



INVESTMENT FUND
CBL Eastern European Bond Fund
ANNUAL REPORT for 2022

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

Riga, 2023



**CBL ASSET
MANAGEMENT**

TABLE OF CONTENTS

Information on the Investment Fund	3
Investment Management Company Report	4
Report on the Implementation of the Engagement Policy	5
Statement of Responsibility of the Management Board of the Investment Management Company	6
Financial Statements:	
Statement of Assets and Liabilities	7
Statement of Income and Expenses	8
Statement of Changes in Net Assets	9
Cash Flow Statement	10
Notes to the Financial Statements	11
Custodian Bank Report	28
Auditors' Report	29

INFORMATION ABOUT THE INVESTMENT FUND

Name of the Fund:	CBL Eastern European Bond Fund
Type of the Fund:	Investment fund
Classes:	- R Acc USD ISIN: LV0000400125 - R Acc EUR (hedged) ISIN: LV0000400174
Date of registration of the Fund:	20 July 2009
Number of the Fund:	FL263
Name of the investment management company:	CBL Asset Management IPAS
Registered office of the investment management company:	Republikas laukums 2a, Riga, LV-1010, Latvia
Registration number of the investment management company:	40003577500
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, Riga, 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:	Andris Kotāns Edgars Lao
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

CBL Eastern European Bond Fund (hereinafter – the Fund) is an equity investment fund offering share certificates of two classes: R Acc USD and R Acc EUR (hedged). Investors may invest both in the euros – in R Acc EUR (hedged) class share certificates, and in the US dollars – in R Acc USD class share certificates. The Fund is managed by 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 Investment Fund is to achieve long-term capital appreciation by investing primarily in debt securities and money market instruments issued or guaranteed by Eastern European governments, municipalities, central banks, credit institutions and commercial companies, debt securities investment funds and ETFs traded on regulated markets in Member States and OECD countries without sectoral restrictions. The Fund's investment portfolio is diversified among investments in different countries and sectors with the aim of providing greater protection against fluctuations in the value of the Fund's assets compared to investments in the financial instruments of a single country or sector. The Fund's policy has not changed during the period under review.

In the reporting period of 2022, the net assets of the Fund decreased by 46.26% or by EUR 23,511,661 and amounted to EUR 27,312,666 at the end of the period. As at 31.12.2022, gross assets amounted to EUR 28,170,931. The return and value of the Fund are calculated for each class individually. The value of the CBL Eastern European Bond Fund Class R Acc USD decreased by EUR 4.02 to EUR 20.49 and the value of the CBL Eastern European Bond Fund Class R Acc EUR (hedged) decreased by EUR 4.64 to EUR 14.88 during the period under review. The return on Class R Acc USD was 16.40% (negative) in euro terms and the return on the units in the class currency (USD) was 21.28% (negative) in 2022. The return on Class R Acc EUR (hedged) was 23.77% (negative) in euro terms in 2022.

2022 has been a negative year in both recent world history and financial markets. The war in Ukraine launched by Russia and the subsequent Western sanctions caused significant turmoil in various commodity markets and had a negative impact on global economic growth. Meanwhile, a sustained rise in inflation in Western countries has been observed since 2021, which led central banks to radically change their monetary policy stance from excessively loose at the beginning of the year to highly restrictive at the end of 2022. The US Federal Reserve's rate hike campaign was one of the sharpest in US history - within a year, the dollar base rate was raised from zero to the 4.25-4.50% area. The ECB started raising rates in the middle of the year, ending an eight-year experiment in negative rates. By the end of 2022, the ECB had raised the interest rate by 2.5 percentage points and continued to do so in the first quarter of 2023, raising rates by a further 1.0 percentage point. Although global financial markets recovered towards the end of the year, they ended the year as a whole deep in negative territory. During the period under review, global equity market capitalisation contracted by around 20%. Meanwhile, safe-haven US and European corporate bonds, as well as emerging market debt, ended the year with a fall of around 15%. The Eastern European Eurobond market lost 40% of its value as Russia, by far the largest bond market in the region, as well as Belarus were excluded from the region's bond market index family with a value of zero, while our Fund (Class R Acc USD) limited losses to 21% thanks to significantly higher country diversification.

Against this background, the largest negative impact on the Fund's performance came from investments in Russia and Ukraine, which explain more than half of the Fund's total losses. Due to the growing geopolitical tensions in the region, we started to reduce the Fund's investments in Russia in January, before the invasion of Ukraine, and by the end of the reporting period, the Fund had no investments in Russia, while the share of investments in Ukraine halved. At the same time, we increased the Fund's investments in Romania, which made a small positive contribution to the Fund's performance during the reporting period due to the successful bond selection in this market. As at the end of the reporting period, Poland was the largest market in the Fund, with an 11pp increase to 16.42% of the Fund's net assets by 2022. As at the end of the reporting period, the debt securities in the Fund were diversified among 17 countries. As at the end of the reporting period, the Fund had an average yield in USD terms of 9.8%, an average duration of 3.6 and an average credit rating of Ba3/BB-

Total management costs for the period amounted to €422,070, which is within the 3.00% ceiling set in the prospectus. The assets of the Fund during the reporting period covered remuneration to the investment management company amounting to EUR 343,355, the custodian fee amounting to EUR 58,193, other management expenses amounting to EUR 20,081 and interest expenses amounting to EUR 441. The Fund's ongoing charges ratio for the period under review was 1.39% of the Fund's average net asset value. The prospectuses of the investment funds managed by the Company do not provide for performance fees.

The CBL Asset Management team closely follows developments both locally and globally: economic scenarios, monetary and fiscal policies of major countries, as well as potential inflationary and political risks, as their impact on the economic and capital market dynamics of the Eastern European region is significant. At the same time, careful instrument selection, irrespective of sector and country affiliation, will continue to play a key role in the Fund's investment process.

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

Kārlis Purgailis
Chairperson of the Management Board

Andris Kotāns
Fund Manager

Edgars Lao
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 Company primarily participates in the management of companies in which the Fund invests through its voting rights, where the voting rights held by the Fund amount to at least 5% of the total number of votes. The Fund Managers shall be responsible for the implementation of the engagement activities. During the period under review, the Managers have implemented engagement activities with four issuers. The Managers have encouraged companies to improve their disclosure practices and have participated in the process of developing new issuance rules with the aim of ensuring better investor protection.

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

Kārlis Purgailis
Chairperson of the Management Board

Andris Kotāns
Fund Manager

Edgars Lao
Fund Manager

Riga, 27 April 2023

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

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

The Management Board of the Company is responsible for preparation of financial statements of the CBL Eastern European Bond Fund (hereinafter – the Fund).

The financial statements set out on pages 7 to 27 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 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 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 Eastern European Bond Fund 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

Andris Kotāns
Fund Manager

Edgars Lao
Fund Manager

Riga, 27 April 2023

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

STATEMENT OF ASSETS AND LIABILITIES

	Notes	31.12.2022	31.12.2021
Assets			
Due on demand from credit institutions	3	811,532	2,107,359
Financial assets at fair value through profit or loss			
Debt instruments	4	26,373,891	48,990,750
Derivative financial instruments	5	985,508	261,665
Total assets		28,170,931	51,359,774
Liabilities			
Financial liabilities at fair value through profit or loss			
Derivative financial instruments	5	(816,567)	(468,683)
Accrued expenses	6	(41,698)	(66,764)
Total liabilities		(858,265)	(535,447)
Net assets		27,312,666	50,824,327

The accompanying notes on pages 11 to 27 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

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

STATEMENT OF INCOME AND EXPENSES

	Notes	<u>2022</u>	<u>2021</u>
Income for the reporting period			
Interest income	7	1,678,976	2,470,725
Other income		1,330	109,143
Total income		1,680,306	2,579,868
Expenses for the reporting period			
Interest expense		(441)	(212)
Remuneration to the investment management company		(343,355)	(682,451)
Remuneration to the custodian bank		(58,193)	(98,273)
Other Fund management expenses		(20,081)	(8,831)
Total expenses		(422,070)	(789,767)
(Decrease)/increase in investment value			
Realised (decrease)/increase in investment value	8	(7 056 173)	8,698
Unrealised impairment of investments	9	(4,175,653)	(1,557,983)
Total increase in value of investments		(11,231,826)	(1,549,285)
Foreign currency revaluation result		(608,830)	314,087
(Decrease)/increase in net assets from investments		(10,582,420)	554,903

The accompanying notes on pages 11 to 27 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

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

STATEMENT OF CHANGES IN NET ASSETS

CBL Eastern European Bond fund

	<u>2022</u>	<u>2021</u>
Net assets at the beginning of the reporting year	50,824,327	58,968,110
(Decrease)/increase in net assets from investment	(10,582,420)	554,903
Transactions in share certificates and units		
Inflow from sale of share certificates and units	910,320	4,014,103
Outflow on redemption of share certificates and units	(13,839,561)	(12,712,789)
Decrease in net assets from transactions in share certificates and units	(12,929,241)	(8,698,686)
Decrease in net assets during the reporting period	(23,511,661)	(8,143,783)
Net assets at the end of the reporting year	<u>27,312,666</u>	<u>50,824,327</u>

CBL Eastern European Bond fund Class R Acc USD

ISIN: LV0000400125

	<u>2022</u>	<u>2021</u>
Number of issued share certificates and units at the beginning of the reporting year	232,513	254,682
Number of issued share certificates and units at the end of the reporting year	133,792	232,513
Net assets per share certificate and unit at the beginning of the reporting year	24.51	22.46
Net assets per share certificate and unit at the end of the reporting year	<u>20.49</u>	<u>24.51</u>

CBL Eastern European Bond fund Class R Acc EUR (hedged)

ISIN: LV0000400174

	<u>2022</u>	<u>2021</u>
Number of issued share certificates and units at the beginning of the reporting year	2,312,117	2,726,513
Number of issued share certificates and units at the end of the reporting year	1,650,880	2,312,117
Net assets per share certificate and unit at the beginning of the reporting year	19.52	19.53
Net assets per share certificate and unit at the end of the reporting year	<u>14.88</u>	<u>19.52</u>

The annexes on pages 11 to 27 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

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

CASH FLOW STATEMENT

	Notes	<u>2022</u>	<u>2021</u>
Interest income received		1,520,075	2 393 466
Interest expenses paid		(441)	(212)
Acquisition of investments	10	(10,860,432)	(38,845,657)
Inflow from sale of investments		23,158,857	45,704,443
Investment management expenses		(446,781)	(812,457)
Currency translation and derivatives settlements		(1,818,095)	(1,209,977)
Increase in cash and cash equivalents from operating activities		<u>11,553,183</u>	<u>7,229,606</u>
Cash flows from financing activities			
Inflow from sale of share certificates and units		910,320	4,014,103
Outflow on redemption of share certificates and units		(13,893,561)	(12,712,789)
Decrease in cash and cash equivalents from financing activities		<u>(12,928,973)</u>	<u>(8,698,686)</u>
Net decrease in cash and cash equivalents during the reporting period		<u>(1,376,057)</u>	<u>(1,469,080)</u>
Cash and cash equivalents at the beginning of the reporting year		<u>2,107,359</u>	<u>3,975,164</u>
Effects of changes in foreign exchange rates on cash and cash equivalents		80,230	(398,725)
Cash and cash equivalents at the end of the reporting year		<u>811,532</u>	<u>2,107,359</u>

The annexes on pages 11 to 27 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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

Name of the Fund:	CBL Eastern European Bond Fund
Type of fund:	Investment fund
Scope of the Fund:	The investment objective of the Investment Fund is to achieve long-term capital appreciation by investing primarily in debt securities and money market instruments issued or guaranteed by Eastern European governments, municipalities, central banks, credit institutions and commercial companies, debt securities investment funds and ETFs traded on regulated markets in Member States and OECD countries without sectoral restrictions
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 the CBL Eastern European Bond Fund 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 have been prepared under the historical cost convention and modified for financial assets at fair value through profit or loss.

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 consistent with the closing balances of the published financial statements for 2021.

Functional and reporting currency

The Fund's functional currency is the US dollar, but in accordance with the requirements of the FCMC, the Fund also maintains its accounts in euro 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 significant assumptions. 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 preparation of financial statements using 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.

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.

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 other regulated markets are valued at the price at which the instrument can be sold (the last bid price at the close of the stock exchange on the date the Fund's value is calculated). Derivatives not quoted on exchanges or other regulated markets are valued at their redemption price, or at an offsetting transaction price confirmed in writing by the counterparty on the day of the calculation of the Fund's value, or at a price calculated through the market price of the underlying asset. An offsetting transaction is a transaction that will result in liquidation of a derivative financial instrument.

Revaluation of foreign currencies

Transactions in foreign currencies are revalued in euro at the foreign exchange rate quoted by the European Central Bank on the trade date. Monetary assets and liabilities denominated in foreign currencies are revalued in euro at the foreign exchange rate quoted 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 the functional currency using the exchange rate of the day on which the 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 unit to euro) were as follows:

Currency	31.12.2022	31.12.2021
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 instruments are classified into the following categories: fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial instrument was acquired. Management determines the classification of a financial instrument at initial recognition.

Financial instruments at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that are acquired or acquired for trading purposes in the foreseeable future or that are classified as at fair value through profit or loss after initial recognition. All of the Fund's investments in instruments are classified as financial assets at fair value through profit or loss. The result of financial assets measured at fair value is reflected in the income statement as an increase/(decrease) in the value of investments.

The revaluation of financial instruments is based on financial information available on Bloomberg and the Russian Stock Exchange on the market bid prices of these instruments. Unquoted financial instruments are valued according to the custodian bank's information on transactions that have taken place, and in the absence of such information, instruments are valued using the discounted cash flow method. Purchases and sales of financial instruments are recognised on the settlement date. The cost of instruments sold is determined using the FIFO (first in, first out) method.

Financial assets and liabilities measured at amortised cost

To be measured at amortised cost, a financial asset must be held simultaneously within a business model that seeks to hold the financial asset to receive its contractual cash flows, and the financial asset's contractual cash flows must be fixed and determinable over time and must comply with the 'principal and interest only' principle.

Financial assets measured at amortised cost are carried at amortised cost using the effective interest method, less any provision for impairment.

Provisions for impairment losses on financial assets that are not impaired (Stage 1 and Stage 2) are measured as the present value of any cash shortfall, being the difference between the contractual cash flows expected to be received by the Company and the cash flows expected to be received by the Company, discounted at the financial asset's effective interest rate. The provision for impairment losses on financial assets that are impaired at the reporting period end date (stage 3) is measured as the difference between the gross carrying amount and the present value of estimated future cash flows, discounted at the financial asset's effective interest rate. For financial assets purchased or issued with impairment, the credit-adjusted effective interest rate is applied from initial recognition.

Income or expense from a financial asset measured at amortised cost is recognised in profit or loss when the financial asset is derecognised, reclassified or amortised, or to recognise or reverse an impairment loss. Financial assets measured at amortised cost are recognised at the date of issue. From the date of signature of the relevant contract until the actual date of issue, they are accounted for as a lending liability in off-balance sheet items.

If financial assets cannot be recovered, they are written off and recorded as a reduction in the allowance for credit losses. The decision to write off loans is made by the Company's management. Proceeds from the recovery of loans previously written off are recognised in the income statement.

The Company classifies all financial liabilities as carried at amortised cost using the effective interest method, except for derivative financial instruments and certain deposit components of insurance plan liabilities which are measured at fair value through profit or loss. Gains or losses on financial liabilities measured at amortised cost are recognised in the income statement when the financial liability is derecognised and amortised.

Derivative financial instruments

The Fund may enter into derivative financial instruments for the purpose of managing currency risk. For accounting purposes, all derivative financial instruments are classified as held-for-trading transactions.

After initial recognition and valuation, contracts are carried on the balance sheet at fair value. The fair value of these contracts is included in the statement of assets and liabilities as 'Derivative financial instruments' and their notional principal amount is disclosed in the notes to the financial statements.

Gains or losses arising from changes in claims and liabilities arising from these contracts are included in the statement of income and expenses as a result of the revaluation of foreign currencies. Considering changes in the market value of the Derivative Transactions, a Variable Collateral Amount (minimum transfer amount of EUR 500'000) is calculated as at each Valuation Date, which one party to the Derivative Transactions is required to receive from the other party to the Derivative Transactions. The Variable Collateral shall be accounted for at amortised cost. As at 31.12.2022, the Fund did not have any Variable Collateral.

Recognition and derecognition from assets

Purchases and sales of financial assets are recognised on the settlement date. Financial assets are derecognised when the rights to the cash flows from the financial assets expire or when the Fund has transferred all risks and rewards of ownership. Financial assets classified as financial assets at fair value through profit or loss are initially recorded at fair value, with any costs associated with closing the transaction being recognised in the income statement. Other financial assets are initially recorded at fair value, including transaction costs.

Provisions for impairment of financial assets

The Company estimates expected credit losses. The impairment allowance requirements apply to financial assets measured at amortised cost but not to financial assets measured at fair value through profit or loss.

Impairment provisions are recognised based on future information, even if the loss event has not occurred. The assessment takes into account a wide range of information, but as most of these exposures are credit rated, the calculation relies heavily on external credit ratings and estimated default probabilities derived from multi-period rating migration matrices calculated by rating agencies. If an external rating agency credit rating is not available for assessment, it may be replaced by an internally calculated credit quality level. Credit risk indicators (default, delinquency, restructuring) and individual issuer credit risk assessment are also taken into account. The Company considers exposures with investment grade credit ratings to be low risk assets and therefore it is assumed that they have not significantly increased in credit risk since acquisition. For exposures rated below investment grade by more than 3 notches, a decline in credit rating since the original acquisition is considered as a factor indicating a significant increase in credit risk. Estimated credit losses are recognised based on the stage of the provision to which the exposure is allocated at the reporting date. A 12-month expected credit loss is recognised for Stage 1 exposures

where there has been no material increase in credit risk since initial recognition. Life-cycle expected credit losses are recognised for Stage 2 exposures where the credit risk has increased significantly since initial recognition and for Stage 3 exposures that are in default. Stage 3 exposures, if identified, would be subject to additional comprehensive assessment, including comparison with market valuations for similar exposures, market depth of the underlying security, past trading performance and other available information.

Fair value of financial assets and liabilities

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

The Company measures the fair value of a financial instrument of the Fund using quoted prices in an active market, where practicable. 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.

Financial instruments are revalued using financial information available on Bloomberg and NASDAQ OMX Riga on the bid prices of these financial instruments. Purchases and sales of financial instruments are recognised on the settlement date. The acquisition value of financial instruments 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, ie 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 equities, debt instruments, short-term bonds and standardised derivatives that are valued using quoted exchange prices. Financial instruments 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 instruments 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	811,532	2.97%	2,107,359	4.15%

NOTE 4 DEBT INSTRUMENTS

All debt and other fixed income instruments are classified as financial assets at fair value through profit or loss.
Debt securities by sector, region.

	% of the Fund's net assets		% of the Fund's net assets	
	31.12.2022	31.12.2022	31.12.2021	31.12.2021
Corporate debt instruments	19,561,282	71.60%	37,120,274	73.04%
Latvia	1,693,893	6.19%	1,398,710	2.75%
OECD countries	11,927,234	43.66%	15,211,205	29.93%
Non-OECD countries	5,940,155	21.75%	20,510,359	40.36%
Government debt instruments	4,854,874	17.79%	6,176,415	12.15%
OECD countries	-	0.00%	1,443,479	2.84%
Non-OECD countries	4,854,874	17.79%	4,732,936	9.31%
Debt instruments of credit institutions	1,329,985	4.87%	4,167,436	8.20%
Latvia	479,530	1.76%	521,269	1.03%
Non-OECD countries	850,455	3.11%	3,646,167	7.17%
Debt instruments of financial institutions	627,750	2.30%	1,526,625	3.00%
OECD countries	627,750	2.30%	1,526,625	3.00%
Total debt instruments	26,373,891	96.56%	48,990,750	96.39%

The following table shows the debt instruments by country of origin of the issuer at 31 December 2022:

Financial instrument	ISIN code	Currency	Nominal value	Acquisition value (EUR)	Carrying amount 31.12.2022	% of the Fund's net assets 31.12.2022
Financial instruments traded on regulated markets:				29,233,511	25,475,952	93.28%
Debt instruments of Polish issuers:				5,144,774	4,484,049	16.42%
InPost SA 2.25% 07/2027	XS2010028004	EUR	1,200,000	1,191,609	994,659	3.64%
Globalworth Real Estate Investments Ltd 07/2026 2.95% 07/2026	XS2208868914	EUR	1,200,000	995,728	954,513	3.50%
GTC Aurora Luxembourg SA 2.25% 06/2026	XS2356039268	EUR	1,200,000	1,176,328	883,109	3.23%
Synthos SA 2.5% 06/2028	XS2348767836	EUR	1,100,000	971,111	847,019	3.10%
Polski Koncern Naftowy ORLEN SA 1.125% 05/2028	XS2346125573	EUR	1,000,000	809,998	804,749	2.95%
Debt instruments of Turkish issuers:				2,247,377	2,218,104	8.12%
Eldorado Gold Corp 6.25% 09/2029	USC3314PAD80	USD	1,100,000	1,015,702	922,675	3.38%
Türkiye Sise ve Cam Fabrikaları AS 6.95% 03/2026	XS1961010987	USD	800,000	715,961	742,962	2.72%
Arcelik AS 3% 05/2026	XS2346972263	EUR	600,000	515,714	552,467	2.02%
Debt instruments of Romanian issuers:				2,160,009	2,095,358	7.68%
Romanian Government International Bond 04/2042 2.875% 04/2042	XS2364200514	EUR	1,500,000	889,680	867,175	3.18%
Romanian Government International Bond 1.75% 07/2030	XS2364199757	EUR	900,000	669,721	630,854	2.31%
Solis Bond Co DAC 6.50% 01/2024	NO0010914914	EUR	600,000	600,608	597,329	2.19%
Debt instruments of Kazakh issuers:				2,164,399	2,068,243	7.58%
KazTransGas JSC 4.375% 09/2027	XS1682544157	USD	1,250,000	1,202,909	1,066,735	3.91%
Kazakhstan Government International Bond 6.5% 07/2045	XS1263139856	USD	1,000,000	961,490	1,001,508	3.67%
Debt instruments of Estonian issuers:				2,101,077	1,915,920	7.01%
Cullinan Holdco Scsp 4.625% 10/2026	XS2397354528	EUR	1,500,000	1,501,077	1,323,128	4.84%
Mainor Ulemiste 5.5% 04/2023	EE3300111343	EUR	600,000	600,000	592,792	2.17%

Financial instrument	ISIN code	Currency	Nominal value	Acquisition value (EUR)	Carrying amount 31.12.2022	% of the Fund's net assets 31.12.2022
Debt instruments of Uzbek issuers:				1,868,776	1,773,175	6.49%
Uzauto Motors AJ 4.85% 05/2026	XS2330272944	USD	1,200,000	1,013,097	922,720	3.38%
National Bank of Uzbekistan 4.85% 10/2025	XS2242418957	USD	1,000,000	855,679	850,455	3.11%
Debt instruments of Lithuanian issuers:				1,838,200	1,696,257	6.21%
Akropolis Group Uab 2.875% 06/2026	XS2346869097	EUR	1,200,000	1,193,745	1,001,974	3.67%
AUGA group AB 6.00% 12/2024	LT0000404238	EUR	700,000	644,455	694,283	2.54%
Debt instruments of Latvian issuers:				1,823,330	1,667,173	6.10%
Elko Grupa AS 6% 02/2026	LV0000870079	EUR	631,000	631,316	626,583	2.29%
Air Baltic Corp AS 6.75% 07/2024	XS1843432821	EUR	750,000	672,014	561,060	2.05%
Citadele Banka AS 5% 12/2031	LV0000880102	EUR	520,000	520,000	479,530	1.76%
Debt instruments of Ukrainian issuers:				2,309,131	1,233,719	4.52%
MHP Lux SA 6.95% 04/2026	XS1713469911	USD	1,250,000	1,120,899	568,653	2.08%
Ukraine Government International Bond 9.75% 11/2030	XS1902171757	USD	2,000,000	658,883	403,600	1.48%
Ukraine Government International Bond 7.253% 03/2035	XS2010030836	USD	1,500,000	529,349	261,466	0.96%
Debt instruments of Bulgarian issuers:				1,200,637	936,677	3.43%
Bulgarian Energy Holding EAD 2.45% 07/2028	XS2367164576	EUR	1,200,000	1,200,637	936,677	3.43%
Debt instruments of Moldovan issuers:				1,167,846	931,891	3.41%
Aragvi Finance International DAC 8.45% 04/2026	XS2326545204	USD	1,400,000	1,167,846	931,891	3.41%
Debt instruments of Georgian issuers:				894,585	916,150	3.35%
Silknet JSC 8.375% 01/2027	XS2436858349	USD	1,000,000	894,585	916,150	3.35%
Debt instruments of Czech issuers:				879,344	901,421	3.30%
PPF Telecom Group BV 3.25% 09/2027	XS2238777374	EUR	1,000,000	879,344	901,421	3.30%
Debt instruments of Azerbaijani issuers:				954,620	897,263	3.29%
Republic of Azerbaijan International Bond 5.125% 09/2029	XS1678623064	USD	1,000,000	954,620	897,263	3.29%
Debt instruments of Macedonian issuers:				973,623	793,008	2.90%
North Macedonia Government International Bond 1.625% 03/2028	XS2310118893	EUR	1,000,000	973,623	793,008	2.90%
Debt instruments of Swedish issuers:				1,022,760	627,750	2.30%
DDM Debt AB 9% 04/2026	SE0015797683	EUR	1,000,000	1,022,760	627,750	2.30%
Debt instruments of Danish issuers:				483,023	319,794	1.17%
Idavang A/S 9.052% 11/2025	DK0030472618	EUR	482,655	483,023	319,794	1.17%
Financial instruments not traded on regulated markets:				887,840	897,939	3.28%
Debt instruments of Latvian issuers:				487,550	506,250	1.85%
Coffee Address Holding SIA 9% 06/2025	LV0000802585	EUR	500,000	487,550	506,250	1.85%
Debt instruments of Estonian issuers:				400,290	391,689	1.43%
Nortal AS 4.75% 05/2024	FI4000383930	EUR	400,000	400,290	391,689	1.43%
Total debt instruments:				30,121,351	26,373,891	96.56%

The following table shows debt instruments by country of origin of the issuer at 31 December 2021:

Financial instrument	ISIN code	Currency	Nominal value	Acquisition value (EUR)	Carrying amount 31.12.2021	% of the Fund's net assets 31.12.2021
Financial instruments traded on regulated markets:				48,283,771	48,579,061	95.58%
Debt instruments of Russian issuers:				7,285,472	7,244,022	14.25%
Lukoil International Finance BV 4.75% 11/2026	XS1514045886	USD	2,000,000	1,913,801	1,899,881	3.74%
ALROSA Finance SA 3.1% 06/2027	XS2010030919	USD	2,000,000	1,789,615	1,777,910	3.50%
PIK Securities DAC 5.625% 11/2026	XS2010026560	USD	1,600,000	1,420,449	1,414,567	2.78%
Novolipetsk Steel Via Steel Funding DAC 1.45% 06/2026	XS2346922755	EUR	1,200,000	1,200,970	1,200,122	2.36%
Novolipetsk Steel Via Steel Funding DAC 4.7% 05/2026	XS1843435337	USD	1,000,000	960,637	951,542	1.87%
Debt instruments of Turkish issuers:				5,252,199	5,162,768	10.16%
Istanbul Metropolitan Municipality 6.375% 12/2025	XS2010029234	USD	1,800,000	1,546,755	1,443,479	2.84%
Pegasus Hava Tasimaciligi AS 9.25% 04/2026	XS2337336445	USD	1,500,000	1,345,086	1,344,870	2.65%
Eldorado Gold Corp 6.25% 09/2029	USC3314PAD80	USD	1,400,000	1,293,940	1,272,494	2.50%
Türkiye Sise ve Cam Fabrikalari AS 6.95% 03/2026	XS1961010987	USD	1,200,000	1,066,418	1,101,925	2.17%
Debt instruments of Ukrainian issuers:				5,041,560	5,061,551	9.96%
MHP Lux SA 6.95% 04/2026	XS1713469911	USD	1,750,000	1,556,540	1,561,350	3.07%
Dtek Renewables Finance BV 8.5% 11/2024	XS2069980246	EUR	1,500,000	1,466,768	1,382,753	2.72%
Interpipe Holdings PLC 8.375% 05/2026	XS2333664717	USD	1,400,000	1,204,671	1,125,864	2.22%
Metinvest BV 5.625% 06/2025	XS2056722734	EUR	1,000,000	813,581	991,584	1.95%
Debt instruments of Uzbek issuers:				3,972,439	4,148,857	8.16%
Uzauto Motors AJ 4.85% 05/2026	XS2330272944	USD	2,000,000	1,672,661	1,727,997	3.40%
Ipoteka-Bank ATIB 5.5% 11/2025	XS2260457754	USD	1,500,000	1,274,000	1,353,674	2.66%
National Bank of Uzbekistan 4.85% 10/2025	XS2242418957	USD	1,200,000	1,025,778	1,067,186	2.10%
Debt instruments of Azerbaijani issuers:				3,178,225	3,213,275	6.33%
Southern Gas Corridor CJSC 6.875% 03/2026	XS1319820897	USD	1,700,000	1,743,455	1,751,323	3.45%
Republic of Azerbaijan International Bond 5.125% 09/2029	XS1678623064	USD	1,500,000	1,434,770	1,461,952	2.88%
Debt instruments of Lithuanian issuers:				3,163,841	3,174,609	6.25%
Akropolis Group Uab 2.875% 06/2026	XS2346869097	EUR	1,400,000	1,392,702	1,350,116	2.66%
Maxima Grupe UAB 3.25% 09/2023	XS1878323499	EUR	1,100,000	1,126,684	1,129,860	2.22%
AUGA group AB 6.00% 12/2024	LT0000404238	EUR	700,000	644,455	694,633	1.37%
Debt instruments of Polish issuers:				2,923,757	2,871,990	5.65%
GTC Aurora Luxembourg SA 2.25% 06/2026	XS2356039268	EUR	1,600,000	1,632,847	1,589,446	3.13%
InPost SA 2.25% 07/2027	XS2010028004	EUR	1,300,000	1,290,910	1,282,544	2.52%
Debt instruments of Estonian issuers:				2,603,556	2,625,991	5.16%
Cullinan Holdco Scsp 4.625% 10/2026	XS2397354528	EUR	1,250,000	1,258,206	1,276,789	2.51%
Summus Capital OU 6.75% 06/2024	LV0000802478	EUR	750,000	745,350	759,188	1.49%
Mainor Ulemiste 5.5% 04/2023	EE3300111343	EUR	600,000	600,000	590,014	1.16%
Debt instruments of Kazakh issuers:				2,213,352	2,232,222	4.39%
KazTransGas JSC 4.375% 09/2027	XS1682544157	USD	2,300,000	2,213,352	2,232,222	4.39%
Debt instruments of issuers in the Republic of Latvia:				1,823,330	1,919,979	3.78%
Air Baltic Corp AS 6.75% 07/2024	XS1843432821	EUR	750,000	672,014	737,422	1.45%
Elko Grupa AS 6% 02/2026	LV0000870079	EUR	631,000	631,316	661,288	1.30%
Citadele Banka AS 5% 12/2031	LV0000880102	EUR	520,000	520,000	521,269	1.03%

Financial instrument	ISIN code	Currency	Nominal value	Acquisition value (EUR)	Carrying amount 31.12.2021	% of the Fund's net assets 31.12.2021
Debt instruments of Bulgarian issuers:				1,800,956	1,785,499	3.51%
Bulgarian Energy Holding EAD 2.45% 07/2028	XS2367164576	EUR	1,800,000	1,800,956	1,785,499	3.51%
Debt instruments of Moldovan issuers:				1,508,192	1,631,646	3.21%
Aragvi Finance International DAC 8.45% 04/2026	XS2326545204	USD	1,800,000	1,508,192	1,631,646	3.21%
Debt instruments of Czech issuers:				1,647,739	1,619,581	3.19%
PPF Telecom Group BV 3.25% 09/2027	XS2238777374	EUR	1,500,000	1,647,739	1,619,581	3.19%
Debt instruments of Swedish issuers:				1,528,020	1,526,625	3.00%
DDM Debt AB 9% 04/2026	SE0015797683	EUR	1,500,000	1,528,020	1,526,625	3.00%
Debt instruments of Macedonian issuers:				1,557,796	1,519,661	2.99%
North Macedonia Government International Bond 1.625% 03/2028	XS2310118893	EUR	1,600,000	1,557,796	1,519,661	2.99%
Debt instruments of Georgian issuers:				1,181,917	1,225,307	2.41%
BGEO Group JSC 6% 07/2023	XS1405775880	USD	1,295,000	1,181,917	1,225,307	2.41%
Debt instruments of Romanian issuers:				800,810	827,422	1.63%
Solis Bond Co DAC 6.50% 01/2024	NO0010914914	EUR	800,000	800,810	827,422	1.63%
Debt instruments of Danish issuers:				800,610	788,056	1.55%
Idavang A/S 7.25% 11/2025	DK0030472618	EUR	800,000	800,610	788,056	1.55%
Financial instruments not traded on regulated markets:				400,290	411,689	0.81%
Debt instruments of Estonian issuers:				400,290	411,689	0.81%
Nortal AS 4.75% 05/2024	FI4000383930	EUR	400,000	400,290	411,689	0.81%
Total debt instruments:				48,684,061	48,990,750	96.39%

NOTE 5 DERIVATIVE FINANCIAL INSTRUMENTS

The following table shows the notional principal amount and fair value of forwards and swaps at 31 December 2022. The notional principal amount of foreign exchange swaps is determined in accordance with the requirements arising from these transactions.

Foreign exchange transactions	31.12.2022			% of the Fund's net assets 31.12.2022*
	Base value	Fair value		
		Assets	Liabilities	
Currency swaps	38,716,927	965,949	(807,088)	0.58%
Currency swaps (forwards)	1,250,721	19,559	(9,479)	0.04%
Total derivatives	39,967,648	985,508	(816,567)	0.62%

*The net value of derivative assets and liabilities is reflected as a percentage of the Fund's net assets.

All derivative financial instruments are EUR-USD currency swaps and are entered into with Citadele banka AS.

The following table shows the notional principal amount and fair value of forwards and swaps at 31 December 2021. The notional amounts of foreign exchange transactions are determined in accordance with the requirements arising from these transactions.

Foreign exchange transactions	31.12.2021			% of the Fund's net assets 31.12.2021*
	Base value	Fair value		
		Assets	Liabilities	
Currency swaps	68,821,621	261,665	(468,683)	(0.41%)
Total derivatives	68,821,621	261,665	(468,683)	(0.41%)

*The net value of derivative assets and liabilities is reflected as a percentage of the Fund's net assets.

All derivative transactions are entered into with Citadele banka AS.

NOTE 6 ACCRUED EXPENSES

	31.12.2022	31.12.2021
Accrued expenses for investment management company fees	23,363	53,918
Accrued expenses for custodian fees	4,205	7,764
Accrued expenses for professional services	6,655	5,082
Bank of Latvia (FCMC until 31.12.2022) fee	7,475	-
Total accrued expenses	41,698	66,764

NOTE 7 INTEREST INCOME

	<u>31.12.2022</u>	<u>31.12.2021</u>
From debt instruments	1,678,976	2,470,725
Total interest income	1,678,976	2,470,725

NOTE 8 REALISED (DECREASE)/INCREASE IN INVESTMENT VALUE

	<u>31.12.2022</u>	<u>31.12.2021</u>
Income for the period from sale of investments*	21,968,282	47,008,359
Acquisition value of investments sold during the reporting period	(29,546,267)	(45,749,463)
(Decrease)/increase in the value of sold investments recognised in previous reporting periods	521,812	(1,250,198)
Total realised (decrease)/increase in investment value	(7,056,173)	8,698

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

NOTE 9 UNREALISED DECREASE IN INVESTMENT VALUE

	<u>31.12.2022</u>	<u>31.12.2021</u>
From debt instruments	(4,344,593)	(1,350,965)
From derivatives*	168,940	(207,018)
Total unrealised decrease in investment value	(4,175,653)	(1,557,983)

* The 2022 Annual Report reflects unrealised appreciation on derivatives.

NOTE 10 CHANGES IN INVESTMENTS DURING THE REPORTING PERIOD

The table below shows the changes in investments in 2022:

	<u>31.12.2021</u>	<u>Increase during the reporting period</u>	<u>Decrease during the reporting period*</u>	<u>Fair value adjustment and recognised interest income</u>	<u>31.12.2022</u>
Debt instruments	48,990,750	10,860,432	(24,762,472)	(8,714,819)	26,373,891
Derivatives, net	(207,018)	-	1,832,143	(1,456,184)	168,941
Total investments	48,783,732	10,860,432	(22,930,329)	(10,171,003)	26,542,832

*Decrease during the reporting period is carried at the exchange rate on the date the investment is sold. This item includes income from the sale and redemption of investments and coupons received.

The table below shows the changes in investments in 2021:

	<u>31.12.2020</u>	<u>Increase during the reporting period</u>	<u>Decrease during the reporting period*</u>	<u>Fair value adjustment and recognised interest income</u>	<u>31.12.2021</u>
Debt instruments	55,069,823	38,845,657	(47,988,766)	3,064,036	48,990,750
Derivatives, net	582,104	-	1,214,598	(2,003,720)	(207,018)
Total investments	55,651,927	38,845,657	(46,774,168)	1,060,316	48,783,732

* Decrease during the reporting period is carried at the exchange rate on the date the investment is sold. This item includes income from the sale and redemption of investments and coupons received.

NOTE 11 PLEDGED ASSETS

During the year under review, the Fund did not issue any guarantees or sureties or pledge or otherwise encumber any assets.

NOTE 12 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table analyses financial instruments measured at fair value at the end of the reporting period by level within the fair value hierarchy, which categorises fair value measurements.

2022	<u>Level 1:</u>	<u>Level 2:</u>	<u>Level 3:</u>	<u>Total</u>
Financial assets				
Financial assets at fair value through profit or loss:				
Debt instruments and other fixed-income instruments	1,498,029	23,075,466	1,800,396	26,373,891
Derivative financial instruments	-	985,508	-	985,508
Total financial assets	1,498,029	24,060,974	1,800,396	27,359,399
Financial liabilities				
Derivative financial instruments	-	(816,567)	-	(816,567)
Net fair value	1,498,029	23,244,407	1,800,396	26,542,832

At 31 December 2022, the balance of debt securities classified in Level 2 of the fair value hierarchy (Valuation technique - observable market inputs) has increased compared to 31 December 2021. The main reason for the increase in value is the bid-

ask spreads observed at the end of 2022 for debt securities, which were compared to the fixed bid-ask spread threshold set in the fair value hierarchy methodology and applied consistently year-on-year. As a result, during 2022, for debt securities with an asset balance of EUR 13,447,935 there was a change in the classification of securities from Level 1 to Level 2 of the hierarchy and for securities from Level 2 to Level 1 of the hierarchy there was no change. During 2022, for securities with an asset balance of EUR 1,173,813 there was a change in classification from Level 2 to Level 3 of the hierarchy.

2021	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	35,767,079	12,562,383	661,289	48,990,750
Derivative financial instruments	-	261,665	-	261,665
Total financial assets	35,767,079	12,824,048	661,289	49,252,415
Financial liabilities				
Derivative financial instruments	-	(468,683)	-	(468,683)
Net fair value	35,767,079	12,355,365	661,289	48,783,732

During 2021, securities with an asset value of EUR 1,414,567 had a change in classification from hierarchy level 1 to hierarchy level 2 and securities with an asset value of EUR 13,550,826 had a change in classification from hierarchy level 2 to hierarchy level 1.

During 2021, a security with an asset value of EUR 661,289 and a fair value measurement in Level 3 of the hierarchy emerged. The following table shows a comparison of the opening balances and closing balances of the fair value measurements in Level 3 of the fair value hierarchy.

EUR	Total financial instruments held for trading
Balance at 1 January 2022	661,288
Reclassification to Level 3 31.12.2022	
AUGA group AB 6.00% 12/2024 ISIN LT0000404238	
Citadele Banka AS 5% 12/2031 ISIN LV0000880102*	1,173,813
Total profit or loss:	
Statement of income and expenses	71,736
Purchase at	-
Sales/Disposals	
Receiving a voucher	(106,441)
Balance at 31 December 2022	1,800,396

* Due to the lack of liquidity at the end of the reporting year, it was decided to apply the valuation model for fair value measurement for debt instruments AUGA group AB 6.00% 12/2024 ISIN LT0000404238 and Citadele Banka AS 5% 12/2031 ISIN LV0000880102.

The following table shows a comparison of the opening balances and closing balances of the fair value measurements in Level 3 of the fair value hierarchy.

EUR	Total financial instruments held for trading
Balance at 1 January 2021	-
Total profit or loss:	
Statement of income and expenses	48,903
Purchase at	631,316
Settlements	(18,930)
Balance at 31 December 2021	661,289

The table below presents the valuation techniques used to measure Level 2 and Level 3 fair values, as well as key unobservable inputs:

Type	Valuation method	Significant unobservable data	Relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss (Debt instruments) - Level 2	Financial market quotes	Not applicable	Not applicable
Derivative financial instruments	Financial market quotes	Not applicable	Not applicable
Financial assets at fair value through profit or loss (Debt instruments) - Level 3	Discounted cash flow method	Discount rate	The estimated fair value would increase (decrease) if: - The discount rate would be lower (higher);

	Impact on the income statement	
	Increase	(Decrease)
31 December 2022		
Discount rate (2% change) Citadele 5% 12/2031 ISIN LV0000880102	61,812	(73,270)
Discount rate (2% change) AUGA group AB 6.00% 12/2024 ISIN LT0000404238	24,142	(25,507)
Discount rate (2% change) Elko Grupa AS 6.00% 02/2026 ISIN LV0000870079	32,992	(35,313)
	Impact on the income statement	
	Increase	(Decrease)
31 December 2021		
Discount rate (2% change) Elko Grupa AS 6.00% 02/2026 ISIN LV0000870079	44,778	(48,829)

NOTE 13 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 price risk of financial instruments (bonds) is largely dependent 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 financial instrument, as it is essentially an alternative source of interest income. If interest rates rise in the market, the prices of fixed income financial instruments fall and vice versa. On the other hand, a rise (fall) in market interest rates has a positive (negative) impact on coupon rates for fixed income instruments with floating interest rates (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 rate of such financial instruments increases (decreases), resulting in an increase (decrease) in interest income.

The tables below show the potential impact on the value of a particular Fund of changes in market interest rates for individual currencies, where the change in interest income is calculated over one year. Actual changes in the Fund's value may differ from the calculations and the difference may be significant.

Changes in the market value of fixed income securities and interest income (2022, EUR)

Currency	Change in base rates, bp	Change in interest income for the year	Changes in market value	Impact of changes in base rates on the total value of the portfolio
EUR	100	7,491	(890,460)	(882,969)
USD	100	-	(757,201)	(757,201)
Total		7,491	(1,647,661)	(1,640,170)

Change in market value of fixed income securities and interest income (2022, % of net assets)

Currency	Change in base rates, bp	Change in interest income for the year	Changes in market value	Impact of changes in base rates on the total value of the portfolio
EUR	100	0.03%	-3.26%	-3.23%
USD	100	-	-2.77%	-2.77%
Total		0.03%	-6.03%	-6.00%

Changes in the market value of fixed income securities and interest income (2022, EUR)

Currency	Change in base rates, bp	Change in interest income for the year	Changes in market value	Impact of changes in base rates on the total value of the portfolio
EUR	-100	(7,491)	890,460	882,969
USD	-100	-	757,201	757,201
Total		(7,491)	1,647,661	1,640,170

Change in market value of fixed income securities and interest income (2022, % of net assets)

Currency	Change in base rates, bp	Change in interest income for the year	Changes in market value	Impact of changes in base rates on the total value of the portfolio
EUR	-100	-0.03%	3.26%	3.23%
USD	-100	-	2.77%	2.77%
Total		-0.03%	6.03%	6.00%

Changes in the market value of fixed income securities and interest income (2021, EUR)

Currency	Change in base rates, bp	Change in interest income for the year	Changes in market value	Impact of changes in base rates on the total value of the portfolio
EUR	100	12,945	(876,915)	(863,970)
USD	100	-	(1,030,629)	(1,030,629)
Total		12,945	1,907,544	(1,894,599)

Changes in market value of fixed income securities and interest income (2021, % of net assets)

Currency	Change in base rates, bp	Change in interest income for the year	Changes in market value	Impact of changes in base rates on the total value of the portfolio
EUR	100	0.03%	-1.73%	-1.70%
USD	100	-	-2.03%	-2.03%
Total		0.03%	-3.76%	-3.73%

Changes in the market value of fixed income securities and interest income (2021, EUR)

Currency	Change in base rates, bp	Change in interest income for the year	Changes in market value	Impact of changes in base rates on the total value of the portfolio
EUR	-100	(12,945)	876,915	863,970
USD	-100	-	1,030,629	1,030,629
Total		(12,945)	1,907,544	1,894,599

Changes in market value of fixed income securities and interest income (2021, % of net assets)

Currency	Change in base rates, bp	Change in interest income for the year	Changes in market value	Impact of changes in base rates on the total value of the portfolio
EUR	-100	-0.03%	1.73%	1.70%
USD	-100	-	2.03%	2.03%
Total		-0.03%	3.76%	3.73%

Exchange rate risk

Exchange rate risk arises when the nominal currency of a financial instrument or other financial instruments in the Fund differs from the currency of the Fund. Exchange rate fluctuations may result in gains or losses, depending on the direction of exchange rate fluctuations and the currency position of the Fund. Currency risk in the Fund is effectively managed by entering into Forward and/or SWAP transactions.

The following table shows the breakdown of the Fund's net assets and liabilities by currency at 31 December 2022

	USD	EUR	Total
Assets			
Due on demand from credit institutions, Citadele banka AS	722,400	89,132	811,532
Financial assets at fair value through profit or loss			
Debt instruments	9,486,078	16,887,813	26,373,891
Derivative financial instruments	(23,439,450)	24,424,958	985,508
Total assets	(13,230,972)	41,401,903	28,170,931
Liabilities			
Accrued expenses	(35,043)	(6,655)	(41,698)
Derivative financial instruments	15,927,236	(16,743,803)	(816,567)
Total liabilities	15,892,193	(16,750,458)	(858,265)
Net assets	2,661,221	24,651,445	27,312,666
Net long position	9.74%	90.26%	100.00%

The following table shows the breakdown of the Fund's net assets and liabilities by currency at 31 December 2021:

	USD	EUR	Total
Assets			
Due on demand from credit institutions	1,296,561	810,798	2,107,359
Financial assets at fair value through profit or loss			
Debt instruments	26,345,189	22,645,561	48,990,750
Derivative financial instruments	(19,123,781)	19,385,446	261,665
Total assets	8,517,969	42,841,805	51,359,774
Liabilities			
Accrued expenses	(61,682)	(5,082)	(66,764)
Derivative financial instruments	(3,042,495)	2,573,812	(468,683)
Total liabilities	(3,104,177)	2,568,730	(535,447)
Net assets	5,413,792	45,410,535	50,824,327
Net long position	10.65%	89.35%	100.00%

The impact of exchange rate changes on the value of the Conditional Fund is shown in the table below. The exchange rate changes are the one-year standard deviation of the respective exchange rate.

Impact of exchange rate changes (2022)				Impact of exchange rate changes (2021)			
Currency	Share in the fund (% of assets)	Exchange rate against USD	Impact on the value of the fund	Currency	Share in the fund (% of assets)	Exchange rate against USD	Impact on the value of the fund
EUR	90.26%	10.06%	9.08%	EUR	89.35%	5.72%	5.11%
USD	9.74%	0.00%	0.00%	USD	10.65%	0.00%	0.00%
Total	100.00%		9.08%	Total	100.00%		5.11%

The impact of exchange rate changes on the value of the CBL Eastern European Bond Fund Class R Acc EUR (hedged) is shown in the table below. The exchange rate movements are the one-year standard deviation of the respective exchange rate.

Impact of exchange rate changes (2022)				Impact of exchange rate changes (2021)			
Currency	Share in the fund (% of assets)	Exchange rate against USD	Impact on the value of the fund	Currency	Share in the fund (% of assets)	Exchange rate against USD	Impact on the value of the fund
EUR	81.20%	10.06%	8.17%	EUR	79.33%	5.72%	4.54%
USD	8.76%	0.00%	0.00%	USD	9.46%	0.00%	0.00%
Total	89.96%		8.17%	Total	88.78%		4.54%

The impact of exchange rate changes on the USD value of the CBL Eastern European Bond Fund Class R Acc is shown in the table below. The exchange rate movements are the one-year standard deviation of the respective exchange rate.

Impact of exchange rate changes (2022)				Impact of exchange rate changes (2021)			
Currency	Share in the fund (% of assets)	Exchange rate against USD	Impact on the value of the fund	Currency	Share in the fund (% of assets)	Exchange rate against USD	Impact on the value of the fund
EUR	9.06%	10.06%	0.91%	EUR	10.02%	5.72%	0.57%
USD	0.98%	0.00%	0.00%	USD	1.19%	0.00%	0.00%
Total	10.04%		0.91%	Total	11.22%		0.57%

Credit risk

Credit risk refers to the probability that the value of the 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 following table shows the breakdown by credit rating of the issuers of debt instruments and the credit institutions with which the Fund has deposits, according to the following classification:

- High quality financial instruments: AAA - AA-; Aaa - Aa3; AAA - AA-;
- Investment grade financial instruments: A+ - BBB-; A1 - Baa3; A+ - BBB-;
- Higher risk financial instruments: BB+ - BB-; Ba1 - Ba3; BB+ - BB-;
- Speculative financial instruments: B+ - C; B1 - C; B+ - C.

The following table shows the breakdown of the Fund's assets by credit rating at 31 December 2022.

	Investment grade financial instruments	Higher risk financial instruments	Speculative financial instruments	Without rating*	Total
Due on demand from credit institutions	811,532	-	-	-	811,532
Financial assets at fair value through profit or loss:					
Debt instruments	5,325,534	9,981,180	6,858,927	4,208,250	26,373,891
Derivative financial instruments	985,508	-	-	-	985,508
Total investments	7,122,574	9,981,180	6,858,927	4,208,250	28,170,931

*Debt securities with a value of EUR 3,728,720 are unrated by the Issuer.

The following table shows the breakdown of the Fund's assets by credit rating as at 31 December 2021.

	Investment grade financial instruments	Higher risk financial instruments	Speculative financial instruments	Without rating*	Total
Due on demand from credit institutions	2,107,359	-	-	-	2,107,359
Financial assets at fair value through profit or loss:					
Debt instruments	8,061,677	19,827,505	15,848,009	5,253,559	48,990,750
Derivative financial instruments	261,665	-	-	-	261,665
Total investments	10,430,701	19,827,505	15,848,009	5,253,559	51,359,774

*Debt securities with a value of EUR 4,732,290 are unrated by the Issuer.

Concentration risk

The industry and geography of the issuer are additional risk factors that may affect both the price of the security issued and the issuer's own solvency, and it is therefore important to identify concentration risk, i.e., the extent to which the value of the Fund is affected by changes in certain regions and/or industries. The geographical breakdown of concentration risk (based on the country with the greatest impact on the issuer's solvency) and the sectoral breakdown are set out in the tables below.

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

	Latvia	Other OECD countries	Non-OECD countries	Total
Assets				
Due on demand from credit institutions	811,532	-	-	811,532
Financial assets at fair value through profit or loss				
Debt instruments	2,173,423	12,554,984	11,645,484	26,373,891
Derivative financial instruments	985,508	-	-	985,508
Total assets	3,970,463	12,554,984	11,645,484	28,170,931
Liabilities				
Derivative financial instruments	(816,567)	-	-	(816,567)
Accrued expenses	(41,698)	-	-	(41,698)
Total liabilities	(858,265)	-	-	(858,265)
Net assets	3,112,198	12,554,984	11,645,484	27,312,666

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

	Latvia	Other OECD countries	Non-OECD countries	Total
Assets				
Due on demand from credit institutions	2,107,359	-	-	2,107,359
Financial assets at fair value through profit or loss				
Debt instruments	1,919,979	18,181,309	28,889,462	48,990,750
Derivative financial instruments	261,665	-	-	261,665
Total assets	4,289,003	18,181,309	28,889,462	51,359,774
Liabilities				
Derivative financial instruments	(468,683)	-	-	(468,683)
Accrued expenses	(66,764)	-	-	(66,764)
Total liabilities	(535,447)	-	-	(535,447)
Net assets	3,753,556	18,181,309	28,889,462	50,824,327

* Collateral amount for DFI transactions with Citadele banka AS.

The following table shows the sectoral breakdown of the Fund's portfolio according to the GICS (Global Industry Classification Standard). Information is provided for securities for which such information is available:

Sectors	Carrying amount	% of the Fund	Carrying amount	% of the Fund
	31.12.2022	net assets 31.12.2022	31.12.2021	net assets 31.12.2021
Government	4,854,874	17.79%	4,732,936	9.32%
Real estate	3,432,388	12.57%	5,703,331	11.22%
Energy Resources	3,194,612	11.70%	6,791,645	13.36%
Consumer goods	3,020,871	11.05%	5,805,545	11.42%
Industry	2,298,681	8.41%	4,466,761	8.79%
Communication services	1,817,571	6.65%	1,619,581	3.19%
Raw materials	1,769,694	6.48%	7,319,516	14.40%
Utilities	1,534,006	5.62%	2,612,921	5.14%
Consumer services	1,475,187	5.40%	1,727,997	3.40%
Commercial banks	1,329,985	4.87%	4,167,436	8.20%
IT services	1,018,272	3.72%	1,072,977	2.11%
Financial services	627,750	2.30%	1,526,625	3.00%
Municipality	-	0.00%	1,443,479	2.84%
Total	26,373,891	96.56%	48,990,750	96.39%

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

Country	% of the Fund's net assets		% of the Fund's net assets	
	Carrying amount 31.12.2022	31.12.2022	Carrying amount 31.12.2021	31.12.2021
Poland	4,484,049	16.42%	2,871,990	5.65%
Latvia	3,112,198	11.39%	3,753,556	7.38%
Estonia	2,307,609	8.44%	3,037,680	5.98%
Turkey	2,218,104	8.12%	5,162,768	10.16%
Romania	2,095,358	7.68%	827,422	1.63%
Kazakhstan	2,068,243	7.58%	2,232,222	4.39%
Uzbekistan	1,773,175	6.49%	4,148,857	8.16%
Lithuania	1,696,257	6.21%	3,174,609	6.25%
Ukraine	1,233,719	4.52%	5,061,551	9.96%
Bulgaria	936,677	3.43%	1,785,499	3.51%
Moldova	931,891	3.41%	1,631,646	3.21%
Georgia	916,150	3.35%	1,225,307	2.41%
Czech Republic	901,421	3.30%	1,619,581	3.19%
Azerbaijan	897,263	3.29%	3,213,275	6.33%
Macedonia	793,008	2.90%	1,519,661	2.99%
Sweden	627,750	2.30%	1,526,625	3.00%
Denmark	319,794	1.17%	788,056	1.55%
Russia	-	0.00%	7,244,022	14.25%
Total	27,312,666	100.00%	50,824,327	100%

Liquidity risk

Liquidity risk may arise when the Fund has difficulties meeting its financial obligations. The Fund Manager maintains a structure of the Fund's assets that enables the Fund to sell financial instruments in a timely manner and without material loss. A large part of the Fund's assets is invested in short-term investment grade government bonds, which are one of the most liquid asset types. The following table shows the maturity structure of the Fund's assets and liabilities at 31 December 2022:

	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	811,532						811,532
Financial assets at fair value through profit or loss							
Debt instruments	-	-	592,792	-	16,935,575	8,845,524	26,373,891
Derivative financial instruments	614,260	371,248	-	-	-	-	985,508
Total assets	1,425,792	371,248	592,792	-	16,935,575	8,845,524	28,170,931
Liabilities							
Derivative financial instruments	(617,778)	(198,789)	-	-	-	-	(816,567)
Accrued expenses	(35,043)	-	(6,655)	-	-	-	(41,698)
Total liabilities	(652,821)	(198,789)	(6,655)	-	-	-	(858,265)
Net assets	772,971	172,459	586,137	-	16,935,575	8,845,524	27,312,666
Net position % of net assets	2.82%	0.63%	2.15%	0.00%	62.01%	32.39%	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 - 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	2,107,359						2,107,359
Financial assets at fair value through profit or loss							
Debt instruments	-	-	-	-	13,402,267	35,588,483	48,990,750
Derivative financial instruments	242,013	19,652	-	-	-	-	261,665
Total assets	2,349,372	19,652	-	-	13,402,267	35,588,483	51,359,774
Liabilities							
Derivative financial instruments	(450,871)	(17,812)	-	-	-	-	(468,683)
Accrued expenses	(61,682)	-	(5,082)	-	-	-	(66,764)
Total liabilities	(512,553)	(17,812)	(5,082)	-	-	-	(535,447)
Net assets	1,836,819	1,840	(5,082)	-	13,402,267	35,588,483	50,824,327
Net position % of net assets	3.61%	0.01%	(0.01%)	0.00%	26.37%	70.02%	100.00%

NOTE 14 INFORMATION ON HOLDERS OF SHARE CERTIFICATES OF THE FUND

The following table sets out the number of share certificates held by the Company's Group and related parties, which have a significant interest in the Company, and the proportion of the total number of share certificates held by related parties of the Fund and other persons:

		% of the total number		% of the total number
	31.12.2022	31.12.2022	31.12.2021	31.12.2021
CBL Eastern European Bond fund Class R Acc USD				
Share certificates held by related parties	37,516	28.04%	40,073	17.23%
Share certificates held by other persons	96,276	71.96%	192,440	82.77%
Number of issued share certificates at the end of the reporting period	133,792	100.00%	232,513	100.00%
	31.12.2022	% of the total number	31.12.2021	% of the total number
CBL Eastern European Bond fund Class R Acc EUR (hedged)				
Investment units held by a shareholder (Citadele banka AS)	73,935	4.48%	379,285	16.40%
Share certificates held by related parties	212,335	12.86%	230,515	9.97%
Share certificates held by other persons	1,364,610	82.66%	1,702,317	73.63%
Number of issued share certificates at the end of the reporting period	1,650,880	100.00%	2,312,117	100.00%

NOTE 15 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 income and expenditure account, and Citadele banka AS holds the Fund's cash (see Note 3) and has entered into derivative contracts (see Note 5). The result of derivative financial instrument transactions during the reporting period was negative EUR 1,456,184. The result of derivative transactions in 2021 is negative EUR 2,003,720.

During the reporting period, the Fund entered into 25 foreign currency conversion transactions through the custodian bank with a total negative result of EUR 2,805. During 2021, the Fund entered into 14 foreign currency conversion transactions through the custodian bank with a total negative result of EUR 2,652.

The consideration paid to the investment company during the reporting period is shown in the income and expenditure account. During the period under review, related parties transacted in the Fund's units (see Note 14). During 2022, related parties bought 1,321 USD Class R Acc units of CBL Eastern European Bond fund and sold 3,878 units, and bought 6,389 EUR Class R Acc units of CBL Eastern European Bond fund (hedged) and sold 329,919 units. During 2021, related parties bought USD 3,365 shares of CBL Eastern European Bond fund Class R Acc and sold 5,374 shares and bought EUR 55,722 shares of CBL Eastern European Bond fund Class R Acc (hedged) and sold 341,372 shares.

The Fund's purchases and sales of investment units are calculated taking into account only the investment units held by related parties that were classified as related parties of the Fund in both 2022 and 2021.

At the end of the reporting period the Fund had investments in bonds issued by Citadele banka AS in the amount of EUR 479,530. In 2021, the Fund had investments in bonds issued by Citadele banka AS in the amount of EUR 521,269.

NOTE 16 PERFORMANCE DYNAMICS OF THE INVESTMENT FUND

CBL Eastern European Bond fund Class R Acc USD	31.12.2022	31.12.2021	31.12.2020
Net assets (EUR)	2,741,444	5,700,007	5,720,254
Number of share certificates	133,792	232,513	254,682
Value of the unit of the Fund (EUR)	20.49	24.51	22.46
Fund return*	(16.40%)	9.13%	(5.31%)
Net assets (USD)**	2,924,031	6,455,826	7,019,324
Number of share certificates	133,792	232,513	254,682
Value of the unit of the Fund (USD)	21.86	27.77	27.56
Fund return*	(21.28%)	0.76%	3.41%
CBL Eastern European Bond fund Class R Acc EUR (hedged)	31.12.2022.	31.12.20201.	31.12.2020.
Net assets (EUR)	24,571,222	45,124,321	53,247,856
Number of share certificates	1,650,880	2,312,117	2,726,513
Value of the unit of the Fund (EUR)	14.88	19.52	19.53
Fund return*	(23.77%)	(0.05%)	1.56%

The total assets of the CBL Eastern European Bond Fund are the sum of the net asset values of the two classes in the valuation currency of the fund. When translated at the European Central Bank rate, the total assets of the CBL Eastern European Bond

Fund result in an exchange rate difference with the sum of the two classes, resulting in a difference from the net assets reported elsewhere in the accounts.

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

** Net asset value in USD determined using end-of-day foreign exchange rates quoted in financial markets.

NOTE 17 EVENTS AFTER THE END OF THE REPORTING PERIOD

From the end of the reporting year to today, there have been no significant events that could have a material impact on the assessment of the 2022 Annual Report or on the Fund's financial position. The recovery in risk asset segments continued into 2023. The signs of a slowdown in inflation that emerged towards the end of 2022 allowed the view that monetary restraint could end relatively soon without triggering the global economic recession that was expected to occur throughout last year 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 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, 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 ELETRONICALLY WITH SECURE ELECTRONIC SIGNATURE AND CONTAINS TIME STAMP



KPMG Baltics SIA
Roberta Hirša iela 1,
Rīga, LV-1045
Latvija

Phone +371 67038000
Fax +371 67038002
kpmg.com/lv

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 7 to 27 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 Eastern European Bond Fund' as at 31 December 2022, 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:



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

- 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 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 28 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, matters related to going concern and using the going concern basis of accounting unless Fund Manager management



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

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.



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

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