



INVESTMENT FUND
CBL European Leaders Equity Fund

ANNUAL REPORT for 2022

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

Riga, 2023



**CBL ASSET
MANAGEMENT**



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INFORMATION ABOUT THE INVESTMENT FUND

Name of the Fund:	CBL European Leaders Equity Fund
Type of fund:	Investment fund
Date of registration of the Fund:	7 March 2013
Date of start of operations of the Fund:	20 November 2013
Number of the Fund:	FL127
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:	The members of the Supervisory Board and the Management Board shall perform all duties of the members of the Supervisory Board and the Management Board provided for in the laws and regulations of the Republic of Latvia and the Articles of Association of the investment management company.
Fund Managers:	Andrejs Piļka Andris Kotāns
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, Riga Latvia, LV-1045 Licence No. 55

INVESTMENT MANAGEMENT COMPANY REPORT

The asset manager of the investment fund CBL European Leaders Equity Fund (hereinafter – the Fund) is CBL Asset Management, an investment management company with registered office at Republikas laukums 2a, Rīga, LV-1010, and registration number 40003577500 (hereinafter – the Company). The investment company's operating licence 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 shares of issuers that are incorporated or have their principal operations in Europe. The Fund's income is generated by share price appreciation and dividend payments. The Fund's base currency is the euro.

Global equity markets spent most of 2022 in a bear market, or downtrend, with upswings that were short-lived and gains that could not be sustained. Over the year, both US and European stock market indices experienced strong declines. Europe's Stoxx Europe 600 ended the period with a loss of 12.9% in euro terms and the US S&P500 fell by 19.4% in US dollars over the year. The year started with declines in virtually all segments of the financial market. Inflation data were a cause for concern, showing that consumer prices continued to rise sharply and that no slowdown in inflation was in sight. Unrelenting inflation meant that the world's central banks had to raise interest rates much faster than expected and to end all monetary stimulus programmes, which had so far been an important support factor for equity markets. Although high inflation was not exactly new to the financial markets and levels had already been elevated throughout the previous year, in the early months of 2022 the market had lived in the belief that it was a passing phenomenon and that normalisation would soon take place. The hopes for normalisation were completely erased by the military conflict between Russia and Ukraine. Both countries, but mainly Russia, are important global suppliers of many resources: oil, gas, various metals and agricultural commodities. The introduction of harsh sanctions against Russia by Western countries led to shortages of several resources, which caused their prices to soar. The rise in resource prices further increased inflationary pressures and financial markets began to prepare for more negative scenarios in the world economy. The European economy is under severe strain from its dependence on Russian natural gas. The sanctions imposed against Russia have already contributed to a reduction in gas supplies and the risk of energy shortages for all sectors in Europe has become very real. The likelihood of an economic recession has increased significantly as a result of all these developments.

In the second half of the year, global equity markets remained exposed to heightened market volatility. Investor nervousness was largely driven by uncertainty about the future trajectory of interest rates, inflation and the economy. Inflation figures in the euro area reached their highest monthly level since the currency bloc was created and the consumer price index in the US approached forty-year highs. This made the rhetoric of monetary policy-makers on both sides of the Atlantic even more aggressive. Investors were given a clear message that central banks were determined to control inflation levels, even if this meant a negative impact on the overall economy. In the autumn, it became clear that the central banks' aggressive fight against inflation was bearing fruit. In November, we saw the first signs of a peak in US inflation. The important rise in long-term interest rates for the markets came to an end, and in the US they even started to fall in a targeted manner. This marked a low point for both equity and bond markets. Equity markets also benefited from corporate earnings reports which, despite rather pessimistic expectations, showed more positive surprises. There were also positive signs in economists' views. The recession, which had been expected all year, did not materialise. Warmer weather, lower gas prices and the opening up of China after almost three years of isolation helped to improve sentiment in the Eurozone. The US labour market remained strong and companies were generally able to pass on rising costs to consumers, allowing them to maintain high profitability.

During the reporting period, the Fund's largest negative contributors were its investments in companies in the industrial, technology and consumer services sectors. At the end of the period, the industrial (24.5%), consumer services (20.1%), pharmaceuticals (17.0%) and IT services (14.9%) sectors were the largest contributors to the Fund. From a geographical perspective, the largest negative contributions came from shares of issuers in the UK, Switzerland, Sweden and Germany.

At year-end, the cash position represented 1.21% of the Fund's net assets. The net assets of the Fund decreased by EUR 7,950,892 in 2022 and amounted to EUR 6,327,317 at year-end. The gross asset value as at 31.12.2022 was EUR 6,340,695. The value of the Fund's share in 2022 decreased by EUR 23.29 to EUR 41.79. The total return of the Fund in 2022 was 35.79% (negative) in the Fund's base currency (euro) at the foreign exchange rates quoted on the financial markets at the end of the day.

Total management expenses for the period under review amounted to EUR 151,928, which does not exceed the 4.00% ceiling set in the Fund's prospectus. The assets of the Fund during the reporting period covered the remuneration of the investment management company for the management of the Fund's assets of EUR 128,214, the remuneration of the custodian bank of EUR 16,485 and other expenses of EUR 7,229. The Fund's ongoing charges ratio for the period under review was 1.76% of the Fund's average net asset value. The prospectuses of the investment funds managed by the Company do not provide for performance fees.

There have been no significant events since the end of the reporting period and up to the date of approval that have materially affected the financial position of the Fund. The recovery in the risk asset segments continued into 2023. Signs of a slowdown in inflation in recent months allowed market participants to forecast increasingly lower interest rate levels for the coming years. However, the vitality of consumption despite all the shocks of the past year, very low unemployment rates and wage pressures make the situation rather ambiguous, and there is little reason to expect a sharp loosening of the monetary policy reins.

The first half of 2023 shows that risk assets are dominated by positive price trends triggered by the relief from "recession that didn't happen", but this year does not promise to be a walk in the park. A combination of elevated inflation numbers, tighter monetary policy and unprecedented geopolitical risks could prevent global equity markets from quickly returning to previous peaks.

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

Kārlis Purgailis
Chairperson of the Management Board

Andrejs Pilka
Fund Manager

Andris Kotāns
Fund Manager

Rīga, 27 April 2023

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

REPORT ON THE IMPLEMENTATION OF THE ENGAGEMENT POLICY

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

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

Kārlis Purgailis
Chairperson of the Management Board

Andrejs Pilka
Fund Manager

Andris Kotāns
Fund Manager

Riga, 27 April 2023

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

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

The financial statements set out on pages 7 to 21 have been prepared on the basis of the supporting documents and give a true and fair view of the financial position of the Fund as at 31 December 2022 and of its performance for the year then ended. The above financial statements have been prepared in accordance with International Financial Reporting Standards 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 European Leaders Equity 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

Riga, 27 April 2023

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STATEMENT OF ASSETS AND LIABILITIES

	Notes	<u>31.12.2022</u>	<u>31.12.2021</u>
Assets			
Due on demand from credit institutions	3	76,597	119,000
Financial assets at fair value through profit or loss			
Capital instruments	4	<u>6,264,098</u>	<u>14,179,028</u>
Total assets		<u>6,340,695</u>	<u>14,298,028</u>
Liabilities			
Accrued expenses	5	<u>(13,378)</u>	<u>(19,819)</u>
Total liabilities		<u>(13,378)</u>	<u>(19,819)</u>
Net assets		<u>6,327,317</u>	<u>14,278,209</u>

The accompanying notes on pages 11 to 21 are an integral part of these financial statements.

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

Kārlis Purgailis
Chairperson of the Management
Board

Riga, 27 April 2023

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STATEMENT OF INCOME AND EXPENSES

	Notes	<u>2022</u>	<u>2021</u>
Income for the reporting period			
Dividend income		133,208	109,561
Other income		1,723	3,946
Total income		134,931	113,507
Expenses for the reporting period			
Remuneration to the investment management company		(128,214)	(157,435)
Remuneration to the custodian bank		(16,485)	(20,242)
Other Fund management expenses		(7,229)	(3,268)
Total expenses		(151,928)	(180,945)
Decrease/increase in investment value			
Realised decrease in investment value	6	(4,883,866)	(177,798)
Unrealised (decrease)/increase in investment value	7	(227,747)	2,696,364
Total (decrease)/increase in investment value		(5,111,613)	2,518,566
Result on revaluation of foreign currencies		(110,436)	202,568
(Decrease)/increase in net assets from investments		(5,239,046)	2,653,696

The accompanying notes on pages 11 to 21 are an integral part of these financial statements.

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

Kārlis Purgailis
Chairperson of the Management
Board

Riga, 27 April 2023

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STATEMENT OF CHANGES IN NET ASSETS

	2022	2021
Net assets at the beginning of the reporting period	14,278,209	8,622,358
(Decrease)/increase in net assets from investment	(5,239,046)	2,653,696
Transactions in share certificates and units		
Inflow from sale of share certificates and units	2,585,676	5,202,897
Outflow on redemption of share certificates and units	(5,297,522)	(2,200,742)
(Decrease)/increase in net assets from transactions in share certificates and units	(2,711,846)	3,002,155
(Decrease)/increase in net assets during the reporting period	(7,950,892)	5,655,851
Net assets at the end of the reporting period	6,327,317	14,278,209
Number of issued share certificates and units at the beginning of the reporting year	219,389	169,760
Number of issued share certificates and units at the end of the reporting year	151,419	219,389
Net assets per share certificate and unit at the beginning of the reporting year	65.08	50.79
Net assets per share certificate and unit at the end of the reporting year	41.79	65.08

The accompanying notes on pages 11 to 21 are an integral part of these financial statements.

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

Kārlis Purgailis
Chairperson of the Management Board

Riga, 27 April 2023

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CASH FLOW STATEMENT

	Notes	<u>2022</u>	<u>2021</u>
Dividend income		133,208	110,753
Other income		1,723	3,946
Investment management expenses		(158,367)	(173,528)
Acquisition of investments	8	(11,457,355)	(12,243,920)
Inflow from sale of investments	8	14,165,123	9,172,679
Foreign currency translation result		(12,777)	21,170
Increase/(decrease) in cash and cash equivalents from operating activities		<u>2,671,555</u>	<u>(3,108,900)</u>
Cash flow from financing activities			
Inflow from sale of share certificates and units		2,585,676	5,202,897
Outflow on redemption of share certificates and units		(5,297,522)	(2,200,742)
(Decrease)/increase in cash and cash equivalents from financing activities		<u>(2,711,846)</u>	<u>3,002,155</u>
Net decrease in cash and cash equivalents during the reporting period		<u>(40,291)</u>	<u>(106,745)</u>
Cash and cash equivalents at the beginning of the reporting year		<u>119,000</u>	<u>225,745</u>
Effects of changes in foreign exchange rates on cash and cash equivalents		(2,112)	-
Cash and cash equivalents at the end of the reporting year	3	<u><u>76,597</u></u>	<u><u>119,000</u></u>

The accompanying notes on pages 11 to 21 are an integral part of these financial statements.

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

Kārlis Purgailis
Chairperson of the Management Board

Riga, 27 April 2023

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

Name of the Fund:	"CBL European Leaders Equity Fund"
Type of fund:	Investment fund
Scope of the Fund:	Investing mainly in shares of issuers that are registered or whose main activities are in the Baltic Sea region.
Name of the investment management company:	"CBL Asset Management IPAS (the "Company") Republikas laukums 2a, Rīga, LV-1010, Latvia

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Principles for the preparation of financial statements

The financial statements of the CBL European Leaders Equity 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 (hereinafter referred to as "FCMC") regulations on "Preparation of the annual report, consolidated annual report and half-yearly report of an investment fund and open-ended alternative investment fund".

The financial statements are prepared under the historical cost convention and modified to reflect the fair value of financial instruments held for trading.

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

Functional and reporting currency

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

Significant estimates and assumptions

The preparation of financial statements in conformity with IFRS requires 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 are 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. Dividend income is recognised when received; in certain cases, dividend income may be recognised as the share price decreases following the issuer's declaration of a dividend.

The remuneration for managing the Fund and Custodian fee is calculated as a fixed proportion of the value of the Fund's assets and accrues daily but is paid monthly (except for the variable remuneration for the performance of the Fund, which is paid annually).

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 commonly used in the preparation of the Fund's statement of assets and liabilities (foreign currency units to EUR) were as follows:

Currency	31.12.2022	31.12.2021
DKK	7.4365	7.4364
NOK	10.5138	9.9888
PLN	4.6808	4.5969
CHF	0.9847	1.0331
GBP	0.88693	0.84028
SEC	11.1218	10.2503
USD	1.0666	1.1326

Cash and cash equivalents

Cash and cash equivalents the Fund are all claims of the Fund on credit institutions.

Financial instruments

Financial assets are recognised in the balance sheet when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are classified as at amortised cost or at fair value through profit or loss. The basis for classification is both the business model within which the financial assets are managed and the contractual cash flow characteristics of the financial asset. The asset classification category is determined at the time of acquisition based on guidelines established by management. To decide whether a financial asset is classified in a particular category, the Company determines at the time of acquisition whether the asset meets the criteria for a particular business model and contractual cash flows. The business model is revealed through the activities of the Fund. It results from the way in which the Company typically manages the Fund's financial assets to generate cash flows. Therefore, this assessment is not made on the basis of scenarios that the Company does not consider sufficiently realistic. In the event of a stress scenario, if cash flows were recovered in a manner different from that expected by the Company under a typical business model, this would not be a reason to consider that a prior period error has occurred, nor would a reclassification of the remaining financial assets relating to a particular business model be required.

However, historical cash flows would need to be evaluated in classifying future acquisitions and could be the basis for a change in the business model.

Financial assets are initially recognised at fair value plus directly attributable transaction costs, except for financial assets at fair value through profit or loss. Regular way purchases or sales of assets are recognised using settlement date accounting. The settlement date is the date on which the asset is transferred to the Fund or the Fund transfers the asset to a third party. The settlement date refers to the recognition of an asset on the date the asset is transferred to the Plan and the derecognition of the asset on the date the Company transfers it to a third party.

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 the 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 fund 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.

Financial instruments at fair value through profit or loss

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

Except for interest on interest rate swaps, interest on financial assets at fair value through profit or loss is included in net interest income. Revaluation and trading gains or losses arising from changes in the fair value of the financial assets concerned, as well as interest on interest rate swaps, are included directly in the 'Net finance income' line in the profit or loss. Such financial assets and liabilities are remeasured after initial recognition at fair value based on quoted market prices or prices quoted by brokers. This category includes certain assets and liabilities that are managed and whose yield is measured on a fair value basis in accordance with a documented risk management or investment strategy. Financial assets and liabilities held for trading are measured at fair value through profit or loss. Financial assets and liabilities are held for trading purposes if they are acquired to profit from short-term price movements or dealer margin, or if they are included in a portfolio characterised by short-term profit-taking. The Fund also has demand claims on credit institutions, but given the short-term structure and credit ratings, the allowance for credit losses is not material.

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 recognised at fair value, with any costs associated with closing the transaction being recognised in the income statement. Other financial assets are initially recognised 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 no loss event has 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 to be indicative of 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.

When possible, the Company measures the fair value of a financial instrument using quoted prices in an active market. A market is considered active if transactions in the asset or liability occur frequently enough and in sufficient volume to permit regular price information to be obtained. Securities are revalued using financial information available on Bloomberg and NASDAQ OMX Riga on the bid prices of those securities. Purchases and sales of securities are recognised on the settlement date. The acquisition value of securities sold is determined using the FIFO (first in, first out) method. Where a quoted price in an active market is not available, the Company uses valuation techniques that use observable market data to the extent possible and unobservable inputs to the extent 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 no later than the point at which the value can be fully corroborated 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 the 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 securities, short-term bonds and standardised derivatives valued using quoted exchange prices. Securities traded in active markets outside the stock exchange are also included in this category.

Level 2 represents financial instruments for which available market inputs, such as prices for similar financial instruments, are used to measure fair value and which are traded in the market. This category consists mainly of less liquid debt securities and derivatives that are valued on the basis of observable market data. The price of less liquid debt securities is adjusted for yield spreads available in the market.

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

The Company recognises changes in the fair value hierarchy level for instruments at the end of the reporting period in which the changes have occurred. There have been no changes in the fair value hierarchy levels compared to last year.

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

Taxes

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

New standards and interpretations

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

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

NOTE 3 DUE ON DEMAND FROM CREDIT INSTITUTIONS

	31.12.2022	% of the Fund's net assets 31.12.2022	31.12.2021	% of the Fund's net assets 31.12.2021
Due on demand from credit institutions, Citadele banka AS	76,597	1.21%	119,000	0.83%

NOTE 4 EQUITY INSTRUMENTS

	31.12.2022	% of the Fund's net assets 31.12.2022	31.12.2021	% of the Fund's net assets 31.12.2021
Corporate equity instruments				
Equity instruments for companies in the OECD region	6,264,098	99.00%	14,179,028	99.31%
Total equity instruments	6,264,098	99.00%	14,179,028	99.31%

All equity instruments are financial assets at fair value through profit or loss.

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

Financial instrument	ISIN code	Currency	Quantity	Acquisition value (EUR)	Carrying amount 31.12.2022	% of the Fund's net assets 31.12.2022
Financial instruments traded on regulated markets:				6,160,051	6,264,098	99.00%
Equity instruments of French issuers:				1,382,452	1,371,636	21.67%
Hermes International	FR0000052292	EUR	144	155,985	209,592	3.31%
LOreal SA	FR0000120321	EUR	532	197,831	178,220	2.82%
Thales SA	FR0000121329	EUR	1,360	168,577	162,044	2.56%
Remy Cointreau SA	FR0000130395	EUR	1,014	159,164	160,922	2.54%
LVMH Moët Hennessy Louis Vuitton SA	FR0000121014	EUR	216	136,719	147,766	2.34%
Airbus SE	NL0000235190	EUR	1,271	133,658	141,894	2.24%
Ipsen SA	FR0010259150	EUR	1,300	137,869	131,170	2.07%
Dassault Systemes SE	FR0014003TT8	EUR	3,879	164,309	131,130	2.07%
Alten SA	FR0000071946	EUR	926	128,340	108,898	1.72%
Equity instruments of Swiss issuers:				1,397,718	1,294,005	20.45%
Belimo Holding AG	CH1101098163	CHF	415	194,574	187,379	2.96%
STMicroelectronics NV	NL0000226223	EUR	5,576	226,741	184,593	2.92%
ABB Ltd	CH0012221716	CHF	5,901	178,266	169,132	2.67%
Roche Holding AG	CH0012032048	CHF	551	189,608	163,241	2.58%
Cie Financiere Richemont SA	CH0210483332	CHF	1,300	156,656	159,906	2.53%
Novartis AG	CH0012005267	CHF	1,816	151,832	155,364	2.46%
Glencore PLC	JE00B4T3BW64	GBP	22,182	136,908	138,154	2.18%
Geberit AG	CH0030170408	CHF	306	163,133	136,236	2.15%
Equity instruments of UK issuers:				915,614	875,094	13.82%
Ferguson PLC	JE00BJVNSS43	GBP	1,414	181,960	166,361	2.63%
Rentokil Initial PLC	GB00B082RF11	GBP	27,000	159,355	154,646	2.44%
Linde PLC	IE00BZ12WP82	EUR	500	154,732	152,575	2.41%
Compass Group PLC	GB00BD6K4575	GBP	6,539	142,832	141,370	2.23%
RELX PLC	GB00B2B0DG97	GBP	5,096	138,467	131,461	2.08%
Burberry Group PLC	GB0031743007	GBP	5,625	138,268	128,681	2.03%
Equity instruments of German issuers:				652,904	684,151	10.81%
AIXTRON SE	DE000A0WMPJ6	EUR	7,400	176,353	199,356	3.15%
DEUTSCHE BOERSE STK N	DE0005810055	EUR	1,130	175,299	182,325	2.88%
Infineon Technologies AG	DE0006231004	EUR	5,500	164,014	156,668	2.48%
Beiersdorf AG	DE0005200000	EUR	1,362	137,238	145,802	2.30%
Equity instruments of Danish issuers:				317,267	433,375	6.85%
Novo Nordisk A/S	DK0060534915	DKK	1,865	144,182	235,567	3.72%
Genmab A/S	DK0010272202	DKK	500	173,085	197,808	3.13%
Equity instruments of Finnish issuers:				317,967	335,534	5.31%
Orion Oyj	FI0009014377	EUR	3,700	172,039	190,180	3.01%
Neste Oyj	FI0009013296	EUR	3,360	145,928	145,354	2.30%
Equity instruments of Dutch issuers:				239,120	317,172	5.01%
ASML Holding NV	NL0010273215	EUR	316	78,053	160,212	2.53%
Wolters Kluwer NV	NL0000395903	EUR	1,600	161,067	156,960	2.48%

Financial instrument	ISIN code	Currency	Quantity	Acquisition value (EUR)	Carrying amount 31.12.2022	% of the Fund's net assets 31.12.2022
Equity instruments of Portuguese issuers:				162,832	173,991	2.76%
Jeronimo Martins SGPS SA	PTJMT0AE0001	EUR	8,571	162,832	173,991	2.76%
Equity instruments of Swedish issuers:				164,694	164,952	2.61%
Evolution Gaming Group AB	SE0012673267	SEC	1,800	164,694	164,952	2.61%
Equity instruments of Italian issuers:				183,679	163,812	2.59%
Moncler SpA	IT0004965148	EUR	3,302	183,679	163,812	2.59%
Equity instruments of Spanish issuers:				140,133	154,578	2.44%
Industria de Diseno Textil SA	ES0148396007	EUR	6,198	140,133	154,578	2.44%
Equity instruments of Polish issuers:				147,884	152,258	2.41%
Dino Polska SA	PLDINPL00011	PLN	1,900	147,884	152,258	2.41%
Equity instruments of Norwegian issuers:				137,787	143,540	2.27%
Kongsberg Gruppen ASA	NO0003043309	NOK	3,633	137,787	143,540	2.27%
Total equity instruments:				6,160,051	6,264,098	99.00%

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

Financial instrument	ISIN code	Currency	Quantity	Acquisition value (EUR)	Carrying amount 31.12.2021	% of the Fund's net assets 31.12.2021
Financial instruments traded on regulated markets:				10,800,093	14,179,028	99.31%
Equity instruments of UK issuers:				2,234,752	2,798,742	19.60%
Ferguson PLC	JE00BJVNSS43	GBP	2,160	273,584	336,745	2.36%
Croda International PLC	GB00BJFFLV09	GBP	2,600	183,924	312,051	2.19%
Rightmove PLC	GB00BGDT3G23	GBP	32,600	289,303	308,433	2.16%
Halma PLC	GB0004052071	GBP	8,000	284,824	304,660	2.13%
Howden Joinery Group PLC	GB0005576813	GBP	26,000	266,512	278,850	1.95%
Spirax-Sarco Engineering PLC	GB00BWFQGN14	GBP	1,458	164,165	278,403	1.95%
Diploma PLC	GB0001826634	GBP	6,830	146,980	274,247	1.92%
Ashtead Group PLC	GB0000536739	GBP	3,570	256,455	252,451	1.77%
Electrocomponents PLC	GB0003096442	GBP	17,300	150,644	248,296	1.74%
Spectris PLC	GB0003308607	GBP	4,700	218,361	204,606	1.43%
Equity instruments of Swiss issuers:				1,457,179	2,246,850	15.72%
VAT Group AG	CH0311864901	CHF	900	163,554	398,889	2.79%
Sika AG	CH0418792922	CHF	1,050	231,464	388,798	2.72%
Straumann Holding AG	CH0012280076	CHF	185	270,814	345,849	2.42%
Geberit AG	CH0030170408	CHF	470	237,909	340,330	2.38%
Partners Group Holding AG	CH0024608827	CHF	204	187,896	299,918	2.10%
Belimo Holding AG	CH1101098163	CHF	450	229,248	248,291	1.74%
Sonova Holding AG	CH0012549785	CHF	647	136,294	224,775	1.57%
Equity instruments of Swedish issuers:				1,310,730	1,948,462	13.65%
EQT AB	SE0012853455	SEC	7,000	191,850	336,468	2.36%
Thule Group AB	SE0006422390	SEC	6,000	161,649	321,356	2.25%
Lifco AB	SE0015949201	SEC	11,000	189,989	289,962	2.03%
Hexagon AB	SE0015961909	SEC	19,250	218,517	269,304	1.89%
Indutrade AB	SE0001515552	SEC	9,768	187,176	263,681	1.85%
Hexpol AB	SE0007074281	SEC	21,000	240,136	248,715	1.74%
Atlas Copco AB	SE0011166610	SEC	3,581	121,413	218,976	1.53%
Equity instruments of French issuers:				1,430,865	1,876,065	13.14%
L'Oreal SA	FR0000120321	EUR	746	273,538	311,045	2.18%
LVMH Moet Hennessy Louis Vuitton SA	FR0000121014	EUR	420	210,804	305,256	2.14%
SOITEC	FR0013227113	EUR	1,360	172,721	291,312	2.04%

Financial instrument	ISIN code	Currency	Quantity	Acquisition value (EUR)	Carrying amount 31.12.2021	% of the Fund's net assets 31.12.2021
Dassault Systemes SE	FR0014003TT8	EUR	5,305	226,497	277,451	1.94%
Hermes International	FR0000052292	EUR	165	128,609	253,193	1.77%
Teleperformance	FR0000051807	EUR	600	195,347	235,200	1.65%
Sartorius Stedim Biotech	FR0013154002	EUR	420	223,349	202,608	1.42%
Equity instruments of German issuers:				1,341,331	1,414,668	9.91%
Bechtle AG	DE0005158703	EUR	4,300	269,783	270,814	1.90%
Nemetschek SE	DE0006452907	EUR	2,400	231,535	269,760	1.89%
Puma SE	DE0006969603	EUR	2,200	238,630	235,730	1.65%
Carl-Zeiss Meditec AG	DE0005313704	EUR	1,250	236,231	232,187	1.63%
HelloFresh SE	DE000A161408	EUR	3,240	176,856	220,255	1.54%
Deutsche Post AG	DE0005552004	EUR	3,300	188,296	185,922	1.30%
Equity instruments of Dutch issuers:				661,079	1,313,961	9.20%
ASM International NV	NL0000334118	EUR	1,004	110,899	390,154	2.73%
ASML Holding NV	NL0010273215	EUR	552	141,338	390,098	2.73%
Adyen NV	NL0012969182	EUR	121	279,649	279,691	1.96%
BE Semiconductor Industries NV	NL0012866412	EUR	3,386	129,193	254,018	1.78%
Equity instruments of Danish issuers:				982,814	1,180,969	8.28%
Novo Nordisk A/S	DK0060534915	DKK	2,740	200,799	272,069	1.91%
DSV A/S	DK0060079531	DKK	1,250	192,698	258,189	1.81%
Pandora	DK0060252690	DKK	2,215	251,186	244,066	1.71%
Netcompany Group A/S	DK0060952919	DKK	2,150	149,082	203,684	1.43%
Demant A/S	DK0060738599	DKK	4,500	189,049	202,961	1.42%
Equity instruments of Italian issuers:				716,281	738,677	5.18%
Interpump Group SpA	IT0001078911	EUR	4,200	240,023	270,690	1.90%
Moncler SpA	IT0004965148	EUR	4,100	274,951	262,482	1.84%
Reply SpA	IT0005282865	EUR	1,150	201,307	205,505	1.44%
Equity instruments of Norwegian issuers:				290,311	297,934	2.09%
Nordic Semiconductor ASA	NO0003055501	NOK	10,000	290,311	297,934	2.09%
Equity instruments of Irish issuers:				243,752	262,500	1.84%
Kingspan Group PLC	IE0004927939	EUR	2,500	243,752	262,500	1.84%
Equity instruments of Finnish issuers:				130,999	100,200	0.70%
QT Group Oyj	FI4000198031	EUR	750	130,999	100,200	0.70%
Total equity instruments:				10,800,093	14,179,028	99.31%

NOTE 5 ACCRUED EXPENSES

	31.12.2022	31.12.2021
Accrued expenses for investment management company fees	7,727	16,435
Accrued expenses for custodian fees	994	2,113
Accrued expenses for professional services	2,819	1,271
Bank of Latvia (FCMC until 31.12.2022) fee	1,838	-
Total accrued expenses	13,378	19,819

NOTE 6 REALISED DECREASE IN INVESTMENT VALUE

	31.12.2022	31.12.2021
Income for the period from sale of investments*	14,668,930	10,014,158
Acquisition value of investments sold during the reporting period	(16,661,019)	(9,422,646)
Decrease in sold investments recognised in previous reporting periods	(2,891,777)	(769,310)
Total realised decrease in investment value	(4,883,866)	(177,798)

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

NOTE 7 UNREALISED (DECREASE)/INCREASE IN INVESTMENT VALUE

	31.12.2022	31.12.2021
From equity instruments	(227,747)	2,696,364
Total unrealised (decrease)/increase in investment value	(227,747)	2,696,364

NOTE 8 CHANGES IN INVESTMENTS DURING THE REPORTING PERIOD

The table below shows the changes in investments in 2022:

	31.12.2021	Increase in reporting during the period	Decrease in the statement during the period*	Fair value adjustment	31.12.2022
Financial assets at fair value through profit or loss					
Equity instruments	14,179,028	11,457,355	(14,165,123)	(5,207,162)	6,264,098
Total investments	14,179,028	11,457,355	(14,165,123)	(5,207,162)	6,264,098

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

The table below shows the changes in investments in 2021:

	31.12.2020	Increase in reporting during the period	Decrease in the statement during the period*	Fair value adjustment	31.12.2021
Financial assets at fair value through profit or loss					
Equity instruments	8,409,015	12,243,920	(9,199,831)	2,725,924	14,179,028
Total investments	8,409,015	12,243,920	(9,199,831)	2,725,924	14,179,028

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

NOTE 9 PLEDGED ASSETS

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

NOTE 10 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The management of the investment management company considers that the carrying amounts of financial assets and liabilities are consistent with their fair values. Fair values are determined using market quotes, based on information published by stock exchanges and brokers. All shares held by the Fund are traded on regulated markets and are classified within Level 1 of the fair value hierarchy. The fair value of the demand claims on 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 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.

Price volatility risk

For equity securities (shares), price movements depend on two variables: the changes in the stock indices of the country concerned (for the Central Asian region, this is the change in the corporate stock index - RENCASIA), and the financial situation of the issuer concerned (its ability to make money in the future), which in turn affects the fluctuations between the demand and supply equilibrium. The former is also often referred to as systematic risk; the latter as specific risk.

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

The risk of market price volatility was calculated as at 31 December 2022. The standard deviation of the benchmark index values of the relevant investment fund category was used for the price volatility risk calculation.

2022	Standard deviation in the reference index	Carrying amount EUR	Potential negative impact on the current year profit EUR	Potential positive impact on the current year profit EUR	% of the Fund's net assets 31.12.2022*	
Classified as financial assets at fair value through profit or loss						
	- Equity instruments	25.00%	6,264,098	(1,566,025)	1,566,025	24.75%
Total:			6,264,098	(1,566,025)	1,566,025	24.75%

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

The risk of market price volatility was calculated as at 31 December 2021. The standard deviation of the benchmark index values of the relevant investment fund category was used for the price volatility risk calculation.

2021	Standard deviation in the reference index	Carrying amount EUR	Potential negative impact on the current year profit EUR	Potential positive impact on the current year profit EUR	% of the Fund's net assets 31.12.2021*	
Classified as financial assets at fair value through profit or loss						
	- Equity instruments	15.00%	14,179,028	(2,126,854)	2,126,854	14.90%
Total:			14,179,028	(2,126,854)	2,126,854	14.90%

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

Exchange rate risk

Exchange rate risk arises when the nominal currency of securities or other financial instruments in the Fund differs from the currency of the Fund (EUR). Exchange rate fluctuations may result in gains or losses, depending on the direction of exchange rate fluctuations and the currency position of the Fund. Exchange rate risk can be limited by the diversification effect that arises when a Fund has several currencies and the movements in the exchange rates of these currencies are not closely correlated. The impact of exchange rate movements on the net asset value of the Fund 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 net assets)	Exchange rate change against EUR	Impact on the value of the fund	Currency	Share in the fund (% of net assets)	Exchange rate change against EUR	Impact on the value of the fund
EUR	56.73%	0.00%	0.00%	EUR	40.42%	0.00%	0.00%
CHF	15.36%	7.55%	1.16%	GBP	19.60%	5.34%	1.05%
GBP	13.70%	7.71%	1.06%	CHF	15.74%	3.89%	0.61%
DKK	6.86%	0.63%	0.04%	SEC	13.83%	5.38%	0.74%
SEC	2.64%	7.43%	0.20%	DKK	8.31%	0.52%	0.04%
PLN	2.42%	8.84%	0.21%	NOK	2.10%	8.49%	0.18%
NOK	2.27%	10.10%	0.23%	Total	100.00%		2.62%
USD	0.02%	10.05%	0.00%				
Total	100.00%		2.90%				

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

	EUR	CHF	GBP	DKK	SEC	PLN	NOK	USD	Total
Assets									
Due on demand from credit institutions	64,777	522	6,395	778	2,344	592	-	1,189	76,597
Financial assets at fair value through profit or loss									
Equity instruments	3,538,042	971,258	860,673	433,375	164,952	152,258	143,540	-	6,264,098
Total assets	3,602,819	971,780	867,068	434,153	167,296	152,850	143,540	1,189	6,340,695
Liabilities									
Accrued expenses	(13,378)	-	-	-	-	-	-	-	(13,378)
Total liabilities	(13,378)	-	-	-	-	-	-	-	(13,378)
Net assets	3,589,441	971,780	867,068	434,153	167,296	152,850	143,540	1,189	6,327,317
% of net assets	56.73%	15.36%	13.70%	6.86%	2.64%	2.42%	2.27%	0.02%	100.00%

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

	EUR	GBP	CHF	SEC	DKK	NOK	Total
Assets							
Due on demand from credit institutions	84,576	352	371	25,779	6,083	1,839	119,000
Financial assets at fair value through profit or loss							
Equity instruments	5,706,071	2,798,742	2,246,850	1,948,462	1,180,969	297,934	14,179,028
Total assets	5,790,647	2,799,094	2,247,221	1,974,241	1,187,052	299,773	14,298,028
Liabilities							
Accrued expenses	(19,819)	-	-	-	-	-	(19,819)
Total liabilities	(19,819)	-	-	-	-	-	(19,819)
Net assets	5,770,828	2,799,094	2,247,221	1,974,241	1,187,052	299,773	14,278,209
% of net assets	40.42%	19.60%	15.74%	13.83%	8.31%	2.10%	100.00%

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	OECD countries	Total
Assets			
Due on demand from credit institutions	76,597	-	76,597
Financial assets at fair value through profit or loss			
Capital instruments	-	6,264,098	6,264,098
Total assets	76,597	6,264,098	6,340,695
Liabilities			
Accrued expenses	(13,378)	-	(13,378)
Total liabilities	(13,378)	-	(13,378)
Net assets	63,219	6,264,098	6,327,317

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

	Latvia	OECD countries	Total
Assets			
Due on demand from credit institutions	119,000	-	119,000
Financial assets at fair value through profit or loss			
Capital instruments	-	14,179,028	14,179,028
Total assets	119,000	14,179,028	14,298,028
Liabilities			
Accrued expenses	(19,819)	-	(19,819)
Total liabilities	(19,819)	-	(19,819)
Net assets	99,181	14,179,028	14,278,209

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

Country	Carrying amount % of the Fund's net		% of the Fund's	
	31.12.2022	assets 31.12.2022	31.12.2021	net assets 31.12.2021
France	1,371,636	21.67%	1,876,065	13.14%
Switzerland	1,294,005	20.45%	2,246,850	15.72%
United Kingdom	875,094	13.82%	2,798,742	19.60%
Germany	684,151	10.81%	1,414,668	9.91%
Denmark	433,375	6.85%	1,180,969	8.28%
Finland	335,534	5.31%	100,200	0.70%
Netherlands	317,172	5.01%	1,313,961	9.20%
Portugal	173,991	2.76%	-	0.00%
Sweden	164,952	2.61%	1,948,462	13.65%
Italy	163,812	2.59%	738,677	5.18%
Spain	154,578	2.44%	-	0.00%
Poland	152,258	2.41%	-	0.00%
Norway	143,540	2.27%	297,934	2.09%
Latvia	63,219	1.00%	99,181	0.69%
Ireland	-	0.00%	262,500	1.84%
Total	6,327,317	100.00%	14,278,209	100.00%

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's net		% of the Fund's	
	31.12.2022.	assets 31.12.2022.	31.12.2021	net assets 31.12.2021.
Industry	1,549,653	24.49%	4,393,326	30.77%
Consumer services	1,270,657	20.08%	1,842,338	12.90%
Pharmacy	1,073,330	16.96%	1,480,449	10.37%
IT services	940,857	14.87%	4,257,487	29.82%
Consumer goods	811,193	12.83%	311,045	2.18%
Raw materials	290,729	4.59%	949,564	6.65%
Financial services	182,325	2.88%	636,386	4.46%
Energy Resources	145,354	2.30%	-	0.00%
Communication services	-	0.00%	308,433	2.16%
Total	6,264,098	99.00%	14,179,028	99.31%

Liquidity risk

Liquidity risk may arise if the Fund begins to experience difficulties in meeting its financial obligations. The Fund Manager shall, to the extent possible, maintain an asset structure of the Fund that enables the Fund to sell securities in a timely manner and without material loss.

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

	Up to 1 month	1-6 months	Indefinite	Total
Assets				
Due on demand from credit institutions	76,597	-	-	76,597
Financial assets at fair value through profit or loss				
Capital instruments	-	-	6,264,098	6,264,098
Total assets	76,597	-	6,264,098	6,340,695
Liabilities				
Accrued expenses	(10,559)	(2,819)	-	(13,378)
Total liabilities	(10,559)	(2,819)	-	(13,378)
Net assets	66,038	(2,819)	6,264,098	6,327,317
Net position %	1.04%	(0.04%)	99.00%	100.00%

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

	Up to 1 month	1-6 months	Indefinite	Total
Assets				
Due on demand from credit institutions	119,000	-	-	119,000
Financial assets at fair value through profit or loss				
Capital instruments	-	-	14,179,028	14,179,028
Total assets	119,000	-	14,179,028	14,298,028
Liabilities				
Accrued expenses	(18,548)	(1,271)	-	(19,819)
Total liabilities	(18,548)	(1,271)	-	(19,819)
Net assets	100,452	(1,271)	14,179,028	14,278,209
Net position %	0.70%	(0.01%)	99.31%	100.00%

NOTE 12 INFORMATION ON HOLDERS OF SHARE CERTIFICATES OF THE FUND

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

	% of the total number		% of the total number	
	31.12.2022	31.12.2022	31.12.2021	31.12.2021
Share certificates held by related parties	8,478	5.60%	10,510	4.79%
Share certificates held by other persons	142,941	94.40%	208,879	95.21%
Number of issued share certificates at the end of the reporting period	151,419	100.00%	219,389	100.00%

NOTE 13 RELATED PARTY TRANSACTIONS

The majority of the Fund's investments are purchased through a custodian bank. The custodian bank receives remuneration as disclosed in the statement of income and expenses (see also note 5) and Citadele banka AS holds the Fund's cash (see note 3). The remuneration paid to the investment management company during the year is disclosed in the statement of income and expenses (see also note 5). During the period, related parties carried out transactions in investment units (see Appendix 12). During 2022, related parties bought 1,734 units and sold 3,766 units. During 2021, related parties bought 2,365 shares and sold 2,877 shares. Transactions in units of the Fund are calculated taking into account only the units held by related parties that were classified as related parties of the Fund as at 31 December 2022 and 31 December 2021.

NOTE 14 PERFORMANCE DYNAMICS OF THE INVESTMENT FUND

	31.12.2022	31.12.2021	31.12.2020
Net assets of the Fund (EUR)*	6,327,317	14,278,209	8,622,358
Number of share certificates of the Fund	151,419	219,389	169,760
Value of the unit of the Fund	41.79	65.08	50.79
Fund return**	(35.79%)	28.14%	15.20%

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

** Return is calculated assuming there are 365 days in a year using end-of-day foreign exchange rates.

NOTE 15 EVENTS AFTER THE END OF THE REPORTING PERIOD

Signs of an inflation slowdown towards the end of 2022 allowed the view that monetary restraint could end relatively soon without triggering the global economic recession that had been expected all last year to occur soon to continue to spread. However, the rhetoric of the US and Eurozone central banks underlined the persistence of risks of persistent inflation and confirmed their determination to keep raising rates. In a context of soaring interest rates, there were risks of "market accidents", few doubted that. And such risks materialised in March 2023, when liquidity and financial problems of some banks raised concerns about the stability of the financial sector in Western countries. The cases of the US and Swiss banks are specific, they were dealt with swiftly and effectively - there is no question of a growing systemic financial crisis. At the same time, more cautious banks as well as consumers could have a negative impact on global economic growth rates. Even without the recent developments in the financial sector, apart from the factor of a China "freed" from pandemic restrictions, the world economy lacks clear growth drivers. Corporate earnings forecasts for this year and next are optimistic, even in a scenario where there is no economic stagnation. All in all, this year promises to be no 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 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, 2022 to December 31st, 2022 according to the information provided to the Custodian by the Company:

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

Chairman of the Management Board

Johan Åkerblom

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



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Independent Auditors' Report

To the shareholders of investment fund "CBL European Leaders 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 7 to 21 of the accompanying Annual Report. The accompanying financial statements include:

- Overview of assets and liabilities as at 31 December 2022,
- Report on income and expenses for the year then ended,
- Statement of changes to net assets for the year then ended,
- Statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of investment fund 'CBL European Leaders Equity Fund' as at 31 December 2022, and of its financial performance and changes in net assets and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

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

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

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

Reporting on Other Information

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

- Information about the investment fund, as set out on page 3 of the accompanying Annual Report,



- Investment Management Companies Report, as set out on 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 22 of the accompanying Annual Report.

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

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

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

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

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

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

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

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

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

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



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

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.

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.



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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