



INVL BALTIC FUND

ANNUAL FINANCIAL STATEMENTS FOR 2016

PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT



Independent auditor's report

To INVL Asset Management UAB

Our opinion

In our opinion, the financial statements, set out on pages 6 – 27, present fairly, in all material respects, the financial position of INVL Baltic Fund (“the Fund”) managed by INVL Asset Management UAB as at 31 December 2016 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.

What we have audited

The Fund's financial statements comprise:

- the statement of net assets at 31 December 2016;
- the statement of changes in net assets for the year then ended;
- the notes to the financial statements, which include a summary of 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 Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the Law on Audit of the Republic of Lithuania that are relevant to our audit of the financial statements in Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law on Audit of the Republic of Lithuania.

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

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 Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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

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



Auditor's responsibilities for the audit of the financial statements

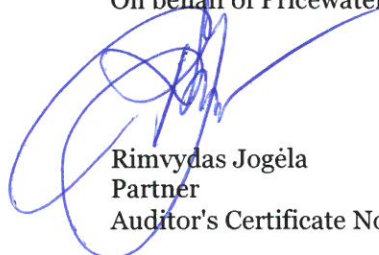
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 Fund'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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Fund 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.

On behalf of PricewaterhouseCoopers UAB



Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
21 April 2017



Rasa Selevičienė
Auditor's Certificate No.000504



I. GENERAL INFORMATION

1. General information about INVL Baltic Fund:

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 1.

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

Information is provided in Note 2.

III. EXPENSE AND TURNOVER RATIOS OF THE COLLECTIVE INVESTMENT UNDERTAKING

7. Deductions from assets of the collective investment undertaking:

Information is provided in Note 19.

8. Intermediary fee:

Information is provided in Note 8.

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 fund.

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	137	309	506	1,131
Accrued amount before deductions	3,150	3,473	3,829	4,887
Accrued amount after deductions	3,013	3,164	3,323	3,755

IV. INFORMATION ON INVESTMENT PORTFOLIO OF THE COLLECTIVE INVESTMENT UNDERTAKING

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

Information is provided in Note 3.

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

Information is provided in Note 4.

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 7.



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 7.

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

Information is provided in Note 7.

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 fund 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 a major impact on the structure of investment portfolio and changes in its value over the reporting period:

Information is provided in Note 3.

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 18.1.

20. Change in unit's value 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 fund'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 unit value 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 unit value and annual changes in value of benchmark index, respectively):

Information is provided in Note 18.3.

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. 11, Vilnius

INVL BALTIC FUND
STATEMENT OF NET ASSETS AS AT 31 DECEMBER 2016

No	Assets	Note No	Financial year	Previous financial year
A.	ASSETS		3,230,554	1,751,317
1.	CASH	3,4	271,180	90,455
2.	TIME DEPOSITS		-	-
3.	MONEY MARKET INSTRUMENTS		-	-
3.1.	Treasury bills		-	-
3.2.	Other money market instruments		-	-
4.	TRANSFERABLE SECURITIES	3,4,5	2,959,374	1,660,862
4.1.	Non-equity securities		-	-
4.1.1.	Non-equity securities issued or guaranteed by governments and central banks		-	-
4.1.2.	Other non-equity securities		-	-
4.2.	Equity securities	3,4,5	2,959,374	1,660,862
4.3.	Investment units and shares of other collective investment undertakings		-	-
5.	PREPAYMENTS		-	-
6.	AMOUNTS RECEIVABLE		-	-
6.1.	Amounts receivable from sale of investments		-	-
6.2.	Other amounts receivable		-	-
7.	INVESTMENT AND OTHER ASSETS		-	-
7.1.	Investment property		-	-
7.2.	Derivative financial instruments		-	-
7.3.	Other assets		-	-
B.	LIABILITIES		19,748	3,413
1.	Amounts payable	3	19,748	3,395
1.1.	Amounts payable for financial and investment assets		-	-
1.2.	Amounts payable to management company and depository	3	6,765	3,395
1.3.	Other payables	3	12,983	-
2.	Accrued charges		-	-
3.	Borrowings from credit institutions		-	-
4.	Liabilities under contracts on derivative financial instruments		-	-
5.	Other liabilities	3	-	18
C.	NET ASSETS	1	3,210,806	1,747,904

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

General Director

Darius Šulnis

21 April 2017

Head of Funds Accounting

Aušra Montvydaitė

21 April 2017

(signature)

(signature)



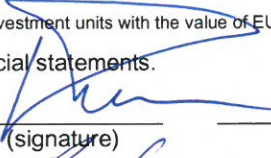
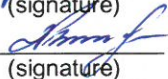
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INVL BALTIC FUND
STATEMENT OF CHANGES IN NET ASSETS FOR 2016

No	Items	Note No	Financial year	Previous financial year
1.	NET ASSET VALUE AT 1 JANUARY	1	1,747,904	2,057,465
2.	INCREASE IN NET ASSET VALUE		-	
2.1.	Contributions of participants	2	2,492,778	241,646
2.2.	Transfers from other funds*	2	396,320	-
2.3.	Guarantee contributions		-	-
2.4.	Investment income		115,914	71,306
2.4.1.	Interest income		-	-
2.4.2.	Dividends		115,914	71,306
2.4.3.	Rental income		-	-
2.5.	Gain on change in value and sale of investments	5	1,112,603	694,098
2.6.	Foreign exchange gain		1	-
2.7.	Gain on transactions involving derivative financial instruments		-	-
2.8.	Other increases in net asset value		-	-
	TOTAL INCREASE IN NET ASSET VALUE		4,117,616	1,007,050
3.	DECREASE IN NET ASSET VALUE		-	-
3.1.	Payments to participants	2	1,966,413	716,624
3.2.	Transfers to other funds		-	-
3.3.	Loss on change in value and sale of investments	5	633,548	554,044
3.4.	Foreign exchange loss		1	-
3.5.	Loss on transactions involving derivative financial instruments		-	-
3.6.	Management costs:	19	54,752	45,943
3.6.1.	Fee to management company	19	45,100	38,456
3.6.2.	Fee to depository	19	2,198	2,518
3.6.3.	Fee to intermediaries	8,19	3,029	1,455
3.6.4.	Audit fee costs	19	1,178	605
3.6.5.	Interest costs		-	-
3.6.6.	Other costs	19	3,247	2,909
3.7.	Other decreases in net asset value		-	-
3.8.	Reimbursement of costs (-)		-	-
	TOTAL DECREASE IN NET ASSET VALUE		2,654,714	1,316,611
4.	Change in value of net assets		1,462,902	(309,561)
5.	Profit appropriation		-	-
6.	NET ASSET VALUE AT 31 DECEMBER	1	3,210,806	1,747,904

* After the merger of INVL Flexible Strategy Subfund into INVL Baltic Fund on 31 May 2016 investment units with the value of EUR 396,320 were issued.

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

General Director	<u>Darius Šulnis</u>		21 April 2017
		(signature)	
Head of Funds Accounting	<u>Aušra Montvydaitė</u>		21 April 2017
		(signature)	



INVL ASSET MANAGEMENT UAB
126263073, Gynėjų g. 11, Vilnius

INVL BALTIC FUND

Explanatory notes to the annual financial statements for 2016

23.3.1. General information:

Details of the collective investment undertaking

Name	INVL Baltic Fund
Type, legal form	Open-ended harmonised investment fund 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	8 December 2005
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 – Director of the Investment Management Department.

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 Baltic Fund has been listed on OMX Stock Exchange with effect from September 2013.

Reporting period

From 1 January 2016 to 31 December 2016.



23.3.2. Accounting policies:

Regulatory legislation adopted in the preparation of the financial statements

INVL Asset Management UAB manages the assets of the fund, keeps the fund'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.

The financial year of the fund coincides with the calendar year. The fund's financial statements are prepared within four months following the end of the financial year. All amounts in these financial statements have been presented in the euros.

Due to rounding effects, some tabular amounts may not add up.

Investment policy and structure of investment portfolio

Investment trends: the primary investment trend of the fund is focused on equity securities (shares) of companies developing their businesses in the Baltic countries (Lithuania, Latvia and Estonia).

Investment areas of specialisation: the fund's activities are restricted to geographical area of Baltic and Nordic countries, with investments made only in the Republic of Lithuania and other countries defined in paragraph 27 of the prospectus. The fund's investments are not restricted to any industry sector or any style of investment. Investment objects are as follows: no more than 50% of the fund's net assets are invested in shares of companies listed on stock exchanges of Lithuania, Latvia and Estonia. The remaining part of the fund's net assets may be invested in shares of companies with substantial part of their business developed in the Baltic states, which are quoted on other markets referred to in paragraph 27 of the prospectus, as well as in other investment instruments referred to in paragraph 2.4 of the fund's rules. The fund's assets may be invested in units of other collective investment undertakings investing in the Baltic countries. The fund's investments in units of other collective investment undertaking may not exceed 20% of the fund's net assets. To maintain liquidity level of investments, the fund's assets may be invested in both, government and corporate non-equity securities. The fund's investments in corporate non-equity securities may not exceed 25% of the fund's net assets. The fund's assets may be held as cash or as investments in money market instruments to mitigate the fund's exposure to risks arising on market volatility or while waiting for favourable conditions to acquire the shares.

Benchmark index: the fund's performance is assessed with reference to the following benchmark index: OMX Baltic Benchmark Cap GI index computed by Nasdaq OMX Baltic Stock Exchanges. This index of return on equity securities is based on the shares of the companies with the highest liquidity and market capitalisation operating across all industry and service sectors of the three Baltic States – Lithuania, Latvia and Estonia. For more information on the benchmark index visit www.invl.com, www.baltic.omxgroup.com and other sources. Bloomberg ticker of the index: OMXBBGI.

The fund's assets are invested in securities with adequate liquidity level. Significant changes in the fund's net asset value are only probable in case of high volatility of the entire market. The fund focuses on long-term investments. The fund's investment portfolio management approach is based on the identification of attractive industry sectors and companies. The fund's managers are engaged in active consideration and realisation of innovative investment ideas.

The fund's portfolio structure is in line with the general rules and restrictions defined in the legal acts.

Financial risk management

The fund's assets are invested in the following financial instruments in line with the defined objectives and investment policy of the fund:

- shares, depository receipts in respect of shares and harmonised investment units (shares) of collective investment undertakings with primary investment trend focused on shares, depository receipts in respect of shares;
- bonds and other forms of non-equity securities and harmonised investment units (shares) of collective investment undertakings with primary investment trend focused on bonds and other forms of non-equity securities;
- other securities which carry the right to acquire or dispose of the transferable securities or which result in cash settlements set on the basis of transferrable securities, currencies, interest rates, yield, commodities and other indices and instruments;
- other harmonised investment units (shares) of collective investment undertakings with primary investment trend focused on transferrable securities, raw materials, commodities, currencies, interest rates, yields, other indices;
- special collective investment undertakings (alternative investment, private equity, real estate) and collective investment undertakings that are not regulated under the Lithuanian Law on Collective Investment Undertakings (investing directly in commodities, raw materials, currencies, etc.);
- money market instruments and harmonised investment units (shares) of collective investment undertakings with primary investment trend focused on money market instruments;
- deposits held with credit institutions;



23.3.2. Accounting policies (continued)

- derivative financial instruments linked with the above-mentioned financial instruments, financial indices, interest rates, currencies or exchange rates, provided they are used for risk management purposes.

The fund's investment portfolio should be composed in compliance with the investment portfolio's diversification requirements and investment restrictions as set forth in the Lithuanian Law on Collective Investment Undertakings.

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

The Investment Committee decides on the composition of the fund'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 fund's portfolio risk is assessed periodically and reported at the Meeting of the Investment Committee at least on a quarterly basis.

The fund'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;
- historical and expected fluctuations in price of nominal currency;
- maturity;
- yield;
- weight of securities in total investment portfolio.

No more than 20% of the fund's net assets may be invested in transferable securities and money market instruments issued by companies of the group, which is required to prepare the consolidated financial statements.

Shares held by the fund together with the management company or other managed collective investment undertakings in an issuing body may not carry over 1/10 of the voting rights at the issuer's general meeting of shareholders.

The fund may 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 of a single issuing body.

The management company reviews the investment strategy at least once during a 3-year period and makes amendments, if necessary.

Policies for recognition of increase and decrease in assets and liabilities

Calculation of net asset value (NAV) includes as follows:

- value of assets;
- value of liabilities;
- difference between the value of assets and the value of liabilities reflects the value of net assets.

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

Financial assets are recorded when the fund receives or obtains a contractual right to receive cash or any other financial assets. Planned transactions, guarantees and sureties received are not recognised as assets of the fund for as long as they do not meet the definition criteria of financial assets.

Transactions in financial instruments are included in the NAV prevailing at the date on which the transaction was concluded, except for:

- when at the date of the transaction it is not possible to determine necessary details relating to the inclusion of the transaction in the NAV, such as the quantity or the price of the financial instrument. In this case transactions are included upon the receipt of the confirmation on the concluded transaction;
- due to other significant reasons transaction in financial instruments may be included in the NAV at the settlement date.



23.3.2. Accounting policies (continued)

Financial liabilities are recorded when the fund assumes a commitment to pay cash or any other financial assets. Planned transactions, guarantees and sureties granted but not yet executable are not recognised as liabilities of the fund for as long as they do not meet the definition criteria of financial liabilities.

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

When calculating the value of net assets, transactions whose existence and performance or the results' documentation in accordance with the procedure established by the Lithuanian legal acts are related to foreign currencies are translated to the euros in the accounting using a foreign exchange reference rate 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 by the Bank of Lithuania, unless otherwise prescribed by law.

Rules on deductions to the accumulation undertaking and the depository

The fee charged by the management company for the management of the fund is paid from the fund's assets.

The annual fee to the management company may be no more than 2% of the fund's average annual net asset.

The fee to the management company does not include the fee charged by the management company for the distribution and change of the fund's units.

The distribution fee that is included in the sale price of the fund's unit is paid by the participant for the fund's units acquired under the agreement for purchase/sale of the fund's units.

The fee to the management company is calculated on accrual basis on each business day on the basis of the fund's net asset value and increase in the value of the fund's unit on that day following the principle of simultaneity.

After the end of the calendar year, the management fee rate is reviewed. All overpayments during the calendar year are refunded to the fund over 30 (thirty) calendar days after the end of the financial year, and all underpayments should be covered to the management company by the fund over 30 (thirty) calendar days after the end of the financial year.

Overpayments refunded by the management company to the fund are added to the fund's net asset value.

The fee to the depository for the services rendered by the depository under the agreement is paid from the fund's assets and it may be no more than 0.25 (point twenty five) percent of the fund's average annual net asset value.

The fee to the depository represents the fee charged on:

- the services of the depository; it is calculated on accrual basis on each business day on the fund's net asset value. The fee is calculated based on assumption that one year has the actual number of business days;
- custody of the fund's assets; it is calculated on accrual basis on each business day on the value of securities and in view of the country of custody. The fee is calculated based on assumption that one year has the actual number of business days;
- movements on the accounts of financial instruments; it is calculated on each business day of transactions in the accounts of financial instruments.

After the end of the calendar year, the rate of asset custody fee is reviewed. All overpayments during the calendar year are refunded to the fund over 30 (thirty) calendar days after the end of the financial year, and all underpayments should be covered to the depository by the fund over 30 (thirty) calendar days after the end of the financial year.

Overpayments refunded by the depository to the fund are added to the fund's net asset value.

23.3.2. Accounting policies (continued)

Investment valuation methods, investment revaluation intervals¹

The fair value of financial instruments traded on regulated markets of the Baltic states (NASDAQ OMX Vilnius, NASDAQ OMX Riga, NASDAQ OMX Tallinn), and the fair value of financial instruments traded on other than aforementioned regulated markets is determined with reference to the closing price, except when:

- the financial instruments have been quoted on several regulated markets, in which case their fair value is based on the inputs of the regulated market, which has a higher liquidity, regularity and frequency of trade in these financial instruments;
- based on the defined criteria, it is impossible to select reasonably the market, the inputs of which should be used to determine the fair value of the financial instrument, in which case the fair value is based on the inputs of the regulated market, in which the issuer's registered place of business is located;
- the financial instrument has not been quoted during the last trading session, in which case the fair value is based on the last known average market price or closing price, however not more than 30 calendar days ago, if no events have occurred since the last trading date that would make the current market price significantly lower or higher than the last known price;
- the financial instrument has not been quoted for more than 30 calendar days as at the valuation date or has been quoted less frequently than defined in the management company's procedure for the calculation of the fund's net assets, in which case the fair value is determined similarly as for the financial instruments that are not traded on regulated markets.

The procedure for valuation of financial instruments that are not traded on regulated markets is as follows:

Equity securities:

- based on the valuation of independent business valuer qualified to be engaged in such activities, unless no more than 1 year has passed after the valuation and no events have occurred after the valuation that would make the current market price significantly lower or higher than that determined by the valuer;
- when the above-mentioned valuation is not available or the above-mentioned conditions are not met, the valuation is based on earnings (before tax) per share (using the weighted average number of shares in issue during a certain period) of a comparable company multiplied by earnings per share of the company in question;
- when due to certain reasons the above-mentioned valuation techniques cannot be used, the valuation is based on the probable selling price determined under the selected valuation technique defined in the management company's procedure for the calculation of the fund's net asset value, which is generally accepted and widely applied in the finance market;

The valuation of non-equity securities and money market instruments is made in accordance with the methodology for the calculation of net asset value adopted by the Bank of Lithuania or based on the following valuation techniques if they reflect more accurately the value of these financial statements.

Non-equity securities:

- profitability of securities of the Republic of Lithuania is determined with reference to the average profitability, given the lowest bid price and the highest ask price for particular issue of securities on that day provided by at least three primary dealers (SEB Bankas AB, DNB Bankas AB, Swedbank AB);
- the fair value of foreign securities and non-quoted securities is determined under one of the following methods:
- based on profitability data and (or) prices provided by Bloomberg, Reuters or any other international news agencies, information sources;
- based on the value of securities with analogous maturity, analogous rating and similar issue conditions;
- based on the probable selling price determined under the valuation technique of relevant financial instrument defined in the management company's procedure for the calculation of the fund's net asset value;
- where it is impossible to determine the price of securities based on the above-mentioned methods, the value of securities is determined under the accumulated interest method (by amortising the value of securities).

The official source of the valuation of a specific financial instrument is agreed between the management company and the depository in the manner established in the agreement signed with the depository.

The value of derivative financial instrument is determined with reference to the last market price of previous analogous transaction, provided there were no significant changes in economic circumstances over the period from the date of transaction to the date of valuation. If this condition is not met, the valuation is based on the probable selling price determined under the selected valuation technique defined in the management company's procedure for the calculation of the fund's net asset value, which is generally accepted and widely applied in the finance market;

The valuation of units (shares) of collective investment undertakings is based on the last quoted redemption price;

The valuation of time deposits held in banks is based on the amortised cost.

¹ until 14/10/2015 the fair value of instruments traded on regulated markets of the Baltic countries was determined using the average price



23.3.2. Accounting policies (continued)

The valuation of cash and cash held in credit institutions is based on the nominal value;

The valuation of money market instruments with the redemption term or the remaining time to redemption not longer than 397 days or with yields regularly updated in line with money market conditions at least once during 397 days, or the risk of which (including credit and interest rate risks) is very similar to the risk of financial instruments, the redemption term and yields of which satisfy the aforementioned characteristics, may be based on the amortised cost method.

The valuation of other assets is based on the probable selling price determined under the selected valuation technique defined in the management company's procedure for the calculation of the fund's net asset value, which is generally accepted and widely applied in the finance market.

The valuation of all investments is conducted on each business day.

Rules on valuation of investment units

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

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

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

The value of the fund'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 fund 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 fund's rules or which exceed the established limits.

Amounts payable represent amounts due to other funds to which the participant 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 events that occurred after the end of the reporting period are disclosed in Note 14 of the explanatory notes.



23.3.3. Notes:

Note 1. Net asset value, number and value of units

	Opening balance at 1 January 2016	Closing balance at 31 December 2016*	One year ago at 31 December 2015*	Two years ago at 31 December 2014
Net asset value, EUR	1,747,904	3,210,806	1,747,904	2,057,465
Unit value, EUR	25.8503	32.7029	25.8503	24.0199
Number of units in circulation	67,616.483243	98,181.112140	67,616.483243	85,656.543743

* After the merger of INVL Flexible Strategy Subfund into INVL Baltic Fund on 31 May 2016 investment units with the value of EUR 396,320 were issued.

Note 2. 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)**	97,963.607853	2,888,927	9,252.188737	241,477
Redeemed (by converting units into monetary funds)	67,398.978956	1,966,413	27,292.249237	716,624
Difference between the number and value of units (shares) distributed and redeemed	30,564.628897	922,514	(18,040.060500)	(475,147)

* After the merger of INVL Flexible Strategy Subfund into INVL Baltic Fund on 31 May 2016 13,910.792108 investment units with the value of EUR 396,320 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 19)

Note 3. Structure of investment portfolio

2016

Issuer's name	Country	ISIN code	Quantity, items	Total acquisition value	Total market value	Share in net assets, %
Equity securities listed on the Main List of Stock Exchange or its equivalent						
Apranga PVA AB	LT	LT0000102337	60,080	155,209	154,406	4.81
Vilkyškių Plieninė AB	LT	LT0000127508	54,564	84,717	128,225	3.99
Šiaulių Bankas AB	LT	LT0000102253	422,461	114,989	189,685	5.91
Rokiškio Sūris AB	LT	LT0000100372	78,373	118,941	138,720	4.32
Linus Agro Group AB	LT	LT0000128092	214,703	146,682	136,980	4.27
Grigeo Grigiškes AB	LT	LT0000102030	194,854	166,840	220,185	6.86
Energijos Skirstymo Operatorius AB	LT	LT0000130023	170,092	149,243	146,619	4.57
Silvano Fashion Group	EE	EE3100001751	71,056	109,334	210,326	6.55
Tallink Grupp	EE	EE3100004466	165,942	146,824	151,505	4.72
Grindeks	LV	LV0000100659	28,000	107,800	122,920	3.83
Merko Ehitus	EE	EE3100098328	11,320	90,910	102,446	3.19
Olainfarm	LV	LV0000100501	29,559	220,276	251,547	7.83
Olympic Entertainment Group	EE	EE3100084021	83,450	156,708	148,541	4.63
Tallinna Kaubamaja Grupp AS	EE	EE0000001105	16,570	100,743	136,371	4.25
SAF Tehnika	LV	LV0000101129	19,700	63,361	69,147	2.15
Teo LT	LT	LT0000123911	162,107	149,481	151,246	4.71
Total	-	-	1,782,831	2,082,058	2,458,869	76.59
Equity securities listed on the Secondary List of Stock Exchange or its equivalent						
Valmieras Stikla Skiedra	LV	LV0000100485	39,218	117,055	121,968	3.80
Latvijas Balzams	LV	LV0000100808	17,000	122,530	127,840	3.98
Žemaitijos Pienas PVA AB	LT	LT0000121865	130,111	106,177	139,219	4.34
Total	-	-	186,329	345,762	389,027	12.12
Equity securities traded on other regulated markets						
City Service SE	EE	EE3100126368	48,101	82,196	111,478	3.47
Telefonija *	RS	RSTLNE22541	1,000	-	-	-
Total	-	-	49,101	82,196	111,478	3.47
Total non-equity securities			2,018,261	2,510,016	2,959,374	92.18

* Telefonija (ISIN RSTLNE22541) is measured at a zero value due to the initiated bankruptcy procedure and suspension of trade in shares from 2 October 2014

Note 3. Structure of investment portfolio (continued):

Name of bank	Currency	Total market value	Interest rate	Share in net assets, %
Cash				
SEB Bankas AB	EUR	271,180	-	8.45
Total cash	-	271,180	-	8.45

Name	Brief description	Total value	Intended purpose	Share in net assets, %
Amounts payable	Amounts payable for the redemption of investment units	(12,647)	-	(0.39)
Amounts payable	Amounts payable to the management company and the depository	(6,765)	-	(0.21)
Amounts payable	Other amounts payable	(336)	-	(0.01)
Total	-	(19,748)	-	(0.61)

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

The fund invests in shares of companies of the Baltic countries.

At the end of the reporting period, the fund's assets were mostly invested in the sectors of consumer goods and health care on stock exchanges in Vilnius, Tallinn and Riga.

Note 3. Structure of investment portfolio (continued):
2015

Issuer's name	Country	ISIN code	Quantity, items	Total acquisition value	Total market value	Share in net assets, %
Equity securities listed on the Main List of Stock Exchange or its equivalent						
City Service SE	EE	EE3100126368	48,111	82,213	79,527	4.55
Apranga PVA AB	LT	LT0000102337	30,721	79,386	79,322	4.54
Vilkyškių Plėninė AB	LT	LT0000127508	45,311	63,657	79,294	4.54
Šiaulių Bankas AB	LT	LT0000102253	435,384	116,065	128,874	7.37
Rokiškio Sūris AB	LT	LT0000100372	55,512	84,163	78,827	4.51
Linus Agro Group AB	LT	LT0000128092	117,508	84,066	77,673	4.44
Grigeo Grigiškės AB	LT	LT0000102030	128,854	85,432	140,709	8.05
LESTO AB	LT	LT0000128449	81,259	73,966	75,490	4.32
Tallink Grupp	EE	EE3100004466	94,942	81,992	81,175	4.64
Silvano Fashion Group	EE	EE3100001751	59,699	100,172	76,474	4.38
Grindeks	LV	LV0000100659	12,704	114,436	66,061	3.78
Merko Ehitus	EE	EE3100098328	5,820	40,581	49,482	2.83
Olainfarm	LV	LV0000100501	21,069	150,263	149,864	8.57
Olympic Entertainment Group	EE	EE3100084021	59,844	113,845	107,300	6.14
Tallinna Kaubamaja Grupp AS	EE	EE0000001105	11,291	60,015	76,079	4.35
SAF Tehnika	LV	LV0000101129	12,000	37,388	37,800	2.16
Total	-	-	1,220,029	1,367,641	1,383,950	79.18
Equity securities listed on the Secondary List of Stock Exchange or its equivalent						
Klaipėdos Nafta	LT	LT0000111650	341,557	116,397	125,351	7.17
Latvijas Gaze	LV	LV0000100899	8,484	80,297	82,880	4.74
Valmieras Stikla Skiedra	LV	LV0000100485	20,200	63,428	68,680	3.93
Total	-	-	370,241	260,122	276,912	15.84
Total equity securities			1,590,270	1,627,763	1,660,862	95.02

Note 3. Structure of investment portfolio (continued):

Cash		Name of bank	Currency	Total market value	Interest rate	Share in net assets, %
		SEB Bankas AB	EUR	90,455	-	5.18
		Total cash	-	90,455	-	5.18

Name	Brief description	Total value	Intended purpose	Share in net assets, %
Amounts payable	Accrued but not yet paid fees to the depository and the management company	(3,395)	-	(0.20)
Amounts payable	Other amounts payable and liabilities	(18)	-	-
Total	-	(3,413)	-	(0.20)

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

The fund is in compliance with the investment strategy principle to invest 50 to 100% of the fund's net assets in securities of companies quoted on stock exchanges in Lithuania, Latvia and Estonia. At the end of the reporting period, the fund's assets were mostly invested in the sectors of consumer goods, industry and health care on stock exchanges in Vilnius, Tallinn and Riga.



Note 4. Breakdown of investments by the criteria that meet the investment strategy

By investment object

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, %
Shares	2,959,374	92.17	1,660,862	95.02
Government non-equity securities	-	-	-	-
Corporate non-equity securities	-	-	-	-
Collective investment instruments	-	-	-	-
Money market instruments	-	-	-	-
Deposits	-	-	-	-
Derivative financial instruments	-	-	-	-
Cash held in credit institutions	271,180	8.45	90,455	5.18
Other instruments	-	-	-	-
Total	3,230,554	100.62	1,751,317	100.20

By industry sector

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, %
Telecommunications	151,246	4.71	-	-
Health care	374,467	11.66	215,924	12.35
Emergency goods and services	733,924	22.86	382,071	21.86
Convenience goods and services	807,356	25.14	311,873	17.84
Financial services	189,685	5.91	128,874	7.37
Industrial materials	224,414	6.99	118,162	6.76
Utility goods and services	258,097	8.04	155,017	8.87
Energy	-	-	208,232	11.91
Materials	220,185	6.86	140,709	8.05
Total	2,959,374	92.17	1,660,862	95.02

By currency

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, %
EUR	3,119,076	97.15	1,751,317	100.20
PLN	111,478	3.47	-	-
Total	3,230,554	100.62	1,751,317	100.20



Note 4. 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	1,676,465	52.21	875,994	50.12
Latvia	693,422	21.60	405,285	23.19
Estonia	860,667	26.81	470,038	26.89
Total	3,230,554	100.62	1,751,317	100.20

By type of issuer

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, %
Government of the Republic of Lithuania	-	-	-	-
Governments of other countries	-	-	-	-
Companies registered in the Republic of Lithuania	1,405,285	43.77	785,539	44.94
Companies registered outside the Republic of Lithuania	1,554,089	48.40	875,323	50.08
Collective investment undertakings registered in the Republic of Lithuania	-	-	-	-
Collective investment undertakings registered outside the Republic of Lithuania	-	-	-	-
Other	-	-	-	-
Total	2,959,374	92.17	1,660,862	95.02



Note 5. Change in value of investments

2016

Items of 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	-	-	-	-	-	-
Money market instruments	-	-	-	-	-	-
Non-equity securities ²	-	-	-	-	-	-
Non-equity securities issued or guaranteed by governments and central banks	-	-	-	-	-	-
Other non-equity securities	-	-	-	-	-	-
Equity securities	1,660,862	1,487,766	668,309	1,112,598	633,543	2,959,374
Units and shares of collective investment undertakings	-	31	31	5	5	-
Derivative financial instruments ¹	-	-	-	-	-	-
Total	1,660,862	1,487,797	668,340	1,112,603	633,548	2,959,374

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 INVL Flexible Strategy Subfund into INVL Baltic Fund on 31 May 2016 securities (investment units of the collective investment undertaking) with the value of EUR 31 were received.

2015

Items of the statement of net assets	Change					Balance at 31 December 2015
	Balance at 31 December 2014	Acquired over the period	Sold (redeemed) over the period	Increase in value	Decrease in value	
Time deposits	-	-	-	-	-	-
Money market instruments	-	-	-	-	-	-
Non-equity securities ²	-	-	-	-	-	-
Non-equity securities issued or guaranteed by governments and central banks	-	-	-	-	-	-
Other non-equity securities	-	-	-	-	-	-
Equity securities	1,986,159	249,057	714,408	694,098	554,044	1,660,862
Units and shares of collective investment undertakings	-	-	-	-	-	-
Derivative financial instruments ¹	-	-	-	-	-	-
Total	1,986,159	249,057	714,408	694,098	554,044	1,660,862

¹ Balance at 31 December 2014 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 2014 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. Results of sale of investments

During 2016 and 2015, the undertaking had no sale transactions involving financial instruments other than those measured at fair value.

Note 7. Derivative financial instruments

During the reporting period, there were no transactions involving derivative financial instruments.

Note 8. Costs of intermediary fees

Name of the intermediary	Description of services rendered	Fee for the services during the reporting period, EUR	Fee for the services during the previous reporting period, EUR	Relationship of the intermediary to the management company
Finasta Bankas AB	Commission fee for intermediation services in transactions involving securities	-	911	The management company and intermediary have signed an agreement on intermediation services *
Šiaulių Bankas AB	Commission fee for intermediation services in transactions involving securities	3	108	The management company and intermediary have signed an agreement on intermediation services.
SEB Bankas AB	Commission fee for intermediation services in transactions involving securities	3,026	436	SEB Bankas AB is the depository of the fund managed by the management company
Total	-	3,029	1,455	-

Note 9. Dividends and other benefits assessed and/or paid to the participants that do not result in changes in units

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

Note 10. Borrowings and loans granted

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

Note 11. 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 12. Related-party transactions over the financial year and previous financial year

Transactions and balances arising on these transactions with the management company have been disclosed in Notes 3 and 19.

Note 13. 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 2016 to 31 December 2016, the fund applied accounting policies consistent with those applied in the previous year.

Note 14. 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 15. 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 16. 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 financial position of the fund.



Note 17. Financial risk and risk management methods

Description of risks that affect the fund

The fund incurs the following risk factors: interest rate risk, credit risk, inflation risk, market liquidity risk, foreign exchange risk, counterparty and settlement risk, political and legal risk, the fund's investment target and investment policy risks.

Liquidity risk

At the end of 2016, the fund had no significant financial liabilities.

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 – share market risk

Beta ratio is the best measure of the fund's sensitivity to market risk (calculated using the fund's data and the fund's benchmark index data).

At the end of 2016, the fund's *Beta* ratio was 0.92 (for 12 months). This implies that a 1% change in the fund's benchmark index will result in average 0.92% change in the fund's value.

The sensitivity analysis is based on the following assumptions:

- historical correlation that existed between the fund's investments and their benchmark index will still be relevant in the future;
- there is a linear correlation between the fund's value and the values of benchmark index over time.

Note 18. Return on investments and benchmarks for return on investments:

18.1 Benchmark index and its brief description:

As from 15 December 2005, the fund used benchmark index OMX BALTIX.

As from 1 January 2007, the fund uses benchmark index OMX Baltic Benchmark Capped Gross index, that shows changes in prices of shares of the Baltic companies.

18.2. 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	26.51	7.62	(5.81)	21.01
Change in value of benchmark index	22.75	11.25	(4.41)	17.58
Annual gross return on investments ³	29.36	9.99	(3.13)	23.30
Annual net return on investments ²	26.79	7.69	(5.11)	21.00
Standard deviation of change in value of unit ⁴	6.59	6.44	8.99	8.99
Standard deviation of change in value of benchmark index ⁵	6.07	8.13	8.65	9.60
Correlation factor between value of unit and value of benchmark index ⁶	88.74	92.45	95.09	94.04
Index tracking error ⁷	3.05	2.84	3.61	5.72
Alfa ratio ⁸	4.85	(3.12)	(0.41)	5.02
Beta ratio ⁹	0.92	0.99	1.21	0.88

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

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

³ Annual gross return on investments stands for return on investments in 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 18. Return on investments and benchmarks for return on investments (continued):

18.3. Average return on investments, average change in value of unit and its standard change, and 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	8.65	7.22	(0.88)	1.11
Average change in value of benchmark index ²	9.29	12.47	1.19	2.93
Average gross return on investments ³	10.55	8.84	(0.08)	2.06
Average net return on investments ⁴	9.02	7.06	(1.89)	0.26
Average standard deviation of change in value of unit (share) ⁵	7.43	7.47	13.21	12.88

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.

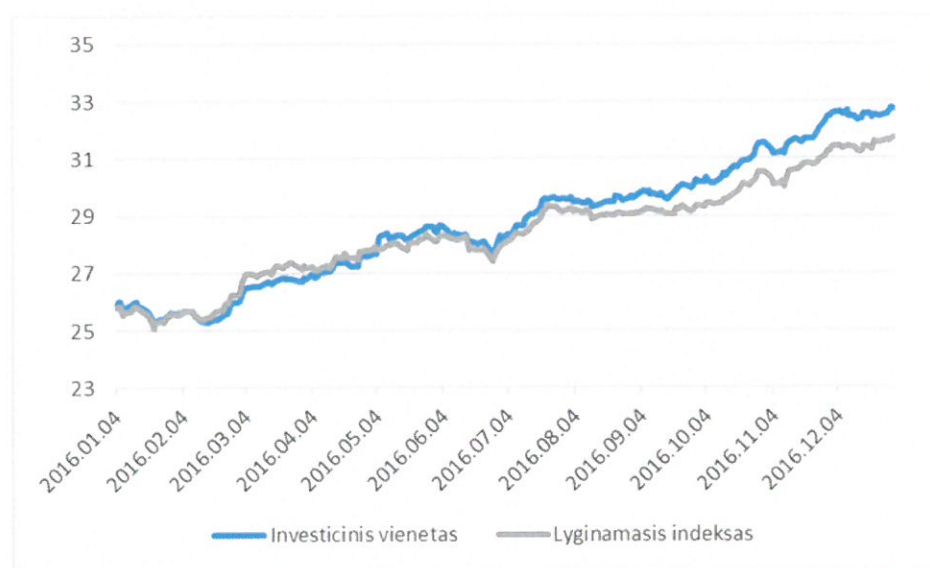
³ Average net return on investments is calculated as a geometric mean of annual changes in net return on investments.

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 2015 and 31 December 2016:

[Text in the table: Value of Unit Benchmark Index]





Note 19. Expense ratios and turnover rates

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>	No more than 2% of the fund's average annual net asset value	2% of the fund's average annual net asset value	44,929	1.98
<i>Performance fee</i>	Non-applicable	Non-applicable	-	-
Depository fee	No more than 0.25% of the fund's average annual net asset value	No more than 0.25% of the fund's average annual net asset value	2,198	0.10
Transaction fee	No more than 0.75% of the value of transactions executed	No more than 0.75% of the value of transactions executed	3,029	0.13
Other operating costs (distribution fee)	No more than 3% of the invested amount	No more than 2% of the invested amount	171	0.01
Other operating costs (subfund change fee)	Non-applicable	Non-applicable	-	-
Audit fee	No more than 0.5% of average annual net asset value of the fund	No more than 0.5% of average annual net asset value of the fund	1,178	0.05
Fee charged by the bank for keeping records of participants			-	-
Other operating costs (bank charges)	No more than 0.5% of average annual net asset value of the fund	No more than 0.5% of average annual net asset value of the fund	199	0.01
Other operating costs (fees charged by the market maker, quotation costs and one-off fees)			1,236	0.05
Other operating costs (third party fees charged on services of the Depository through use of services provided by other financial institutions)	According to fees of services as presented by the depository	According to fees of services as presented by the depository	1,812	0.08
Total expenses included in TER				51,551
TER as % of NAV*				2.27
Total expenses				54,752
PTR (%) **				(118.80)

*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 fee, the distribution fee and the fund change fee.

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



2015

Types of deductions (fees/charges)	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 2% of the fund's average annual net asset value	2% of the fund's average annual net asset value	38,287	1.98
<i>Performance fee</i>	Non-applicable	Non-applicable	-	-
Depository fee	No more than 0.25% of average annual net asset value of the fund	No more than 0.25% of average annual net asset value of the fund	2,518	0.13
Transaction fee	No more than 0.75% of the value of transactions executed	No more than 0.75% of the value of transactions executed	1,455	0.08
Other operating costs (distribution fee)	No more than 3% of the invested amount	No more than 2% of the invested amount	169	0.01
Other operating costs (subfund change fee)	Non-applicable	Non-applicable	-	-
Audit fee	No more than 0.5% of average annual net asset value of the fund	No more than 0.5% of average annual net asset value of the fund	605	0.03
Other operating costs (bank charges)	No more than 0.5% of average annual net asset value of the fund	No more than 0.5% of average annual net asset value of the fund	49	-
Other operating costs (fee charged by the bank for keeping records of participants)			884	0.05
Other operating costs (fees charged by the market maker, quotation costs and one-off fees)			1,976	0.10
Total expenses included in TER				44,319
TER as % of NAV*				2.29
Total expenses				45,943
PTR (%) **				37.37

*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 fee, the distribution fee and the fund change fee

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



Note 20. 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	784,254	785,713
I.1.1.	Proceeds on disposal of financial assets and investment assets	668,340	714,407
I.1.2.	Interest received	-	-
I.1.3.	Dividends received	115,914	71,306
I.1.4.	Lease payments received	-	-
I.1.5.	Cash inflows from other activities	-	-
I.2.	Cash outflows over the reporting period	1,539,670	296,610
I.2.1.	Payments on acquisition of financial assets and investment assets, and liabilities settled *	1,487,766	249,057
I.2.2.	Payments related to general and administrative needs	49,194	44,434
I.2.3.	Deposits placed	-	-
I.2.4.	Other payments	2,710	3,119
	Net cash flows from (used in) operating activities (I.1-I.2)	(755,416)	489,103
II.	Cash flows from financing activities	-	-
II.1.	Cash inflows over the reporting period. Sales of investment units**	2,889,098	241,646
II.2.	Cash outflows over the reporting period. Redemption of investment units	1,953,766	716,624
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	809	-
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)	936,141	(474,978)
III.	Foreign exchange effect on the balance of cash (+/-)	-	-
IV.	Net increase (decrease) in cash flows (+/-)	180,725	14,125
V.	Cash at the beginning of the period	90,455	76,330
VI.	Cash at the end of the period	271,180	90,455

* The amount differs from the value of the acquired financial instruments shown in Note 5 because of the receipt of securities with the value of EUR 31 after the merger of INVL Flexible Strategy Subfund into INVL Baltic Fund.

** After the merger of INVL Flexible Strategy Subfund into INVL Baltic Fund on 31 May 2016 13,910.792108 investment units with the value of EUR 396,320 were issued.



24. Entire text of the auditor's report:

Presented on pages 2-3 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.	Interest income	-
2.	<i>Realised gain (loss) on investment in:</i>	94,023
2.1.	equity securities	94,022
2.2.	non-equity securities	-
2.3.	money market instruments	-
2.4.	derivative financial instruments	-
2.5.	units of other collective investment undertaking	1
2.6.	real estate objects	-
2.7.	other investment instruments	-
3.	Unrealised gain (loss) on:	385,033
3.1.	equity securities	385,033
3.2.	non-equity securities	-
3.3.	money market instruments	-
3.4.	derivative financial instruments	-
3.5.	units of other collective investment undertaking	-
3.6.	real estate objects	-
3.7.	other investments instruments	-
4.	<i>Other income:</i>	115,915
4.1.	income from lease of real estate	-
4.2.	positive foreign exchange effect	1
4.3.	Other	115,914
	Total income	594,971
II.	Expenses	-
1.	<i>Operating expenses:</i>	54,752
1.1.	deductions of management fee	45,100
1.2.	deductions of depository fee	2,198
1.3.	intermediary fee	3,029
1.4.	audit fee	1,178
1.5.	deductions of other fees and charges	3,247
2.	<i>Other expenses:</i>	1
2.1.	interest expenses	-
2.2.	expenses related to the managed real estate objects	-
2.3.	negative foreign exchange effect	1
2.4.	Other	-
	Total expenses	54,753
III.	Net income	540,218
IV.	Payments (dividends) to holders of investment units	-
V.	Re-invested earnings	540,218



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 fund's financial position.

VII. INFORMATION ON PAYMENT OF DIVIDENDS

27. Information on dividends declared and/or paid:

Information is provided in Note 9.

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 10.

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 18.

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.):

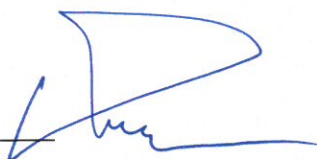
No services of consultants were used in the preparation of these financial statements.

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.

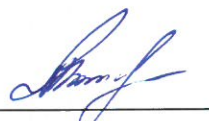
32. Statement and signatures made by the management company's head of administration, chief financier, persons who prepared the financial statements and consultants to confirm that information contained in the financial statements is true and fair and that there are no omissions of facts that might substantially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

I, Darius Šulnis, 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 assessment of the fund's results.



(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 assessment of the fund's results.



(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 who are responsible for the preparation of the financial statements;

Full name	Darius Šulnis	Aušra Montvydaitė
Job position	Director General	Head of Funds Accounting
Telephone number	8 700 55 959	8 6 264 5582
Fax number	8 5 279 06 02	8 5 279 06 02
Email address	darius.sulnis@invl.com	ausra.montvydaite@invl.com

33.2. If 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.