



ABLV

BANKING / INVESTMENTS \ ADVISORY

Open-end investment fund ABLV Global Corporate USD Bond Fund

Annual report
for 2016

and the independent auditor's report

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General information on the investment fund

| | |
|--|--|
| Name of the fund | ABLV Global Corporate USD Bond Fund |
| Category of the fund: | Open-end investment fund |
| Type of the fund: | Bonds fund |
| Registration date: | 16 May 2013 |
| Registration number of the fund: | FL128-02.01.02.263/108 |
| Name of the investment management company: | ABLV Asset Management, IPAS |
| Registered office: | 23 Elizabetes street, Riga, LV-1010, Latvia |
| Registration number of the investment management company: | 40003814724 |
| License number of the investment management company: | 06.03.07.263/315 |
| Licence issued: | 4 August 2006, re-registered on 3 June 2011. |
| Name of the custodian bank: | ABLV Bank, AS |
| Registered address of the custodian bank: | 23 Elizabetes street, Riga, LV-1010, Latvia |
| Registration number of the custodian bank: | 50003149401 |
| Names and positions of council members, board members, and the fund manager: | <p>Council of the Joint Stock Investment Management Company:</p> <p>Chairman of the Council - Ernests Bernis Deputy Chairman of the Council - Māris Kannenieks Council Member - Vadims Reinfelds</p> <p>Board of the Joint Stock Investment Management Company:</p> <p>Chairman of the Board - Leonīds Kijs Deputy Chairman of the Board - Jevgenijs Gžibovskis Board Member - Sergejs Gačenko</p> <p>Fund manager - Sergejs Gačenko</p> |
| Duties of the fund manager: | The fund manager operates with the fund's assets according to the company's Articles of Association and the Fund Management Regulations. The fund manager may be employed only by one investment management company and manage several funds of a single investment management company. |

Investment management company report

The open-end investment fund ABLV Global Corporate USD Bond Fund (hereinafter - the fund) was registered as a corporate bond fund on 16 May 2013. The investment currency of the fund is USD. The minimum amount of investment in the fund is USD 1,000.

ABLV Asset Management, IPAS (hereinafter - the company) was registered with the Republic of Latvia Register of Enterprises on 4 August 2006 under No. 40003814724, the licence for operations of investment management company No. 06.03.07.263/315, and it is located in Riga, at 23 Elizabetes Street.

The fund's investment objective is the achievement of the long-term capital growth. To achieve this objective, the fund's assets are invested in debt securities issued or guaranteed by commercial companies or credit institutions registered in the countries of the global USD bond market. The fund's investment portfolio is diversified among investments in debt securities of various issuers, thus ensuring higher investment safety and protection against fluctuations of the fund's assets value and against the risk of default on obligations.

At the end of the reporting period, assets of the fund were invested in debt securities in accordance with the investment policy; only 2.7% were remaining in monetary assets. As of 31 December 2016, the average term to maturity (call/put date) of the fund's investments was 5.2 years, average weighted rating of the investment portfolio was BB+, and average yield to maturity (repricing date) was equal to 4.70%. Within the reporting period no substantial changes were introduced in the investment structure of the fund.

During the reporting period fund's net assets decreased from USD 21,771,983 (EUR 19,998,147) to USD 15,333,793 (EUR 14,546,811); the fund's total assets decreased from USD 21,797,035 (EUR 20,021,158) to USD 15,351,733 (EUR 14,563,830) because of the decrease in the number of investors who decided to sell their fund's certificate and receive revenue.

During the reporting period, the following costs were covered from the fund's assets: management fee – EUR 169,958, custody fee – EUR 33,992, and other expenses – EUR 2,189. In the reporting period, the fund's total expense ratio equalled 1.21% of the fund's average net asset value, which is comparable to the corresponding indicator in the previous reporting period.

In the reporting period the value of the fund's certificate increased from USD 10.07 (EUR 9.25) to USD 11.01 (EUR 10.45), demonstrating positive annual return equalled 9.32%.

The start of 2016 was unsuccessful for global financial markets: China's economy was demonstrating signs of deceleration, prices on raw materials dropped to levels of the last several years, stock exchanges faced the sharpest price drop in the last decade. Negative performance was ruling over the markets of corporate and emerging countries' bonds, given the low liquidity and frightening news background on stock market. As usually, the largest central banks saved financial market. The base interest rate was lowered in Europe, and the economy stimulation programme was expanded. While in the USA regulator of the financial market was promising to take their time with increasing US dollar interest rates. That was related to the probable risks regarding UK referendum on leaving the European Union. The perspective of keeping the interest rates low triggered euphoria on the global bond market, fostering sharp increase of prices in all bond market segments – high yield bonds, emerging markets bonds and corporate bonds and investment-grade bonds. A better performance was demonstrated by bonds with long terms to maturity.

Positive moods on the global bond market prevailed until the end of Q3 2016 due to which the interest rates remained low and prices of raw materials grew. In the result the financial indicators of the companies extracting and processing oil and metals improved. Along with Donald Trump's victory on US presidential elections expectations of inflation growth increased, as well as grew the probability that US financial market regulator would be increasing the refinancing rate much faster. It created a strong growth in yields (drop of prices) of US long-term government bonds which had highly negative impact on the global bond market, mainly long-term government and corporate investment-grade credit rating bonds, which are much more sensitive to the US interest rate level changes. High yield corporate bond market segment has been more resistant due to the shorter terms to maturity and much higher coupon rates. Moreover, high yield and emerging markets corporate bonds gained support from the growing stock markets inspired by the set of fiscal measures promised by Mr. Trump for the stimulation of US economy (reduction of taxes for the corporations and large-scale investments in US infrastructure).

Generally, in 2016, corporate bond prices demonstrated a rather strong growth — the leaders of growth were bonds issued by companies operating in metals and mining sector, as well as high yield and emerging markets corporate bond prices. These market segments had a positive influence on the performance of the fund's share value. The fund ABLV Global Corporate USD Bond Fund demonstrated relatively high return in 2016 due to keeping a moderately conservative strategy by focusing on bonds that have high coupon rate and managing the total maturity term of the investment portfolio in accordance with the market moods.

It is anticipated that in 2017 value of the assets of the fund might increase taking into account that the investors of the fund – both existing and prospective ones – will appreciate the investment policy of the fund and will invest monetary assets into the fund (accordingly increasing the number of certificates of the fund). Additionally, the value growth of assets of the fund may be prompted by the expected increase in the value of fund's certificate.

The company performs regular analysis of current political and economic situation, as well as comparative analysis and technical analysis, analysis of various macroeconomic indicators, and summarizing analysis of recommendations given by the world's leading brokerage and analytics companies on different financial markets.

In order to regularly provide information on situation in the world's financial markets to current clients and prospective investors of ABLV Asset Management, IPAS, detailed monthly analysis of macroeconomic situation prepared by our chief analyst, as well as monthly comment of the fund manager and overview of the market situation, fund's performance, and actions taken by the fund manager, are published at ABLV Bank, AS website www.ablv.com.

To ensure diversification and minimize risks, the company constantly pays great attention to risk management. The Investment Strategy Committee is established at the company, and it determines the company's investment strategy, risk limits, and financial markets on which transactions in financial instruments are performed. The members of the Investment Strategy Committee are ABLV Bank, AS and the company's top specialists in financial markets.

Management of ABLV Asset Management, IPAS expresses gratitude to our clients for their loyalty and successful cooperation.

Between the last day of the reporting period and the day of approving the report there were no significant events that would have substantial impact on the performance of the fund during the reporting period.

ABLV Asset Management, IPAS
Chairman of the Board

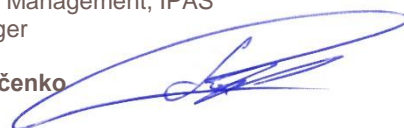
Leonīds Kiļs



Rīga, 20 April 2017

ABLV Asset Management, IPAS
Fund Manager

Sergejs Gačenko



Statement of responsibility of the Board of the investment management company

The board of the investment management company is responsible for the preparation of the financial statements of the investment fund ABLV Global Corporate USD Bond Fund (hereinafter – the fund).

The financial statements set out on pages 8 to 23 are prepared in accordance with the source documents and present fairly the financial position of the fund as of 31 December 2016 and the 31 December 2015, and the results of its operations for the years ended 31 December 2016 and 31 December 2015.

The above financial statements were prepared according to the laws of the Republic of Latvia and '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, according to International Financial Reporting Standards as adopted by the European Union on a going concern basis. Appropriate accounting methods have been consistently applied in the reporting period. During the preparation of financial statements the Management has made prudent and reasonable judgements and estimates.

The Board of the investment management company is responsible for the maintenance of proper accounting records, the safeguarding of the fund's assets, and the prevention and detection of fraud and other irregularities in the fund. The Board is also responsible for operating in compliance with the Latvian Law on Investment Management Companies, regulations of the Financial and Capital Market Commission (FCMC) and other laws and regulations of the Republic of Latvia.

ABLV Asset Management, IPAS
Chairman of the Board

Leonīds Kijs

Rīga, 20 April 2017



Custodian bank's report

To the investors of the open-end investment fund ABLV Global Corporate USD Bond Fund

ABLV Bank, AS, registered with the Enterprise Register of the Republic of Latvia on 17 September 1993 under No 50003149401, located in Riga, 23 Elizabetes Street, hereby confirms and attests that:

According to the Law on Investment Management Companies, FCMC regulations, other requirements of the laws of the Republic of Latvia, and the Custodian Bank Agreement signed on 2 March 2007, ABLV Bank, AS (hereinafter – the custodian bank) acts as the custodian bank for the fund ABLV Global Corporate USD Bond Fund established by ABLV Asset Management, IPAS.

The custodian bank is responsible for compliance with the requirements of the laws of the Republic of Latvia applicable to custodian banks and the execution of the Custodian Bank Agreement.

The key duties of the custodian bank are as follows:

- to keep the fund's property held in the account according to the conditions of the Custodian Bank Agreement;
- to service the fund's account and execute the orders given by the company in respect of the fund's property held in the account according to the Custodian Bank Agreement;
- to control that the fund's investment certificates are issued, sold and redeemed and the fund's share value is calculated following the procedure prescribed by laws, the fund's Prospectus, and the Fund Management Regulations;
- to submit to the company the list of persons authorised by the custodian bank to accept orders at the effectiveness date of the Custodian Bank Agreement;
- to ensure the execution of other duties assigned to the custodian banks by laws and regulations.

The investment certificates are issued, sold and redeemed pursuant to the requirements of the Law on Investment Management Companies, the fund's Prospectus, and the Fund Management Regulations.

The fund's property is kept in accordance with the requirements of the Law on Investment Management Companies and the Custodian Bank Agreement.

The net asset value is calculated according to the requirements of the Law on Investment Management Companies, FCMC regulations, the fund's Prospectus, and the Fund Management Regulations.

The company's orders and transactions involving the property of the open-end investment fund ABLV Global Corporate USD Bond Fund comply with the requirements of the Law on Investment Management Companies, the fund's Prospectus, the Fund Management Regulations, and the Custodian Bank Agreement.

In the reporting period, there were no errors or illegalities observed in the company's operations involving the fund's property.

Custodian bank ABLV Bank, AS
Chairman of the Board

Ernests Bernis



Riga, 20 April 2017

Statement of assets and liabilities

EUR

| Assets | Notes | 31.12.2016. | 31.12.2015. |
|---|-------|-------------------|-------------------|
| Demand deposits with credit institutions | 4 | 393,043 | 43,228 |
| Financial assets at fair value through profit or loss | 5 | 14,170,787 | 19,977,930 |
| Debt securities and other fixed income securities | | 14,170,787 | 19,977,930 |
| Total assets | | 14,563,830 | 20,021,158 |
| Liabilities | | | |
| Accrued expense | 6 | (17,019) | (23,011) |
| Total liabilities | | (17,019) | (23,011) |
| Net assets | | 14,546,811 | 19,998,147 |

ABLV Asset Management, IPAS
Chairman of the Board

Leonīds Kiļs

Rīga, 20 April 2017

ABLV Asset Management, IPAS
Fund Manager

Sergejs Gačenko

Statement of income and expense

EUR

| | Notes | 01.01.2016.- 31.12.2016. | 01.01.2015.- 31.12.2015. |
|--|-------|-----------------------------|-----------------------------|
| Income | | | |
| Interest income from financial assets at fair value through profit or loss | | 841,517 | 1,037,927 |
| Other income | | 1,311 | 6,160 |
| Total | | 842,828 | 1,044,087 |
| Expense | | | |
| Remuneration to investment management company | | (169,958) | (201,045) |
| Remuneration to custodian bank | | (33,992) | (40,209) |
| Other fund management expense | | (1,857) | (2,258) |
| Interest expense | | (16) | (1,129) |
| Other expense | | (316) | (369) |
| Total | | (206,139) | (245,010) |
| Increase in investment value | | | |
| Realised increase/(decrease) in investment value | 7 | (334,160) | (96,094) |
| Unrealised increase/(decrease) in investment value | 8 | 1,637,502 | 1,309,397 |
| Total | | 1,303,342 | 1,213,303 |
| Taxes and duties | | (167) | (140,037) |
| Total increase in investment value | | 1,939,864 | 1,872,343 |

ABLV Asset Management, IPAS
Chairman of the Board

Leonīds Kiļs

Riga, 20 April 2017

ABLV Asset Management, IPAS
Fund Manager

Sergejs Gačenko

Statement of changes in net assets

EUR

| Item | 01.01.2016.- 31.12.2016. | 01.01.2015.- 31.12.2015. |
|--|-----------------------------|-----------------------------|
| Net assets at the beginning of the period | 19,998,147 | 17,415,587 |
| Increase in net assets from investment | 1,939,864 | 1,872,343 |
| Transactions with investment certificates | | |
| Inflow from sale of investment certificates | 2,206,017 | 5,091,278 |
| Outflow from redemption of investment certificates | (9,597,217) | (4,381,061) |
| Total result of transactions with investment certificates | (7,391,200) | 710,217 |
| (Decrease)/increase in net assets for the period | (5,451,336) | 2,582,560 |
| Net assets at the end of the period | 14,546,811 | 19,998,147 |
| Issued investment certificates at the beginning of the period | 2,161,276 | 2,065,888 |
| Issued investment certificates at the end of the period | 1,392,455 | 2,161,276 |
| Net assets per investment certificate at the beginning of the period | 9.25 | 8.43 |
| Net assets per investment certificate at the end of the period | 10.45 | 9.25 |

ABLV Asset Management, IPAS
Chairman of the Board

Leonīds Kijs

Rīga, 20 April 2017

ABLV Asset Management, IPAS
Fund Manager

Sergejs Gačenko

Statement of cash flows

EUR

| Item | Notes | 01.01.2016.- 31.12.2016. | 01.01.2015.- 31.12.2015. |
|---|-------|-----------------------------|-----------------------------|
| Interest received | | 805,536 | 1,034,505 |
| Interest paid | | (16) | (1,129) |
| Other income received | | 1,311 | 6,160 |
| Investment management expense | | (212,115) | (241,252) |
| Acquisition of financial assets | 9 | (5,998,084) | (18,817,973) |
| Disposal of financial assets | | 13,116,440 | 16,002,586 |
| Taxes and duties | | (167) | (140,037) |
| Increase/(decrease) in cash and cash equivalents from operating activities | | 7,712,905 | (2,157,140) |
| Inflow from sale of investment certificates | | 2,206,017 | 5,091,278 |
| Outflow from redemption of financial assets | | (9,597,217) | (4,381,061) |
| (Decrease)/increase in cash and cash equivalents from financing activities | | (7,391,200) | 710,217 |
| Increase/(decrease) in cash and cash equivalents for the period | | 321,705 | (1,446,923) |
| Cash and cash equivalents at the beginning of the period | | 43,228 | 1,209,344 |
| Net foreign exchange difference | | 28,110 | 280,807 |
| Cash and cash equivalents at the end of the year | | 393,043 | 43,228 |

ABLV Asset Management, IPAS
Chairman of the Board

Leonīds Kijs

Rīga, 20 April 2017

ABLV Asset Management, IPAS
Fund Manager

Sergejs Gačenko

Notes to the financial statements

1. Note

General information

The open-end investment fund ABLV Global Corporate USD Bond Fund (hereinafter - the fund) is a bond fund registered on 16 May 2013. The registered office of the investment management company is at 23 Elizabetes Street, Riga, LV-1010, Latvia.

The fund's business activity includes investments in debt securities issued or guaranteed by commercial companies or credit institutions registered in the countries of the global USD bond market.

The following abbreviations are used in the notes to these financial statements: International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), Financial and Capital Market Commission of the Republic of Latvia (FCMC), European Monetary Union (EMU), European Union (EU), Organisation for Economic Cooperation and Development (OECD), the Republic of Latvia (LR), ABLV Asset Management, IPAS (the company).

2. Note

Information on principal accounting policies

Basis of preparation

These financial statements are based on accounting records kept according to law and are prepared in conformity with International Financial Reporting Standards as adopted by the European Union and their interpretations, as well as FCMC regulations that are in force at the end of the reporting period, on a going concern basis.

The financial statements were prepared on the historical cost basis, except for the financial assets carried at fair value.

The financial statements for the period from 1 January 2016 to 31 December 2016 were prepared on the basis of accounting policies consistent with those disclosed in the prior-year financial statements, except for the changes in IFRS that entered into effect during the reporting period.

The functional currency of the fund is USD. The presentation currency of the financial statements of the fund is EUR.

Information given herein in brackets represents comparative figures for the year ended 31 December 2015 unless stated differently.

Significant Estimates and Assumptions

The preparation of financial statements in accordance with IFRS as adopted by the EU requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. Future events may impact assumptions that were used as the basis for estimates. Such estimates and assumptions are based on most reliable information available to the management in respect of specific events and actions. The effect of any changes in estimates is recorded in the financial statements when determinable.

The significant areas of estimation uncertainty and assumptions relate to determining the fair value of financial assets.

Recognition, subsequent measurement and derecognition of financial assets and liabilities

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the fund; or an agreement which is derived and will or may be settled in a manner other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the fund; or an agreement that is derived and will or may be settled in a manner other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial assets or financial liabilities are recognised by the fund on the statement of assets and liabilities when, and only when, the fund becomes a party to the contractual provisions of the instrument.

Financial assets at fair value through profit or loss are debt securities with fixed income, shares and other non-fixed income securities held-for-trading, i.e. securities acquired for generating a profit from fluctuations in price in the short term.

Securities are initially stated at fair value, including transaction costs, and further marked-to-market on the basis of quoted market prices. Any gain or loss resulting from revaluation of securities at fair value as well as any gain or loss resulting from disposal of the above securities is included in the statement of income and expense.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise balances due from credit institutions. Those are carried at amortised cost using the effective interest method.

An impairment allowance is established when there is objective evidence that the fund will not be able to collect all amounts due according to the original terms. The amount of the allowance is the difference between the amortised cost and the recoverable amount.

A financial asset is derecognised only when the contractual rights to receive cash flows from the asset have expired, or the fund has transferred the financial asset and substantially all the risks and rewards of the asset to the counterparty. A financial liability is derecognised only when the obligation under the liability is discharged according to the contract or cancelled or expires.

All purchases and sales of financial assets are recorded on the settlement date. The acquisition value of sold securities is determined on a weighted average cost basis.

Fair Value of Financial Assets and Liabilities

Fair value of the financial assets and liabilities represents the amount that would be received when the asset is sold or paid to for settlement of a liability in an orderly transaction between knowledgeable and willing market participants that are not financially related. The best evidence of fair value of financial assets and liabilities is quoted prices in an active market. If the market for a financial asset or liability is inactive, fair value is established by using several valuation models, including discounted cash flow analysis, recent transactions that are substantially the same, as well as management estimates and assumptions. The comparison of carrying amounts and fair values of the fund's financial assets and liabilities is presented in Note 15.

Revenue and Expense Recognition

All income and expense are recognised on an accrual basis. Interest income and expenses are recognised in the statement of income and expense based on a time proportion and the nominal interest rate.

The difference between the acquisition price and the value of a financial instrument (hereinafter – a 'Day 1' profit or loss) is not recognised in the statement of income and expense at the acquisition date. The 'Day 1' profit or loss from transactions is recognised on an individual basis. The difference is recognised in the statement of income and expense during the term of the transaction, or deferred and recognised only either when the fair value of the financial instrument may be determined using observable data, or recognised in the statement of income and expense upon derecognition of a financial instrument. The financial instrument is subsequently stated at fair value adjusted by the deferred 'Day 1' profit or loss. Any changes in the fair value are recognised in the statement of income and expense without adjustments by the deferred 'Day 1' profit or loss.

Foreign Currency Translation

The fund's functional currency is USD but as required by the FCMC the fund ensures accounting also in EUR. These financial statements are prepared based on transaction accounting in EUR.

The assets and liabilities denominated in foreign currencies have been revaluated into EUR at the exchange rate set by the ECB on the last day of the financial year. Profit or loss resulting from changes in exchange rates has been disclosed in the statement of income and expense as an unrealised change in the value of the investment. Income and expenses in foreign currencies were revalued into EUR at the exchange rate set by the ECB at the date of recognition of the respective items.

Cash and Cash Equivalents

Cash and cash equivalents comprise fund's demand deposits with credit institutions and term deposits with credit institutions with a contractual original maturity of three months or less. Cash and cash equivalents are highly liquid assets that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

Taxes

Income earned by the holders of the fund's certificates is subject to income taxes in the country of its origin. The fund's income is exempt from income taxes. The fund is not a Latvian corporate income tax payer, and upon redemption of the fund's investment certificates, no income taxes are charged on increases in value.

Subsequent Events

These financial statements reflect subsequent events that are likely to impact the financial position of the fund at the end of the reporting period (adjusting events). If the nature of the subsequent events is other than adjusting, they are disclosed in the notes to the financial statements only if they are significant.

Adoption of new and/ or changed IFRSs and IFRIC interpretations in the reporting year

The fund has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with the date of initial application of 1 January 2016.

The application of new standards and amendments did not have any impact on these financial statements:

- IFRS 11- Accounting for Acquisitions of Interests in Joint Operations
- IAS 1 – Presentation of Financial Statements
- IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets
- IAS 19 – Defined Benefit Plans: Employee Contributions
- IAS 27 – Separate Financial Statements
- Annual Improvements to IFRSs

Standards issued but not yet effective and not early adopted

Standards that are issued, but not yet effective or not endorsed by the EU, and which are not applied prior to their official date of validity.

The fund has not applied the following IFRS and amendments to IFRIC interpretations that have been issued to the date of authorisation of these financial statements for issue, but which are not yet effective:

- IFRS 9 – Financial Instruments (effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.)

This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except that it is still permitted to apply hedge accounting according to IAS 39 and entities have an accounting policy choice between IFRS 9 and IAS 39.

Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

A financial asset measured at amortized cost if the following two conditions are met:

- asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and,
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

In addition, for a non-trading equity instrument, an entity may elect to present irrevocably subsequent changes in fair value (including foreign exchange gains and losses) in OCI. These are not reclassified to profit or loss under any circumstances.

For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses recognised in profit or loss in the same manner as for amortised cost assets. Other gains and losses are recognised in OCI and are reclassified to profit or loss on derecognition.

The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

IFRS 9 includes a new general hedge accounting model, which aligns hedge accounting more closely with risk management. The types of hedging relationships – fair value, cash flow and foreign operation net investment – remain unchanged, but additional judgment will be required.

The standard contains new requirements to achieve, continue and discontinue hedge accounting and allows additional exposures to be designated as hedged items.

Extensive additional disclosures regarding risk management and hedging activities will be required.

The fund does not expect IFRS 9 to have material impact on the financial statements. Due to the nature of the fund's operations and the types of financial instruments it holds, the classification and measurement of the fund's financial assets is not expected to change significantly under IFRS 9. The fund believes that impairment losses could increase as losses are expected to become more volatile for assets that qualify for the ECL model. The fund has not yet completed the development of impairment methodology in accordance with IFRS 9.

- IFRS 15 – Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.)
- IFRS 16 Leases – (Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15)
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (Effective for annual periods beginning on or after 1 January 2018; to be applied prospectively. Earlier application is permitted.)
- Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture (The effective date has not yet been determined by the IASB, however earlier adoption is permitted.)
- Amendments to IAS 7 (Effective for annual periods beginning on or after 1 January 2017, to be applied prospectively. Earlier application is permitted.)
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (Effective for annual periods beginning on or after 1 January 2018; to be applied prospectively. Earlier application is permitted.)
- Amendments to IAS 40 Transfers of Investment Property (Effective for annual periods beginning on or after 1 January 2018; to be applied prospectively.)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (Effective for annual periods beginning on or after 1 January 2018).

It is not expected that these IFRS and IFRIC amendments will affect fund's financial statements.

Annual improvements to IFRSs

Annual improvements to IFRSs 2014-2016 cycle were issued on 8 December 2016 and introduce two amendments to two standards and consequential amendments to other standards and interpretations that result in accounting changes for presentation, recognition or measurement purposes. The amendments on IFRS 12 Disclosure of Interest in Other Entities are effective for annual periods beginning on or after 1 January 2017 and amendments on IAS 28 Investments in Associates and Joint Ventures are effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively. None of these amendments are expected to have a significant impact on the financial statements of the fund.

3. Note

Risk management

Risks are inherent in the investment process and risk management is one of the fund's strategic values, which is based on the confidence that efficient risk management is critical for the success of the fund. Managing risks permits keeping the fund's exposure at a level meeting its willingness and ability to undertake risks.

The key investment risks are market risk, interest rate risk, liquidity risk, currency risk, credit risk, legal risk, information risk, foreign investment risk, and other business-related risks. Given that the company makes investments predominantly in the fund's base currency (USD), the exposure to currency risk can be considered insignificant.

Risk management stands for identification, assessment and control of potential risks.

The company acts in strict compliance with the provisions and restrictions of the fund prospectus, agreements, and legislation of the Republic of Latvia, as well as assesses the compliance of the investments made on an ongoing basis.

Investment risks are minimised by managing the fund in line with the principle of risk diversification and hedging. The company applies qualitative and quantitative assessments to manage financial risks. According to the qualitative assessment, investments are made in assets corresponding to certain parameters. In planning investments, the company takes into consideration investment safety in each particular country and particular financial instruments and term deposits with banks, i.e., analyses credit ratings granted to the respective country, bank or company. In developing the investment strategy and stating limits, the company performs an analysis of the fund's investments by maturity, geographical placements, etc. assessing the risks inherent in each of the above factors. Meanwhile, the quantitative assessment expressed as limits set for specific investment types, countries, specific issuers and counterparties.

When investments are made abroad, particular attention is paid to risk which is related to changes in the economic conditions of these countries which could deteriorate the financial position of a foreign issuer and their ability to meet their financial liabilities (incl. foreign currency fluctuations against the fund's base currency). For risk mitigation purposes the Company performs the following assessments:

- Country assessment according to international rating agencies scale;
- Assessment of political situation in the country;
- Assessment of economic situation in the country;

The fund's investment strategy seeks to reduce the above risks to the extent possible; however, the company cannot guarantee that these risks can be completely avoided in the future.

Credit risk and financial risks are further presented in Notes 10 and 11.

4. Note

Demand deposits with credit institutions

| | 31.12.2016. | | 31.12.2015. | |
|---|------------------------|---------------------------------------|------------------------|---------------------------------------|
| | Carrying amount EUR | Carrying amount to fund's assets % | Carrying amount EUR | Carrying amount to fund's assets % |
| Demand deposits with credit institutions | | | | |
| Demand deposits with ABLV Bank, AS | 393,043 | 2.70 | 43,228 | 0.22 |
| Total demand deposits with credit institutions | 393,043 | 2.70 | 43,228 | 0.22 |

As of 31 December 2016 and 2015, demand deposits with credit institutions were neither past due nor impaired.

5. Note

Financial assets at fair value through profit or loss

All debt securities and other fixed income securities are classified as financial assets at fair value through profit or loss. All securities are quoted on a regulated market (on an exchange). All securities are traded over-the-counter. ABLV BANK, AS debt securities are traded on a regulated market (exchange).

Regional profile of debt securities and other fixed income securities traded on regulated markets:

| Region | 31.12.2016. | | 31.12.2015. | |
|--------------------|------------------------|---------------------------------------|------------------------|---------------------------------------|
| | Carrying amount EUR | Carrying amount to fund's assets % | Carrying amount EUR | Carrying amount to fund's assets % |
| OECD countries | 11,049,088 | 75.87 | 12,711,109 | 63.48 |
| Other countries | 1,193,815 | 8.20 | 4,141,799 | 20.69 |
| Other EU countries | 933,301 | 6.41 | 1,173,655 | 5.86 |
| Latvia | 523,064 | 3.59 | 1,724,964 | 8.62 |
| EMU countries | 471,519 | 3.23 | 226,403 | 1.13 |
| Total | 14,170,787 | 97.30 | 19,977,930 | 99.78 |

Debt securities and other fixed income securities traded on regulated markets by country and issuer as of 31 December 2016:

| Issuer | ISIN code | Amount | Acquisition | Carrying | Carrying amount to fund's |
|---------------------------------|--------------|-------------------|------------------|------------------|---------------------------|
| | | | value | amount | assets |
| | | | EUR | EUR | (%) |
| United States of America | | 10,170,000 | 9,926,911 | 9,986,011 | 68.55 |
| ADT CORP | US00101JAF30 | 300,000 | 258,277 | 275,456 | 1.89 |
| AIRCASTLE LTD | US00928QAP63 | 250,000 | 243,395 | 245,975 | 1.69 |
| AMERICAN AXLE AND MANUFACTURING | US02406PAL40 | 250,000 | 250,783 | 247,827 | 1.70 |
| AMKOR TECHNOLOGY INC | US031652BG49 | 250,000 | 242,221 | 247,791 | 1.70 |
| AVIS BUDGET CAR RENTAL LLC | US053773AV98 | 100,000 | 94,014 | 94,304 | 0.65 |
| CENTURYLINK INC | US156700AS50 | 300,000 | 297,069 | 294,074 | 2.02 |
| CHEMTURA CORP | US163893AD27 | 250,000 | 237,907 | 252,814 | 1.74 |
| CLEAN HARBORS INC | US184496AJ69 | 250,000 | 239,541 | 247,767 | 1.70 |
| COACH INC | US189754AA23 | 150,000 | 147,545 | 143,600 | 0.99 |
| DANA HOLDING CORP | US235825AE66 | 250,000 | 237,091 | 243,061 | 1.67 |
| DEAN HOLDING COMPANY | US242361AB99 | 150,000 | 151,551 | 148,399 | 1.02 |
| DISH NETWORK CORP | US25470XAE58 | 250,000 | 259,593 | 258,316 | 1.77 |
| EXPEDIA INC | US30212PAJ49 | 300,000 | 294,823 | 292,771 | 2.01 |
| FRONTIER COMMUNICATIONS CORP | US35906AAP30 | 250,000 | 238,315 | 228,693 | 1.57 |
| GAP INC/THE | US364760AK48 | 250,000 | 248,800 | 252,269 | 1.73 |
| GENERAL MOTORS FINANCIAL CO INC | US37045XBG07 | 350,000 | 361,791 | 353,257 | 2.43 |
| HCA HOLDINGS INC | US404119BQ19 | 300,000 | 307,015 | 299,705 | 2.06 |
| HEALTHSOUTH CORP | US421924BK63 | 250,000 | 242,980 | 242,354 | 1.66 |
| INTERNATIONAL GAME TECHNOLOGY | USG4863AAA63 | 200,000 | 194,289 | 198,511 | 1.36 |
| JABIL CIRCUIT INC | US466313AG80 | 250,000 | 236,220 | 245,947 | 1.69 |
| JPMORGAN CHASE AND CO | US46625HRS12 | 350,000 | 338,624 | 323,106 | 2.22 |
| L-3 COMMUNICATIONS CORPORATION | US502413BD83 | 120,000 | 114,183 | 115,289 | 0.79 |
| LEAR CORP | US521865AX34 | 250,000 | 242,505 | 255,113 | 1.75 |
| LEVI STRAUSS AND CO | US52736RBG65 | 200,000 | 191,705 | 190,749 | 1.31 |
| MACYS INC | US55616XAL10 | 250,000 | 239,778 | 231,911 | 1.59 |
| MASCO CORP | US574599BH84 | 200,000 | 207,286 | 211,756 | 1.45 |
| MORGAN STANLEY | US61746BDZ67 | 350,000 | 354,665 | 340,546 | 2.34 |
| NEXTEER AUTOMOTIVE GROUP LTD | USG6501MAA39 | 250,000 | 242,150 | 249,255 | 1.71 |
| ORACLE CORP | US68389XBM65 | 350,000 | 334,859 | 318,409 | 2.17 |
| PITNEY BOWES INC | US724479AJ97 | 300,000 | 300,342 | 284,073 | 1.95 |
| POLYONE CORP | US73179PAK21 | 250,000 | 238,236 | 244,099 | 1.68 |
| REGENCY ENERGY PARTNERS LP | US75886AAK43 | 300,000 | 298,520 | 312,448 | 2.15 |
| ROYAL CARIBBEAN CRUISES LTD | US780153AU63 | 250,000 | 244,877 | 254,871 | 1.75 |
| STAPLES INC | US855030AM47 | 300,000 | 285,154 | 291,254 | 2.00 |
| TEGNA INC | US364725BE07 | 300,000 | 304,525 | 303,833 | 2.09 |
| TEREX CORP. | US880779AY95 | 250,000 | 240,480 | 245,142 | 1.68 |
| TESORO CORP | US881609AZ49 | 250,000 | 239,519 | 248,925 | 1.71 |
| TOLL HOLDINGS INC | US88947EAK64 | 200,000 | 201,499 | 210,192 | 1.44 |
| TREEHOUSE FOODS INC | US89469AAB08 | 250,000 | 230,647 | 245,934 | 1.69 |
| UNITED RENTALS INC | US911365BD50 | 300,000 | 294,137 | 296,215 | 2.03 |
| Brasil | | 200,000 | 196,689 | 199,246 | 1.37 |
| VALE SA | US91911TAN37 | 200,000 | 196,689 | 199,246 | 1.37 |
| France | | 250,000 | 250,825 | 260,951 | 1.79 |
| PEUGEOT SA | USF0819HE459 | 250,000 | 250,825 | 260,951 | 1.79 |
| Hong Kong | | 200,000 | 189,735 | 198,342 | 1.36 |
| STUDIO CITY INVESTMENTS LTD | USG8539EAB14 | 200,000 | 189,735 | 198,342 | 1.36 |
| Croatia | | 450,000 | 438,466 | 451,888 | 3.10 |
| AGROKOR DD | USX0027KAG32 | 200,000 | 199,222 | 199,655 | 1.37 |
| HRVATSKA ELEKTROPRIVREDA | XS1309493630 | 250,000 | 239,244 | 252,233 | 1.73 |
| Russia | | 100,000 | 107,665 | 106,059 | 0.73 |
| LUKOIL PJSC | XS0461926569 | 100,000 | 107,665 | 106,059 | 0.73 |
| China | | 500,000 | 476,627 | 501,045 | 3.44 |
| CAR INC | XS1163232900 | 250,000 | 238,035 | 253,079 | 1.74 |
| GEELY AUTOMOBILE HOLDINGS LTD | USG3777BAB92 | 250,000 | 238,592 | 247,966 | 1.70 |
| Latvia | | 573,000 | 489,793 | 523,064 | 3.59 |
| ABLVBANK, AS | LV0000801124 | 275,000 | 214,246 | 245,671 | 1.69 |
| | LV0000801173 | 55,000 | 48,472 | 48,472 | 0.33 |
| | LV0000801223 | 243,000 | 227,075 | 228,921 | 1.57 |
| Great Britain | | 500,000 | 482,243 | 481,413 | 3.31 |
| FIAT CHRYSLER AUTOMOBILES NV | US31562QAF46 | 250,000 | 241,023 | 244,043 | 1.68 |
| STANDARD CHARTERED PLC | XS1395052639 | 250,000 | 241,220 | 237,370 | 1.63 |

Table (continued):

| Issuer | ISIN code | Amount | Acquisition | Carrying | Carrying amount to fund's |
|--|--------------|-------------------|-------------------|-------------------|---------------------------|
| | | | value | amount | assets |
| | | | EUR | EUR | (%) |
| Luxembourg | | 200,000 | 205,033 | 210,568 | 1.45 |
| ARCELORMITTAL | US03938LAQ77 | 200,000 | 205,033 | 210,568 | 1.45 |
| Mexico | | 200,000 | 195,427 | 196,291 | 1.35 |
| ALFA SAB DE CV | USP0156PAB50 | 200,000 | 195,427 | 196,291 | 1.35 |
| Turkey | | 900,000 | 867,447 | 866,786 | 5.96 |
| ARCELIK AS | XS0910932788 | 200,000 | 179,205 | 181,869 | 1.25 |
| FINANSBANK AS/TURKEY | XS1063442484 | 250,000 | 245,091 | 247,085 | 1.70 |
| MERSIN ULUSLARARASI LIMAN ISLETMECILIGI AS | XS0957598070 | 250,000 | 252,467 | 251,901 | 1.73 |
| TURKIYE SISE VE CAM FABRIKALARI AS | XS0927634807 | 200,000 | 190,684 | 185,931 | 1.28 |
| Singapore | | 200,000 | 195,997 | 189,123 | 1.30 |
| BW GROUP LTD | USG17465AA69 | 200,000 | 195,997 | 189,123 | 1.30 |
| TOTAL | | 14,443,000 | 14,022,858 | 14,170,787 | 97.30 |

No payments for securities were past due in the reporting period.

6. Note

Accrued expense

| Item | EUR | |
|---|---------------|---------------|
| | 31.12.2016. | 31.12.2015. |
| Accrued fee payments to investment management company | 12,635 | 17,294 |
| Accrued fee payments to custodian bank | 2,527 | 3,459 |
| Accrued fees payable for professional services | 1,573 | 1,960 |
| Accrued payments to the stock exchange | 284 | 298 |
| Total accrued expense | 17,019 | 23,011 |

7. Note

Realised decrease in investments

| Item | EUR | |
|--|-----------------------------|-----------------------------|
| | 01.01.2016.- 31.12.2016. | 01.01.2015.- 31.12.2015. |
| Income from sale of investments | 12,924,939 | 15,510,730 |
| Acquisition value of investments sold | (13,259,099) | (15,606,824) |
| Total realised decrease in investment value | (334,160) | (96,094) |

8. Note

Unrealised increase of investments

| Item | EUR | |
|--|-----------------------------|-----------------------------|
| | 01.01.2016.- 31.12.2016. | 01.01.2015.- 31.12.2015. |
| Revaluation of financial assets at fair value through profit or loss | 1,326,791 | (854,500) |
| Currency exchange difference | 310,711 | 2,163,897 |
| Total unrealised increase in investment value | 1,637,502 | 1,309,397 |

9. Note

Change in investment portfolio during the reporting period

The increase in the investment portfolio during the reporting period is due to cost of acquisition of investments, while the decrease in the investment portfolio is due to income from disposal of investments and accrued coupon change.

EUR

| | 01.01.2016.- 31.12.2016. | 01.01.2015.- 31.12.2015. |
|--|-----------------------------|-----------------------------|
| Investment portfolio at the beginning of the period | 19,977,930 | 16,226,625 |
| Increase for the reporting year | 5,998,084 | 18,817,973 |
| Decrease for the reporting year | (13,108,569) | (16,279,971) |
| Fair value revaluation result | 992,631 | (950,594) |
| Foreign currency exchange result | 310,711 | 2,163,897 |
| Investment portfolio at the end of the period | 14,170,787 | 19,977,930 |

10. Note

Credit risk

Credit risk is the risk that the fund's value will decrease as a result of the failure of counterparties or issuers of debt securities to meet their contractual liabilities towards the fund.

Credit risk associated with the fund's assets is managed based on the following classification of credit ratings assigned by international rating agencies:

High quality: AAA – BBB-;

Average quality: BB+ - BB-;

Low quality: B+ - B- and lower.

Assets by credit ratings as of 31 December 2016:

EUR

| Assets | High quality | Average quality | Low quality | No rating | Total |
|---|------------------|------------------|----------------|----------------|-------------------|
| Demand deposits with credit institutions | - | - | - | 393,043 | 393,043 |
| Financial assets at fair value through profit or loss | 5,271,003 | 7,527,996 | 848,724 | 523,064 | 14,170,787 |
| Total assets | 5,271,003 | 7,527,996 | 848,724 | 916,107 | 14,563,830 |

Assets by credit ratings as of 31 December 2015:

EUR

| Assets | High quality | Average quality | Low quality | No rating | Total |
|---|------------------|-------------------|------------------|----------------|-------------------|
| Demand deposits with credit institutions | - | - | - | 43,228 | 43,228 |
| Financial assets at fair value through profit or loss | 5,261,534 | 12,466,912 | 2,023,081 | 226,403 | 19,977,930 |
| Total assets | 5,261,534 | 12,466,912 | 2,023,081 | 269,631 | 20,021,158 |

Credit risk concentration by geographical area as of 31 December 2016:

EUR

| Assets | Latvia | EMU countries | EU countries | OECD countries | Other countries | Total |
|---|----------------|----------------|----------------|-------------------|------------------|-------------------|
| Demand deposits with credit institutions | 393,043 | - | - | - | - | 393,043 |
| Financial assets at fair value through profit or loss | 523,064 | 471,519 | 933,301 | 11,049,088 | 1,193,815 | 14,170,787 |
| Total assets | 916,107 | 471,519 | 933,301 | 11,049,088 | 1,193,815 | 14,563,830 |

Credit risk concentration by geographical area as of 31 December 2015:

| Assets | EUR | | | | | |
|---|----------------|------------------|------------------|-------------------|------------------|-------------------|
| | Latvia | EMU countries | EU countries | OECD countries | Other countries | Total |
| Demand deposits with credit institutions | 43,228 | - | - | - | - | 43,228 |
| Financial assets at fair value through profit or loss | 226,403 | 1,724,964 | 1,173,655 | 12,711,109 | 4,141,799 | 19,977,930 |
| Total assets | 269,631 | 1,724,964 | 1,173,655 | 12,711,109 | 4,141,799 | 20,021,158 |

Credit risk concentration analysis by industry profile:

| Industry | 31.12.2016. | | 31.12.2015. | |
|--------------------------------|-------------------|----------------------------------|-------------------|----------------------------------|
| | Carrying amount | Carrying amount to fund's assets | Carrying amount | Carrying amount to fund's assets |
| | EUR | % | EUR | % |
| Consumer goods | 5,125,011 | 35.17 | 6,893,873 | 34.43 |
| Other services | 3,174,669 | 21.80 | - | - |
| Finance | 1,671,171 | 11.48 | 1,463,418 | 7.31 |
| Information and communications | 1,576,198 | 10.82 | 2,343,769 | 11.71 |
| Manufacturing | 1,018,037 | 6.99 | 4,060,905 | 20.28 |
| Energy | 667,432 | 4.59 | 1,744,303 | 8.71 |
| Chemicals | 496,913 | 3.42 | 1,091,371 | 5.45 |
| Utilities | 252,233 | 1.73 | 1,188,551 | 5.94 |
| Logistics | 189,123 | 1.30 | 187,214 | 0.94 |
| Mining | - | - | 755,576 | 3.77 |
| Central governments | - | - | 248,950 | 1.24 |
| Total | 14,170,787 | 97.30 | 19,977,930 | 99.78 |

The maximum exposure to credit risk is equal to the carrying amount.

11. Note

Financial risks

Interest rate risk

Interest rate risk represents the effect of changes in market rates on the fund's value, affecting the fund's interest income and the market value of financial assets.

The effect on net interest income is calculated as 1% of the nominal value of securities bearing interest at a floating rate (a 1% decrease in the interest rate will lead to the respective reduction of interest revenue). The effect on the value of financial assets at fair value through profit or loss is calculated by multiplying the value of these financial assets with changes in the interest rate.

The total fund's sensitivity to changes in interest rates is calculated as the sum of net interest income sensitivity and sensitivity of the value of financial assets.

Sensitivity to changes in interest rates:

| Effect on profit | EUR | | | |
|------------------|--------------------------|---------|--------------------------|---------|
| | 01.01.2016.- 31.12.2016. | | 01.01.2015.- 31.12.2015. | |
| | +100bps | -100bps | +100bps | -100bps |
| | (596,521) | 596,521 | (880,934) | 880,934 |

Liquidity risk

Liquidity risk is the risk that the fund will sustain a loss if fund's assets cannot be realised at minimal transaction costs within a certain period.

Liquidity risk is minimised by holding a part of the fund's assets as cash and high-quality, highly liquid securities to maintain an adequate diversification of investments, a wide maturity spread of investments and by forecasting cash flows related to the fund's participants.

To maintain liquidity and to meet the requirements related to the operation of the fund, the fund may attract funding for a period not exceeding three months if the total amount of such funding does not exceed 10 percent of the value of the fund.

Maturity analysis of assets and liabilities as of 31 December 2016:

EUR

| Assets | Up to 1 month | 1 - 12 months | 1 - 5 years | More than 5 years | Total |
|---|------------------|----------------|------------------|----------------------|-------------------|
| Demand deposits with credit institutions | 393,043 | - | - | - | 393,043 |
| Financial assets at fair value through profit or loss | - | 337,522 | 4,605,997 | 9,227,268 | 14,170,787 |
| Total assets | 393,043 | 337,522 | 4,605,997 | 9,227,268 | 14,563,830 |
| Liabilities | | | | | |
| Accrued expense | (15,162) | (1,857) | - | - | (17,019) |
| Total liabilities | (15,162) | (1,857) | - | - | (17,019) |
| Net assets | 377,881 | 335,665 | 4,605,997 | 9,227,268 | 14,546,811 |

Maturity analysis of assets and liabilities as of 31 December 2015:

EUR

| Assets | Up to 1 month | 1-12 months | 1-5 years | More than 5 years | Total |
|---|------------------|----------------|------------------|----------------------|-------------------|
| Demand deposits with credit institutions | 43,228 | - | - | - | 43,228 |
| Financial assets at fair value through profit or loss | - | - | 6,490,735 | 13,487,195 | 19,977,930 |
| Total assets | 43,228 | - | 6,490,735 | 13,487,195 | 20,021,158 |
| Liabilities | | | | | |
| Accrued expense | (20,753) | (2,258) | - | - | (23,011) |
| Total liabilities | (20,753) | (2,258) | - | - | (23,011) |
| Net assets | 22,475 | (2,258) | 6,490,735 | 13,487,195 | 19,998,147 |

12. Note

Information on holders of investment certificates

Proportion of investment certificates held by related parties of the company:

| Item | 31.12.2016. | | 31.12.2015. | |
|--|---------------------------|----------------------|---------------------------|----------------------|
| | Number of certificates | % of total amount | Number of certificates | % of total amount |
| Investment certificates held by shareholders | - | - | 224,040 | 10.37 |
| Investment certificates held by related parties | 57,206 | 4.11 | 55,986 | 2.59 |
| Investment certificates held by other persons | 1,335,249 | 95.89 | 1,881,250 | 87.04 |
| Investment certificates issued as at the period end | 1,392,455 | 100.00 | 2,161,276 | 100.00 |

13. Note

Related party disclosures

The fund acquires investments via intermediation of the custodian bank, ABLV Bank, AS. ABLV Bank, AS receives custodian bank fees, as well as the fund has paid interest to ABLV Bank, AS for negative account balances presented in the statement of income and expense. The fund's cash is held with ABLV Bank, AS (see Note 4).

The remuneration paid to the investment management company during the reporting year is disclosed in the statement of income and expense.

During the reporting period, related parties acquired 2,243 (2,729) investment certificates and sold 225,063 (231,503) investment certificates of the fund.

14. Note

Pledged assets

During the reporting period, no guarantees or collateral have been issued by the fund, neither has it pledged or otherwise caused any encumbrance or lien on its assets.

15. Note

Fair values

Fair value of financial instruments, such as financial assets at fair value through profit or loss, is predominantly defined based on quoted prices in an active market. In the absence of observable prices, the respective instruments are valued based on observable prices in less active markets. The fair value of the financial assets which are not quoted and for which no quoted prices of similar assets in active markets are available is estimated using valuation models which are based on assumptions and estimates regarding the potential future performance of the investee, risks inherent to the industry of the investee and the geographical region of operation of the investee. The fair value of other assets and liabilities carried at fair value, which have short maturities (less than three months) is assumed to approximate their carrying amount. This assumption also applies to demand deposits with credit institutions.

Hierarchy of input data for determining the fair value of assets and liabilities

The fair value of assets and liabilities is determined using several sources of fair value distributed into three level according to the following hierarchy:

- Level 1: Quoted prices in active markets;
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable;
- Level 3: Other techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Fund's assets according to the hierarchy of input data for determining the fair value:

| | EUR | | | |
|---|-------------------|----------------|-------------------|----------------|
| | 31.12.2016. | | 31.12.2015. | |
| Financial assets | Level 1 | Level 2 | Level 1 | Level 2 |
| Financial assets at fair value through profit or loss | 13,458,600 | 712,187 | 19,397,093 | 580,837 |
| Total financial assets | 13,458,600 | 712,187 | 19,397,093 | 580,837 |

During the reporting year, significant classifications into/out of the categories were not made.

16. Note

Dynamics of performance indicators

Fund's annual performance*:

| Item | 31.12.2016. | 31.12.2015. | 31.12.2014. |
|--|-----------------------------|-----------------------------|-----------------------------|
| Net assets (EUR) | 14,546,811 | 19,998,147 | 17,415,587 |
| Number of investment certificates | 1,392,455 | 2,161,276 | 2,065,888 |
| Value of investment fund's investment certificates (EUR) | 10.45 | 9.25 | 8.43 |
| Net assets (USD) | 15,333,793 | 21,771,983 | 21,144,264 |
| Number of investment certificates | 1,392,455 | 2,161,276 | 2,065,888 |
| Value of investment fund's investment certificates (USD) | 11.01 | 10.07 | 10.23 |
| | 01.01.2016.- 31.12.2016. | 01.01.2015.- 31.12.2015. | 05.06.2014.- 31.12.2014. |
| Annual performance of investment fund's investment certificates (USD) | 9.32% | (1.58%) | 0.34% |

* - Performance is calculated as the value of the fund's share at the end of the year to its value at the beginning of the year. This ratio is expressed as annual percentage raised to the power, where the dividend is 365, but the divisor is the number of days of the reporting period.

17. Note

Events after the reporting date

No significant subsequent events have occurred from the reporting date to the date of these financial statements that would materially impact the fund's financial position, performance and cash flows in the reporting period.