Acc EUR (hedged) ISIN: LV0000400174
Registration date of the Fund:	20 July 2009
Number of the Fund:	FFL92
Investment management company name:	CBL Asset Management IPAS
Investment management company's registered office:	Republikas laukums 2a, Riga, LV-1010, Latvia
Investment management company's registration number:	40003577500
Number of the license for investment management company operations:	06.03.07.098/367
Name of the Fund's Custodian:	AS Citadele Banka
Registered office of the Fund's Custodian:	Republikas laukums 2a, Riga, LV-1010, Latvia
Registration number of the Fund's Custodian:	40103303559
Investment management company's Council and Board members and their positions:	<i>Council of the investment management company :</i> Chairperson of the Council – Vladimirs Ivanovs, appointed on 10.08.2020 Chairperson of the Council – Juris Jākobsons, resigned on 10.08.2020 Deputy Chairperson of the Council – Vaidas Žagūnis, appointed on 10.08.2020 Member of the Council - Peter Meier, appointed on 30.09.2015 <i>Board of the investment management company:</i> Chairperson of the Board – Kārlis Purgailis, appointed on 08.09.2017 Board Member - Zigurds Vaikulis, appointed on 19.04.2007 Board Member - Andris Kotāns, appointed on 11.05.2015 Board Member - Lolita Sičeva, appointed on 11.05.2015
Rights and responsibilities related to investment fund management:	The Council and the Board members shall perform all duties prescribed in laws and regulations of the Republic and in the Articles of Association of the investment management company
Fund managers (members of the Investment Committee):	Andris Kotāns – appointed on 27.10.2008 Edgars Lao – appointed on 16.09.2011
Rights and responsibilities related to the Fund's management:	The Fund Manager shall perform all duties prescribed in laws and regulations of the Republic of Latvia, in the Articles of Association of the investment management company and in the Prospectus of the Fund
Auditor:	KPMG Baltics AS Vešetas iela 7 Riga, LV-1013 License No 55 Latvia

INVESTMENT MANAGEMENT COMPANY REPORT

The investment fund "CBL Eastern European Bond Fund" (hereinafter – the Fund) is a debt securities investment fund with two share classes: R Acc USD and R Acc EUR (hedged). The Fund manager is the investment management company CBL Asset Management, legal address Republikas laukums 2a, Riga, LV-1010, registered under No. 40003577500. The Investment Company's operating license is No. 06.03.07.098/367.

The Fund aims at achieving long-term capital appreciation by investing primarily in debt instruments and money market instruments issued or guaranteed by central governments, municipalities, central banks, credit institutions and commercial companies of the Eastern European countries as well as in fixed income funds and in ETFs traded on the regulated markets of the European Economic Area member states and OECD member states. The investment portfolio of the Fund is diversified to include investments in different industries and countries, thereby achieving a higher protection against volatility of the Fund's asset value versus investments in a single industry or country financial instruments. There were no changes to the Fund's policy during the reporting period.

In 2020, the Fund's net assets increased by 92.51% or EUR 28,336,757, and, at the end of the reporting period, the net assets totaled EUR 58,968,110. As at 31 December 2020, gross assets amounted to EUR 60,436,782. The Fund's return and value are calculated for each class individually. In the reporting year, the value of the unit of the *CBL Eastern European Bond Fund R Acc USD* share class decreased by EUR 1.26 to EUR 22.46 while the value of the unit of the R Acc EUR (hedged) share class increased by EUR 0.30 up to EUR 19.53. In 2020, the return of the R Acc USD share class was -5.31% (negative) in terms of the euro and 3.41% in terms of the Fund's base currency (USD). In 2020, the return of the R Acc EUR (hedged) share class was 1.56% in terms of the euro.

The year 2020 was very unusual in many areas, including financial markets. At the beginning of the year, thanks to US-China relations improving, the positive dynamics in global financial markets of 2019 continued, but, already in the second half of February, they experienced a sharp decline due to the uncontrolled spread of the COVID-19 pandemic in the world. Due to unprecedented global monetary and fiscal support as well as a vaccine developed at the end of the year, major global financial market indices closed this extraordinary year at historic highs. An almost identical scenario was also observed in Eastern European bond markets, where after a sharp decline in the spring, regional bonds showed a rapid recovery and in the reporting period were able to outperform other developing countries.

The largest positive contribution to the Fund's performance came from the Ukrainian debt market; its strong activities were due to increased investor risk appetite. This was followed by as good contribution from the Russian debt market, which in 2020 was the most represented country in the Fund. In turn, investments in Latvian issuers had a generally negative impact on the Fund's performance, as the value of Latvian national airline AirBaltic bonds could not recover to pre-pandemic levels. During the reporting period, we made unprecedented investments in Serbian government Eurobonds, as well as in the securities of companies incorporated in Denmark and the Netherlands, which operate mainly in Eastern European countries. In contrast, investments in Romania, Russia and Estonia were significantly reduced related to selling securities of certain companies. At the end of the reporting period, the debt securities held within the Fund's portfolio were diversified among 22 countries, and the Fund's average return in US dollar terms was 3.7%, average duration - 3.8 and the average credit rating - Ba2/BB.

In the reporting period, a number of involvement measures were taken contacting the companies' management bodies, inter alia, addressing such issues as corporate governance, capital structure, strategy and environmental impact of their activities.

In the reporting period, the total management costs amounted to EUR 752,873, which did not exceed the maximum amount of 3.00% provided in the Fund's Prospectus. The investment management company fee amounted to EUR 658,798, custodian fee - EUR 79,056 and other management expenses - EUR 15,019. In 2020, the Fund's ongoing charge figure was 1.68% of the Fund's average net asset value.

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

The management team of IPAS CBL Asset Management closely follows developments both on domestic and global scale of such factors as the economic growth, monetary and fiscal policies of leading economies as well as potential inflationary and political risks as they have a substantial impact on the economic and capital market dynamics of the East European region. At the same time, the instrument selection, regardless of the sector and the country, will continue to be a decisive factor in the Fund's investment process.

For the Board of the Investment Management Company:

Kārlis Purgailis
Chairperson of the Board

Andris Kotāns
Fund Manager

Edgars Lao
Fund Manager

Riga, 30 April 2021

* This document is signed electronically with a secure electronic signature and is time-stamped.

REPORT ON THE ENGAGEMENT POLICY IMPLEMENTATION

The Company is involved in managing the entities in which the Fund has invested by exercising its voting rights, particularly, where the Fund holds at least 5% of their total. The Fund Managers are responsible for the implementation of involvement measures and, during the reporting period, it was carried out with four issuers. The Fund Managers called on companies to improve disclosure practices important to investors, participate in the process of developing new terms of issue to ensure better investor protection as well as had in-depth discussions on financial position with entities affected by the economic consequences of the COVID-19 pandemic. In the reporting period, the largest involvement was in the European Lingerie Group bond restructuring process, during which discussions were held with the company's representatives, shareholders, potential investors and advisors involved in the restructuring, actively participating in the committee set up by the bondholders.

For the Board of the Investment Management Company:

Kārlis Purgailis
Chairperson of the Board

Andris Kotāns
Fund Manager

Edgars Lao
Fund Manager

Riga, 30 April 2021

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STATEMENT OF RESPONSIBILITY OF THE BOARD OF THE INVESTMENT MANAGEMENT COMPANY

The Board of the Company is responsible for preparation of financial statements of the investment fund “CBL Eastern European Bond Fund” (hereinafter - the Fund).

The financial statements on pages 8 through 27 are prepared based on source documents and present fairly the financial position of the Fund as at 31 December 2020 and the results of its operations in 2020.

Financial statements mentioned above are prepared in accordance with the International Financial Reporting Standards adopted by the European Union, as required by the regulation of the Financial and Capital Market Commission (FCMC) On Preparation of Annual Reports, Consolidated Annual Reports and Semi-Annual Reports of Investment Fund and Open Alternative Investment Fund on a going concern basis. Appropriate accounting methods have been consistently applied in the reporting period, except for the changes made to the accounting policies with regard to interest income and revaluation results. Prudent and reasonable judgments and estimates have been made by the Management in the preparation of the financial statements.

The Board of the Company is responsible for the maintenance of proper accounting records, the safeguarding of CBL Eastern European Bond Fund assets and the prevention and detection of fraud and other irregularities. The Board is also responsible for ensuring compliance with the Law on Investment Management Companies, regulations of the Financial and Capital Market Commission (FCMC) and other laws and regulations of the Republic of Latvia.

For the Board of the Investment Management Company:

Kārlis Purgailis
Chairperson of the Board

Riga, 30 April 2021

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Riga,

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

CUSTODIAN BANK REPORT

For the period from 1st January 2020 to 31st December 2020

To the holders of "CBL Eastern European Bond Fund"
Investment Fund 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 Eastern European Bond Fund" (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, 2020 to December 31st, 2020 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

**AS "Citadele banka" | Registration Nr.40103303559
Republikas laukums 2A, Riga, Latvia, LV-1010 | +371 67010000 | citadele.lv**

STATEMENT OF ASSETS AND LIABILITIES

	Notes	<u>31.12.2020</u>	<u>31.12.2019</u>
Assets			
Due on demand from credit institutions	3	3,975,164	1,406,272
Financial assets at fair value through profit or loss:			
Debt instruments	4	55,069,823	29,228,408
Derivative financial instruments	5	1,391,795	139,196
Total assets		<u>60,436,782</u>	<u>30,773,876</u>
Liabilities			
Financial liabilities at fair value through profit or loss			
Derivative financial instruments	5	(809,691)	(92,264)
Deferred income and accrued expenses	6	(88,981)	(50,259)
Other liabilities	13	(570,000)	-
Total liabilities		<u>(1,468,672)</u>	<u>(142,523)</u>
Net assets		<u>58,968,110</u>	<u>30,631,353</u>

The accompanying notes on pages 12 through 27 form an integral part of these financial statements.

For the Board of the Investment Management Company:

Kārlis Purgailis
Chairperson of the Board

Riga, 30 April 2021

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STATEMENT OF INCOME AND EXPENSES

	Notes	2020	2019
Income for the reporting period			
Interest income	7	1,958,314	1,452,270
Other income		20,516	-
Total income		1,978,830	1,452,270
Expenses for the reporting period			
Interest expenses		(40)	-
Remuneration to investment management company		(658,798)	(442,139)
Custodian fee		(79,056)	(53,057)
Other Fund management expenses		(15,019)	(14,219)
Total expenses		(752,913)	(509,415)
Increase in investment value			
Realized (decrease)/increase in investment value	8	(81,949)	420,170
Unrealized increase in investment value	9	2,003,234	1,116,027
Total increase in investment value		1,921,285	1,489,265
Foreign currency revaluation result		(1,466,697)	(196,268)
Increase in net assets from investment		1,680,505	2,235,852

The accompanying notes on pages 12 through 27 form an integral part of these financial statements.

For the Board of the Investment Management Company:

Kārlis Purgailis
Chairperson of the Board

Riga, 30 April 2021

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STATEMENT OF CHANGES IN NET ASSETS

<u>CBL Eastern European Bond fund</u>	2020	2019
Net assets at the beginning of the reporting period	30,631,353	28,784,829
Increase/(decrease) in net assets from investment	1,680,505	2,235,852
Transactions with share certificates		
Inflow from sale of share certificates and units	29,476,935	3,602,571
Outflow on redemption of share certificates and units	(2,820,683)	(3,991,899)
Increase/(decrease) in net assets from transactions with share certificates and units	26,656,252	(389,328)
Net asset increase/(decrease) in the reporting period	28,336,757	1,846,524
Net assets at the end of the reporting period	58,968,110	30,631,353

<u>CBL Eastern European Bond fund: Class R Acc USD</u> <u>ISIN : LV0000400125</u>	2020	2019
Number of share certificates and units as at the beginning of the reporting period	300,343	356,182
Number of share certificates and units at the end of the reporting period	254,682	300,343
Net assets per share certificate and unit as at the beginning of the reporting period	23.72	21.15
Net assets per share certificate and unit as at the end of the reporting period	22.46	23.72

<u>CBL Eastern European Bond fund: Class R Acc EUR (hedged)</u> <u>ISIN : LV0000400174</u>	2020	2019
Number of share certificates and units as at the beginning of the reporting period	1,222,126	1,180,217
Number of share certificates and units at the end of the reporting period	2,726,513	1,222,126
Net assets per share certificate and unit as at the beginning of the reporting period	19.23	18.01
Net assets per share certificate and unit as at the end of the reporting period	19.53	19.23

The accompanying notes on pages 12 through 27 form an integral part of these financial statements.

For the Board of the Investment Management Company:

Kārlis Purgailis
Chairperson of the Board

Riga, 30 April 2021

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STATEMENT OF CASH FLOWS

	Notes	2020	2019
Cash flow from/to operating activities			
Interest income		1,934,425	1,318,041
Other income		20,516	-
Interest expenses		(40)	-
Acquisition of investments	10	(46,945,186)	(15,357,367)
Sale/ disposal of investments	10	19,211,746	17,230,369
Investment management expenses		(712,983)	(501,743)
Foreign currency revaluation and FX derivatives result		2,424,294	(1,334,616)
(Decrease)/increase in cash and cash equivalents from operating activities		(24,067,228)	32,069,418
Cash flow from/to financing activities			
Inflow from sale of share certificates and units		29,476,935	3,602,571
Outflow on redemption of share certificates and units		(2,820,683)	(3,991,899)
Increase/(decrease) in cash and cash equivalents from financing activities		26,656,252	(389,328)
Increase/(decrease) in cash and cash equivalents, net Cash and cash equivalents at the beginning of the reporting year		1,406,272	1,753,298
Foreign currency revaluation result		(20,132)	5,659
Cash and cash equivalents at the end of the reporting year		3,975,164	1,406,272

The accompanying notes on pages 12 through 27 form an integral part of these financial statements.

For the Board of the Investment Management Company:

Kārlis Purgailis
Chairperson of the Board

Riga, 30 April 2021

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

Name of the Fund:	CBL Eastern European Bond Fund
Type of the Fund:	Investment fund
Scope of the Fund:	Investments primarily in debt securities issued or guaranteed by the Eastern European countries, local authorities, central banks, credit institutions and commercial undertakings. The investment portfolios of the Fund's sub-funds are diversified among investments in various currencies, sectors and countries, thus providing greater investment safety and protection against fluctuations in asset value, compared to investments in securities of a single currency, sector or country. The Fund's base currency is the U.S. dollar (USD). The Prospectus of the Fund does not provide for any investments in equity instruments.
Investment management company name:	IPAS CBL Asset Management (hereinafter - the Company) Republikas laukums 2a, Riga, LV-1010, Latvia

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements of IF CBL Eastern European Bond Fund (hereinafter - the Fund) are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and as required by the Regulation of the Financial and Capital Market Commission (FCMC) On Preparation of Annual Reports, Consolidated Annual Reports and Semi-Annual Reports of Investment Fund and Open Alternative Investment Fund.

The financial statements are prepared on a historical cost basis and adjusted for the fair value of the financial assets measured at fair value through profit or loss.

The monetary unit used in the financial statements is the euro (EUR), the official currency of the Republic of Latvia. The financial statements cover the period 1 January 2020 through 31 December 2020.

Opening balances of the statement of assets and liabilities as at 1 January 2020 agree with the closing balances of the published financial statements for the year 2019.

Functional and reporting currency

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

Significant estimates and assumptions

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

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

Income and expense recognition

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

For assets or liabilities stated at amortized cost, interest income and expenses are recognized in the statement of income and expenses under the effective interest method. An effective interest rate is the rate that exactly discounts future cash flows of the financial instrument through the estimated useful life of the respective financial asset or liability. For financial instruments at fair value through profit or loss, interest income is recognized on an accrual basis without applying the effective interest rate (while the effective interest rate is not applied?).

Remuneration for the Fund's management and Custodian fee is calculated as a certain part of the value of Fund's assets, accrued on a daily basis but paid out on a monthly basis.

Two types of transactions with derivative financial instruments (DFI) are concluded at the expense of the Fund. The first type relates to the Fund's total assets aiming to hedge foreign currency risks or earn profit. In this case, all income or expenses from DFI are attributed to the Fund's total assets. The other type focuses on containing the volatility of the value of the unit of the R Acc EUR (hedged) class share certificates due to changing exchange rates between the currency of the share certificate class (EUR) and the Fund's base currency (USD). In this case, all income and expenses from DFI are attributed only to the Fund's assets which are attributable to the R Acc EUR (hedged) class share certificates.

Derivatives listed on stock exchanges or traded on other regulated markets are valued at a price for which the instrument can be sold (the last purchase price at the market close on the day of the calculation of the Fund's value. Derivatives not publicly traded on stock exchanges or on other regulated markets are valued at their redemption price or at compensatory transaction price confirmed in writing by the transaction partner on the day of the calculation of the Fund's value or at a price that is calculated on the basis of the market price of the underlying asset. A compensatory transaction is a transaction that liquidates a derivative.

Foreign currency revaluation

Transactions in foreign currencies are revaluated into euro at the foreign exchange rate published by the European Central Bank as at the transaction date. Monetary assets and liabilities denominated in foreign currencies are revaluated into euro according to the foreign exchange rate published by the European Central Bank as at the end of

the last day of the reporting period. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are revaluated both into functional and financial reporting currencies at the exchange rate at the date when the fair value was determined. Profit or loss arising from changes in foreign exchange rate is charged to the profit and loss statement as profit or loss on revaluation of foreign exchange positions.

The exchange rates (foreign currency units against the EUR) published by the European Central Bank that were mainly applied when preparing the statement of assets and liabilities of the fund were as follows:

Currency	31.12.2020	31.12.2019
USD	1.2271	1.1234

Cash and cash equivalents

Cash and cash equivalents comprise the Fund's current account balances and other short term high liquidity investments with original maturity of less than 3 months.

Financial instruments

Financial instruments are classified into the following categories: instruments measured at fair value through profit or loss and loans and receivables. The classification depends on the purpose of acquisition of the financial instrument. The management determines the classification of the financial instrument at initial recognition.

Financial instruments at fair value through profit and loss

Financial assets at fair value through profit and loss are financial assets that are purchased or acquired for the purpose of selling in the near future or that are classified as measured at fair value through the profit or loss after initial recognition. All the Fund's investments in financial instruments are classified as financial assets at fair value through profit or loss. The result of re-measuring financial assets at fair value is included in the statement of income and expense as increase/ (decrease) in investment.

Financial instruments are revaluated based on the bid prices available from Bloomberg and the Russian Stock Exchange. Unlisted financial instruments are assessed according to the custodian's information on effected transactions, but in case such information is not available, the instruments are measured using the discounted cash flow method at amortized cost. Purchase and sales transactions with financial instruments are recognized at the settlement date. The acquisition cost is measured using the FIFO (*first in, first out*) method.

Financial assets and liabilities at amortized cost

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

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

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

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

When the financial asset cannot be recovered, it is written-off and charged against impairment for credit losses. A decision to write off a loan is taken by the Company's management. Recoveries of previously written-off assets are credited to the statement of income and expenses.

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

Derivative financial instruments

For risk management purposes the Fund may engage in transactions with derivatives. For accounting purposes, all derivatives are classified as held for trading and are accounted for as follows.

Subsequent to initial recognition and determination of value, agreements are recognized in the balance sheet at their fair value. The fair value of these agreements is included in the statement of assets and liabilities as *Derivatives* and their relative value is disclosed in the Notes to the financial statements.

Profit or loss arising from changes in claims and liabilities that arise from the agreements are charged to the statement of income and expenses as the result of foreign currency revaluation.

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 Fund has access at that date. The fair value of liabilities reflects the risk of default.

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

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

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

IFRS determine the hierarchy of financial instrument fair value assessment techniques, based on whether observable market data are used when determining the fair value of financial instruments or whether such data are unavailable. The financial assets of the Fund measured at fair value by using the respective assessment technique are classified as Level 1, Level 2 or Level 3 category.

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

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

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

The Company recognizes changes in the fair value hierarchy level for instruments at the end of the reporting period in which the changes have occurred. Compared to the previous year, there have been no changes in the fair value hierarchy.

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

Taxes

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

Changes in accounting policies

In light of the management opinion, in 2020 changes in the classification of certain items were made in the financial statements compared to those for 2019. The reclassification had no effect on the financial result. In the financial statements for 2019, the comparative figures for 2019 were classified according to the 2020 principles and are comparable. The current year's opening balance sheet before reclassification corresponds to the prior year's closing balance sheet.

Investment acquisition expenses and income from the sale of investments, as disclosed under unrealized increase in investment value in the statement of income and expenses for the year 2020, include also the effect of investments in derivatives that in turn had an impact on the reported foreign currency revaluation result.

Investment acquisition expenses and income from the sale of investments, as disclosed in the statement of cash flows for the year 2020, include also the effect of investments in derivatives. The foreign currency revaluation and FX derivatives result, as disclosed in the statement of cash flows for the year 2020, includes also the result of investments in derivative financial instruments.

New standards and interpretations

The following new standards, amendments and interpretations with effective date of 1 January 2020 were adopted for these financial statements without a material impact thereon.

Amendments to References to Conceptual Framework in IFRS Standards

Amendments to IFRS 3 – Definition of a Business

Amendments to IAS 1 and IAS 8 – Definition of Material

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform

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

IFRS 17 'Insurance contracts' effective for annual periods beginning on or after 1 January 2023 with earlier application permitted if both IFRS 15 and IFRS 9 have also been applied.

Amendments to IFRS 16 – COVID-19 Related Rent Concessions Covid-19

Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use

Amendments to IFRS 3 – References to Conceptual Framework in IFRS Standards

Amendments to 1. SGS – Classification of Liabilities as Current or Non-current

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2

NOTE 3 DUE ON DEMAND FROM CREDIT INSTITUTIONS

	31.12.2020	% of the Fund's net assets 31.12.2020	31.12.2019	% of the Fund's net assets 31.12.2019
Due on demand from credit institutions, AS Citadele Banka	3,975,164	6.74%	1,406,272	4.59%
Total demand deposits with credit institutions	3,975,164	6.74%	1,406,272	4.59%

NOTE 4 DEBT INSTRUMENTS

All debt instruments are classified as financial assets at fair value through profit or loss.
Debt securities by sectors and regions.

	31.12.2020	% of the Fund's net assets 31.12.2020	31.12.2019	% of the Fund's net assets 31.12.2019
Corporate debt instruments	36,582,237	62.04%	20,355,006	66.45%
Latvia	658,860	1.12%	579,921	1.89%
OECD countries	17,847,790	30.27%	8,818,895	28.79%
Non-OECD countries	18,075,587	30.65%	10,956,190	35.77%
Government debt instruments	6,349,086	10.77%	2,729,574	8.91%
Non-OECD countries	6,349,086	10.77%	2,729,574	8.91%
Debt instruments of credit institutions	6,463,008	10.96%	3,413,846	11.14%
OECD countries	855,225	1.45%	2,182,031	7.12%
Non-OECD countries	5,607,783	9.51%	1,231,815	4.02%
Debt instruments of financial institutions	5,675,492	9.62%	2,729,982	8.91%
OECD countries	4,055,661	6.88%	1,577,927	5.15%
Non-OECD countries	1,619,831	2.74%	1,152,055	3.76%
Total debt instruments	55,069,823	93.39%	29,228,408	95.41%

All fixed income financial instruments held by the Fund are traded on regulated markets, except for not traded on regulated markets instruments worth EUR 2,380,128 (as at 31 December 2019: EUR 1,016,445).

The following table presents the debt instruments broken down by the issuer's country of origin as at 31 December 2020:

Financial instrument	ISIN code	Currency	Nominal amount	Acquisition value (EUR)	Carrying amount 31.12.2020	% of the Fund's net assets 31.12.2020
Financial instruments traded on regulated markets				52,339,307	52,689,695	89.35%
Debt instruments of Russian issuers:				6,067,702	5,879,555	9.97%
ALROSA Finance SA 3.1% 06/2027	XS2010030919	USD	2,100,000	1,823,706	1,759,254	2.98%
Lukoil International Finance BV 4.75% 11/2026	XS1514045886	USD	1,500,000	1,435,713	1,401,845	2.38%
NLMK 4.5% 06/2023	XS1405775617	USD	1,400,000	1,230,687	1,221,169	2.07%
Petropavlovsk Ltd 8.125% 11/2022	XS1711554102	USD	1,000,000	899,092	850,381	1.44%
Novolipetsk Steel Via Steel Funding DAC 4.7% 05/2026	XS1843435337	USD	700,000	678,504	646,906	1.10%
Debt instruments of Ukrainian issuers:				5,345,308	5,630,208	9.54%
Metinvest BV 5.625% 06/2025	XS2056722734	EUR	1,700,000	1,474,425	1,765,456	2.99%
Ukraine 6.75% 06/2026	XS2015264778	EUR	1,200,000	1,320,340	1,363,520	2.31%
MHP Lux SA 6.95% 04/2026	XS1713469911	USD	1,500,000	1,326,690	1,360,838	2.31%
Dtek Renewables Finance BV 8.5% 11/2024	XS2069980246	EUR	1,250,000	1,223,853	1,140,394	1.93%
Debt instruments of Lithuanian issuers:				3,549,453	3,822,791	6.49%
Maxima Grupe UAB 3.25% 09/2023	XS1878323499	EUR	1,700,000	1,720,216	1,785,961	3.03%
Ignitis Grupe UAB 2% 05/2030	XS2177349912	EUR	1,200,000	1,184,782	1,336,013	2.27%
AUGA group AB 6.00% 12/2024	LT0000404238	EUR	700,000	644,455	700,817	1.19%

Financial instrument	ISIN code	Currency	Nominal amount	Acquisition value (EUR)	Carrying amount 31.12.2020	% of the Fund's net assets 31.12.2020
Debt instruments of Czech issuers:				3,543,974	3,706,527	6.28%
EP Infrastructure AS 1.698% 07/2026	XS2034622048	EUR	1,800,000	1,791,837	1,871,215	3.17%
PPF Telecom Group BV 3.5% 05/2024	XS2176872849	EUR	1,700,000	1,752,137	1,835,312	3.11%
Debt instruments of Polish issuers:				3,433,881	3,569,481	6.05%
Energa Finance AB 2.125% 03/2027	XS1575640054	EUR	1,850,000	1,908,507	1,988,005	3.37%
Tauron Polska Energia SA 2.375% 05/07/2027	XS1577960203	EUR	1,500,000	1,525,374	1,581,476	2.68%
Debt instruments of Turkish issuers:				3,494,856	3,535,860	6.00%
Turkiye Sise ve Cam Fabrikalari AS 6.95% 03/2026	XS1961010987	USD	2,000,000	1,767,332	1,832,489	3.11%
Arcelik 5% 04/2023	XS0910932788	USD	2,000,000	1,727,524	1,703,371	2.89%
Debt instruments of Kazakh issuers:				3,245,370	3,212,511	5.45%
KazTransGas JSC 4.375% 09/2027	XS1682544157	USD	1,774,000	1,547,665	1,678,677	2.85%
Halyk Savings Bank of Kazakhstan JSC 5.5% 12/2022	XS0867478124	USD	1,831,562	1,697,705	1,533,834	2.60%
Debt instruments of Uzbek issuers:				2,975,634	2,944,999	4.99%
National Bank of Uzbekistan 4.85% 10/2025	XS2242418957	USD	2,000,000	1,706,175	1,699,252	2.88%
Ipoteka-Bank ATIB 5.5% 11/2025	XS2260457754	USD	1,500,000	1,269,459	1,245,747	2.11%
Debt instruments of Georgian issuers:				2,992,857	2,788,146	4.72%
Georgian Oil and Gas Corp JSC 6.75% 04/2021	XS1319820384	USD	2,000,000	1,810,940	1,659,196	2.81%
BGEO Group JSC 6% 07/2023	XS1405775880	USD	1,295,000	1,181,917	1,128,950	1.91%
Debt instruments of Romanian issuers:				2,710,738	2,719,654	4.62%
Globalworth Real Estate Investments Ltd 3.0% 03/2025	XS1799975922	EUR	1,500,000	1,608,763	1,619,831	2.75%
RCS & RDS SA 2.5% 02/2025	XS2107451069	EUR	1,100,000	1,101,975	1,099,823	1.87%
Debt instruments of Serbian issuers:				1,740,590	1,884,154	3.20%
Serbia International Bond 3.125% 05/2027	XS2170186923	EUR	1,650,000	1,740,590	1,884,154	3.20%
Debt instruments of Dutch issuers:				1,751,498	1,857,709	3.15%
CTP BV 2.125% 10/2025	XS2238342484	EUR	1,750,000	1,751,498	1,857,709	3.15%
Debt instruments of Azerbaijani issuers:				1,743,455	1,698,176	2.88%
Southern Gas Corridor CJSC 6.875% 03/2026	XS1319820897	USD	1,700,000	1,743,455	1,698,176	2.88%
Debt instruments of Hungarian issuers:				1,586,257	1,650,019	2.80%
MOL Hungarian Oil & Gas PLC 1.5% 10/2027	XS2232045463	EUR	1,600,000	1,586,257	1,650,019	2.80%
Debt instruments of Norwegian issuers:				1,567,102	1,620,749	2.75%
B2Holding ASA 6.35% 05/2024	NO0010852742	EUR	1,600,000	1,567,102	1,620,749	2.75%
Debt instruments of Moldovan issuers:				1,487,299	1,446,663	2.45%
Aragvi Finance International DAC 12.0% 04/2024	XS1960552823	USD	1,600,000	1,487,299	1,446,663	2.45%
Debt instruments of Croatian issuers:				1,290,711	1,158,955	1.97%
Hrvatska Elektroprivreda 5.875% 10/2022	XS1309493630	USD	1,300,000	1,290,711	1,158,955	1.97%
Debt instruments of Bulgarian issuers:				887,636	886,030	1.50%
Bulgarian Energy Holding 4.875% 08/2021	XS1405778041	EUR	850,000	887,636	886,030	1.50%
Debt instruments of Estonian issuers:				850,435	855,225	1.45%
Luminor Bank AS/Estonia 0.792% 12/2024	XS2265801238	EUR	850,000	850,435	855,225	1.45%
Debt instruments of Danish issuers:				800,610	804,056	1.36%
ldavang A/S 7.25% 11/2025	DK0030472618	EUR	800,000	800,610	804,056	1.36%

Financial instrument	ISIN code	Currency	Nominal amount	Acquisition value (EUR)	Carrying amount 31.12.2020	% of the Fund's net assets 31.12.2020
Debt instruments of Latvian issuers:				672,014	658,860	1.12%
Air Baltic Corp AS 6.75% 07/2024	XS1843432821	EUR	750,000	672,014	658,860	1.12%
Debt instruments of Swedish issuers:				601,927	359,367	0.61%
European Lingerie Group AB 0% 02/2021	SE0010831792	EUR	600,000	601,927	359,367	0.61%
Financial instruments not traded on regulated markets				2,435,060	2,380,128	4.04%
Debt instruments of Estonian issuers:				1,000,290	976,892	1.66%
Nortal AS 4.75% 05/2024	FI4000383930	EUR	400,000	400,290	399,689	0.68%
Mainor Ulemiste 5.5% 04/2023	EE3300111343	EUR	600,000	600,000	577,203	0.98%
Debt instruments of Azerbaijani issuers:				1,434,770	1,403,236	2.38%
Republic of Azerbaijan International Bond 5.125% 09/2029	XS1678623064	USD	1,500,000	1,434,770	1,403,236	2.38%
Total debt instruments				54,774,367	55,069,823	93.39%

The following table presents the debt instruments broken down by the issuer's country of origin as at 31 December 2019:

Financial instrument	ISIN code	Currency	Nominal amount	Acquisition value (EUR)	Carrying amount 31.12.2019	% of the Fund's net assets 31.12.2019
Financial instruments traded on regulated markets				27,225,811	28,211,963	92.11%
Debt instruments of Russian issuers:				3,758,683	4,229,560	13.80%
NLMK 4.5% 06/2023	XS1405775617	USD	1,400,000	1,230,687	1,318,703	4.31%
PhosAgro 3.949% 04/2023	XS1752568144	USD	1,200,000	936,680	1,107,303	3.60%
Rusal Capital 4.85% 02/2023	XS1759468967	USD	1,000,000	830,320	925,551	3.02%
Petropavlovsk Ltd 8.125% 11/2022	XS1711554102	USD	950,000	760,996	878,003	2.87%
Debt instruments of Romanian issuers:				2,654,411	2,681,084	8.75%
Globalworth Real Estate Investments Ltd 3.0% 03/2025	XS1799975922	EUR	1,050,000	1,108,822	1,152,055	3.76%
Digi Communications 5% 10/2023	XS1405770576	EUR	850,000	870,786	880,671	2.87%
Romania 6.75% 02/2022	US77586TAA43	USD	650,000	674,803	648,358	2.12%
Debt instruments of Polish issuers:				2,140,636	2,194,895	7.17%
PKO Bank 4.63% 09/2022	XS0783934085	USD	1,200,000	1,133,437	1,135,620	3.71%
Tauron Polska Energia SA 2.375% 05/07/2027	XS1577960203	EUR	1,000,000	1,007,199	1,059,275	3.46%
Debt instruments of Ukrainian issuers:				2,031,883	2,144,730	7.00%
Ukraine Railways Via Rail Capital Markets PLC 8.25% 07/2024	XS1843433472	USD	800,000	723,242	787,451	2.57%
Metinvest BV 5.625% 06/2025	XS2056722734	EUR	750,000	745,225	763,299	2.49%
Kernel Holding 8.75% 01/2022	XS1533923238	USD	600,000	563,416	593,980	1.94%
Debt instruments of Czech issuers:				2,154,506	2,128,127	6.95%
EP Infrastructure AS 1.698% 07/2026	XS2034622048	EUR	1,200,000	1,210,588	1,204,182	3.93%
CEZ AS 3.0% 06/2028	XS0940293763	EUR	800,000	943,918	923,945	3.02%
Debt instruments of Azerbaijani issuers:				2,030,763	2,081,216	6.79%
Southern Gas Corridor CJSC 6.875% 03/2026	XS1319820897	USD	1,000,000	1,017,450	1,069,417	3.49%
Azerbaijan 4.75% 03/2024	XS1044540547	USD	1,050,000	1,013,313	1,011,799	3.30%
Debt instruments of Turkish issuers:				1,662,272	1,849,546	6.04%
Arcelik 5% 04/2023	XS0910932788	USD	1,050,000	882,057	961,724	3.14%
Turk Telekomunikasyon AS 4.875% 06/2024	XS1028951264	USD	1,000,000	780,215	887,822	2.90%
Debt instruments of Lithuanian issuers:				1,637,400	1,741,076	5.68%
Maxima Grupe UAB 3.25% 09/2023	XS1878323499	EUR	1,000,000	992,945	1,064,059	3.47%
AUGA group AB 6.00% 12/2024	LT0000404238	EUR	700,000	644,455	677,017	2.21%
Debt instruments of Kazakh issuers:				1,465,073	1,408,202	4.60%
KazTransGas JSC 4.375% 09/2027	XS1682544157	USD	1,000,000	825,271	942,464	3.08%
Nostrum Oil & Gas 7.00% 02/2025	USN64884AD67	USD	1,100,000	639,802	465,738	1.52%

Financial instrument	ISIN code	Currency	Nominal amount	Acquisition value (EUR)	Carrying amount 31.12.2019	% of the Fund's net assets 31.12.2019
Debt instruments of Hungarian issuers:				1,076,158	1,087,145	3.55%
MOL 2.625% 04/2023	XS1401114811	EUR	1,000,000	1,076,158	1,087,145	3.55%
Debt instruments of Georgian issuers:				1,005,187	1,049,409	3.43%
BGEO Group JSC 6% 07/2023	XS1405775880	USD	1,095,000	1,005,187	1,049,409	3.43%
Debt instruments of Estonian issuers:				1,036,840	1,046,411	3.42%
Luminor Bank AS/Estonia 1.50% 10/2021	XS1894121695	EUR	1,030,000	1,036,840	1,046,411	3.42%
Debt instruments of Norwegian issuers:				1,000,708	970,171	3.17%
B2Holding ASA 6.35% 05/2024	NO0010852742	EUR	1,000,000	1,000,708	970,171	3.17%
Debt instruments of Bulgarian issuers:				887,636	923,697	3.02%
Bulgarian Energy Holding 4.875% 08/2021	XS1405778041	EUR	850,000	887,636	923,697	3.02%
Debt instruments of Croatian issuers:				802,034	786,266	2.57%
Hrvatska Elektroprivreda 5.875% 10/2022	XS1309493630	USD	800,000	802,034	786,266	2.57%
Debt instruments of Moldovan issuers:				548,394	583,064	1.90%
Aragvi Finance International DAC 12.0% 04/2024	XS1960552823	USD	600,000	548,394	583,064	1.90%
Debt instruments of Latvian issuers:				551,695	579,921	1.89%
Air Baltic Corp AS 6.75% 07/2024	XS1843432821	EUR	550,000	551,695	579,921	1.89%
Debt instruments of Swedish issuers:				601,927	545,037	1.78%
European Lingerie Group AB 7.75% 02/2021	SE0010831792	EUR	600,000	601,927	545,037	1.78%
Debt instruments of Uzbek issuers:				179,605	182,406	0.60%
Uzbek Industrial and Construction Bank ATB 5.75% 12/2024	XS2083131859	USD	200,000	179,605	182,406	0.60%
Financial instruments not traded on regulated markets				1,000,290	1,016,445	3.31%
Debt instruments of Estonian issuers:				1,000,290	1,016,445	3.31%
Mainor Ulemiste 5.5% 04/2023	EE3300111343	EUR	600,000	600,000	607,756	1.98%
Nortal AS 4.75% 05/2024	FI4000383930	EUR	400,000	400,290	408,689	1.33%
Total debt instruments				28,226,101	29,228,408	95.42%

NOTE 5 DERIVATIVE FINANCIAL INSTRUMENTS

The following table presents the notional amount and fair value of currency forwards and swaps as at 31 December 2020. The notional amount of foreign exchange transactions is determined in accordance with the claims arising from these transactions.

	31.12.2020			% of the Fund's net assets*
	Notional amount	Fair value		
		Assets	Liabilities	
Foreign currency exchange transactions				
Swaps	68,619,309	1,183,877	(642,868)	0.92%
Forwards	12,836,645	207,918	(166,823)	0.07%
Total derivative financial instruments	36,229,382	81,455,954	1,391,795	0.99%

*Net carrying amount of derivative asset and liability is disclosed as percentage of the Fund's net assets.

All derivative financial instruments are EUR and USD swaps and forwards concluded with AS Citadele Banka.

The following table presents the notional amount and fair value of currency forwards and swaps as at 31 December 2019. The notional amount of foreign exchange transactions is determined in accordance with the claims arising from these transactions.

	31.12.2019			% of the Fund's net assets *
	Notional amount	Fair value		
		Assets	Liabilities	
Foreign currency exchange transactions				
Swaps	38,005,903	138,532	(91,285)	0.15%
Forwards	533,915	664	(979)	0.00%
Total derivative financial instruments	38,539,818	139,196	(92,264)	0.15%

* Net carrying amount of derivative asset and liability is disclosed as percentage of the Fund's net assets.

All derivative financial instruments are concluded with AS Citadele Banka.

NOTE 6 ACCRUED EXPENSES

	31.12.2020	31.12.2019
Accrued expenses for investment management company fees	(74,856)	(40,283)
Accrued expenses for custodian fees	(8,982)	(4,834)
Accrued expenses for professional services	(5,143)	(5,142)
Total accrued expenses	(88,981)	(50,259)

NOTE 7 INTEREST INCOME

	2020	2019
From debt instruments	1,958,314	1,452,270
Total interest income	1,958,314	1,452,270

NOTE 8 REALIZED INCREASE/(DECREASE) IN INVESTMENT VALUE

	2020	2019
Proceeds from sale of investments in the reporting period*	19,538,708	14,739,548
Cost of investments sold during the reporting period	(19,368,669)	(14,696,201)
Increase.(decrease) in investment value recognized in prior reporting years	(251,988)	376,823
Total realized increase/(decrease) in investment value	(81,949)	420,170

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

NOTE 9 UNREALIZED INCREASE/ (DECREASE) IN INVESTMENT VALUE

	2020	2019
From debt instruments	1,421,130	1,069,095
From derivative financial instruments*	582,104	46,932
Total unrealized increase/(decrease) in investment value	2,003,234	1,116,027

* Annual Report 2020 discloses unrealized increase in investment value from derivative financial instruments.

NOTE 10 CHANGES IN INVESTMENTS

The following table shows the changes in investments in 2020:

	31.12.2019	Increase during the reporting period	Decrease during the reporting period*	Fair value revaluation result and interest income recognized	31.12.2020
Debt instruments	29,228,408	45,898,118	(21,146,171)	1,089,468	55,069,823
Derivative financial instruments, net	46,932	1,047,068	-	(511,896)	582,104
Total investments	29,275,340	46,945,186	(21,146,171)	577,572	55,651,927

* Annual Report 2020 includes increase/decrease in investments in derivative financial instruments during the reporting year.

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

The following table shows the changes in investments in 2019:

	31.12.2018	Increase during the reporting period	Decrease during the reporting period*	Fair value revaluation result and interest income recognized	31.12.2019
Debt instruments	27,135,565	15,357,367	(16,563,748)	3,299,224	29,228,408
Derivative financial instruments, net	(61,967)	-	(666,621)	775,520	46,932
Total investments	27,073,598	15,357,367	(17,230,369)	4,074,744	29,275,340

*Annual Report 2019 includes increase/decrease in investments in derivative financial instruments during the reporting year.

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

NOTE 11 PLEDGED ASSETS

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

NOTE 12 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table analyzes the estimated fair value of financial instruments at the end of the reporting period by levels of the fair value hierarchy under which the fair value assessment has been categorized.

2020	Level 1:	Level 2:	Level 3:	Total
Financial assets				
Financial assets at fair value through profit or loss:				
Debt instruments and other fixed income instruments	14,945,897	40,123,926	-	55,069,823
Derivative financial instruments	-	1,391,795	-	1,391,795
	14,945,897	41,515,721	-	56,461,618
Financial liabilities				
Financial instruments at fair value through profit or loss	-	(809,691)	-	(809,691)
	14,945,897	40,706,030	-	55,651,927

During 2020, securities with an asset value of EUR 19,097,195 were reclassified and transferred from Level 1 to Level 2.

2019	Level 1:	Level 2:	Level 3:	Total
Financial assets				
Financial assets at fair value through profit or loss:				
Debt instruments and other fixed income instruments	27,398,598	1,829,810	-	29,228,408
Derivative financial instruments	-	139,196	-	139,196
	27,398,598	1,969,006	-	29,367,604
Financial liabilities				
Financial instruments at fair value through profit or loss	-	(92,264)	-	(92,264)
	27,398,598	1,876,742	-	29,275,340

In 2020 and 2019, the Fund did not hold any financial instruments of Level 3 under the fair value assessment hierarchy.

The following table presents the valuation methods used to arrive at the fair values of Level 2 as well as the significant unobservable inputs:

Type	Valuation method	Significant unobservable data	Relation between relevant unobservable data and fair value measurement
Financial assets at fair value through profit or loss (debt instruments) – Level 2	Financial market quotes	Not used	Not used
Derivative financial instruments	Financial market quotes	Not used	Not used

NOTE 13 RISK MANAGEMENT

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

Risk management framework

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

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

The Manager of Investment Fund follows risk diversification and hedging principles whose objective is to reduce the investment risk that are developed in accordance with the Management Policy. When making investments on the

Fund's account, the Company obtains sufficient information on potential or acquired investment objects as well as supervises financial and economic position of issuers of the financial instruments in which the Fund's property has been or is to be invested.

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

Market risk

Market risk is the probability that the Fund's value may decrease when any of the market factors changes, for example, in case of changes in interest rates (interest rate risk), prices of financial instruments (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

Financial instrument price risk for fixed income instruments (bonds) largely depends on market interest rate fluctuations and changes in the issuer credit quality. Market interest rate changes affect the attractiveness of financial instruments in the most direct manner, as substantially it is an alternative source of interest income. If market interest rates are growing, the prices of fixed income financial instruments fall and vice versa. On the other hand, the increase (decrease) in market interest rates have a positive (negative) effect on the coupon rates of fixed income instruments with a variable interest rate (when the coupon is fixed as a base rate - such as Euribor or Libor plus an additional margin). After revaluation (moment starting from which a new interest rate will be applied) the coupon yield for such financial instruments increases (decreases), resulting in increase (decrease) of the interest income.

The tables below show the effects of changes in certain currency market interest rates on the value of a particular Fund, where the interest income changes are calculated for one year. Changes in the real value of the Fund may differ from estimates and the difference may be material.

Changes in the market value of fixed income financial instruments and interest income (2020, EUR)					Changes in the market value of fixed income financial instruments and interest income (2019, EUR)				
Currency	Changes in the base rates, bp	Changes in the annual interest income	Changes in market value	Impact of the base rate changes on the total value of the portfolio	Currency	Changes in the base rates, bp	Changes in the annual interest income	Changes in market value	Impact of the base rate changes on the total value of the portfolio
EUR	100	25,812	(1,256,287)	(1,230,475)	EUR	100	12,830	(1,259,969)	(1,247,139)
USD	100	-	(880,207)	(880,207)	USD	100	-	(1,175,329)	(1,175,329)
Total		25,812	(2,136,494)	(2,110,682)	Total		12,830	(2,435,298)	(2,422,468)

Changes in the market value of fixed income financial instruments and interest income (2020, EUR)					Changes in the market value of fixed income financial instruments and interest income (2019, EUR)				
Currency	Changes in the base rates, bp	Changes in the annual interest income	Changes in market value	Impact of the base rate changes on the total value of the portfolio	Currency	Changes in the base rates, bp	Changes in the annual interest income	Changes in market value	Impact of the base rate changes on the total value of the portfolio
EUR	100	0.04%	(2.13%)	(2.09%)	EUR	100	0.04%	(4.11%)	(4.07%)
USD	100	-	(1.49%)	(1.49%)	USD	100	-	(3.84%)	(3.84%)
Total		0.04%	(3.62%)	(3.58%)	Total		0.04%	(7.95%)	(7.91%)

Changes in the market value of fixed income financial instruments and interest income (2020, EUR)					Changes in the market value of fixed income financial instruments and interest income (2019, EUR)				
Currency	Changes in the base rates, bp	Changes in the annual interest income	Changes in market value	Impact of the base rate changes on the total value of the portfolio	Currency	Changes in the base rates, bp	Changes in the annual interest income	Changes in market value	Impact of the base rate changes on the total value of the portfolio
EUR	-100	(25,812)	1,256,287	1,230,475	EUR	-100	(12,830)	1,259,969	1,247,139
USD	-100	-	880,207	880,207	USD	-100	-	1,175,329	1,175,329
Total		(25,812)	2,136,494	2,110,682	Total		(12,830)	2,435,298	2,422,468

Changes in the market value of fixed income financial instruments and interest income (2020, EUR)

Currency	Changes in the base rates, bp	Changes in the annual interest income	Changes in market value	Impact of the base rate changes on the total value of the portfolio
EUR	-100	(0.04%)	2.13%	2.09%
USD	-100	-	1.49%	1.49%
Total		(0.04%)	3.62%	3.58%

Changes in the market value of fixed income financial instruments and interest income (2019, EUR)

Currency	Changes in the base rates, bp	Changes in the annual interest income	Changes in market value	Impact of the base rate changes on the total value of the portfolio
EUR	-100	(0.04%)	4.11%	4.07%
USD	-100	-	3.84%	3.84%
Total		(0.04%)	7.95%	7.91%

Foreign currency risk

Foreign currency risk arises when the nominal currency of securities and other financial instruments in the Fund differs from the Fund's currency. Exchange rate fluctuations may cause profit or loss depending on the direction of exchange rate fluctuations and the currency's position in the Fund. Foreign currency risk of the Fund is effectively managed by concluding forward and/or swap transactions.

The following table shows the breakdown of the Fund's assets and liabilities by currency profile as at 31 December 2020.

	USD	EUR	Total
Assets			
Due on demand from credit institutions	2,052,763	1,922,401	3,975,164
<i>Financial assets at fair value through profit or loss</i>			
Debt instruments	25,428,939	29,640,884	55,069,823
Derivative financial instruments	(51,693,659)	53,085,454	1,391,795
Total assets	(24,211,957)	84,648,739	60,436,782
Liabilities			
Other liabilities	-	(570,000)	(570,000)
Accrued expenses	(83,838)	(5,143)	(88,981)
Derivative financial instruments	29,762,295	(30,571,986)	(809,691)
Total liabilities	29,678,457	(31,147,129)	(1,468,672)
Net assets	5,466,500	53,501,610	58,968,110
Net long position	9.27%	90.73%	100.00%

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

	USD	EUR	Total
Assets			
Due on demand from credit institutions	238,232	1,168,040	1,406,272
<i>Financial assets at fair value through profit or loss</i>			
Debt instruments	15,335,078	13,893,330	29,228,408
Derivative financial instruments	(23,430,887)	23,570,083	139,196
Total assets	(7,857,577)	38,631,453	30,773,876
Liabilities			
Accrued expenses	(45,117)	(5,142)	(50,259)
Derivative financial instruments	15,108,933	(15,201,197)	(92,264)
Total liabilities	15,063,816	(15,206,339)	(142,523)
Net assets	7,206,239	23,425,114	30,631,353
Net long position	23.53%	76.47%	100.00%

The effect of exchange rate fluctuations on the notional value of the Fund is disclosed in the table below. Exchange rate changes represent one year standard deviation of the particular rate.

Effect of exchange rate fluctuations (2020)				Effect of exchange rate fluctuations (2019)			
Currency	Share in the Fund (% of net assets)	Change in the exchange rate against USD	Impact on the Fund's value	Currency	Share in the Fund (% of net assets)	Change in the exchange rate against USD	Impact on the Fund's value
EUR	90.73%	7.57%	6.87%	EUR	76.47%	5.01%	3.83%
USD	9.27%	0.00%	0.00%	USD	23.53%	0.00%	0.00%
Total	100.00%		6.87%	Total	100.00%		3.83%

The effect of exchange rate fluctuations on the value of the CBL Eastern European Bond Fund (Class R Acc EUR (hedged)) is disclosed in the table below. Exchange rate changes represent one year standard deviation of the particular rate.

Effect of exchange rate fluctuations (2020)				Effect of exchange rate fluctuations (2019)			
Currency	Share in the Fund (% of net assets)	Change in the exchange rate against USD	Impact on the Fund's value	Currency	Share in the Fund (% of net assets)	Change in the exchange rate against USD	Impact on the Fund's value
USD	81.93%	7.57%	6.20%	USD	58.68%	5.01%	2.94%
EUR	8.37%	0.00%	0.00%	EUR	18.06%	0.00%	0.00%
Total	90.30%		6.20%	Total	76.74%		2.94%

The effect of exchange rate fluctuations on the value of the CBL Eastern European Bond Fund (R Acc USD) is disclosed in the table below. Exchange rate changes represent one year standard deviation of the particular rate.

Effect of exchange rate fluctuations (2020)				Effect of exchange rate fluctuations (2019)			
Currency	Share in the Fund (% of net assets)	Change in the exchange rate against USD	Impact on the Fund's value	Currency	Share in the Fund (% of net assets)	Change in the exchange rate against USD	Impact on the Fund's value
USD	8.80%	7.57%	0.67%	USD	17.79%	5.01%	0.89%
EUR	0.90%	0.00%	0.00%	EUR	5.47%	0.00%	0.00%
Total	9.70%		0.67%	Total	23.26%		0.89%

Credit risk

Credit risk refers to the probability that the value of the Fund may decrease if the Fund's counterparty or the issuer of debt securities is unable or refuses to meet the obligations. Consequently, only safe counterparties with a good reputation are selected when performing transactions with the Fund's assets. The Fund manager regularly monitors the solvency of the Fund's counterparties, analyzes their credit rating, financial situation and information in mass media.

The Fund's asset credit quality is managed based on the international rating agencies Standard & Poor's, Moody's and Fitch credit ratings. In addition, issuers' financial statements, financial position and future prospects are also analyzed. The table shows the classification of debt instrument issuers and credit institutions in which the Fund has deposits by credit ratings according to the following classification:

- High-quality financial instruments: MA - AA- (Standard & Poor's); Aaa - Aa3 (Moody's Investors Service); AAA - AA- (Fitch);
- Investment grade financial instruments: A+ - BBB- (Standard & Poor's); A1 - Baa3 (Moody's Investors Service); A+ - BBB- (Fitch);
- High risk financial instruments: BB+ - BB- (Standard & Poor's); Ba1 - Ba3 (Moody's Investors Service); BB+ - BB- (Fitch);
- Speculative financial instruments: B+ - C (Standard & Poor's); B1 - C (Moody's Investors Service); B+ - C (Fitch).
- The following table shows the breakdown of the Fund's assets by credit ratings as at 31 December 2020.

	Investment grade financial instruments	Higher risk financial instruments	Speculative financial instruments	No rating	Total
Due on demand from credit institutions	3,975,164	-	-	-	3,975,164
Financial assets at fair value through profit or loss					
Debt instruments	19,467,344	19,622,174	13,139,173	2,841,132	55,069,823
Derivative financial instruments	1,391,795	-	-	-	1,391,795
Total investments	24,834,303	19,622,174	13,139,173	2,841,132	60,436,782

The following table shows the breakdown of the Fund's assets by credit ratings as at 31 December 2019.

	Investment grade financial instruments	Higher risk financial instruments	Speculative financial instruments	No rating	Total
Due on demand from credit institutions	-	1,406,272	-	-	1,406,272
Financial assets at fair value through profit or loss					
Debt instruments	11,625,461	8,516,520	6,847,928	2,238,499	29,228,408
Derivative financial instruments	-	139,196	-	-	139,196
Total investments	11,625,461	10,061,988	6,847,928	2,238,499	30,773,876

Concentration risk

The business sector of the issuer and its geographical position are additional credit risk factors that can influence both the price of the financial instruments issued and the issuer's solvency. Therefore it is important to identify concentration risk - i.e., the extent to which the Fund's value depends on changes in certain regions and/or sectors. Geographical distribution of credit risk concentration (based on the countries whose position most affects the issuer's solvency) and distribution across sectors are presented in the tables below.

The following table shows the geographical profile of the Fund's assets and liabilities as at 31 December 2020

	Latvia	Other OECD countries	Non - OECD countries	Total
Assets				
Due on demand from credit institutions	3,975,164	-	-	3,975,164
Financial assets at fair value through profit or loss				
Debt instruments	658,860	22,758,676	31,652,287	55,069,823
Derivative financial instruments	1,391,795	-	-	1,391,795
Total assets	6,025,819	22,758,676	31,652,287	60,436,782
Liabilities				
Derivative financial instruments	(809,691)	-	-	(809,691)
Accrued expenses	(88,981)	-	-	(88,981)
Other liabilities	(570,000)	-	-	(570,000)
Total liabilities	(1,468,672)	-	-	(1,468,672)
Net assets	4,557,147	22,758,676	31,652,287	58,968,110

* Security amount for derivatives concluded with AS Citadele bank.

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

	Latvia	Other OECD countries	Non - OECD countries	Total
Assets				
Due on demand from credit institutions	1,406,272	-	-	1,406,272
Financial assets at fair value through profit or loss				
Debt instruments	579,921	12,578,853	16,069,634	29,228,408
Derivative financial instruments	139,196	-	-	139,196
Total assets	2,125,389	12,578,853	16,069,634	30,773,876
Liabilities				
Derivative financial instruments	(92,264)	-	-	(92,264)
Accrued expenses	(50,259)	-	-	(50,259)
Total liabilities	(142,523)	-	-	(142,523)
Net assets	1,982,866	12,578,853	16,069,634	30,631,353

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

Sector	% of the Fund's net assets		% of the Fund's net assets	
	Carrying amount 31.12.2020	31.12.2020	Carrying amount 31.12.2019	31.12.2019
Financial services	12,138,500	20.58%	2,729,982	8.91%
Utilities	8,821,694	14.96%	4,897,365	15.99%
Energy	7,530,131	12.77%	2,495,347	8.15%
Government	6,349,086	10.77%	2,729,574	8.91%
Commodities	6,243,166	10.59%	4,992,859	16.30%
Consumer staples	6,098,335	10.34%	2,918,120	9.53%
Telecommunications services	2,935,135	4.98%	1,768,493	5.77%
Manufacturing	2,491,349	4.22%	1,367,372	4.47%
Consumption services	2,062,738	3.50%	1,506,761	4.92%
IT services	399,689	0.68%	408,689	1.33%
Commercial banks	-	0.00%	3,413,846	11.14%
Total	55,069,823	93.39%	29,228,408	95.42%

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

Country	% of the Fund's		% of the Fund's	
	Carrying amount 31.12.2020	net assets 31.12.2020	Carrying amount 31.12.2019	net assets 31.12.2019
Russia	5,879,555	9.97%	4,229,560	13.81%
Ukraine	5,630,208	9.55%	2,144,730	7.00%
Latvia	4,557,147	7.72%	1,982,866	6.46%
Lithuania	3,822,791	6.48%	1,741,076	5.68%
Czech Republic	3,706,527	6.29%	2,128,127	6.95%
Poland	3,569,481	6.05%	2,194,895	7.17%
Turkey	3,535,860	6.00%	1,849,546	6.04%
Kazakhstan	3,212,511	5.45%	1,408,202	4.60%
Azerbaijan	3,101,412	5.26%	2,081,216	6.79%
Uzbekistan	2,944,999	4.99%	182,406	0.60%
Georgia	2,788,146	4.73%	1,049,409	3.43%
Romania	2,719,654	4.61%	2,681,084	8.75%
Serbia	1,884,154	3.20%	-	-
Netherlands	1,857,709	3.15%	-	-
Estonia	1,832,117	3.11%	2,062,856	6.73%
Hungary	1,650,019	2.80%	1,087,145	3.55%
Norway	1,620,749	2.75%	970,171	3.17%
Moldova	1,446,663	2.45%	583,064	1.90%
Croatia	1,158,955	1.97%	786,266	2.57%
Bulgaria	886,030	1.50%	923,697	3.02%
Denmark	804,056	1.36%	-	-
Sweden	359,367	0.61%	545,037	1.78%
Total	58,968,110	100.00%	30,631,353	100.00%

Liquidity risk

Liquidity risk can occur if the Fund has difficulty in meeting its financial obligations. The Fund Manager strives to maintain such asset structure which ensures a possibility of selling financial instruments in due time and with no significant losses. Moreover, a large part of the Fund's assets are invested in short-term investment rating government bonds, which is one of the most liquid types of assets.

The following table shows the maturity profile of the Fund's assets and liabilities as at 31 December 2020:

	More than 5						Total
	Up to 1 month	1-3 months	3-6 months	6-12 months	1-5 years	years and indefinite	
Assets							
Due on demand from credit institutions	3,975,164	-	-	-	-	-	3,975,164
Financial assets at fair value through profit or loss							
Debt instruments	-	359,367	1,659,196	886,030	28,709,407	23,455,823	55,069,823
Derivative financial instruments	675,804	715,991	-	-	-	-	1,391,795
Total assets	4,650,968	1,075,358	1,659,196	886,030	28,709,407	23,455,823	60,436,782
Liabilities							
Derivative financial instruments	(345,174)	(464,517)	-	-	-	-	(809,691)
Accrued expenses	(83,838)	-	(5,143)	-	-	-	(88,981)
Other liabilities	(570,000)	-	-	-	-	-	(570,000)
Total liabilities	(999,012)	(464,517)	(5,143)	-	-	-	(1,468,672)
Net assets	3,651,956	610,841	1,654,053	886,030	28,709,407	23,455,823	58,968,110
<i>Net position, %</i>	<i>6.19%</i>	<i>1.04%</i>	<i>2.80%</i>	<i>1.50%</i>	<i>48.69%</i>	<i>39.78%</i>	<i>100.00%</i>

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

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-5 years	More than 5 years and indefinite	Total
Assets							
Due on demand from credit institutions	1,406,272	-	-	-	-	-	1,406,272
Financial assets at fair value through profit or loss							
Debt instruments	-	-	-	-	21,648,033	7,580,375	29,228,408
Derivative financial instruments	30,229	108,967	-	-	-	-	139,196
Total assets	1,436,501	108,967	-	-	21,648,033	7,580,375	30,773,876
Liabilities							
Derivative financial instruments	(23,839)	(68,425)	-	-	-	-	(92,264)
Accrued expenses	(45,117)	-	(5,142)	-	-	-	(50,259)
Total liabilities	(68,956)	(68,425)	(5,142)	-	-	-	(142,523)
Net assets	1,367,545	40,542	(5,142)	-	21,648,033	7,580,375	30,631,353
<i>Net position, %</i>	<i>4.47%</i>	<i>0.13%</i>	<i>(0.02%)</i>	<i>-</i>	<i>70.67%</i>	<i>24.75%</i>	<i>100.00%</i>

NOTE 14 INFORMATION ON THE FUND'S SHARE CERTIFICATE HOLDERS

The following table shows the proportion of the share certificates held by related parties of the Fund as well as other investors in the total number of the share certificates issued:

	31.12.2020	% of the total number 31.12.2020	31.12.2019	% of the total number 31.12.2019
CBL Eastern European Bond fund: Class R Acc USD				
Share certificates held by related parties	41,787	16.41%	50,336	16.76%
Share certificates held by third parties	212,895	83.59%	250,007	83.24%
Number of share certificates issued at the end of the reporting period	254,682	100.00%	300,343	100.00%
CBL Eastern European Bond fund: Class R Acc EUR (hedged)				
Share certificates held by the shareholder (AS Citadele banka)	708,320	25.98%	-	-
Share certificates held by related parties	187,130	6.86%	185,991	15.15%
Share certificates held by third parties	1,831,063	67.16%	1,036,135	84.85%
Number of share certificates issued at the end of the reporting period	2,726,513	100.00%	1,222,126	100.00%

NOTE 15 RELATED PARTY TRANSACTIONS

The majority of the Fund's investments are acquired through the custodian bank. AS Citadele Banka receives a custodian fee, which is disclosed in the statement of income and expenses; the cash of the Fund is also placed with AS Citadele Banka (see Note 3). Besides, all the derivative financial instruments are concluded with AS Citadele Banka (see Note 4).

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

In the reporting period, the related parties made transactions with the Fund's share certificates (see Note 14). In 2020, the related parties bought 5,786 and sold 14,335 share certificates of CBL Eastern European Bond fund (Class R Acc USD) and bought 16,908 and sold 15,922 share certificates of CBL Eastern European Bond fund (Class R Acc EUR (hedged)). Purchase and re-selling transactions of the Fund's share certificates are calculated taking into account only the share certificates held by those related parties which have been classified as related parties of the Fund in 2020 and 2019.

In the reporting period and in 2019, the Fund had no investments in bonds issued by AS Citadele banka.

NOTE 16 PERFORMANCE DYNAMICS OF THE INVESTMENT FUND

CBL Eastern European Bond fund: Class R Acc USD	31.12.2020	31.12.2019.	31.12.2018
Net assets (EUR)	5,720,261	7,124,184	7,531,567
Number of share certificates	254,682	300,343	356,182
Value of the unit of the investment fund (EUR)	22.46	23.72	21.15
Return of the investment fund *	(5.31%)	12.15%	3.57%
Net assets (USD)**	7,019,332	8,003,308	8,623,645
Number of share certificates	254,682	300,343	356,182
Value of the unit of the investment fund (EUR)	27.56	26.65	24.21
Return of the investment fund *	3.41%	10.08%	(1.14%)
CBL Eastern European Bond fund: Class R Acc EUR (hedged)	31.12.2020	31.12.2019.	31.12.2018
Net assets (EUR)	53,247,856	23,507,176	21,253,257
Number of share certificates	2,726,513	1,222,126	1,180,217
Value of the unit of the investment fund (EUR)	19.53	19.23	18.01
Return of the investment fund *	1.56%	6.77%	(4.05%)

The total assets of CBL Eastern European Bond Fund consist of the total net assets of both classes in the Fund's measurement currency; when translating the total assets of CBL Eastern European Bond Fund at the exchange rate published by the European Central Bank, an exchange rate difference between the total amounts of both classes arises which leads to the difference from the net assets presented elsewhere in the financial statements.

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

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

NOTE 17 EVENTS AFTER THE END OF THE REPORTING PERIOD

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



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Independent Auditors' Report

To the shareholders of investment fund 'CBL Eastern European Bond Fund'

Report on the audit of financial statements

Our opinion on the financial statements

We have audited the financial statements of investment fund 'CBL Eastern European Bond Fund' ("the Fund") managed by IPAS 'CBL Asset Management' ("the Asset Manager") as set out on pages 8 to 27 of the accompanying Annual Report. The accompanying financial statements include:

- Overview of assets and liabilities as at 31 December 2020,
- 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 Eastern European Bond Fund' as at 31 December 2020, and of its financial performance 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,



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- Investment Management Companies Report, as set out on page 4 of the accompanying Annual Report.
- Report on the implementation of the engagement policy, presented on page 5 of the accompanying Annual Report
- Statement of responsibility of the board of the Asset Manager, as set out on page 6 of the accompanying Annual Report.
- Custodian Bank Report, as set out on page 7 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.

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,



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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 AS

Licence No. 55

Rainers Vilāns
Certified Auditor of Latvia
Certificate No.200
Partner pp KPMG Baltics AS
Riga, Latvia
30 April 2021

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