



Investment Fund CBL European Leaders Equity Fund Annual Report 2020

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

Riga, 2021

TABLE OF CONTENTS

Information on the investment fund	3
Investment management company report	4
Report on the Engagement Policy implementation	5
Statement of responsibility of the Board of the investment management company	6
Custodian report	7
Financial statements:	
Statement of assets and liabilities	8
Statement of income and expenses	9
Statement of changes in net assets	10
Statement of cash flows	11
Notes to the financial statements	12
Auditors' report	24

INFORMATION ON THE INVESTMENT FUND

Name of the Fund :	CBL European Leaders Equity Fund
Type of the Fund:	Investment fund
Registration date of the Fund:	7 March 2013
Date of commencing operations of the Fund:	20 November 2013
Number of the Fund:	FL127
Investment management company name:	CBL Asset Management IPAS
Investment management company's registered office:	Republikas laukums 2a, Riga, LV-1010, Latvia
Investment management company's registration number:	40003577500
Number of the license for investment management company operations:	06.03.07.098/367
Name of the Fund's Custodian	AS Citadele Banka
Registered office of the Fund's Custodian	Republikas laukums 2a, Riga, LV-1010, Latvia
Registration number of the Fund's Custodian:	40103303559
Investment management company's Council and Board Members and their positions:	<i>Council of the investment management company :</i> Chairperson of the Council – Vladimirs Ivanovs, appointed on 10.08.2020 Chairperson of the Council – Juris Jākobsons, resigned on 10.08.2020 Deputy Chairperson of the Council – Vaidas Žagūnis, appointed on 10.08.2020 Member of the Council - Peter Meier, appointed on 30.09.2015 <i>Board of the investment management company:</i> Chairperson of the Board – Kārlis Purgailis, appointed on 08.09.2017 Board Member - Zigurds Vaikulis, appointed on 19.04.2007 Board Member - Andris Kotāns, appointed on 11.05.2015 Board Member - Lolita Sičeva, appointed on 11.05.2015
Rights and responsibilities related to investment fund management:	The Council and the Board members shall perform all duties prescribed in laws and regulations of the Republic and in the Articles of Association of the investment management company
Fund managers:	Andrejs Piļka, appointed on 29.08.2019 Igoris Lahtadirs, appointed on 21.11.2013
Rights and responsibilities related to the Fund's management :	The Fund Manager performs all duties prescribed in laws and regulations of the Republic of Latvia, in the Articles of Association of the investment management company and in the prospectus of the Fund
Auditor:	KPMG Baltics AS Vesetas iela 7 Riga, LV-1013 Latvia License No 55

INVESTMENT MANAGEMENT COMPANY REPORT

The manager of the investment fund CBL European Leaders Equity Fund (hereinafter the Fund) is the investment management company CBL Asset Management, registered office Republikas laukums 2a, Riga, LV-1010, registration number 40003577500. The Company's operating license number is 06.03.07.098/367, which was last re-registered on 19 January 2015.

The investment objective of the Fund is to achieve long-term capital appreciation by investing primarily in the shares of those issuers that are registered in or whose principal activities are carried out in Europe. The Fund's return is generated through a combination of share price appreciation and dividend income. The currency of the Fund is the euro.

The year 2020 was very unusual for both the world and global financial markets. The outbreak of the new coronavirus in China at the beginning of the year was not initially seen as an imminent global threat to the world. However, as early as March, it became clear that the spread of COVID-19 had reached a global scale and that the pandemic had become a reality. Restrictive measures caused concern about the enormous damage to the world economy and in no time sparked panic in global financial markets and investors rushed to get rid of their risk assets at all cost. As a result, in less than a month, the STOXX Europe 600 index fell by more than 35% of its annual maximum in February. Recognizing that the negative effects of COVID-19 could cost the world economy too much, the world's largest central banks quickly launched massive monetary policy support programs. The US Federal Reserve cut interest rates back to zero and promised an unlimited asset repurchase program, which means a huge money supply to the market. All world's governments responded quickly by providing various support programs for population and businesses, which together accounted for more than 10% of GDP in the G20 states and thus exceeded the level of support during the global financial crisis in 2008. Economic support programs quickly inspired investors and global stock markets began to recover. The really huge fiscal and monetary support, which was supplemented by new measures throughout the year, maintained a sufficiently positive sentiment and pushed the stock market higher. However, it should be noted that the recovery after the spring correction was not uniform across all market segments. Many companies were hit too hard by the COVID-19 and their share value remained far from January-February levels at the end of the year. At the same time, a number of companies proved to be winners, such as IT companies, certain healthcare companies, e-commerce entities, etc.

In such circumstances, in our opinion, a particularly important role was played by the careful selection of certain shares. During the year, the Fund provided investors with a 15.2% return while the STOXX Europe 600 index closed the year below zero. It is also important to note that the Fund has been more resilient during the downturn and has shown much faster growth than the market as a whole in the recovery phase.

Technology and healthcare companies contributed most to the Fund's positive performance. Both these sectors performed well in 2020 and their share constituted part of the Fund's largest investments. From the geographic perspective, the largest positive contribution came from the Fund's investments in Dutch, Swedish and Swiss equities. In contrast, the shares of UK and Irish companies were among the few that had a negative impact on the Fund's overall performance. At the end of the year, the cash position accounted for 2.62% of the Fund's net assets.

In 2020, the Fund's net assets increased by EUR 5,738,872 and totaled EUR 8,622,358 at the end of the year. Gross asset value as at 31 December 2020 amounted to EUR 8,634,760. At the same time, the value of the unit of the Fund in 2020 increased by EUR 6.70, reaching EUR 50.79. The Fund's overall return in 2020 was 15.20% in terms of the Fund's base currency (euro) according to the closing foreign exchange rates.

During the reporting period, the total management costs amounted to EUR 98,704, which did not exceed the maximum amount of 4.00% outlined in the Fund's prospectus. The investment management company fee of EUR 75,850, custodian fee – EUR 9,752, other management expenses - EUR 13,102 were covered from the Fund's assets. In 2020, the Fund's ongoing charges reached 1.76% of the Fund's average net asset value.

There have been no significant events affecting the value of the unit of the Fund since the end of the reporting period during which no significant engagement measures were taken (as defined in the Sustainability and Engagement Policy).

In 2021, we expect favorable conditions for global risk assets, including European equities. The worldwide application of COVID-19 vaccines should help lift global restrictions and accelerate economic recovery, stimulated by additional unprecedented global fiscal and monetary support. This should help European companies to start increasing their incomes. However, we consider that the recovery in various segments will be very uneven, and therefore, careful stock selection is to be the key to success in the financial markets in 2021.

For the Board of the Investment Management Company:

Kārlis Purgailis
Chairperson of the Board

Riga, 30 April 2021

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

REPORT ON THE ENGAGEMENT POLICY IMPLEMENTATION

The Fund Manager is involved in managing the entities in which the Fund has invested by exercising their voting rights, particularly, where the Fund holds at least 5% of their total. In the reporting period, the Fund Manager did not exercise their voting rights at the General Meetings of the Company's shareholders and/or bondholders.

For the Board of the Investment Management Company:

Kārlis Purgailis
Chairperson of the Board

Andrejs Piļka
Fund Manager

Igors Lahtadirs
Fund Manager

Riga, 30 April 2021

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

STATEMENT OF RESPONSIBILITY OF THE BOARD OF THE INVESTMENT MANAGEMENT COMPANY

The Board of Investment Management Company (hereinafter - the Company) is responsible for preparation of financial statements of the investment fund CBL European Leaders Equity Fund (hereinafter - the Fund).

The financial statements on pages 8 through 23 are prepared based on source documents and present fairly the financial position of the Fund as at 31 December 2020 and the results of its operations in 2020.

Financial statements mentioned above are prepared in accordance with the International Financial Reporting Standards adopted by the European Union, as required by the regulation of the Financial and Capital Market Commission (FCMC) On preparation of annual reports, consolidated annual reports and semi-annual reports of investment fund and open alternative investment fund on a going concern basis. Appropriate accounting methods have been consistently applied in the reporting period. Prudent and reasonable judgments and estimates have been made by the Management in the preparation of the financial statements.

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

For the Board of the Investment Management Company:

Kārlis Purgailis
Chairperson of the Board

Andrejs Piļka
Fund Manager

Igors Lahtadirs
Fund Manager

Rīga, 30 April 2021

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

Riga,

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

CUSTODIAN BANK REPORT

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

To the holders of "CBL European Leaders Equity 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 European Leaders Equity Fund" (hereinafter - the Fund) established by IPAS "CBL Asset Management" (hereinafter - the Company);
- the Custodian performs the functions of the Fund's custodian pursuant to the law "On Investment Management Companies" and other laws and regulations applicable to the Custodian (hereinafter - the Law).

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

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

During the period from January 1st, 2020 to December 31st, 2020 according to the information provided to the Custodian by the Company:

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

Chairman of the Management Board

Johan Åkerblom

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

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

STATEMENT OF ASSETS AND LIABILITIES

	Notes	<u>31.12.2020</u>	<u>31.12.2019</u>
Assets			
Due on demand from credit institutions	3	225,745	200,306
Financial assets at fair value through profit or loss Equity instruments	4	<u>8,409,015</u>	<u>2,690,047</u>
Total assets		<u>8,634,760</u>	<u>2,890,353</u>
Liabilities			
Accrued expenses	5	<u>(12,402)</u>	<u>(6,867)</u>
Total liabilities		<u>(12,402)</u>	<u>(6,867)</u>
Net assets		<u>8,622,358</u>	<u>2,883,486</u>

The accompanying notes on pages 12 through 23 form an integral part of these financial statements.

For the Board of the Investment Management Company:

Kārlis Purgailis
Chairperson of the Board

Riga, 30 April 2021

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

STATEMENT OF INCOME AND EXPENSES

	Notes	2020	2019
Income for the reporting period			
Dividend income		45,641	89,596
Other income		-	9,551
Total income		45,641	99,147
Expenses for the reporting period			
Remuneration to investment management company		(75,850)	(63,485)
Custodian Fee		(9,752)	(5,714)
Other Fund management expenses		(13,102)	(10,665)
Total expenses		(98,704)	(79,864)
Increase/ decrease in investment value			
Realized (decrease)/increase in investment value	6	(58,076)	175,534
Unrealized increase in investment value	7	1,250,355	225,954
Total increase in investments		1,192,279	401,488
Foreign currency revaluation result		68	(11,426)
Increase in net assets from investment		1,139,284	409,345

The accompanying notes on pages 12 through 23 form an integral part of these financial statements.

For the Board of the Investment Management Company:

Kārlis Purgailis
Chairperson of the Board

Riga, 30 April 2021

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

STATEMENT OF CHANGES IN NET ASSETS

	2020	2019
Net assets at the beginning of the reporting period	2,883,486	3,091,545
Increase in net assets from investment	1,139,284	409,345
Transactions with share certificates and units		
Inflow from sale of share certificates and units	5,819,383	163,439
Outflow on redemption of share certificates and units	(1,219,795)	(780,843)
Increased/(decrease) in net assets from transactions with share certificates	4,599,588	(617,404)
Net asset increased/(decrease) in the reporting period	5,738,872	(208,059)
Net assets at the end of the reporting period	8,622,358	2,883,486
Number of share certificates issued as at the beginning of the reporting year	65,397	79,910
Number of share certificates issued at the end of the reporting year	169,760	65,397
Net assets per share certificate as at the beginning of the reporting year	44.09	38.69
Net assets per share certificate as at the end of the reporting year	50.79	44.09

The accompanying notes on pages 12 through 23 form an integral part of these financial statements.

For the Board of the Investment Management Company:

Kārlis Purgailis
Chairperson of the Board

Riga, 30 April 2021

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

STATEMENT OF CASH FLOWS

	Notes	2020	2019
Cash flow from/to operating activities			
Dividend income		45,641	89,596
Other income		-	9,551
Investment management expenses		(93,169)	(79,618)
Acquisition of investments	8	(9,438,758)	(683,166)
Sale/ disposal of investments	8	4,917,970	1,409,033
Foreign currency revaluation result		(1,739)	(192)
(Decrease)/increase in cash and cash equivalents from operating activities		(4,570,055)	745,204
Cash flow from/to financing activities			
Inflow from sale of share certificates and units		5,819,383	163,439
Outflow on redemption of share certificates and units		(1,219,795)	(780,843)
Increase/(decrease) in cash and cash equivalents from financing activities		4,599,588	(617,404)
Increase in cash and cash equivalents, net		29,533	127,800
Cash and cash equivalents at the beginning of the reporting period		200,306	72,943
Foreign currency revaluation result		(4,094)	(437)
Cash and cash equivalents at the end of the reporting period	3	225,745	200,306

The accompanying notes on pages 12 through 23 form an integral part of these financial statements.

For the Board of the Investment Management Company:

Kārlis Purgailis
Chairperson of the Board

Riga, 30 April 2021

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

Name of the Fund:	CBL European Leaders Equity Fund
Type of the Fund:	Investment fund
Scope of the Fund:	Investing primarily in equities of companies that are registered or carry out their core activities in the Baltic Sea Region.
Investment management company name:	CBL Asset Management IPAS (hereinafter - the Company) Republikas laukums 2a, Rīga, LV-1010, Latvia

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The financial statements are prepared on a historical cost basis and adjusted for the fair value of the financial instruments held for trading. The monetary unit used in the financial statements is the euro (EUR), the official currency of the Republic of Latvia. The financial statements cover the period 1 January 2020 through 31 December 2020. Opening balances of Statement of assets and liabilities as at 1 January 2019 agree with the closing balances of the published financial statements for the year 2019.

Functional and reporting currency

Financial accounting of the Fund is carried out in the euros, which is the Fund's reporting and functional currency.

Significant estimates and assumptions

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

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

Income and expense recognition

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

Interest income and expenses are recognized in the statement of income and expenses, using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

Income from dividends is recognized as received; in certain cases income from dividends may be recognized following a decrease in stock prices after the issuer has announced the dividend payment.

Remuneration for the Fund's management and Custodian fee is calculated as a certain part of the value of Fund's assets, accrued on a daily basis but paid out on a monthly basis (except for the variable fee to the asset manager for the Fund's performance, which is paid annually).

Foreign currency revaluation

Transactions in foreign currencies are revaluated into euro at the foreign exchange rate stated by the European Central Bank as at the transaction date. Monetary assets and liabilities denominated in foreign currencies are revaluated into euro according to the foreign exchange rate stated by the European Central Bank as at the end of the last day of the reporting period. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are revaluated into functional currency at the exchange rate at the date when the fair value was determined. The exchange rates (foreign currency units against the EUR) stated by the European Central Bank that were mainly applied when preparing the statement of assets and liabilities of the fund were as follows:

<u>Currency</u>	<u>31.12.2020</u>	<u>31.12.2019</u>
DKK	7.44090	7.47150
NOK	10.47030	9.86380
PLN	4.55970	4.25680
CHF	1.08020	1.08540
GBP	0.89903	0.85080
SEK	10.03430	10.44680

Financial instruments

The Company recognizes a financial asset when, and only when, the Company becomes a party to the contract. Financial assets are classified as either measured at amortized cost or at fair value through profit or loss. The basis for classification is both business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. At acquisition the applicable classification is evaluated based on the guidelines established by the Company. To classify a financial asset to a particular category, the Company at inception determines whether the asset meets the relevant business model and contractual cash flow criteria. The business model is revealed through the activities of the Company. It stems from the Company's typical way of managing its financial assets in order to generate cash flows; thus, the assessment is not performed on the basis of scenarios that the Company does not reasonably expect to occur. In a stress case, if cash flows are realized in a way that is different from the Company's expectations embedded in the business model, it does not give rise to a prior period

error nor does it change the classification of the remaining financial assets held in that business model. However, for future acquisitions historical cash flows are considered and may give rise to changes in the business model.

All financial assets are recognized initially at fair value plus directly attributable transaction costs, except in the case of financial assets stated at fair value through profit or loss. All “regular way” purchases and sales of investments are recognized using settlement date accounting. The settlement date is the date when an asset is delivered to or by the Fund. Settlement date accounting refers to the recognition of an asset on the day it is transferred to the Company and to the de-recognition of an asset, on the day that it is transferred by the Fund.

Financial assets and liabilities at amortized cost

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

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

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

A gain or loss on a financial asset that is measured at amortized cost is recognized in profit or loss when the financial asset is derecognized, reclassified, through the amortization process or in order to recognize impairment gains or losses. Financial assets at amortized cost are recognized on drawdown. From the date of signing a contractual agreement till drawdown, they are accounted for as off-balance sheet commitments. When a financial assets it cannot be recovered, it is written-off and charged against impairment for credit losses. The Company makes the decision regarding any write-off of financial assets. Recoveries of previously written-off assets or parts of assets are credited to the statement of profit or loss.

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

Financial instruments at fair value through profit or loss

A financial asset is measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income. Given the specifics of the Fund’s activities, most of the financial assets are classified under this category as the Fund’s business model is designed to increase the net asset value as a result of holding or trading of financial assets. For equity instruments that would otherwise be measured at fair value through profit or loss an irrevocable election at initial recognition on instrument-by-instrument basis is made to present subsequent changes in fair value in other comprehensive income. Also a financial asset or liability, at initial recognition, may be irrevocably designated as measured at fair value through profit or loss if doing so eliminates or significantly reduces “accounting mismatch” that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases, or when a group of financial liabilities or a group of financial assets and financial liabilities are managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the management.

Excluding interest on interest rate swaps, interest on financial assets measured at fair value through profit or loss is included in net interest income. Revaluation and trading gains or losses arising from changes in fair value of financial assets or financial liabilities that are measured at fair value through profit or loss, as well as interest on interest rate swaps, are recognized directly in the statement of income as net financial income. Such financial assets and liabilities are subsequently re-measured at fair value based on available market prices or broker quotes.

Included in this category are certain life insurance contract liabilities, which are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Financial assets and liabilities which are held for trading are measured at fair value through profit or loss. Financial assets and liabilities are held for trading if they are either acquired to generate profit from short-term fluctuations in price or dealer’s margin or they are a part of the portfolio characterized by generating short-term profit. The Fund also has balances due on demand from credit institutions; however, considering the short-term structure and credit ratings, the allowances for expected credit losses are not material.

Recognition and derecognition

All purchases and sales of financial assets are recognized on the settlement date. Financial assets are derecognized when the contractual rights to receive cash flows from the financial asset expire or when the Company has transferred substantially all the risks and benefits incidental to ownership of an asset. Financial assets at fair value through profit or loss are initially recognized at fair value and all transaction costs are carried to the statement of income and expenses. Other financial assets are initially recognized at fair value plus transaction costs.

Allowances for impairment of financial assets

The Company estimates expected credit losses (ECL). Requirements for ECL allowances apply to financial assets at amortized cost, but do not apply to financial assets at fair value through profit or loss. Impairment allowances are recognized based on forward-looking information, even if no credit loss event has occurred. The assessment considers a broad range of information, but as most of these types of exposures are assigned credit ratings, it relies heavily on external credit ratings and reported by rating agencies default rates derived by calculating multi-period

rating transition matrices. If unavailable for evaluation purposes, external credit ratings may be substituted by internally calculated credit quality levels. Credit risk triggers (event of insolvency, any delay of payments, restructuring of debt) and individual credit risk analysis of the issuer are also considered. The Group deems investment grade rated exposures as low credit risk, thus these are assumed not to have experienced a significant increase in credit risk. For non-investment grade exposures decrease in external credit rating by more than 3 notches since acquisition is deemed significant increase in credit risk. Expected credit losses are recognized based on the stage in which the exposure is allocated at the reporting date. 12-month ECL are recognized for Stage 1 exposures, where credit risk since initial recognition has not increased significantly. Lifetime ECL are recognized for Stage 2 exposures, whose credit risk has increased significantly since initial recognition, and Stage 3 exposures which are credit impaired. Stage 3 exposures, if any identified, would additionally be subjected to comprehensive evaluation, including comparison to market valuations for similar exposures, analysis of market depth of the respective security, past trading performance and all 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.

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

Securities are revaluated based on the bid prices available from Bloomberg and NASDAQ OMX Riga financial information. Securities purchase and sales transactions are recognized at the settlement date. The acquisition cost is measured using the FIFO (*first in, first out*) method.

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

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

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

The description of the methods used in determining the fair value by 3 levels based on the level of the observable inputs used in the valuation techniques is provided below.

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

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

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

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

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

Taxes

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

Changes in accounting policies

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

New standards and interpretations

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

Amendments to References to Conceptual Framework in IFRS Standards

Amendments to IFRS 3 – Definition of a Business

Amendments to IAS 1 and IAS 8 – Definition of Material

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

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

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

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

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

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

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

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

NOTE 3 DUE ON DEMAND FROM CREDIT INSTITUTIONS

	% of the Fund's net assets		% of the Fund's net assets	
	31.12.2020	31.12.2020	31.12.2019	31.12.2019
Due on demand from credit institutions, AS Citadele Banka	225,745	2.62%	200,306	6.95%
Total demand deposits with credit institutions	225,745	2.62%	200,306	6.95%

NOTE 4 EQUITY INSTRUMENTS

	% of the Fund's net assets		% of the Fund's net assets	
	31.12.2020	31.12.2020	31.12.2019	31.12.2019
Corporate equity instruments				
Equity instruments of companies in other OECD countries	8,409,015	97.53%	2,610,187	90.53%
Latvia	-	0.00%	79,860	2.77%
Total equity instruments	8,409,015	97.53%	2,690,047	93.30%

All equity instruments are classified as financial assets at fair value through profit or loss. As at 31 December 2020, all equity instruments owned by the Fund were traded on regulated markets.

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

Financial instrument	ISIN code	Currency	Amount	Acquisition value (EUR)	Carrying amount 31.12.2020	% of the Fund's net assets 31.12.2020
Financial instruments traded on regulated markets				7,128,498	8,409,015	97.53%
Equity instruments of Swiss issuers				1,481,712	1,647,453	19.11%
Logitech International SA	CH0025751329	CHF	2,511	131,133	200,536	2.33%
VAT Group AG	CH0311864901	CHF	900	163,554	185,428	2.15%
Sika AG	CH0418792922	CHF	820	172,656	184,935	2.14%
Kuehne Nagel International AG	CH0025238863	CHF	880	150,862	164,234	1.90%
Partners Group Holding AG	CH0024608827	CHF	164	126,937	158,718	1.84%
STMicroelectronics NV	NL0000226223	CHF	4,800	164,301	145,344	1.69%
Geberit AG	CH0030170408	CHF	283	133,500	145,114	1.68%
EMS-Chemie Holding AG	CH0016440353	CHF	177	120,011	140,637	1.63%
Sonova Holding AG	CH0012549785	CHF	647	136,295	138,862	1.62%
Tecan Group AG	CH0012100191	CHF	285	109,020	112,541	1.31%
Schindler Holding AG	CH0024638196	CHF	320	73,443	71,104	0.82%

Financial instrument	ISIN code	Currency	Amount	Acquisition value (EUR)	Carrying amount 31.12.2020	% of the Fund's net assets 31.12.2020
Equity instruments of British issuers				1,101,873	1,177,774	13.65%
Spirax-Sarco Engineering PLC	GB00BWFQGN14	GBP	1,458	164,165	183,176	2.12%
Diploma PLC	GB0001826634	GBP	6,830	146,980	166,224	1.93%
Halma PLC	GB0004052071	GBP	5,931	141,377	161,563	1.87%
Croda International PLC	GB00BJFFLV09	GBP	1,900	128,722	139,019	1.61%
Electrocomponents PLC	GB0003096442	GBP	13,100	100,684	126,843	1.47%
Rightmove PLC	GB00BGDT3G23	GBP	17,526	125,143	126,791	1.47%
Intertek Group PLC	GB0031638363	GBP	1,700	120,322	106,800	1.24%
London Stock Exchange Group PLC	GB00B0SWJX34	GBP	950	71,506	95,187	1.10%
AVEVA Group PLC	GB00BBG9VN75	GBP	2,027	102,974	72,171	0.84%
Equity instruments of French issuers				1,021,848	1,106,098	12.84%
SOITEC	FR0013227113	EUR	1,360	172,721	216,648	2.51%
Hermes International	FR0000052292	EUR	225	174,079	197,910	2.30%
LVMH Moët Hennessy Louis Vuitton SA	FR0000121014	EUR	330	162,589	168,597	1.96%
Schneider Electric SE	FR0000121972	EUR	1,200	145,034	141,960	1.65%
L'Oreal SA	FR0000120321	EUR	437	116,611	135,820	1.58%
Dassault Systemes SE	FR0000130650	EUR	781	124,360	129,763	1.50%
BioMérieux	FR0013280286	EUR	1,000	126,454	115,400	1.34%
Equity instruments of Swedish issuers				674,771	945,111	10.96%
Evolution Gaming Group AB	SE0012673267	SEK	2,830	112,500	236,231	2.74%
Sinch AB	SE0007439112	SEK	1,540	165,108	206,268	2.39%
Thule Group AB	SE0006422390	SEK	6,000	161,649	184,288	2.14%
Epiroc Aktiebolag A	SE0011166933	SEK	11,158	114,101	167,187	1.94%
Atlas Copco AB	SE0011166610	SEK	3,581	121,413	151,137	1.75%
Equity instruments of Dutch issuers				618,238	913,126	10.60%
ASML Holding NV	NL0010273215	EUR	552	141,338	219,448	2.55%
Adyen NV	NL0012969182	EUR	100	74,780	190,500	2.21%
ASM International NV	NL0000334118	EUR	1,004	110,900	180,670	2.10%
BE Semiconductor Industries NV	NL0012866412	EUR	3,386	129,193	167,878	1.95%
Prosus NV	NL0013654783	EUR	1,750	162,027	154,630	1.79%
Equity instruments of Danish issuers				802,615	909,725	10.55%
Netcompany Group A/S	DK0060952919	DKK	2,150	149,082	179,434	2.08%
Genmab A/S	DK0010272202	DKK	539	170,606	178,268	2.07%
SimCorp A/S	DK0060495240	DKK	1,204	117,809	146,598	1.70%
Novo Nordisk A/S	DK0060534915	DKK	2,400	108,679	138,241	1.60%
Royal Unibrew A/S	DK0060634707	DKK	1,432	129,893	136,178	1.58%
GN Store Nord A/S	DK0010272632	DKK	2,000	126,546	131,006	1.52%
Equity instruments of Dutch issuers				666,527	873,130	10.12%
HelloFresh SE	DE000A161408	EUR	3,240	176,856	197,639	2.29%
Sartorius Stedim Biotech	FR0013154002	EUR	620	97,383	180,544	2.09%
Bechtle AG	DE0005158703	EUR	912	118,835	164,160	1.90%
Sartorius AG	DE0007165631	EUR	425	91,337	140,250	1.63%
Nemetschek SE	DE0006452907	EUR	1,807	82,768	110,227	1.28%
SAP AG	DE0007164600	EUR	750	99,348	80,310	0.93%
Equity instruments of Polish issuers				321,934	320,560	3.72%
Dino Polska SA	PLDINPL00011	PLN	2,540	150,728	161,211	1.87%
CD Projekt SA	PLOPTTC00011	PLN	2,645	171,206	159,349	1.85%
Equity instruments of Finnish issuers				185,452	274,289	3.18%
Neste Oyj	FI0009013296	EUR	3,513	126,483	207,829	2.41%
Kone OYJ	FI0009013403	EUR	1,000	58,969	66,460	0.77%

Financial instrument	ISIN code	Currency	Amount	Acquisition value (EUR)	Carrying amount 31.12.2020	% of the Fund's net assets 31.12.2020
Equity instruments of Italian issuers				116,467	141,299	1.64%
Ferrari NV	NL0011585146	EUR	749	116,467	141,299	1.64%
Equity instruments of Irish issuers				137,061	100,450	1.16%
Kingspan Group PLC	IE0004927939	EUR	1,750	137,061	100,450	1.16%
Total equity instruments:				7,128,498	8,409,015	97.53%

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

Financial instrument	ISIN code	Currency	Amount	Acquisition value (EUR)	Carrying amount 31.12.2019	% of the Fund's net assets 31.12.2019
Financial instruments traded on regulated markets				2,681,284	2,690,047	93.30%
Equity instruments of German issuers				1,068,168	1,039,499	36.06%
Allianz SE	DE0008404005	EUR	280	34,226	61,348	2.13%
SAP AG	DE0007164600	EUR	498	32,771	59,810	2.07%
Bechtle AG	DE0005158703	EUR	470	58,624	58,985	2.04%
DEUTSCHE BOERSE STK N	DE0005810055	EUR	420	59,391	59,031	2.05%
MTU Aero Engines AG	DE000A0D9PT0	EUR	230	58,939	58,788	2.04%
Siemens AG	DE0007236101	EUR	500	44,729	58,400	2.03%
Deutsche Post AG	DE0005552004	EUR	1,720	49,239	58,342	2.02%
Adidas AG	DE000A1EWWW0	EUR	200	58,146	58,120	2.02%
Carl-Zeiss Meditec AG	DE0005313704	EUR	500	57,675	56,950	1.98%
Infinion Technologies AG	DE0006231004	EUR	2,800	56,887	56,742	1.97%
CTS Eventim AG & Co. KGaA	DE0005470306	EUR	990	55,774	55,688	1.93%
Deutsche Telekom AG	DE0005557508	EUR	3,700	56,302	54,087	1.88%
Fresenius SE & Co KGaA	DE0005785604	EUR	1,050	65,955	52,458	1.82%
Bayer AG	DE000BAY0017	EUR	700	71,098	51,030	1.77%
BASF SE	DE000BASF111	EUR	720	62,048	48,413	1.68%
Continental AG	DE0005439004	EUR	415	90,475	47,924	1.66%
E.ON SE	DE000ENAG999	EUR	4,500	40,082	42,980	1.49%
Daimler AG	DE0007100000	EUR	709	42,165	34,961	1.21%
Henkel AG & Co KGaA	DE0006048432	EUR	376	39,023	34,660	1.20%
HeidelbergCement AG	DE0006047004	EUR	474	34,619	30,782	1.07%
Equity instruments of Swedish issuers				481,489	499,351	17.32%
Investor AB	SE0000107419	SEK	2,950	89,053	144,467	5.01%
Atlas Copco AB	SE0011166610	SEK	2,000	68,562	71,505	2.48%
Epiroc Aktiebolag A	SE0011166933	SEK	5,200	49,747	57,018	1.98%
Volvo AB	SE0000115446	SEK	3,800	54,909	57,108	1.98%
Hennes & Mauritz AB	SE0000106270	SEK	2,900	92,951	52,816	1.83%
Nordea Bank Abp	FI4000297767	SEK	5,800	53,588	42,056	1.46%
Telefonaktiebolaget LM Ericsson	SE0000108656	SEK	5,200	36,023	40,717	1.41%
Skandinaviska Enskilda Banken AB	SE0000148884	SEK	4,000	36,656	33,664	1.17%
Equity instruments of Danish issuers				301,178	373,945	12.96%
DSV A/S	DK0060079531	DKK	800	21,827	82,318	2.85%
Novozymes A/S	DK0060336014	DKK	1,350	56,030	59,012	2.05%
Coloplast A/S	DK0060448595	DKK	532	58,617	58,957	2.04%
SimCorp A/S	DK0060495240	DKK	578	58,825	58,717	2.04%
Novo Nordisk A/S	DK0060534915	DKK	1,130	41,875	58,629	2.03%
AP Moeller - Maersk A/S	DK0010244508	DKK	40	58,217	51,599	1.79%
Drilling Co of 1972 A/S/The	DK0061135753	DKK	80	5,787	4,713	0.16%

Financial instrument	ISIN code	Currency	Amount	Acquisition value (EUR)	Carrying amount 31.12.2019	% of the Fund's net assets 31.12.2019
Equity instruments of Norwegian issuers				340,460	301,036	10.44%
Equinor ASA	NO0010096985	NOK	7,500	134,899	133,442	4.63%
Orkla ASA	NO0003733800	NOK	6,500	56,480	58,622	2.03%
Norsk Hydro						
ASAColoplast A/S	NO0005052605	NOK	17,500	101,103	57,909	2.01%
Telenor ASA	NO0010063308	NOK	3,200	47,978	51,063	1.77%
Equity instruments of Polish issuers				199,189	168,922	5.86%
Powszechny Zaklad						
Ubezpieczen SA	PLPZU0000011	PLN	7,860	103,311	73,914	2.56%
CD Projekt SA	PLOPTTC00011	PLN	925	58,526	60,735	2.11%
Polski Koncern Naftowy						
ORLEN SA	PLPKN0000018	PLN	1,700	37,352	34,273	1.19%
Equity instruments of Finnish issuers				134,941	115,960	4.02%
Kone OYJ	FI0009013403	EUR	1,000	58,969	58,280	2.02%
Nokia OYJ	FI0009000681	EUR	17,500	75,972	57,680	2.00%
Equity instruments of Estonian issuers				84,738	98,026	3.40%
Tallink Grupp AS	EE3100004466	EUR	100,436	84,738	98,026	3.40%
Equity instruments of Latvian issuers				55,442	79,860	2.77%
Olainfarm	LV0000100501	EUR	11,000	55,442	79,860	2.77%
Equity instruments of Lithuanian issuers				15,679	13,448	0.47%
Linas Agro AB	LT0000128092	EUR	23,187	15,679	13,448	0.47%
Total equity instruments:				2,681,284	2,690,047	93.30%

NOTE 5 ACCRUED EXPENSES

	2020	2019
Accrued expenses for investment management company fees	(9,842)	(5,112)
Accrued expenses for custodian fees	(1,265)	(460)
Accrued expenses for professional services	(1,295)	(1,295)
Total accrued expenses	(12,402)	(6,867)

NOTE 6 REALIZED INCREASE/DECREASE IN INVESTMENT VALUE

	2020	2019
Proceeds from sale of investments in the reporting period*	4,973,618	1,425,217
Cost of investments sold during the reporting period	(5,011,344)	(1,250,357)
(Depreciation)/ appreciation of sold investments recognized in prior reporting years	(20,350)	674
Total realized increase/(decrease)/ in investment value	(58,076)	175,534

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

NOTE 7 UNREALIZED INCREASE/DECREASE IN INVESTMENT VALUE

	2020	2019
From equity instruments	1,250,355	225,954
Total unrealized appreciation of investments	1,250,355	225,954

NOTE 8 CHANGES IN INVESTMENTS

The following table shows the changes in investments in 2020:

	31.12.2019	Increase during the reporting period	Decrease during the reporting period*	Fair value adjustment	31.12.2020
Financial assets at fair value through profit or loss					
Equity instruments	2,690,047	9,438,758	(4,917,970)	1,198,180	8,409,015
Total investments	2,690,047	9,438,758	(4,917,970)	1,198,180	8,409,015

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

The following table shows the changes in investments in 2019:

	31.12.2018	Increase during the reporting period	Decrease during the reporting period*	Fair value adjustment	31.12.2019
Financial assets at fair value through profit or loss					
Equity instruments	3,025,223	683,166	(1,409,033)	390,691	2,690,047
Total investments	3,025,223	683,166	(1,409,033)	390,691	2,690,047

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

NOTE 9 PLEDGED ASSETS

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

NOTE 10 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Management of the investment management company believes that the carrying amounts of financial assets and liabilities correspond to their fair values. The fair value is determined using market quotes, based on the information published by stock exchanges and brokerage companies. All shares owned by the Fund are traded on regulated markets and are classified in the fair valuation hierarchy at Level 1. The fair value of balances due on demand from credit institutions corresponds to their carrying amount.

NOTE 11 RISK MANAGEMENT

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

Risk management framework

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

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

The Manager of Investment Fund follows risk diversification and hedging principles whose objective is to reduce the investment risk that are developed in accordance with the Management Policy. When making investments on the Fund's account, the Company obtains sufficient information on potential or acquired investment objects as well as supervises financial and economic position of issuers of the securities in which the Fund's property has been or is to be invested.

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

Market risk

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

Price risk

Changes in prices of equity securities (shares) depend on two variables - changes in the respective national stock index (for the Central Asia region these are changes in the stock market index - RENCASIA) and the financial position of the particular issuer (in terms of capacity to generate profit), which in turn affects the fluctuations of the balance of supply and demand. The first variable is also often referred to as systematic risk; whereas the second - as specific risk.

The systemic risk is managed based on forecasts regarding the overall economic development in the specific geographical region and the potential economic development of the industry. The specific risk is managed on the basis of detailed analysis of the issuer's financial situation and capacity to generate profit as well as other factors affecting the price of the security mainly based on the reports published by the issuer, information in the mass media etc. Here the focus is on both price volatility (deviations) and their correlations. As a result, it is possible to calculate the overall price risk of the portfolio securities, taking into account their historical yield.

The risk of market price fluctuations was calculated as at 31 December 2020 using the standard deviation in the reference index of the respective investment fund category.

2020	Standard deviation in the reference index	Carrying amount	Potential negative effect on the current year profit	Potential Positive effect on the current year profit	% of the Fund's net assets 31.12.2020*
		EUR	EUR	EUR	
Assets at fair value through profit or loss					
- Equity instruments	35.00%	8,409,015	(2,943,155)	2,943,155	34.13%
Total:		8,409,015	(2,943,155)	2,943,155	34.13%

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

The risk of market price fluctuations was calculated as at 31 December 2019 using the standard deviation in the reference index of the respective investment fund category.

2019	Standard deviation in the reference index	Carrying amount	Potential negative effect on the current year profit	Potential Positive effect on the current year profit	% of the Fund's net assets 31.12.2019*
		EUR	EUR	EUR	
Assets at fair value through profit or loss					
- Equity instruments	30.00%	2,690,047	(807,014)	807,014	27.99%
Total:		2,690,047	(807,014)	807,014	27.99%

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

Foreign currency risk

Foreign currency risk arises when the nominal currency of securities and other financial instruments in the Fund differs from the Fund's currency (euro). Exchange rate fluctuations may cause profit or loss depending on the direction of exchange rate fluctuations and the currency's position in the Fund. Foreign currency risk can be hedged by the effect of diversification, which occurs when the Fund has several currencies and the exchange rate fluctuations of these currencies are not closely interrelated.

Effect of exchange rate fluctuations (2020)				Effect of exchange rate fluctuations (2019)			
Currency	Share in the Fund (% of net assets)	Change in the exchange rate against USD	Impact on the Fund's value	Currency	Share in the Fund (% of net assets)	Change in the exchange rate against USD	Impact on the Fund's value
EUR	43.69%	0.00%	0.00%	EUR	47.85%	0.00%	0.00%
CHF	17.42%	3.76%	0.65%	SEK	18.65%	5.06%	0.94%
GBP	13.66%	9.04%	1.23%	DKK	13.90%	0.57%	0.08%
SEK	10.96%	7.73%	0.85%	NOK	12.60%	5.82%	0.73%
DKK	10.55%	0.61%	0.06%	PLN	7.00%	3.47%	0.24%
PLN	3.72%	7.24%	0.27%	Total	100.00%		1.99%
Total	100.00%		3.06%				

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

	EUR	GBP	SEK	DKK	CHF	PLN	Total
Due on demand from credit institutions							
Financial assets at fair value through profit or loss	225,745	-	-	-	-	-	225,745
Equity instruments							
Total assets	3,553,736	1,177,774	945,111	909,725	1,502,109	320,560	8,409,015
Liabilities	3,779,481	1,177,774	945,111	909,725	1,502,109	320,560	8,634,760
Accrued expenses							
Total liabilities	(12,402)						(12,402)
Net assets	(12,402)						(12,402)
<i>% of net assets</i>	3,767,079	1,177,774	945,111	909,725	1,502,109	320,560	8,622,358
Due on demand from credit institutions	43.69%	13.66%	10.96%	10.55%	17.42%	3.72%	100.00%

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

	EUR	SEK	DKK	NOK	PLN	Total
Due on demand from credit institutions						
Financial assets at fair value through profit or loss	39,853	38,462	26,920	62,244	32,827	200,306
Equity instruments						
Total assets	1,346,793	499,351	373,945	301,036	168,922	2,690,047
Liabilities	1,386,646	537,813	400,865	363,280	201,749	2,890,353
Accrued expenses						
Total liabilities	(6,867)					(6,867)
Net assets	(6,867)					(6,867)
<i>% of net assets</i>	1,379,779	537,813	400,865	363,280	201,749	2,883,486
Due on demand from credit institutions	47.85%	18.65%	13.90%	12.60%	7.00%	100.00%

Concentration risk

The issuer's line of business and geographical position represent additional risk factors that may affect the price of the issuer's securities or solvency, therefore it is important to identify concentration risk - i.e., the extent to which the Fund's value depends on changes in certain regions and/or sectors. Geographical distribution of risk concentration (based on the country whose position affects the issuer's solvency the most) and distribution across sectors are presented in tables below.

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

	Latvia	OECD countries	Total
Assets			
Due on demand from credit institutions	225,745	-	225,745
Financial assets through profit or loss			
Equity instruments	-	8,409,015	8,409,015
Total assets	225,745	8,409,015	8,634,760
Liabilities			
Accrued expenses	(12,402)	-	(12,402)
Total liabilities	(12,402)		(12,402)
Net assets	213,343	8,409,015	8,622,358

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

	Latvia	OECD countries	Total
Assets			
Due on demand from credit institutions	200,306	-	200,306
Financial assets through profit or loss			
Equity instruments	79,860	2,610,187	2,690,047
Total assets	280,166	2,610,187	2,890,353
Liabilities			
Accrued expenses	(6,867)	-	(6,867)
Total liabilities	(6,867)		(6,867)
Net assets	273,299	2,610,187	2,883,486

The following table shows the breakdown of the Fund's net assets by countries (based on the issuer's country of registration):

Country	Carrying amount	% of the Fund's net	Carrying amount	% of the Fund's net
	31.12.2020	assets 31.12.2020	31.12.2019	assets 31.12.2019
Switzerland	1,647,453	19.11%	-	0.00%
UK	1,177,774	13.66%	-	0.00%
France	1,106,098	12.83%	-	0.00%
Sweden	945,111	10.96%	499,351	17.32%
Netherlands	913,126	10.59%	-	0.00%
Denmark	909,725	10.55%	373,945	12.97%
Germany	873,130	10.13%	1,039,499	36.05%
Poland	320,560	3.72%	168,922	5.86%
Finland	274,289	3.18%	115,960	4.02%
Latvia	213,343	2.47%	273,299	9.47%
Italy	141,299	1.64%	-	0.00%
Ireland	100,450	1.16%	-	0.00%
Norway	-	0.00%	301,036	10.44%
Estonia	-	0.00%	98,026	3.40%
Lithuania	-	0.00%	13,448	0.47%
Total	8,622,358	100.00%	2,883,486	100.00%

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

Sector	Carrying amount	% of the Fund's	Carrying amount	% of the Fund's
	31.12.2020	net assets 31.12.2020	31.12.2019	net assets 31.12.2019
IT services	2,698,361	31.30%	332,651	11.54%
Manufacturing	1,649,274	19.13%	594,276	20.61%
Consumption services	1,280,594	14.85%	250,929	8.70%
Pharmacy	1,135,112	13.17%	357,884	12.41%
Commodities	464,591	5.39%	196,116	6.80%
Consumer staples	433,209	5.02%	106,730	3.70%
Telecommunications services	286,140	3.32%	221,573	7.69%
Financial services	253,905	2.94%	338,760	11.75%
Energy	207,829	2.41%	172,428	5.98%
Commercial banks	-	0.00%	75,720	2.63%
Utilities	-	0.00%	42,980	1.49%
Total	8,409,015	97.53%	2,690,047	93.30%

Liquidity risk can occur if the Fund has difficulty in meeting its financial obligations. The Fund Manager strives to maintain such asset structure which ensures a possibility of selling securities in due time and with no significant losses.

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

	Up to	1-6	Indefinite	Total
	1 month	months		
Assets				
Due on demand from credit institutions	225,745	-	-	225,745
Financial assets at fair value through profit or loss	-	-	8,409,015	8,409,015
Equity instruments	-	-	8,409,015	8,409,015
Total assets	225,745	-	8,409,015	8,634,760
Liabilities				
Accrued expenses	(11,107)	(1,295)	-	(12,402)
Total liabilities	(11,107)	(1,295)	-	(12,402)
Net assets	214,638	(1,295)	8,409,015	8,622,358
<i>Net position, %</i>	<i>2.49%</i>	<i>(0.02%)</i>	<i>97.53%</i>	<i>100.00%</i>

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

	Up to 1 month	1-6 months	Indefinite	Total
Assets				
Due on demand from credit institutions	200,306	-	-	200,306
Financial assets at fair value through profit or loss				
Equity instruments	-	-	2,690,047	2,690,047
Total assets	200,306	-	2,690,047	2,890,353
Liabilities				
Accrued expenses	(5,572)	(1,295)	-	(6,867)
Total liabilities	(5,572)	(1,295)	-	(6,867)
Net assets	194,734	(1,295)	2,690,047	2,883,486
<i>Net position, %</i>	<i>6.75%</i>	<i>(0.04%)</i>	<i>93.29%</i>	<i>100.00%</i>

NOTE 12 INFORMATION ON THE FUND'S INVESTMENT CERTIFICATE HOLDERS

The following table shows the proportion of the share certificates held by related parties and other investors to the total number of the share certificates issued:

	31.12.2020	% of the total number 31.12.2020	31.12.2019	% of the total number 31.12.2019
Share certificates held by related parties	11,022	6.49%	8,986	13.74%
Share certificates held by third parties	158,738	93.51%	56,411	86.26%
The number of share certificates issued at the end of the reporting period	169,760	100.00%	65,397	100.00%

NOTE 13 RELATED PARTY TRANSACTIONS

The majority of the Fund's investments are acquired through the custodian bank. AS Citadele banka receives custodian fee, which is charged to the statement of income and expenses (see Note 5); and cash of the Fund is also placed with AS Citadele banka (see Note 3).

Remuneration paid to the investment management company in the reporting year is disclosed in the statement of income and expenses (see also Note 5). In the reporting period, the related parties made transactions with the Fund's share certificates. In 2020, the related parties bought 4,426 and sold 2,409 share certificates. Transactions with the Fund's share certificates are calculated taking into account only the share certificates held by those related parties which have been classified as related parties of the Fund as at 31 December 2019 and 31 December 2020.

NOTE 14 PERFORMANCE DYNAMICS OF THE INVESTMENT FUND

	31.12.2020	31.12.2019	31.12.2018
Net assets (EUR)*	8,622,358	2,883,486	3,091,545
Number of share certificates	169,760	65,397	79,910
Value of the unit of the Fund	50.79	44.09	38.69
Fund return**	15.20%	13.96%	(16.36%)

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

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

NOTE 15 EVENTS AFTER THE END OF THE REPORTING PERIOD

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



KPMG Baltics AS
Vesetas iela 7,
Rīga, LV-1013
Latvia

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

Independent Auditors' Report

To the shareholders of investment fund 'CBL European Leaders Equity Fund' (former name 'CBL Baltic Sea Equity Fund')

Report on the audit of financial statements

Our opinion on the financial statements

We have audited the financial statements of investment fund 'CBL European Leaders Equity Fund' ("the Fund") managed by IPAS 'CBL Asset Management' ("the Asset Manager") as set out on pages 8 to 23 of the accompanying Annual Report. The accompanying financial statements include:

- Overview of assets and liabilities as at 31 December 2020,
- Report on income and expenses for the year then ended,
- Statement of changes to net assets for the year then ended,
- Statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of investment fund 'CBL European Leaders Equity Fund' as at 31 December 2020, and of its financial performance and changes in net assets and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

In accordance with the 'Law on Audit Services' of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing (hereinafter – ISAs) adopted in the Republic of Latvia. Our responsibilities under those standards are further described in the *Auditors' Responsibility for the Audit of the Financial Statements* section of our report.

We are independent of the Fund and the Fund Manager in accordance with the Code of Ethics for Professional Accountants (IESBA Code) by the International Ethics Standards Board for Accountants and the independence requirements included in the 'Law on Audit Services' of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and the 'Law on Audit Services' of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Reporting on Other Information

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



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

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia related to Other Information* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Fund Manager and Fund and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information

In addition, in accordance with the 'Law on Audit Services' of the Republic of Latvia, our responsibility is to express an opinion on whether the Asset Manager's Report is prepared in accordance with the requirements of Regulation No. 181 'Regulation on the preparation of annual reports, consolidated annual reports and interim reports of an investment fund and open alternative investment fund' issued by the Financial and Capital Market Commission ("Regulation No. 181").

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information presented in the Asset Manager's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Asset Manager's Report has been prepared in accordance with the requirements of Regulation No. 181 of the Financial and Capital Market Commission of the Republic of Latvia.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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

In preparing the financial statements, the management of the Fund Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Fund Manager management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Asset Manager's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund Manager to cease Fund to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.



*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 AS

Licence No. 55

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

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