



INVL EMERGING EUROPE BOND SUBFUND

ANNUAL FINANCIAL STATEMENTS FOR 2017, PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S
REPORT



Independent auditor's report

To the participants of "INVL Emerging Europe Bond Subfund"

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements, presented on pages 7 - 31, give a true and fair view of the financial position of "INVL Emerging Europe Bond Subfund" managed by UAB „INVL Asset Management" ("the Subfund") as at 31 December 2017, and of its changes in net assets for the year then ended in accordance with Lithuanian regulatory legislation on accounting and financial reporting and Business Accounting Standards.

Our opinion is consistent with our additional report to the Board of UAB „INVL Asset Management".

What we have audited

The Subfund's financial statements comprise:

- the statement of net assets as at 31 December 2017 ;
- the statement of changes in net assets for the year then ended;
- the notes to the financial statements, which include significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Subfund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the Law of the Republic of Lithuania on the Audit of Financial Statements that are relevant to our audit of the financial statements in the Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law of the Republic of Lithuania on the Audit of Financial Statements.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Subfund are in accordance with the applicable law and regulations in the Republic of Lithuania and that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014 considering the exemptions of Regulation (EU) No 537/2014 endorsed in the Law of the Republic of Lithuania on the Audit of Financial Statements.

The non-audit services that we have provided to the Subfund, in the period from 1 January 2017 to 31 December 2017, are disclosed in note 20 to the financial statements.

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PricewaterhouseCoopers UAB, company code 111473315, is a private company registered with the Lithuanian Register of Legal Entities.



Our audit approach

Overview

Materiality	Overall materiality: EUR 437 thousand.
Key audit matters	Valuation and existence of investments.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Subfund materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Subfund materiality	EUR 437 thousand (2016: EUR 272 thousand)
How we determined it	Overall materiality represents 1 % of net assets of the Subfund
Rationale for the materiality benchmark applied	We chose net assets as the benchmark because, in our view, it is the generally accepted measure for Subfunds. We chose 1%, which is within the range of acceptable quantitative materiality thresholds for this benchmark.

We agreed with the management of UAB „INVL Asset Management” that we would report to them misstatements identified during our audit above EUR 22 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation and existence of investments <i>(refer to accounting policies and note 4)</i></p> <p>Investments are the most significant item of the statement of net assets (carrying amount of transferable securities is EUR 31,7120 thousand).</p> <p>The investments into transferable securities are accounted for at fair value, which is determined with reference to prices available on the active market. If quoted prices from active markets are not available, the value is determined based on internally approved valuation methods that use key data from other observable inputs.</p> <p>Valuation and existence of transferable securities were given special audit attention due to them being the most material asset item.</p>	<p>We have discussed processes and controls related to valuation, sales and purchases of investments with management and tested operating effectiveness of selected controls.</p> <p>To obtain evidence on existence of all transferable securities, we have obtained confirmation letter from the bank that acts as depository and traced quantities of transferable securities as per the letter to the data recorded by the Subfund.</p> <p>To obtain evidence over the fair value of investments at the financial year-end, on a sample basis we have traced the value of selected transferable securities to publicly available market prices.</p> <p>Our work gave us sufficient audit evidence to conclude that the Subfund's investments into transferable securities are properly accounted for.</p>

Responsibilities of management and those charged with governance for the financial statements

Management of UAB „INVL Asset Management“ is responsible for the preparation and fair presentation of the financial statements in accordance with Lithuanian regulatory legislation on accounting and financial reporting and Business Accounting Standards, 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, management is responsible for assessing the Subfund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Subfund or to cease operations, or has no realistic alternative but to do so.

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



Auditor's responsibilities 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 auditor's 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 Subfund'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 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 Subfund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Subfund to cease 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 fair presentation.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Subfund for 2012 audit. Our appointment has been renewed annually by the resolution of shareholder of UAB „INVL Asset Management” representing a total period of uninterrupted engagement appointment of 6 years.

The certified auditor on the audit resulting in this independent auditor’s report is Rasa Radzevičienė.

On behalf of PricewaterhouseCoopers UAB

A handwritten signature in blue ink, appearing to read 'Radzevičienė', is written in a cursive style.

Rasa Radzevičienė
Partner
Auditor's Certificate No. 000377

Vilnius, Republic of Lithuania
24 April 2018

I. GENERAL INFORMATION

1. General information about INVL Emerging Europe Bond Subfund:

Information is provided under section *General information* in the explanatory notes.

2. Reporting period covered by these financial statements:

Information is provided under section *General information* in the explanatory notes.

3. Details of the management company:

Information is provided under section *General information* in the explanatory notes.

4. Details of the depository:

Information is provided under section *General information* in the explanatory notes.

II. NET ASSET VALUE, NUMBER AND VALUE OF INVESTMENT UNITS

5. Net asset value (NAV), number and value of investment units:

Information is provided in Note 2.

6. Number of investment units distributed and redeemed over the reporting period and value:

Information is provided in Note 3.

III. EXPENSE AND TURNOVER RATIOS OF THE COLLECTIVE INVESTMENT UNDERTAKING

7. Deductions from assets of the collective investment undertaking:

Information is provided in Note 20.

8. Intermediary fee:

Information is provided in Note 9.

9. Information on all existing arrangements on distributions and hidden commission fees:

Over the reporting period, the management company did not enter into any formal or informal arrangements on distributions, nor any hidden commission fees were applied to the subfund.

10. Illustration of impact of deductions on investor's ultimate return on investments:

The table below presents calculations relating to deduction (in EUR) on contributions of the participant of the collective investment undertaking in case of a current level of deductions and the amount to be received after 1, 3, 5, 10 years if EUR 3,000 is invested and the annual return on investments is 5%.

	After 1 year	After 3 years	After 5 years	After 10 years
Deductions paid, EUR	38	123	223	554
Accrued amount before deductions	3,150	3,473	3,829	4,887
Accrued amount after deductions	3,112	3,350	3,605	4,333

IV INFORMATION ON THE INVESTMENT PORTFOLIO OF THE COLLECTIVE INVESTMENT UNDERTAKING

11. Structure of investment portfolio at the end of the reporting period:

Information is provided in Note 4.

12. Breakdown of investments by the criteria that meet the investment strategy:

Information is provided in Note 5.

13. Transactions involving derivative financial instruments conducted over the reporting period, other than those referred to in section 11 herein:

Information is provided in Note 8.

14. Types of derivative financial instruments referred to in section 11 of the financial statements, the related risks and quantitative limits and methods used to assess the risks incurred by the collective investment undertaking in relation to transactions involving derivative financial instruments. Description of how derivative financial instrument may be used to hedge investment instrument transaction (position) against risk:

Information is provided in Note 8.

15. Total value of liabilities arising on transactions involving derivative financial instruments at the end of the reporting period:

Information is provided in Note 8.

16. Risk extent related to derivative financial instruments taken by the master collective investment undertaking: the sum of the direct potential risk extent of the feeder collective investment undertaking and the actual derivative financial instruments risk of the master collective investment undertaking that is proportional to the feeder collective investment undertaking's investments in the master undertaking, and the sum of the direct potential risk extent of the feeder collective investment undertaking and the extent of potential maximum risk that was taken by the master collective investment undertaking according to transactions in derivative financial instruments and that was determined in the founding documents of the master collective investment undertaking and that is proportional to the feeder collective investment undertaking's investments to the master undertaking.

The subfund is a non-master collective investment undertaking.

17. Analysis of the current investment portfolio's compliance (non-compliance) with the collective investment undertaking's investment strategy (investment trends, investment specialisation, geographical area, etc.):

Structure of investment portfolio is provided in Note 4.

18. Factors that had the major impact on the structure of investment portfolio and changes in its value over the reporting period:

Information is provided in Note 4.

V. RETURN ON INVESTMENTS AND RISK INDICATORS OF THE COLLECTIVE INVESTMENT UNDERTAKING

19. Benchmark index (if selected) and its brief description:

Information is provided in Note 19.1.

20. Change in value of unit for the same period, change in annual return (gross and net) on investments, and change in value of benchmark index (if selected), and other indicators over the last 10 years of the subfund's operation. If the collective investment undertaking operated for a period shorter than 10 years, return on investments for the period during which the portfolio was managed:

Information is provided in Note 18.2.

21. Average return on investments, average change in value of investment unit and average change in value of benchmark index (if selected) over the last three, five, ten years (average net return on investments, average change in value of unit and average change in value of benchmark index are calculated as a geometric mean of annual changes in net return on investments, annual changes in value of unit and annual changes in value of benchmark index, respectively):

Information is provided in Note 19.3.

22. Other indicators showing the risks pertaining to the investment portfolio:

Other indicators showing the risks pertaining to the investment portfolio over the reporting period were not estimated.

VI. FINANCIAL POSITION OF THE COLLECTIVE INVESTMENT UNDERTAKING

23. The financial statements of the collective investment undertaking have been prepared in accordance with the requirements of the Lithuanian laws and legal acts:

23.1. Statement of net assets;

23.2. Statement of changes in net assets;

23.3. Explanatory notes.



INVL ASSET MANAGEMENT UAB



126263073, Gynėjų g. 14, Vilnius

INVL Emerging Europe Bond Subfund

STATEMENT OF NET ASSETS AS AT 31 DECEMBER 2017

No	Assets	Note No	Financial year	Previous financial year
A.	ASSETS		49,771,093	28,134,977
1.	CASH	4,5	17,993,857	2,906,349
2.	TIME DEPOSITS	4,5,6	-	2,541,817
3.	MONEY MARKET INSTRUMENTS		-	-
3.1.	Treasury bills		-	-
3.2.	Other money market instruments		-	-
4.	TRANSFERABLE SECURITIES	4,5,6	31,719,789	22,686,782
4.1.	Non-equity securities	4,5,6	31,719,789	22,686,782
4.1.1.	Non-equity securities issued or guaranteed by governments and central banks	4,5,6	8,945,285	9,196,391
4.1.2.	Other non-equity securities	4,5,6	22,774,504	13,490,391
4.2.	Equity securities		-	-
4.3.	Investment units and shares of other collective investment undertakings		-	-
5.	PREPAYMENTS		-	-
6.	AMOUNTS RECEIVABLE	4	-	29
6.1.	Amounts receivable from sale of investments		-	-
6.2.	Other amounts receivable	4	-	29
7.	INVESTMENT AND OTHER ASSETS	4	57,447	-
7.1.	Investment assets		-	-
7.2.	Derivative financial instruments	4	57,447	-
7.3.	Other assets		-	-
B.	LIABILITIES	4	6,085,277	984,568
1.	Amounts payable	4	6,085,277	325,205
1.1.	Amounts payable for financial and investment assets	4	6,014,647	288,622
1.2.	Amounts payable to management company and depository	4	35,926	29,398
1.3.	Other payables	4	34,704	7,185
2.	Accrued charges		-	-
3.	Borrowings from credit institutions		-	-
4.	Liabilities under contracts on derivative financial instruments	4,5,6,8,18	-	659,363
5.	Other liabilities		-	-
C.	NET ASSETS	2	43,685,816	27,150,409

The accompanying explanatory notes form an integral part of these financial statements.

General Director	Laura Križinauskienė		24 April 2018
Head of Funds Accounting	Aušra Montvydaitė		24 April 2018



INVL ASSET MANAGEMENT UAB

126263073, Gynėjų g. 14, Vilnius



INVL Emerging Europe Bond Subfund

STATEMENT OF CHANGES IN NET ASSETS FOR 2017

No	Items	Note No	Financial year	Previous financial year
1.	NET ASSETS AT 1 JANUARY	2	27,150,409	16,693,207
2.	INCREASE IN NET ASSET VALUE		-	-
2.1.	Contributions of participants	3	22,680,647	14,777,039
2.2.	Transfers from other funds *	3	214,802	2,209,580
2.3.	Guarantee contributions		-	-
2.4.	Investment income		5,635	1,817
2.4.1.	Interest income		5,635	1,817
2.4.2.	Dividends		-	-
2.4.3.	Rental income		-	-
2.5.	Gain on change in value and sale of investments	6	7,397,668	7,283,364
2.6.	Foreign exchange gain		314,233	340,923
2.7.	Gain on transactions involving derivative financial instruments		1,284,061	-
2.8.	Other increases in net asset value		4,041	4,043
	TOTAL INCREASE IN NET ASSET VALUE		31,901,087	24,616,766
3.	DECREASE IN NET ASSET VALUE		-	-
3.1.	Payments to participants	3	7,526,879	7,160,083
3.2.	Transfers to other funds	3	262,675	542,787
3.3.	Loss on change in value and sale of investments	6	6,865,353	5,252,347
3.4.	Foreign exchange loss		340,172	355,473
3.5.	Loss on transactions involving derivative financial instruments	6	-	567,700
3.6.	Management costs:	20	370,601	281,174
3.6.1.	Fee to management company	20	308,084	236,854
3.6.2.	Fee to depository	20	40,249	22,155
3.6.3.	Fee to intermediaries	9,20	-	10
3.6.4.	Audit fee costs	20	5,058	5,300
3.6.5.	Interest costs		-	-
3.6.6.	Other costs	20	17,210	16,855
3.7.	Other decreases in net asset value		-	-
3.8.	Reimbursement of costs (-)		-	-
	TOTAL DECREASE IN NET ASSET VALUE		15,365,680	14,159,564
4.	Change in net asset value		16,535,407	10,457,202
5.	Profit distribution		-	-
6.	NET ASSET VALUE AT 31 DECEMBER	2	43,685,816	27,150,409

* After the merger of two Latvian investments funds Finasta Obligāciju Fonds and Finasta Sabalansētais Fonds into INVL Emerging Europe Bond Subfund on 19 January 2016, the investment units with the value of EUR 1,797,253 were issued.

The accompanying explanatory notes form an integral part of these financial statements.

General Director	Laura Križinauskienė		24 April 2017
Head of Funds Accounting	Aušra Montvydaitė		24 April 2017



INVL ASSET MANAGEMENT UAB

126263073, Gynėjų g. 14, Vilnius

INVL Emerging Europe Bond Subfund

Explanatory notes to the annual financial statements for 2017

23.3.1. General information:

Details of the collective investment undertaking:

Name	INVL Emerging Europe Bond Subfund of INVL Umbrella Fund (hereinafter "the Subfund")
Type, legal form	Open-ended type special investment fund for investments in transferable securities, with no rights of a legal entity
Date on which the Securities Commission (currently the Bank of Lithuania) approved the documents on the formation of the collective investment undertaking	29 October 2010
Duration of operation	Indefinite period
Location	Vilnius

Details of the management company:

Name	INVL Asset Management UAB
Company code	126263073
Office address	Gynėjų g. 14, LT-01109 Vilnius
Register at which all data about the undertaking is stored and compiled	State enterprise Centre of Register, Vilnius branch
Telephone number	8 700 55 959
Fax number	8 5 279 06 02
Email address	info@invl.com
Website address	www.invl.com
Licence No	VJK-005
Manager of the collective investment undertaking, other individuals making investment decisions	Vytautas Plunksnis – Member of the Investment Committee; Vaidotas Rūkas – Head of the Investment Management Division; Karolis Kybartas – Fund Manager.

Details of the depository:

Name	SEB Bankas AB
Company code	112021238
Office address	Gedimino pr. 12, LT-01103 Vilnius
Telephone number	(8~5) 268 28 00
Fax number	(8~5) 268 23 33

Details of the audit company engaged to audit the annual financial statements:

Name	PricewaterhouseCoopers UAB
Company code	111473315
Office address	J.Jasinskio 16B, LT-03163 Vilnius
Telephone number	(8~5) 239 2300

Listing

INVL Emerging Europe Bond Subfund has been listed on OMX Stock Exchange with effect from September 2013.

Reporting period

From 1 January 2017 to 31 December 2017.

23.3.2. Accounting policies:

Regulatory legislation adopted in the preparation of the financial statements

INVL Asset Management UAB manages the assets of the Subfund, keeps the Subfund's accounting records and prepares its financial statements in compliance with Business Accounting Standards (BAS), Lithuanian Law on Accounting, Lithuanian Law on Collective Investment Undertakings and other legal acts.

Generally accepted accounting principles

The financial year of the Subfund coincides with the calendar year. For the purpose of the Subfund's financial statements, the year-end balances of assets and liabilities are reported as at 29 December 2017 amounts.

The Subfund's financial statements are prepared within four months following the end of the financial year. All amounts in these financial statements are presented in the euros (EUR).

Investment policy and structure of investment portfolio

The Subfund's objective is to ensure a well-balanced growth of its assets. Up to 100% of the Subfund's assets are invested in government and corporate non-equity securities selected by the managers as the most promising across the emerging Europe. The Subfund combines higher-risk investments (corporate bonds) with more safe investments (government bonds) to safeguard assets and ensure sustainable return on investments to the Subfund.

The Subfund's assets are invested in Central and Eastern Europe region. The Subfund's investments are not restricted to certain industry sector. The Subfund may invest in bonds of different maturities and with different credit ratings.

When no better investment possibilities are available in the market, up to 100% of the Subfund's assets may be invested in deposits, money market instruments and harmonised investments units (shares) of collective investment undertakings with the main investment trend focused on money market instruments or bonds and other forms of non-equity securities. The Subfund's assets may be invested in derivative financial instruments, provided they are used for risk management purposes.

Probability that the composition of the portfolio or portfolio management methods will give rise to significant fluctuations in the Subfund's net asset value is remote.

The structure of investment portfolio is presented in Note 4.

Financial risk management

The Subfund's exposure to financial risks is managed through the diversification of the investment portfolio based on diversification principles defined in the Subfund's rules.

The Investment Committee decides on the composition of the Subfund's investment portfolio in view of the current risk level of the portfolio and the effects of decisions made on the overall risk level of the portfolio.

The Subfund's portfolio risk and liquidity are assessed periodically and reported to the Investment Committee.

The Subfund's investment portfolio risk is assessed on the basis of constituent securities in view of:

- issuer's credit rating;
- price sensitivity to interest rate shifts;
- nominal currency risk;
- maturity;
- yield;
- weight of securities in total investment portfolio;
- liquidity.

The shares of the issuer held by the management company together with the shares of the same issuer held by the managed funds may not carry over 1/10 of the voting rights at the issuer's general meeting of shareholders.

The Subfund's assets may be used to acquire no more than as follows:

- 10% of the non-voting shares of an issuing body;
- 10% of the debt securities and other forms of non-equity securities of an issuing body;
- 25% of the units or shares of another collective investment undertaking;
- 10% of the money market instruments issued by a single issuing body.

23.3.2. Accounting policies (continued)

Policies for recognition of increase and decrease in assets and liabilities

Difference between the value of the Subfund's net assets and the value of the Subfund's liabilities reflects the value of net assets (NA).

Calculation of assets and liabilities is based on their fair value, which reflects the NA value, at which the sale of these assets are mostly probable.

Financial assets are recorded when the Subfund receives or obtains a contractual right to receive cash or any other financial assets, i.e. following the selected trade date approach, when the receivable financial asset and the liability to pay for it are recorded in the buyer's books of account at the date of the transaction. In the seller's books of account, the financial asset sold is written off, and a receivable amount and the result of disposal (gain or loss) are recorded at the date of the transaction. Planned transactions, guarantees and sureties received are not recognised as the Subfund's assets for as long as they do not meet the definition criteria of financial assets.

Financial liabilities are recorded when the Subfund assumes a commitment to pay cash or any other financial assets (the selected trade date approach). Planned transactions, guarantees and sureties granted but not yet executable are not recognised as the Subfund's liabilities for as long as they do not meet the definition criteria of financial liabilities.

Liabilities are recorded in line with the requirements of Business Accounting Standards. Liabilities (or part of them) should be written off only when they extinguish, i.e. when contractual liabilities are settled, annulled or have expired.

When calculating the NA value in foreign currency, the value of assets and liabilities is determined using a foreign exchange reference rate of EUR against other currencies published by the European Central Bank, and where such foreign exchange reference rate is not published by the European Central Bank, using the foreign exchange reference rate published on the date of estimation by the Bank of Lithuania. For the purpose of accounting, the most recent foreign exchange rate effective before the economic event or economic transaction should be applied.

Rules on deductions to the accumulation undertaking and the depository

The maximum rates of deductions from the Subfund's assets charged for the management of the Subfund and the services provided by the Depository are presented in the Subfund's rules.

The specific rates of deductions for the management of the Subfund are set by the decision of the Board of the Management Company and they are available to public on the Management Company's official website at address www.invl.com.

Any other costs not specified in the Subfund's rules or in excess of the defined limits are born by the Management Company at its own expense.

The Subfund's deductions over the reporting period are presented in Note 20.

Investment valuation methods, investment revaluation intervals

The Subfund's net assets are measured at fair value in accordance with the procedure prescribed by legal acts of the Republic of Lithuania and in line with the net assets calculation procedures approved by the Management Company.

Valuation of net assets (NA) is based on the following principles for determining the fair value of investments:

- The fair value of financial instruments traded on regulated markets is determined with reference to the quoted closing price of the instrument or, in case the closing price is not available, with reference to the average market price quoted on that regulated market and/or multilateral trading system, which has a higher liquidity, regularity and frequency of trade in these financial instruments, except for the cases defined in the Methodology for Calculation of Net Assets approved by the Bank of Lithuania;
- The fair value of financial instruments not traded on regulated markets is determined with reference to the Methodology for Calculation of Net Assets approved by the Bank of Lithuania;
- Valuation of investment units (shares) of collective investment undertakings is carried out with reference to the NA value determined by the collective investment undertaking or the last quoted redemption price;
- Valuation of time deposits is based on the amortised cost;
- Valuation of cash on hand and cash held at credit institutions, except for time deposits, is based on the nominal value;
- Valuation of derivative financial instruments is based on the last market value of previous analogous transactions, provided there were no substantial changes in economic circumstances over the period between the date of the transaction and the date of valuation;
- Valuation of other assets is based on the most probable selling price determined by the selected valuation model, which is generally accepted in the financial market.

Valuation of all investments is conducted on each business day.

23.3.2. Accounting policies (continued)

Valuation of liabilities

Valuation of liabilities is based on the requirements of Business Accounting Standards:

- Liabilities initially are recognised at cost;
- Liabilities related to market prices are measured at fair value;
- Liabilities not related to market prices are carried at amortised cost, which approximates to the fair value.

Rules on valuation of investment units

The initial value of the Subfund's unit, which was available before the first calculation of net asset value, was equal to EUR 28.9620.

The Subfund's net asset value for the current day is calculated by midday (12am) of the following day.

The value of the Subfund's unit is calculated by dividing the Subfund's net asset value by the number of all Subfund's units in issue as at the date of calculation. The total value of all units of the Subfund is always equal to the Subfund's net asset value. The value of the Subfund's unit is determined as four figures after the decimal point and rounded according to the mathematical rules of rounding.

The value of the Subfund's unit is announced not later than by midday (12am) of the following day after the calculation of net asset value, on the website at address www.invl.com.

Cash and time deposits:

Cash includes cash balances at accounts opened with credit institutions, overnight deposits and deposits with undefined maturity the repayment of which may be demanded in full or in part at any time without losing accumulated interest thereon (demand deposits).

Time deposits include a deposit amount with the specific deposit repayment date indicated in the deposit agreement, including the deposits with maturity of three months or less that cannot be taken from the account opened with the credit institutions without losing accumulated interest thereon. Time deposits are shown with accumulated interest thereon.

Amounts receivable and amounts payable:

Amounts receivable represent amounts due to the Subfund on sale of investments, amounts due on guarantee contributions and other amounts receivable under contracts. Amounts receivable also include amounts due from the management company that upon receipt are deducted from expenses for the reporting period, other than those defined in the Subfund's rules or which exceed the established limits.

Amounts payable represent amounts due to other funds to which the participants move, amounts due to the participants or their beneficiaries, amounts due to the distributors, amounts payable under the service agreement, and other amounts payable and receivable not specified elsewhere.

Subsequent events

All significant subsequent events that occurred after the end of the reporting period are disclosed in Note 15 of the explanatory notes.



23.3.3. Notes:

Note 1. Significant amounts reported in the financial statements and reasons for their changes:

Significant amounts reported in the financial statements are presented in the explanatory notes.

Note 2. Net asset value, number and value of units

	Opening balance at 1 January 2017	Closing balance at 31 December 2017	One year ago at 31 December 2016*	Two years ago at 31 December 2015
Net asset value, EUR	27,150,409	43,685,816	27,150,409	16,693,207
Unit value, EUR	39.1444	41.0641	39.1444	37.1224
Number of units in circulation	693,596.5857	1,063,844.6008	693,596.5857	449,679.9726

* After the merger of two Latvian investments funds Finasta Obligāciju Fonds and Finasta Sabalansētais Fonds into INVL Emerging Europe Bond Subfund on 19 January 2016, 1,797,252.6946 investment units with the value of EUR 1,797,253 were issued.

Note 3. Number and value of units distributed and redeemed over the reporting period

	Current financial year		Previous financial year *	
	Number of units	Value, EUR	Number of units	Value, EUR
Distributed (by converting monetary funds into units)**	564,419.9671	22,894.913	443,544.5956	16,980,476
Redeemed (by converting units into monetary funds)	194,171.9520	7,789,554	199,627.9825	7,702,870
Difference between the number and value of units (shares) distributed and redeemed	370,248.0151	15,105,359	243,916.6131	9,277,606

* After the merger of two Latvian investments funds Finasta Obligāciju Fonds and Finasta Sabalansētais Fonds into INVL Emerging Europe Bond Subfund on 19 January 2016, 1,797,252.6946 investment units with the value of EUR 1,797,253 were issued.

** The value of distributed units (by converting monetary funds to investment units) does not correspond to the amounts of contributions of participants reported in the statement of changes in net assets (2.1. and 2.2.), because in the table above it excludes the distribution and subfund change fee (deductions are disclosed in Note 20).

Note 4. Structure of investment portfolio

2017

Issuer's name	Country of business	ISIN code	Currency	Quantity, items	Total acquisition value	Total market value	Interest rate	Redemption / conversion date	Share in net assets, %
Non-equity securities traded on other regulated markets									
HRELEC 5.875 10/23/22	HR	XS1309493630	USD	1,200	1,163,424	1,127,019	5.88	2022-10-23	2.58
GLPRLI 6.5 09/22/23	RU	XS1405775450	USD	1,870	1,771,337	1,685,215	6.50	2023-09-22	3.85
GLYHO 8.125 11/14/21	TR	XS1132825099	USD	1,040	863,037	899,526	8.13	2021-11-14	2.06
TURKEY 5.125 05/18/20	TR	XS0503454166	EUR	726	808,389	819,198	5.13	2020-05-18	1.88
SNSPW 4 09/30/21	SE	XS1115183359	EUR	1,625	1,638,671	1,714,682	4.00	2021-09-30	3.93
MACEDO 5.625 07/26/23	MK	XS1452578591	EUR	2,831	3,116,402	3,341,546	5.63	2023-07-26	7.65
BGEOLN 6 07/26/23	GE	XS1405775880	USD	2,402	2,243,764	2,157,815	6.00	2023-07-26	4.94
BULENR 4.875 08/02/21	BG	XS1405778041	EUR	2,991	3,273,346	3,342,056	4.88	2021-08-02	7.65
GARAN 6.25 04/20/21	TR	USM8931TAA71	USD	273	273,732	244,911	6.25	2021-04-20	0.56
ISCTR 6 ¼ 04/25/24	TR	XS1578203462	USD	2,525	2,221,981	2,161,354	6.13	2024-04-25	4.94
KERPW 8.75 01/31/22	UA	XS1533923238	USD	2,227	2,135,940	2,128,480	8.75	2022-01-31	4.87
GARAN 5.875 03/16/23	TR	XS1576037284	USD	1,222	1,161,750	1,081,398	5.88	2023-03-16	2.48
TURKEY 4.125 04/11/23	TR	XS1057340009	EUR	2,195	2,406,790	2,445,536	4.13	2023-04-11	5.60
GAZPRU 6.51 03/07/22	RU	XS0290580595	USD	800	842,179	756,852	6.51	2022-03-07	1.73
RURAIL 4.6 03/06/23	RU	XS1041815116	EUR	1,767	2,024,993	2,091,874	4.60	2023-03-06	4.79
GAZPRU 3.125 11/17/23	RU	XS1521039054	EUR	1,300	1,383,706	1,382,142	3.13	2023-11-17	3.16
CROATI 3.875 05/30/22	HR	XS1028953989	EUR	1,495	1,691,675	1,708,655	3.88	2022-05-30	3.91
VIP 5.95 02/13/23	NL	XS0889401724	USD	2,177	2,066,711	2,001,180	5.95	2023-02-13	4.58
TURKEY 3.25 06/14/25	TR	XS1629918415	EUR	610	604,201	630,350	3.25	2025-06-14	1.44
Total	-	-	-	31,276	31,692,028	31,719,789	-	-	72.60
Total non-equity securities	-	-	-	31,276	31,692,028	31,719,789	-	-	72.60

Note 4. Structure of investment portfolio (continued)

Name of the instrument	Country	Counterparty	Currency	Investment transaction (position)	Value of transactions (position)	Total market value	Maturity date	Share in net assets, %
Other derivative financial instruments								
FW_171017_1	LT	Šiaulių Bankas	EUR	EUR/USD	14,302	14,303	2018-01-30	0.03
FW_170816_8	LT	Šiaulių Bankas	EUR	EUR/USD	9,157	9,157	2018-01-11	0.02
FW_171115_1	LT	Šiaulių Bankas	EUR	EUR/USD	17,066	17,066	2018-01-11	0.04
FW_171220_11	LT	Šiaulių Bankas	EUR	EUR/USD	7,918	7,918	2018-04-17	0.02
FW_170914_4	LT	Šiaulių Bankas	EUR	EUR/USD	(2,076)	(2,076)	2018-01-30	0.00
FW_171013_2	LT	Šiaulių Bankas	EUR	EUR/USD	2,682	2,682	2018-01-30	0.01
FW_171220_4	LT	Šiaulių Bankas	EUR	EUR/USD	8,397	8,397	2018-03-15	0.02
Total	-	-	-	-	-	57,447	-	0.14
Cash								
SEB Bankas AB		EUR		15,441,774	-			35.35
SEB Bankas AB		USD		4,630	-			0.01
Šiaulių Bankas AB		EUR		2,547,453	-			5.83
Total cash		-		17,993,857	-			41.19
Name of the bank				Total market value	Interest rate	Share in net assets, %		

Note 4. Structure of investment portfolio (continued)

Name	Brief description	Total value	Intended purpose	Share in net assets, %
Amounts payable	Amounts payable for financial and investment assets	(6,014,647)	-	(13.77)
Amounts payable	Amounts payable to the management company and the depository	(35,926)	-	(0.08)
Amounts payable	Other payables	(34,704)	-	(0.08)
Total	-	(6,085,277)	-	(13.93)

The Subfund's investment portfolio is in line with the Subfund's investment strategy.

The Subfund's makes investments in the Central and Eastern region. The Subfund's investments are not restricted to a certain industry sector.

At the end of the reporting period, the investments were mostly made in debt securities issued by the companies and the governments of Turkey, Russia and Macedonia.

Note 4. Structure of investment portfolio (continued)

2016

Issuer's name	Country of business	ISIN code	Currency	Quantity, items	Total acquisition value	Total market value	Interest rate	Redemption / conversion date	Share in net assets, %
Non-equity securities traded on other regulated markets									
Bank St Petersburg 7.63% 07/25/17	RU	XS0312572984	USD	750	1,054	756,157	-	2017-07-25	2.79
BULENR 4 ¼ 11/07/18	BG	XS09889152573	EUR	1,029	1,035	1,065,212	-	2018-11-07	3.92
BLTEBG 6.625 11/15/18	BG	XS0994993037	EUR	1,877	1,030	1,932,674	-	2018-11-15	7.12
Lithuania 7.375% 02/11/20	LT	XS0485991417	USD	414	1,171	463,886	-	2020-02-11	1.71
GAZPRU 9 ¼ 04/23/19	RU	XS0424860947	USD	858	1,153	946,094	-	2019-04-23	3.48
RURAIL 3.3744 05/20/21	RU	XS0919581982	EUR	633	1,073	679,082	-	2021-05-20	2.50
MOL 6.25% 09/26/2019	LU	XS0834435702	USD	1,143	1,103	1,206,508	-	2019-09-26	4.44
Garanti 4 ¼ 10/17/19	TR	XS1057541838	USD	588	1,006	565,933	-	2019-10-17	2.08
GLPRLI 6.5 09/22/23	RU	XS1405775450	USD	150	1,021	146,539	-	2023-09-22	0.54
BGARIA 1 ¾ 03/21/23	BG	XS1382693452	EUR	970	1,063	1,031,468	-	2023-03-21	3.80
MACEDO 4 ¾ 12/01/20	MK	XS1318363766	EUR	1,628	1,056	1,719,597	-	2020-12-01	6.33
ROMANI 6 ¾ 2022.02.07	RO	US77586TAA43	USD	413	2,335	922,533	-	2022-02-07	3.40
NOVATEK 6.604 % 02/03/21	RU	XS0588433267	USD	806	1,118	862,170	-	2021-02-03	3.18
GLYHO 8.125 11/14/21	TR	XS1132825099	USD	1,040	994	988,524	-	2021-11-14	3.64
TURKEY 5.125 05/18/20	TR	XS0503454166	EUR	1,276	1,112	1,418,571	-	2020-05-18	5.22
GLPRLI 6.872 01/25/22	RU	XS1319813769	USD	584	1,066	595,631	-	2022-01-25	2.19
SNSPW 4 09/30/21	SE	XS1115183359	EUR	1,471	1,037	1,524,809	-	2021-09-30	5.62
MACEDO 5.625 07/26/23	MK	XS1452578591	EUR	765	1,059	810,330	-	2023-07-26	2.98
BGEOLN 6 07/26/23	GE	XS1405775880	USD	753	1,031	742,848	-	2023-07-26	2.74
BULENR 4.875 08/02/21	BG	XS1405778041	EUR	709	1,063	753,975	-	2021-08-02	2.78
REPHUN 6 ¾ 03/29/21 Corp	HU	US445545AE60	USD	518	2,276	1,127,890	-	2021-03-29	4.15
ISCTR 5 ½ 04/21/22 Corp	TR	XS1508390090	USD	790	958	724,235	-	2022-04-21	2.67
LITHUN 6 ¾ 03/09/21 Corp	LT	XS0602546136	USD	570	1,141	622,204	-	2021-03-09	2.29
TURKEY 4.125 04/11/23	TR	XS1057340009	EUR	1,015	1,064	1,079,912	-	2023-04-11	3.98
Total	-	-	-	20,750	28,019	22,686,782	-	-	83.56
Total non-equity securities	-	-	-	20,750	28,019	22,686,782	-	-	83.56

Note 4. Structure of investment portfolio (continued)

Name of the credit institution	Country	Currency	Total market value	Interest rate	Deposit maturity date	Share in net assets, %
Deposits held in credit institutions						
Šiaulių Bankas AB	LT	EUR	430,325	0.30	2017-09-27	1.58
Šiaulių Bankas AB	LT	EUR	430,325	0.30	2017-09-27	1.58
Šiaulių Bankas AB	LT	EUR	430,325	0.30	2017-09-27	1.58
Šiaulių Bankas AB	LT	EUR	650,438	0.30	2017-09-27	2.40
Šiaulių Bankas AB	LT	EUR	600,404	0.30	2017-09-27	2.21
Total deposits held in credit institutions			2,541,817			9.36

Name of the instrument	Country	Counterparty	Currency	Investment transaction (position)	Value of transaction (position)	Total market value	Maturity date	Share in net assets, %
Other derivative financial instruments								
FW_160919_1	LT	Šiaulių Bankas AB	USD	USD/EUR	80,067	(5,873)	2017-02-24	(0.02)
FW_160812_6	LT	Šiaulių Bankas AB	USD	USD/EUR	3,993,368	(290,808)	2017-01-12	(1.07)
FW_160913_1	LT	Šiaulių Bankas AB	USD	USD/EUR	2,829,280	(226,380)	2017-02-24	(0.83)
FW_161012_2	LT	Šiaulių Bankas AB	USD	USD/EUR	222,162	(13,527)	2017-03-14	(0.05)
FW_160819_2	LT	Šiaulių Bankas AB	USD	USD/EUR	179,793	(16,247)	2017-01-12	(0.06)
FW_160824_2	LT	Šiaulių Bankas AB	USD	USD/EUR	146,786	(12,914)	2017-01-12	(0.05)
FW_161007_1	LT	Šiaulių Bankas AB	USD	USD/EUR	534,879	(38,055)	2017-02-24	(0.14)
FW_160926_2	LT	Šiaulių Bankas AB	USD	USD/EUR	77,808	(6,223)	2017-02-24	(0.02)
FW_161019_2	LT	Šiaulių Bankas AB	USD	USD/EUR	296,725	(16,254)	2017-03-14	(0.06)
FW_161013_1	LT	Šiaulių Bankas AB	USD	USD/EUR	252,077	(15,101)	2017-03-14	(0.06)
FW_161213_1	LT	Šiaulių Bankas AB	USD	USD/EUR	838,613	(17,728)	2017-05-16	(0.07)
FW_161223_1	LT	Šiaulių Bankas AB	USD	USD/EUR	166,255	(253)	2017-05-16	-
Total						(659,363)		(2.43)

Name of the bank	Currency	Total market value	Interest rate	Share in net assets, %
Cash				
SEB Bankas AB	EUR	2,905,807	-	10.70
SEB Bankas AB	USD	542	-	-
Total cash		2,906,349		10.70

Note 4. Structure of investment portfolio (continued)

Name	Brief description	Total value	Intended purpose	Share in net assets, %
Amounts receivable	Other amounts receivable	29	-	-
Amounts payable	Amounts payable for acquired assets	(288,622)	-	(1.06)
Amounts payable	Amounts payable to the management company and the depository	(29,398)	-	(0.10)
Amounts payable	Amounts payable for the redemption of investment units	(6,425)	-	(0.02)
Amounts payable	Other amounts payable	(760)	-	(0.01)
Total	-	(325,176)	-	(1.19)

The Subfund's investment portfolio is in line with the Subfund's investment strategy.

The Subfund makes investments in the Central and Eastern region. The Subfund's investments are not restricted to a certain industry sector.

At the end of the reporting period, the investments were mostly made in the sectors of finance, consumer goods in Bulgaria, Turkey and Russia.



Note 5. Breakdown of investments by the criteria that meet the investment strategy

By geographical area

Breakdown of investments	Market value	Share in assets, %	Market value at the beginning of the reporting period	Share in assets at the beginning of the reporting period, %
Lithuania	18,051,304	41.32	5,874,892	21.64
Macedonia	3,341,546	7.65	2,529,927	9.32
Georgia	2,157,815	4.94	742,848	2.74
Luxemburg	-	-	1,206,508	4.44
Bulgaria	3,342,056	7.65	4,783,329	17.62
Romania	-	-	922,533	3.40
Russia	5,916,083	13.54	3,985,673	14.68
Turkey	8,282,273	18.96	4,777,176	17.59
Hungary	-	-	1,127,890	4.15
Sweden	1,714,682	3.93	1,524,809	5.62
The Netherlands	2,001,180	4.58	-	-
Ukraine	2,128,480	4.87	-	-
Croatia	2,835,674	6.49	-	-
Total	49,771,093	113.93	27,475,585	101.20

Note 6. Change in value of investments

2017

Items reported in the statement of net assets	Change					Balance at 31 December 2017
	Balance at 31 December 2016	Acquired over the period	Sold (redeemed) over the period	Increase in value	Decrease in value	
Time deposits	2,541,817	-	2,547,452	5,635	-	-
Money market instruments	-	-	-	-	-	-
Non-equity securities ²	22,686,782	34,796,355	26,295,663	7,397,668	6,865,353	31,719,789
Non-equity securities issued or guaranteed by governments and central banks	9,196,391	10,382,832	9,618,801	1,529,364	2,544,501	8,945,285
Other non-equity securities	13,490,391	24,413,523	16,676,862	5,868,304	4,320,852	22,774,504
Equity securities	-	-	-	-	-	-
Units and shares of collective investment undertakings	-	-	-	-	-	-
Derivative financial instruments ¹	(659,363)	-	567,251	1,284,061	-	57,447
Total	24,569,236	34,796,355	29,410,366	8,687,364	6,865,353	31,777,236

¹ Balance at 31 December 2016 reflects the fair value of derivative financial instruments.

Acquired over the period equals zero, because the valuation of derivative instruments is made on the following day after the acquisition. Sold (redeemed) over the period reflects the realised result of finalised transactions.

² Balance at 31 December 2016 reflects the fair value of non-equity securities at 1 January plus accrued interest.

Acquired over the period reflects the acquisition value plus accrued interest of the predecessor client as at the date of acquisition.

Sold (redeemed) over the period reflects the sale value comprising accrued interest, acquisition cost and realised gain or loss.

Increase/decrease in value reflects accrued interest and revaluation result.



Note 6. Change in value of investments (continued)

2016

Items reported in the statement of net assets	Change					Balance at 31 December 2016
	Balance at 31 December 2015	Acquired over the period *	Sold (redeemed) over the period	Increase in value	Decrease in value	
Time deposits	-	2,540,000	-	1,817	-	2,541,817
Money market instruments	-	-	-	-	-	-
Non-equity securities ²	15,853,934	26,350,120	21,548,347	7,283,364	5,252,289	22,686,782
Non-equity securities issued or guaranteed by governments and central banks	5,410,897	13,247,715	9,533,633	1,998,924	1,927,513	9,196,391
Other non-equity securities	10,443,037	13,102,405	12,014,714	5,284,440	3,324,777	13,490,391
Equity securities	-	-	-	-	-	-
Units and shares of collective investment undertakings	-	8,895	8,837	-	58	-
Derivative financial instruments ¹	(268,754)	-	(177,091)	-	567,700	(659,363)
Total	15,585,180	28,899,016	21,380,094	7,285,181	5,820,047	24,569,237

¹ Balance at 31 December 2015 reflects the fair value of derivative financial instruments.

Acquired over the period equals zero, because the valuation of derivative instruments is made on the following day after the acquisition.

Sold (redeemed) over the period reflects the realised result of finalised transactions.

² Balance at 31 December 2015 reflects the fair value of non-equity securities at 1 January plus accrued interest.

Acquired over the period reflects the acquisition value plus accrued interest of the predecessor client as at the date of acquisition.

Sold (redeemed) over the period reflects the sale value comprising accrued interest, acquisition cost and realised gain or loss.

Increase/decrease in value reflects accrued interest and revaluation result.

* After the merger of two Latvian investments funds Finasta Obligāciju Fonds and Finasta Sabalansētais Fonds into INVL Emerging Europe Bond Subfund on 19 January 2016, securities with the value of EUR 611,465 were received.

Note 7. Results of sale of investments

During 2017 and 2016, the undertaking had no sale transactions involving financial instruments other than those measured at fair value.

Note 8. Transactions involving derivative financial instruments

The following transactions involving derivative financial instruments were conducted with Šiaulių Bankas AB over the reporting period:

Category of instrument	Settlement date	Gain/loss	Currency	Intended purpose of the derivative	Comments
Currency forward	2017-01-12	(218,306)	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2017-01-12	(12,929)	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2017-01-12	(10,212)	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2017-02-24	(192,411)	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2017-02-24	(4,918)	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2017-02-24	(5,289)	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2017-02-24	(31,688)	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2017-03-14	(9,968)	EUR	Currency risk hedging	Not traded on regulated markets



Note 8. Transactions involving derivative financial instruments (continued)

Currency forward	2017-03-14	(11,066)	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2017-03-14	(11,528)	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2017-05-16	20,283	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2017-05-16	7,135	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2017-05-16	12,086	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2017-05-16	38,237	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2017-06-15	190,287	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2017-07-12	266,187	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2017-08-16	79,865	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2017-09-14	43,249	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2017-09-14	41,126	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2017-10-17	76,732	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2017-10-17	4,883	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2017-10-17	(429)	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2017-11-15	212,568	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2017-12-15	71,955	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2017-12-20	11,402	EUR	Currency risk hedging	Not traded on regulated markets
Total		567,251	-		

Transactions with Šiaulių Bankas AB that expired over the reporting period:

Number of transactions	Purchase		Sale		Gain (loss), EUR
	Currency	Amount, EUR	Currency	Amount, EUR	
25	EUR	33,832,583	USD	33,832,583	567,251
Total	-	33,832,583	-	33,832,583	567,251

During the reporting period, the Subfund entered into currency forward contracts. These contracts were intended for currency risk management purposes. Currency forwards were used to hedge against currency risk arising on investments denominated in USD. They helped reduce the fluctuations in the value of the Subfund's investments and units caused by changes in foreign exchange rates. By entering into these over-the-counter contracts, the Subfund assumes the related credit risk of the issuer of forward contracts. The credit risk is a risk of counterparty or issuer defaulting. This risk is managed by following the principle that the total exposure per single counterparty or issuer may not exceed 20% of net asset value.



Note 8. Transactions involving derivative financial instruments (continued)

Market value of unexpired transactions with Šiaulių Bankas AB at the reporting date:

Category of instrument	Value of liabilities at 31 December 2017	Currency	Comments
Currency forwards	57,447	EUR	Not traded on regulated markets
Total	57,447	-	

Category of instrument	Settlement date	Gain/loss	Currency	Intended purpose of the derivative	Comments
Currency forward	2018-01-11	9,157	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2018-01-11	17,066	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2018-01-30	(2,076)	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2018-01-30	2,682	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2018-01-30	14,302	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2018-03-15	8,397	EUR	Currency risk hedging	Not traded on regulated markets
Currency forward	2018-04-17	7,919	EUR	Currency risk hedging	Not traded on regulated markets
Total		57,447	-		

Unexpired transactions involving derivative financial instruments with Šiaulių Bankas AB:

Number of transactions	Purchase		Sale		Gain (loss), EUR
	Currency	Amount, EUR	Currency	Amount, EUR	
7	EUR	11,404,967	USD	11,404,967	57,447
Total	-	11,404,967	-	11,404,967	57,447



Note 9. Costs of intermediary fees

There were no costs of intermediary fees over the reporting period.

Note 10. Dividends and other benefits assessed and/or paid to the participants that do not result in changes in units

The Subfund did not pay and did not account for any dividends payable to its clients over the reporting period.

Note 11. Borrowings and loans granted

The Subfund had no borrowings for its own needs as at the end and over the reporting period.

Note 12. Third-party guarantee commitments in respect of the undertaking's yield

There were no third-party guarantee commitments in respect of the undertaking's yield as at the end and over the reporting period.

Note 13. Related-party transactions over the financial year and previous financial year

Transactions conducted with the management company and balances thereon are disclosed in Notes 4 and 20.

Note 14. Significant effect of changes in accounting estimates, or if these were not made, adjustments to comparative information due to changes in accounting policies or correction of errors

During the reporting period from 1 January to 31 December 2017, the Subfund applied accounting policies consistent with those applied in the previous financial year.

Note 15. Brief description of significant events after the end of the reporting period, that, if not disclosed, might have material impact on the ability of users of these financial statements to make decisions

There were no significant events after the end of the reporting period.

Note 16. Significant changes in assets and liabilities that occurred after the date of calculation net asset value and that were not included in net asset value

There were no significant changes in assets and liabilities after the end of the reporting period.

Note 17. Other significant information on the financial position of the collective investment undertaking, factors and circumstances that had impact on assets and liabilities of the collective investment undertaking

There is no other significant information on the Subfund's financial position.

Note 18. Financial risk and risk management methods.

Description of risks that affect the Subfund

The Subfund's exposure to financial risks is managed through the diversification of the investment portfolio based on diversification principles defined in the Subfund's rules and legal acts regulating the Subfund's activities.

The Subfund's portfolio risk and liquidity are assessed periodically and reported to the Investment Committee.

Risks relating to the Subfund's investments and their management:

Interest rate risk

Interest rate risk. The value of non-equity securities may increase or decrease as a result of changes in interest rates or expectations relating to them in the future. In managing this risk the management company may use derivative financial instruments and change an average financial maturity of the fund's bonds.

Credit risk

Credit risk is defined as the risk to incur losses due to deteriorated financial position or future prospects of the issuer. This risk is assessed by taking into consideration the issuer's financial position, including but not limited to the financial statements presented by it, credit ratings assigned, other publicly available information such as the company's reports, valuations of financial analysts.

Inflation risk

Acceleration in inflation reduces purchasing power of the Subfund's unit. Inflation risk is managed by investing a part of the Subfund's funds in derivative financial instruments, the value of which changes in response to changes in the inflation growth. As an additional hedge against inflation risk, the funds' managers may choose to invest in bonds whose value is linked with the inflation change rates or replace longer maturity bonds with bonds bearing shorter maturity.



Note 18. Financial risk and risk management methods (continued)

Foreign exchange risk

Losses may be incurred due to adverse fluctuations in foreign currency exchange rate against the euro if the Subfund invests in non-equity securities denominated in a currency other than the Subfund's accounting currency. To manage this risk, the Subfund aims not to accept this risk and makes investments in euro-denominated financial instruments or uses derivative financial instruments to hedge against this risk.

Liquidity risk

This risk is managed on the basis of exposure limits: exposure limit per single counterparty or issuer may not exceed 20% of net asset value.

Sensitivity analysis

A modified duration indicator is the best measure of the Subfund's sensitivity to market risk.

At the end of 2017, the Subfund's modified duration indicator was 2.9 years. This implies that a one percentage point increase in the Subfund's yield will result in around 2.9% decrease in the fund's net asset value (and vice versa).

Note 19. Return on investments and benchmarks for return on investments:

19.1 Benchmark index and brief description:

With effect from 29 October 2010, the Subfund uses the composite benchmark index 0.5*JP Morgan Euro Emerging Markets Bond Index Diversified Europe+0.4* JP Morgan Corporate Emerging Markets Bond Index Broad Europe+0.1* VILIBOR 1 Month.

With effect from 27 March 2015, the Subfund uses the composite benchmark index 0.5*JP Morgan Euro Emerging Markets Bond Index Diversified Europe+0.4* JP Morgan Corporate Emerging Markets Bond Index Broad Europe+0.1* Euro Cash Indices Libor Total Return 1 Month Index.

19.2. Change in value of unit, change in annual gross and annual net return on investments, change in the benchmark index (%):

	Over the reporting period	1 year ago	2 years ago	10 years ago
Change in value of unit ¹	4.90	5.45	6.63	-
Change in value of benchmark index	5.30	6.95	9.68	-
Annual gross return on investments ³	6.12	6.69	7.90	-
Annual net return on investments ²	5.07	5.63	6.67	-
Standard deviation of change in value of unit ⁴	0.82	1.72	2.12	-
Standard deviation of change in value of benchmark index ⁵	1.13	2.29	3.52	-
Correlation factor between value of unit and value of benchmark index ⁶	88.80	92.84	94.36	-
Index tracking error ⁷	0.45	1.14	1.71	-
Alfa ratio ⁸	0.82	0.40	0.10	-
Beta ratio ⁹	0.77	0.73	0.68	-

¹ Change in value of unit does not take into account the distribution fee.

² Annual net return on investments is return on investments of investment instrument portfolio, which takes into account investment management fees charged by the fund and trading costs.

³ Annual gross return on investments is return on investments of investment instrument portfolio, which takes into account only the trading costs.

⁴ Standard deviation of change in value of unit (share) is a standard risk indicator, which shows how far the changes in value of unit (share) are spread above and below the mean change.

⁵ Standard deviation of change in value of benchmark index is a statistical risk indicator, which shows how far the changes in value of benchmark index are spread above and below the mean change.

⁶ Correlation factor between value of unit (share) and value of benchmark index is a ratio, which shows statistical dependence between the values of unit and the values of benchmark index.

⁷ Index tracking error is a ratio, which shows how closely the changes in value of unit match (or follow) the changes in value of benchmark index.

⁸ Alfa ratio is a ratio, which shows the difference between the change in value of unit of pension fund or collective investment undertaking and the change in value of benchmark index, given a comparable risk level.

⁹ Beta ratio is a ratio, which shows the scope of change in value of unit of the pension fund or collective investment undertaking as compared to the change in the value of benchmark index.



Note 19. Return on investments and benchmarks for return on investments (continued)

19.3. Average return on investments, average change in value of unit and its standard change, as well as average change in the benchmark index (%):

	Over the last 3 years	Over the last 5 years	Over the last 10 years	Since start of operations
Average change in value of unit ¹	5.66	4.18	-	4.98
Average change in value of benchmark index ²	7.29	4.49	-	5.28
Average gross return on investments ³	6.90	5.41	-	5.09
Average net return on investments ⁴	5.79	4.28	-	3.56
Average standard deviation of change in value of unit ⁵	1.64	1.65	-	1.85

¹ Average change in value of unit is calculated as a geometric mean of annual changes in value of accounting unit.

² Average change in value of benchmark index is calculated as a geometric mean of annual changes in value of accounting unit.

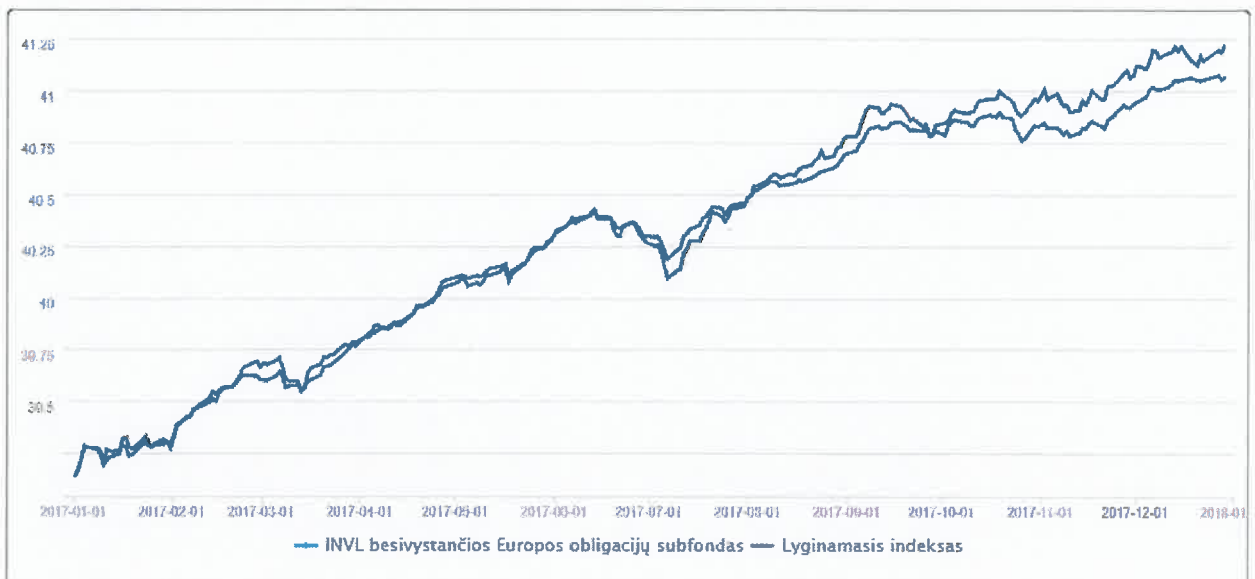
³ Average net return on investments is calculated as a geometric mean of annual changes in net return on investments.

⁴ Average gross return on investments is calculated as a geometric mean of annual changes in gross return on investments.

⁵ Average standard deviation of change in value of unit (share) is a standard annual deviation of change in value of accounting unit over the specified period.

Change in benchmark index and value of unit during the period between 31 December 2016 and 31 December 2017

[Text in the table: INVL Emerging Europe Bond Subfund Benchmark Index]





Note 20. Expense ratios and turnover rates:

2017

	Rates of deductions (fees/charges)		Amount of deductions charged for the reporting period, EUR	% of average net asset value for the reporting period
	Maximum rates as per founding documents	Rates applied during the reporting period		
Management fee:				
<i>Fixed rate</i>	No more than 1% of the Subfund's average annual net asset value	No more than 1% of the Subfund's average annual net asset value	307,548	0.99
<i>Performance fee</i>	Non-applicable	Non-applicable	-	-
Depository fee	No more than 0.5% of the Subfund's average annual net asset value	No more than 0.5% of the Subfund's average annual net asset value	40,249	0.13
Transaction fee	No more than 1% of the value of transactions executed	No more than 1% of the value of transactions executed	-	-
Other operating costs (distribution fee)	2% of the value of the Subfund's unit	2% of the value of the Subfund's unit	-	-
Other operating costs (Subfund change fee)	0.25% of the value of the Subfund's units changed	0.25% of the value of the Subfund's units changed	536	-
Audit fee	Fee payable to audit firm and financial institutions for services rendered - no more than 1% of the Subfund's average annual net asset value	Fee payable to audit firm and financial institutions for services rendered - no more than 1% of the Subfund's average annual net asset value	5,058	0.02
Other operating costs (bank charges)			105	-
Other operating costs (fee charged by the bank for keeping records of participants)	No more than 1% of the Subfund's average annual net asset value	No more than 1% of the Subfund's average annual net asset value	3,456	0.01
Other operating costs (fees charged by the market maker, quotation costs and one-off fees)			13,649	0.05
Total expenses included in TER				370,065
TER as % of NAV *				1.20
Total expenses				370,601
PTR (%) **				98.19

* Total expense ratio (TER) is a percentage value, which shows what part of average net assets of an undertaking is used to cover its management costs. These costs are directly deducted from the investor's return on investments. It is important to note that TER does not take into account the transaction costs.

** Portfolio turnover rate (PTR) is a rate, which shows the level of trading activity in instruments that form the portfolio of the collective investment undertaking. The undertakings with high PTR rate incur higher transaction costs.



Note 20. Expense ratios and turnover rates (continued)

2016

	Rates of deductions (fees/charges)		Amount of deductions charged for the reporting period, EUR	% of average net asset value for the reporting period
	Maximum rates as per founding documents	Rates applied during the reporting period		
Management fee:				
<i>Fixed rate</i>	1% of the Subfund's average annual net asset value	1% of the Subfund's average annual net asset value	230,711	0.99
<i>Performance fee</i>	Non-applicable	Non-applicable	-	-
Depository fee	No more than 0.5% of the Subfund's average annual net asset value	No more than 0.5% of the Subfund's average annual net asset value	22,155	0.10
Transaction fee	No more than 1% of the value of transactions executed	No more than 1% of the value of transactions executed	10	-
Other operating costs (distribution fee)	2% of the value of the Subfund's unit	2% of the value of the Subfund's unit	5,127	0.02
Other operating costs (subfund change fee)	0.25% of the value of the Subfund's units changed	0.25% of the value of the Subfund's units changed	1,016	-
Audit fee	Fee payable to audit firm and financial institutions for services rendered - no more than 1% of the Subfund's average annual net asset value	Fee payable to audit firm and financial institutions for services rendered - no more than 1% of the Subfund's average annual net asset value	5,300	0.02
Other operating costs (bank charges)			196	-
Other operating costs (fee charged by the bank for keeping records of participants)	No more than 1% of the Subfund's average annual net asset value	No more than 1% of the Subfund's average annual net asset value	1,898	0.01
Other operating costs (fees charged by the market maker, quotation costs and one-off fees)			14,761	0.06
Other operating costs (legal costs)	No more than 1% of the Subfund's average annual net asset value	No more than 1% of the Subfund's average annual net asset value	-	-
Total expenses included in TER				275,021
TER as % of NAV *				1.18
Total expenses				281,174
PTR (%) **				100.02

* Total expense ratio (TER) is a percentage value, which shows what part of average net assets of an undertaking is used to cover its management costs. These costs are directly deducted from the investor's return on investments. It is important to note that TER does not take into account the transaction costs.

** Portfolio turnover rate (PTR) is a rate, which shows the level of trading activity in instruments that form the portfolio of the collective investment undertaking. The undertakings with high PTR rate incur higher transaction costs.



Note 20. Expense ratios and turnover rates (continued):

Below is the list of all services of audit company to the Company and the Funds over 2017

	2017	2016
Contractual audit services of financial statements	4,840	5,082
Costs of assurance and other related services	-	-
Tax consulting costs	-	-
Costs of other services	218	218
Total:	5,058	5,300



Note 21. Cash flows:

	Items of cash flows	Financial year	Previous financial year
I.	Cash flows from operating activities		
I.1.	Cash inflows over the reporting period	29,410,367	21,557,185
I.1.1.	Proceeds on disposal of financial assets and investment assets	27,711,522	20,492,647
I.1.2.	Interest received	1,131,593	1,064,538
I.1.3.	Dividends received	-	-
I.1.4.	Proceeds on disposal of derivative financial instruments	567,252	-
I.1.5.	Cash inflows from other activities	-	-
I.2.	Cash outflows over the reporting period	29,434,403	28,448,569
I.2.1.	Payments on acquisition of financial assets and investment assets, and liabilities settled*	29,070,329	25,458,929
I.2.2.	Payments related to the general and administrative needs	334,651	256,651
I.2.3.	Deposits placed	-	2,540,000
I.2.4.	Payments on disposal of derivative financial instruments	-	177,091
I.2.5.	Other payments	29,423	15,898
	Net cash flows from (used in) operating activities (I.1-I.2)	(24,036)	(6,891,384)
II.	Cash flows from financing of activities	-	-
II.1.	Cash inflows over the reporting period. Sales of investment units**	22,895,478	16,375,154
II.2.	Cash outflows over the reporting period. Redemption of investment units	7,762,036	7,696,445
II.3.	Dividends paid	-	-
II.4.	Proceeds of borrowings	-	-
II.5.	Repayments of borrowings	-	-
II.6.	Interest paid	-	-
II.7.	Cash flows relating to other finance sources (+/-)	-	-
II.8.	Other increase in cash flows from financing activities	4,041	4,354
II.9.	Other decrease in cash flows from financing activities	-	-
	Net cash flows from financing activities (II.1- II.2- II.3 + II.4-II.5 - II.6 + II.7 + II.8 - II.9)	15,137, 483	8,683,063
III.	Foreign exchange effect on the balance of cash (+/-) ***	(25,939)	(14,495)
IV.	Net increase (decrease) in cash flows (+/-)	15,087,508	1,777,184
V.	Cash at the beginning of the period	2,906,349	1,129,165
VI.	Cash at the end of the period	17,993,857	2,906,349

* The amount differs from the value of the acquired financial instruments shown in Note 6 due to the following reasons:

1) After the merger of two Latvian investments funds Finasta Obligāciju Fonds and Finasta Sabalansētais Fonds into INVL Emerging Europe Bond Subfund on 19 January 2016, securities with the value of EUR 611,465 were received.

2) transactions not yet settled the value of which is indicated in the line item 1.1. of the statement of net assets

** After the merger of two Latvian investments funds Finasta Obligāciju Fonds and Finasta Sabalansētais Fonds into INVL Emerging Europe Bond Subfund on 19 January 2016, 1,797,253 investment units with the value of EUR 1,797,253 were issued.

*** includes a difference between the transaction's settlement date and the transaction's conclusion date due to foreign exchange effect.



24. The entire text of the auditor's report:

Presented on page 2-6 of the financial statements.

25. Information on investment income and expenses of the collective investment undertaking over the reporting period:

I.	Income from investing activities	
1.	<i>Interest income</i>	5,635
2.	<i>Realised gain (loss) on investment in:</i>	(329,569)
2.1.	equity securities	-
2.2.	non-equity securities	(329,569)
2.3.	money market instruments	-
2.4.	derivative financial instruments	-
2.5.	units of other collective investment undertakings	-
2.6.	real estate objects	-
2.7.	other investments instruments	-
3.	<i>Unrealised gain (loss) on:</i>	1,014,352
3.1.	equity securities	-
3.2.	non-equity securities	(269,709)
3.3.	money market instruments	-
3.4.	derivative financial instruments	1,284,061
3.5.	units of other collective investment undertakings	-
3.6.	real estate objects	-
3.7.	other investment instruments	-
4.	<i>Other income:</i>	1,449,867
4.1.	income from lease of real estate	-
4.2.	positive foreign exchange effect	314,233
4.3.	other	1,135,634
	Total income	2,140,285
II.	Expenses	-
1.	<i>Operating expenses:</i>	370,601
1.1.	deductions of management fee	308,084
1.2.	deductions of depository fee	40,249
1.3.	intermediary fee	-
1.4.	audit fee	5,058
1.5.	deductions of other fees and charges	17,210
2.	<i>Other expenses:</i>	340,172
2.1.	interest expenses	-
2.2.	expenses related to the managed real estate objects	-
2.3.	negative foreign exchange effect	340,172
2.4.	other	-
	Total expenses	710,773
III.	Net income	1,429,512
IV.	Payments (dividends) to holders of investment units	-
V.	Re-invested earnings	1,429,512

26. Other significant information on the financial position of the collective investment undertaking, factors and circumstances that had impact on assets and liabilities of the collective investment undertaking:

There is no other significant information on the Subfund's financial position.



VII. INFORMATION ON PAYMENT OF DIVIDENDS

27. Information on dividends declared and/or paid:

Information is provided in Note 10.

VIII. INFORMATION ON COLLECTIVE INVESTMENT UNDERTAKING'S BORROWINGS FOR ITS OWN NEEDS

28. Collective investment undertaking's borrowings for its own needs as at the end of the reporting period:

Information is provided in Note 11.

IX. OTHER INFORMATION

29. Explanations, comments, graphic illustrations and other important information on the activities of collective investment undertaking enabling the investor to assess appropriately all changes in and results of operations of the undertaking:

Information is provided in Note 19.

X. ACCOUNTABLE PERSONS

30. First and last names (names of legal entities), addresses, titles and registration numbers of permits to engage in relevant activities of consultants whose services were used in the preparation of the financial statements (finance dealer firms, auditors, etc.):

No services of consultants were used in the preparation of these financial statements.

31. First and last names, job titles and workplace of persons who prepared the financial statements (if other than employees of the company):

The financial statements were prepared by the employees of the management company.

32. Statement and signatures made by the management company's head of administration, chief financier, persons who prepared the financial statements and consultants to confirm that information contained in the financial statements is true and fair and that there are no omissions of facts that might substantially affect the values of reported items:

I, Laura Krizinauskienė, Director General of INVL Asset Management UAB, hereby confirm that information contained in these financial statements is true and fair and that there are no omissions of facts that might substantially affect the values of reported items.

(signature)

I, Aušra Montvydaitė, Head of Funds Accounting of INVL Asset Management UAB, hereby confirm that information contained in these financial statements is true and fair and that there are no omissions of facts that might substantially affect the values of reported items.

(signature)

33. Persons responsible for information contained in these financial statements:

33.1. Members of the undertaking's managerial bodies, employees and head of administration responsible for the preparation of financial statements;

Full name	Laura Krizinauskienė	Aušra Montvydaitė
Job position	General Director	Head of Funds Accounting
Telephone number	(8~7) 005 59 59	(8~6) 264 55 82
Fax number	(8~5) 279 06 02	(8~5) 279 06 02
Email address	laura.krizinauskiene@invl.com	ausra.montvydaite@invl.com

33.2. When the financial statements have been prepared by or with assistance of consultants, please specify their full names, telephone and fax numbers, email addresses (if a consultant is a legal entity, please specify its name, telephone and fax numbers, email address and full name(s) of a consultant's representative(s)); please indicate, which specific sections have been prepared by or with assistance of consultants and the scope of their liability.

No services of consultants were used in the preparation of these financial statements.