



Investment Fund CBL OPPORTUNITIES FUNDS

Sub-fund CBL Optimal Opportunities Fund –USD Annual Report 2020

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

Riga, 2021

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INFORMATION ON THE INVESTMENT FUND

Name of the Fund:	CBL Opportunities Funds
Registration date of the Fund:	24 August 2007
Type of the Fund:	Investment fund with sub-funds
Name of the Sub-fund:	CBL Optimal Opportunities Fund – USD
Number of the Sub-fund:	FFL204
Sub-fund ISIN:	LV0000400984
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:	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
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 Fund management:	The Council and the Board Members perform all duties prescribed in laws and regulations of the Republic and in the Articles of Association of the investment management company
Fund Managers (members of the Investment Committee):	Zigurds Vaikulis – appointed on 26.01.2011 Andris Kotāns – appointed on 29.06.2011
Rights and responsibilities related to the Fund management :	The Fund Manager perform all duties prescribed in laws and regulations of the Republic of Latvia, in the Articles of Association of the investment management company and in the prospectus of the Fund
Auditor:	KPMG Baltics AS Vesetas iela 7 Riga, LV-1013 License No 55 Latvia

INVESTMENT MANAGEMENT COMPANY REPORT

The manager of the sub-fund CBL Optimal Opportunities Fund – USD of the investment fund CBL Opportunities Funds (hereinafter the Fund) is the investment management company CBL Asset Management, registered office Republikas laukums 2a, Riga, LV-1010 (hereinafter the Company). The Company was established on 11 January 2002 under registration number 40003577500 with license number 06.03.07.098/367 for investment management services.

The investment objective of the Fund is to achieve long-term capital appreciation by investing in Share Certificates (Units) of investment funds registered in Latvia or other European Union Member States or into securities equivalent to them. Investments can be made into money market, bond, balanced and equity funds as well as into ETFs and equity securities traded on regulated markets of Member States and OECD Member States without any industry limitations. The share of equity funds in the portfolio may amount to up to 70% of the Fund's assets.

In the reporting period, the Fund's net assets decreased by EUR 166,044 or 47.08% and totaled EUR 186,674 at the end of the year. Gross asset value as at 31 December 2020 amounted to EUR 201,963. At the same time, the value of the unit of the Fund in 2020 decreased by EUR 0.11, reaching EUR 9.49. The Fund overall return in 2020 was negative (1.15%) in terms of the euros, while in its base currency (USD) - 7.88%.

In the spring of 2020, with the spread of the virus in the West, unprecedented restrictions on movement were introduced virtually everywhere in the world. Economies went into free fall in conjunction with the prices of financial assets and resources. Governments and central banks responded to economic and financial market developments with unparalleled fiscal and monetary support measures. While governments introduced downtime benefits, helicopter cash payments to individuals, loans, guarantees, tax reliefs, etc., central banks helped with financing by means of unprecedented quantitative easing or money printing as well as providing liquidity to financial markets.

During the summer months, as the virus receded, relaxing the restrictions on movement and gathering began. It also brought about rapid improvements in global economic activity. The flow of economic data in the United States, the Eurozone, China and elsewhere changed rapidly, and since the middle of the year, positive surprises began to dominate in the publications of economic indicators. At the same time, economic support programs continued and even expanded. The outcome of the US presidential election paved the way for new support measures in the future; progress on vaccine development was reported in late autumn. As good news did not end, the recovery of risk asset and commodity prices that had begun in the spring in the financial markets turned into an already comprehensive price rally in the second half of the year.

The next wave of the incomparably stronger global spread of the virus started in the autumn, but the optimism among economists, operators and investors was not significantly affected. First, community and business treated the new challenges lightly, relying on both the forthcoming global vaccination and an endless flow of public money. Second, economies had adapted to the reality of the virus. The shift in consumption from services to goods had helped boost production worldwide. In turn, many service sectors had managed to adapt to the "remote mode". For example, the US GDP growth trajectory, despite the virus outbreak in the autumn and winter, was constantly revised upwards.

Thanks to the broad and timely support of governments and central banks and the ability of scientists to develop effective vaccines in record time, most of the primary portfolio asset classes showed positive results on an annual basis. The sharp reduction in central bank rates and the expansion of securities programs had a positive impact on the performance of both government and corporate fixed-income securities. High credit quality bond segments closed the year on average with 2-4% growth in Europe and 6-8% – in the United States. Debt securities of riskier issuers also showed positive results despite the increased total number of insolvencies. Due to the sharp fall in benchmark rates, US issuers outperformed regionally (around 5%) as well, similar to developing market bonds, but the performance of the corresponding European segment was closer to 2%. Global stock markets, meanwhile, closed the year with a rise of about 12% in euro-hedged terms. Stock markets also showed regional differences, with US and developing market equities demonstrating better performance, while that of European equities was weaker. It should also be pointed out that in 2020 there were significant differences among economic sectors - the most affected sectors were largely related to people gatherings or tourism and they closed the year with a considerably negative result. The depreciation of the US dollar against the euro was also significant (more than 8%).

Risks to a further positive financial market return could include an unexpected acceleration of inflation, which might lead to speculation about a faster-than-expected transition of the world's leading central banks to tighter monetary policy and put pressure on still high valuations of risk assets. The fight against the pandemic will also continue to be vital. Due to production capacity, supply and vaccination process management problems, or new strains of the virus, the world may have to live under constraints throughout 2021 and also in 2022. It is impossible to assess the overall negative impact of the pandemic on different sectors of the world economy and countries as the virus continues to spread, but in combination with the other factors mentioned above and depending on developments, the impact on financial markets can be both positive and negative.

The changes that took place in the Fund during the reporting period are described below. The share of funds invested in bond funds at the end of the year was 63.54% of the Fund's net asset value, which is 0.07 percentage points (pp) more than at the beginning of the year. The share of equity funds has increased by 3.88 pp to 37.16% of the Fund's net asset value. Cash available for investment constitutes 7.49% of net assets. All existing funds are registered in an EU Member state. The majority (64.76%) is invested in Luxembourg-registered funds alongside with some investment funds registered in Latvia and Ireland.

In the reporting period, the total management costs amounted to EUR 4,053, which did not exceed the maximum amount of 1.70% provided in the Fund's prospectus. The investment management company fee totaled EUR 2,375, custodian fee – EUR 450, other management expenses - EUR 1,228. In 2020, the Fund's ongoing charge figure was 2.52% of the Fund's average net asset value.

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

The total negative impact on various global economy sectors and countries, including Russia, is very difficult to estimate while the virus spread continues. The Fund Manager will closely follow global market developments. In order to adjust the structure of the Fund with regard to the assessment of the current and expected situation, changes will be made mainly in the share of investments in equity funds.

For the Board of the Investment Management Company:

Kārlis Purgailis
Chairperson of the Board

Zigurds Vaikulis
Fund Manager

Andris Kotāns
Fund Manager

Rīga, 30 April 2021

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

REPORT ON THE ENGAGEMENT POLICY IMPLEMENTATION

The Company is involved in managing the entities in which the Fund has invested by exercising 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

Zigurds Vaikulis
Fund Manager

Andris Kotāns
Fund Manager

Rīga, 30 April 2021

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STATEMENT OF RESPONSIBILITY OF THE BOARD OF THE INVESTMENT MANAGEMENT COMPANY

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

The financial statements on pages 9 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 Optimal Opportunities Fund – USD 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

Rīga, 30 April 2021

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Riga,

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

CUSTODIAN BANK REPORT
For the period from 1st January 2020 to 31st December 2020

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

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

- in accordance with the custody agreement concluded on 7th April 2017 (hereinafter - the Custody Agreement), AS "Citadele banka" (hereinafter the Custodian) performs custodian's duties for the investment fund "CBL Opportunities Funds" sub-fund "CBL Optimal Opportunities Fund - USD" (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 ELETRONICALLY 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	13,985	12,064
<i>Financial assets at fair value through profit or loss</i>			
Share certificates of investment funds and similar securities	4	187,978	341,263
Total assets		<u>201,963</u>	<u>353,327</u>
Liabilities			
Accrued expenses and other liabilities	5	(15,289)	(609)
Total liabilities		<u>(15,289)</u>	<u>(609)</u>
Net assets		<u>186,674</u>	<u>352,718</u>

The accompanying notes on pages 13 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

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STATEMENT OF INCOME AND EXPENSES

	Notes	<u>2020</u>	<u>2019</u>
Expenses for the reporting period			
Remuneration to investment management company		(2,375)	(3,542)
Custodian Fee		(450)	(671)
Other Fund management expenses		(1,228)	(1,887)
Total expenses		(4,053)	(6,100)
(Decrease)/increase in investment value			
Realized (decrease)/increase in investment value	6	(3,469)	10,440
Unrealized increase in investment value	7	20,754	43,444
Total increase in investments		17,285	53,884
Foreign currency revaluation result		(16,934)	8,733
(Decrease)/increase in net assets from investment		(3,702)	56,517

The accompanying notes on pages 13 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

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STATEMENT OF CHANGES IN NET ASSETS

	2020	2019
Net assets at the beginning of the reporting year	352,718	386,153
(Decrease)/increase in net assets from investment	(3,702)	56,517
Transactions with share certificates and units		
Inflow from sale of share certificates and units	8,299	12,686
Outflow on redemption of share certificates and units	(170,641)	(102,638)
Increase/(decrease) in net assets from transactions with share certificates and units	(162,342)	(89,952)
Net asset (decrease)/increase in the reporting period	(166,044)	(33,435)
Net assets at the end of the reporting period	186,674	352,718
Number of share certificates and units as at the beginning of the reporting period	36,738	46,672
Number of share certificates and units at the end of the reporting period	19,677	36,738
Net assets per share certificate and unit as at the beginning of the reporting period	9.60	8.27
Net assets per share certificate and unit as at the end of the reporting period	9.49	9.60

The accompanying notes on pages 13 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

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STATEMENT OF CASH FLOWS

	Notes	<u>2020</u>	<u>2019</u>
Cash flow from/to operating activities			
Investment management expenses		(4,175)	(6,115)
Acquisition of investments	8	(8,065)	-
Sale/ disposal of investments	8	161,600	103,676
Foreign currency revaluation result		580	(32)
Increase in cash and cash equivalents from operating activities		<u>149,940</u>	<u>97,529</u>
Cash flow from/to financing activities			
Inflow from sale of share certificates and units		8,299	12,686
Outflow on redemption of share certificates and units		(155,298)	(102,638)
(Decrease) in cash and cash equivalents from financing activities		<u>(146,999)</u>	<u>(89,952)</u>
Increase in cash and cash equivalents, net		<u>2,941</u>	<u>7,577</u>
Foreign currency revaluation result		<u>(1,020)</u>	<u>(434)</u>
Cash and cash equivalents at the beginning of the reporting year		<u>12,064</u>	<u>4,921</u>
Cash and cash equivalents at the end of the reporting year	3	<u>13,985</u>	<u>12,064</u>

The accompanying notes on pages 13 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

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

Name of the Fund:	CBL Opportunities Funds
Type of the Fund:	Investment fund with sub-funds
Scope of the Fund:	Investments mainly in share certificates (units) of investment funds registered in Latvia or other European Union Member States or into securities equivalent to them. Investments can be made into money market, bond, balanced and equity funds as well as into ETFs and equity securities traded on regulated markets of Member States and OECD Member States without any industry limitations.
Name of the Sub-fund:	CBL Optimal Opportunities Fund – USD
Scope of the Fund:	Under normal market conditions, the Sub-fund's assets may be invested up to 100% in share certificates of investment funds and up to 40% in equity securities or in share certificates of the investment funds, which invest in equity securities, incl. ETFs.
Investment management company name:	CBL Asset Management IPAS (hereinafter - the Company) Republikas laukums 2a, Riga, LV-1010, Latvia

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements of IF CBL Optimal Opportunities Fund - USD (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, except for financial assets at fair value through profit or loss.

The monetary unit used in the financial statements is the euro (EUR), the official currency of the Republic of Latvia. The financial statements cover the period 1 January 2019 through 31 December 2019.

Functional and reporting currency

The functional currency of the Fund is the US dollar, but in accordance with the FCMC requirements, the Fund also provides accounting in euros.

Significant estimates and assumptions

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. Moreover, when preparing the financial statements, the management of the Company has to make assumptions and judgments to apply the Fund's accounting policy.

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

Income and expense recognition

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

For assets or liabilities stated at amortized cost, interest income and expenses are recognized in the statement of income and expenses using the effective interest method. An effective interest rate is the rate that exactly discounts future cash flows of the financial instrument through the estimated useful life of the respective financial asset or liability. For financial instruments at fair value through profit or loss, interest income is recognized on an accrual basis without applying the effective interest rate.

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.

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>
USD	1.2271	1.1234

Cash and cash equivalents

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

Financial instruments

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 recovered 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 Company. 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 Company.

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.

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 statement of income and expensed, 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 equity instruments, debt instruments, 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 instruments 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

	31.12.2020	% of the Fund's net assets 31.12.2020	31.12.2019	% of the Fund's net assets 31.12.2019
Due on demand from credit institutions, AS Citadele Banka	13,985	7.49%	12,064	3.42%
Total demand deposits with credit institutions	13,985	7.49%	12,064	3.42%

NOTE 4 SHARE CERTIFICATES OF INVESTMENT FUNDS AND SIMILAR SECURITIES

	% of the Fund's net assets		% of the Fund's net assets	
	31.12.2020	31.12.2020	31.12.2019	31.12.2019
Share certificates of investment funds and similar securities:				
Investment funds registered in other OECD countries	171,239	91.73%	312,910	88.71%
Investment funds registered in Latvia	16,739	8.97%	28,353	8.04%
Total share certificates of investment funds and similar securities	187,978	100.70%	341,263	96.75%

All share certificates of investment funds and similar securities are classified as financial assets at fair value through profit or loss.

All share certificates of investment funds and similar securities held by the Fund are not traded on regulated markets instruments whose net asset value quotes are given by the Fund Manager on a daily basis, except for traded on regulated markets instruments worth EUR 15,922 (31 December 2019: EUR 32,235).

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				14,003	15,922	8.53%
Share certificates of investment funds registered in Ireland:				14,003	15,922	8.53%
PIMCO Funds Global Investors Series PLC - Total Return Bond Fund	IE0002460867	USD	567	14,003	15,922	8.53%
Financial instruments not traded on regulated markets				149,315	172,056	92.17%
Share certificates of investment funds registered in Luxemburg:				104,666	120,915	64.77%
Invesco Pan European Structured Equity Fund	LU1252826281	USD	1,829	17,082	17,573	9.41%
Robeco Capital Growth Funds - High Yield Bonds	LU0398248921	USD	66	15,814	17,451	9.35%
Morgan Stanley Investment Funds - US Advantage Fund	LU0360484686	USD	112	9,369	17,128	9.18%
Goldman Sachs Global CORE sm Equity Portfolio	LU0236212311	USD	751	15,349	16,953	9.08%
BlackRock Global Funds - US Dollar Core Bond Fund	LU0548367084	USD	501	13,947	15,764	8.45%
JPMorgan Funds - JPM US Aggregate Bond Fund	LU0248063595	USD	116	11,916	13,374	7.16%
Amundi Funds - Pioneer US Bond	LU1883851765	USD	5	11,262	11,612	6.22%
Schroder International Selection Fund - EURO Corporate Bond	LU0428345051	USD	70	9,927	11,060	5.92%
Share certificates of investment funds registered in Ireland:				29,031	34,402	18.43%
Vanguard Investment Series PLC - US 500 Stock Index Fund	IE0002639775	USD	503	14,254	17,720	9.49%
PIMCO Funds Global Investors Series PLC - Global Investment Grade Credit Fund	IE0034085260	USD	917	14,777	16,682	8.94%
Share certificates of investment funds registered in Latvia:				15,618	16,739	8.97%
CBL Eastern European Bond fund Class R Acc USD	LV0000400125	USD	745	15,618	16,739	8.97%
Total share certificates of investment funds				163,318	187,978	100.70%

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 31.12.2019	% of the Fund's net assets 31.12.2019
Financial instruments traded on regulated markets				28,283	32,235	9.14%
Share certificates of investment funds registered in Ireland:				28,283	32,235	9.14%
PIMCO Funds Global Investors Series						
PLC - Total Return Bond Fund	IE0002460867	USD	1,145	28,283	32,235	9.14%
Financial instruments not traded on regulated markets				273,569	309,028	87.61%
Share certificates of investment funds registered in Luxemburg:				208,138	233,610	66.23%
Robeco Capital Growth Funds - High Yield Bonds						
	LU0398248921	USD	117	28,034	32,219	9.13%
Schroder International Selection Fund - EURO Corporate Bond						
	LU0428345051	USD	196	27,794	31,850	9.03%
BlackRock Global Funds - US Dollar Core Bond Fund						
	LU0548367084	USD	841	23,413	26,718	7.57%
Robeco Capital Growth - US Premium Equities						
	LU0226954369	USD	88	23,432	25,804	7.32%
Amundi Funds - Pioneer US Bond						
	LU1883851765	USD	11	24,777	25,780	7.31%
Goldman Sachs Global CORE sm Equity Portfolio						
	LU0236212311	USD	960	19,620	20,680	5.86%
Invesco Pan European Structured Equity Fund						
	LU1252826281	USD	1,829	17,082	20,547	5.83%
JPMorgan Funds - JPM US Aggregate Bond Fund						
	LU0248063595	USD	174	17,878	20,341	5.77%
Morgan Stanley Investment Funds - US Advantage Fund						
	LU0360484686	USD	216	18,034	20,221	5.73%
Vontobel Fund - Emerging Markets Equity						
	LU0278093082	USD	50	8,074	9,450	2.68%
Share certificates of investment funds registered in Ireland:				40,452	47,065	13.34%
PIMCO Funds Global Investors Series						
PLC - Global Investment Grade Credit Fund	IE0034085260	USD	1,406	22,649	26,389	7.48%
Vanguard Investment Series PLC - US 500 Stock Index Fund						
	IE0002639775	USD	630	17,803	20,676	5.86%
Share certificates of investment funds registered in Latvia:				24,979	28,353	8.04%
CBL Eastern European Bond fund						
Class R Acc USD	LV0000400125	USD	1,192	24,979	28,353	8.04%
Total share certificates of investment funds				301,852	341,263	96.75%

As the Company does not have sufficiently detailed information on the assets of the investment funds managed by financial institutions on behalf of investors, these assets have not been analyzed as to their actual issuer.

The following table shows the distribution of the Fund's securities portfolio by investment objects:

	% of the Fund's net assets		% of the Fund's net assets	
	31.12.2020	31.12.2020	31.12.2019	31.12.2019
Bond funds	118,604	63.54%	223,885	63.47%
Equity funds	69,374	37.16%	117,378	33.28%
Total portfolio:	187,978	100.70%	341,263	96.75%

NOTE 5 ACCRUED EXPENSES AND OTHER LIABILITIES

	31.12.2020	31.12.2019
Accrued expenses for investment management company fees	(30)	(288)
Accrued expenses for custodian fees	(161)	(55)
Accrued audit fee	(266)	(266)
Other liabilities	(14,832)	-
Total accrued expenses	(15,289)	(609)

NOTE 6 REALIZED INCREASE/(DECREASE) IN INVESTMENT VALUE

	<u>2020</u>	<u>2019</u>
Proceeds from sale of investments in the reporting period*	156,847	100,191
Proceeds from sale of investments in the reporting period**	-	24,049
Cost of investments sold during the reporting period	(146,599)	(118,899)
(Depreciation)/appreciation of sold investments recognized in prior reporting years	(13,717)	5,099
Total realized (decrease)/increase in investment value	<u>(3,469)</u>	<u>10,440</u>

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

** Proceeds from sales (disposal) of investments in the reporting period without cash flow effect due to the exchange of investment instruments.

NOTE 7 UNREALIZED INCREASE/(DECREASE) IN INVESTMENT VALUE

	<u>2020</u>	<u>2019</u>
From share certificates of investment funds and similar securities	20,754	43,444
Total unrealized increase in investment value	<u>20,754</u>	<u>43,444</u>

NOTE 8 CHANGES IN INVESTMENTS

The following table shows the changes in investments in 2020:

	<u>31.12.2019</u>	<u>Increase during the reporting period</u>	<u>Decrease during the reporting period*</u>	<u>Fair value adjustment</u>	<u>31.12.2020</u>
Financial assets at fair value through profit or loss					
Share certificates of investment funds and similar securities	341,263	8,065	(161,600)	250	187,978
Total investments	<u>341,263</u>	<u>8,065</u>	<u>(161,600)</u>	<u>250</u>	<u>187,978</u>

* 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:

	<u>31.12.2018</u>	<u>Increase during the reporting period</u>	<u>Decrease during the reporting period*</u>	<u>Fair value adjustment</u>	<u>31.12.2019</u>
Financial assets at fair value through profit or loss					
Share certificates of investment funds and similar securities	381,837	-	(103,676)	63,102	341,263
Total investments	<u>381,837</u>	<u>-</u>	<u>(103,676)</u>	<u>63,102</u>	<u>341,263</u>

* 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 as well as the daily net asset quotes provided by the Fund Managers. All financial assets held by the Fund correspond to Level 1 of the fair valuation hierarchy.

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.

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

In the fund selection process, based on the forecasts about the development of the fixed income instruments market, the Fund Manager considers the main interest rate risk indicator to be the duration of the Fund that cannot be accurately calculated. 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 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 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.

Interest rate is possible as information on its components is not published at the same time (the lag is 3 months or more).

Price risk

Changes in prices of equity securities (shares) depend on two variables - changes in the respective national stock index (for the Latvia these are changes in the stock market index - RIGSE) 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.

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

The risk of market price fluctuations was calculated as a standard deviation in the respective period.

The standard deviation in the reference index values of the relevant investment fund category was used in the price volatility risk calculations.

	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*
Financial assets at fair value through profit or loss <i>Incl.: shares certificates of investment funds:</i>					
Equity funds	35.00%	69,374	(24,281)	24,281	13.01%
Bond funds	30.00%	118,604	(35,581)	35,581	19.06%
Total:		187,978	(59,862)	59,862	32.07%

* 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. The standard deviation of the reference index values of the relevant investment fund category was used in the price volatility risk calculations.

	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*
Financial assets at fair value through profit or loss <i>Incl.: shares certificates of investment funds:</i>					
Equity funds	25.00%	117,378	(29,345)	29,345	8.32%
Bond funds	15.00%	223,885	(33,583)	33,583	9.52%
Total:		341,263	(62,928)	62,928	17.84%

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

The following table shows the geographical profile of the Fund's assets and liabilities as at 31 December 2020, based on the countries of registration of the funds:

	Latvia	Other OECD countries	Total
Assets			
Due on demand from credit institutions	13,985	-	13,985
<i>Financial assets at fair value through profit or loss</i>			
Share certificates of investment funds and similar securities	16,739	171,239	187,978
Total assets	30,724	171,239	201,963
Liabilities			
Accrued expenses and other liabilities	(15,289)	-	(15,289)
Total liabilities	(15,289)	-	(15,289)
Net assets	15,435	171,239	186,674

The following table shows the geographical profile of the Fund's assets and liabilities as at 31 December 2019, based on the countries of registration of the funds:

	Latvia	Other OECD countries	Total
Assets			
Due on demand from credit institutions	12,064	-	12,064
<i>Financial assets at fair value through profit or loss</i>			
Share certificates of investment funds and similar securities	28,353	312,910	341,263
Total assets	40,417	312,910	353,327
Liabilities			
Accrued expenses and other liabilities	(609)	-	(609)
Total liabilities	(609)	-	(609)
Net assets	39,808	312,910	352,718

Foreign currency risk

The following table shows the breakdown of assets and liabilities of the Fund by currency profile as at 31 December 2020, based on the base currencies of the funds:

	USD	EUR	Total
Assets			
Due on demand from credit institutions	13,985	-	13,985
<i>Financial assets at fair value through profit or loss</i>			
Share certificates of investment funds and similar securities	187,978	-	187,978
Total assets	201,963	-	201,963
Liabilities			
Accrued expenses and other liabilities	(15,023)	(266)	(15,289)
Total liabilities	(15,023)	(266)	(15,289)
Net assets	186,940	(266)	186,674
<i>Net long position</i>	<i>100.14%</i>	<i>(0.14%)</i>	<i>100.00%</i>

The following table shows the breakdown of assets and liabilities of the Fund by currency profile as at 31 December 2019, based on the base currencies of the funds:

	USD	EUR	Total
Assets			
Due on demand from credit institutions	12,064	-	12,064
<i>Financial assets at fair value through profit or loss</i>			
Share certificates of investment funds and similar securities	341,263	-	341,263
Total assets	353,327	-	353,327
Liabilities			
Accrued expenses and other liabilities	(343)	(266)	(609)
Total liabilities	(343)	(266)	(609)
Net assets	352,984	(266)	352,718
<i>Net long position</i>	<i>100.08%</i>	<i>(0.08%)</i>	<i>100.00%</i>

The effect of exchange rate fluctuations on the value of the Fund's net assets are shown in the tables below. Exchange rate changes represent one year standard deviation of the particular rate.

Effect of exchange rate fluctuations (2020)			
Currency	Share in the Fund (% of net assets)	Change in the exchange rate against USD	Impact on the Fund value
USD	100.14%	0.00%	0.00%
EUR	(0.14%)	7.57%	(0.01%)
Total	100.00%		(0.01%)

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 value
USD	100.08%	0.00%	0.00%
EUR	(0.08%)	5.01%	(0.00)%
Total	100.00%		(0.00)%

Credit risk

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

The Fund's asset credit quality is managed based on the international rating agencies Standard & Poor's, Moody's and Fitch credit ratings. In addition, issuers' financial statements, financial position and future prospects are also analyzed.

Liquidity risk

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

For liquidity assessment, the balances of assets and liabilities are presented according to their remaining repayment, settlement or redemption terms.

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

	Up to 1 month	1-6 months	Indefinite	Total
Assets				
Due on demand from credit institutions	13,985	-	-	13,985
<i>Financial assets at fair value through profit or loss</i>				
Share certificates of investment funds and similar securities	-	-	187,978	187,978
Total assets	13,985	-	187,978	201,963
Liabilities				
Accrued expenses and other liabilities	(15,023)	(266)	-	(15,289)
Total liabilities	(15,023)	(266)	-	(15,289)
Net assets	(1,038)	(266)	187,978	186,674
<i>Net position, %</i>	<i>(0.56%)</i>	<i>(0.14%)</i>	<i>100.7%</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	12,064	-	-	12,064
<i>Financial assets at fair value through profit or loss</i>				
Share certificates of investment funds and similar securities	-	-	341,263	341,263
Total assets	12,064	-	341,263	353,327
Liabilities				
Accrued expenses and other liabilities	(343)	(266)	-	(609)
Total liabilities	(343)	(266)	-	(609)
Net assets	117,21	(266)	341,263	352,718
<i>Net position, %</i>	<i>3.33%</i>	<i>(0.08%)</i>	<i>96.75%</i>	<i>100.00%</i>

NOTE 12 INFORMATION ON THE FUND'S SHARE CERTIFICATE HOLDERS

The following table shows the proportion of the share certificates held by the Company’s 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 the shareholder (AS Citadele banka)	-	-	10,826	29.47%
Share certificates held by related parties	9,792	49.76%	9,999	25.98%
Share certificates held by third parties	9,885	50.24%	15,913	44.55%
The number of share certificates issued at the end of the reporting period	19,677	100.00%	36,738	100.00%

NOTE 13 RELATED PARTY TRANSACTIONS

The majority of the Fund’s investments are acquired through the custodian bank. AS Citadele banka receives a fee, which is disclosed in the statement of income and expenses; the cash of the Fund is also placed with AS Citadele Banka (see also Note 3). In the reporting period, the related parties made transactions with the Fund's share certificates (see Note 12). In 2020, the related parties bought 283 and sold 480 share certificates. Remuneration paid to the investment management company in the reporting year is disclosed in the statement of income and expenses. In the reporting period, the Fund’s investments in investment funds managed by the related investment management company totaled EUR 16,739.

NOTE 14 PERFORMANCE DYNAMICS OF THE INVESTMENT FUND

	31.12.2020	31.12.2019	31.12.2018
Net assets (EUR)	186,674	352,718	386,153
Number of share certificates	19,677	36,738	46,672
Value of the unit of the Fund	9.49	9.60	8.27
Fund return*	(1.15%)	16.08%	(5.26%)
Net assets (EUR)	229,067	396,244	442,145
Number of share certificates	19,677	36,738	46,672
Value of the unit of the Fund	11.64	10.79	9.47
Fund return**	7.88%	13.94%	(5.27%)

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

** Return is calculated, assuming there are 366 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.



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Independent Auditors' Report

To the shareholders of investment fund 'CBL Opportunities Funds' Sub-fund 'CBL Optimal Opportunities Fund - USD'

Report on the audit of financial statements

Our opinion on the financial statements

We have audited the financial statements of investment fund 'CBL Opportunities Funds' Sub-fund 'CBL Optimal Opportunities Fund - USD' ("the Fund") managed by IPAS 'CBL Asset Management' ("the Asset Manager") as set out on pages 9 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 Opportunities Funds' Sub-fund 'CBL Optimal Opportunities Fund - USD' 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:

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



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

- Investment Management Companies Report, as set out on pages 4 and 5 of the accompanying Annual Report.
- Report on the implementation of the engagement policy, presented on page 6 of the accompanying Annual Report
- Statement of responsibility of the board of the Asset Manager, as set out on page 7 of the accompanying Annual Report.
- Custodian Bank Report, as set out on page 8 of the accompanying Annual Report.

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

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

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

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

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

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

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

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

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

In preparing the financial statements, the management of the Fund Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable,



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prevails.*

matters related to going concern and using the going concern basis of accounting unless Fund Manager management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

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



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We communicate with those charged with governance of the Fund and the Asset Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Baltics AS

Licence No. 55

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

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