



INVL EMERGING EUROPE EX RUSSIA TOP20 SUBFUND  
ANNUAL FINANCIAL STATEMENTS FOR 2016

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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 Emerging Europe Ex Russia TOP 20 subfund (“the Subfund”) 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 Subfund'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 Subfund 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 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.

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T: +370 (5) 239 2300, F: +370 (5) 239 2301, Email: [vilnius@lt.pwc.com](mailto:vilnius@lt.pwc.com), [www.pwc.com/lt](http://www.pwc.com/lt)

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 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.

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 Emerging Europe ex Russia TOP20 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 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 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	131	288	470	1,048
Accrued amount before deductions	3,150	3,473	3,829	4,887
Accrued amount after deductions	3,019	3,185	3,359	3,838

## 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 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 Annex, 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 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 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 value of unit (share) 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 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.



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ANNUAL FINANCIAL STATEMENTS FOR 2016

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

INVL Emerging Europe ex Russia TOP20 Subfund  
STATEMENT OF NET ASSETS AS AT 31 DECEMBER 2016

No	Assets	Note No	Financial year	Previous financial year
A.	ASSETS		10,210,938	10,113,389
1.	CASH	3,4	279,359	252,497
2.	TIME DEPOSITS		-	-
3.	MONEY MARKET INSTRUMENTS		-	-
3.1.	Treasury bills		-	-
3.2.	Other money market instruments		-	-
4.	TRANSFERABLE SECURITIES	3,4,5	9,931,579	9,860,892
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	9,931,579	9,860,892
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 assets		-	-
7.2.	Derivative financial instruments		-	-
7.3.	Other assets		-	-
B.	LIABILITIES		24,635	19,235
1.	Amounts payable	3	24,635	19,235
1.1.	Amounts payable for financial and investment assets	3	1,049	
1.2.	Amounts payable to management company and depository	3	16,358	18,821
1.3.	Other payables	3	7,228	414
2.	Accrued charges		-	-
3.	Borrowings from credit institutions		-	-
4.	Liabilities under contracts on derivative financial instruments		-	-
5.	Other liabilities		-	-
C.	NET ASSETS	1	10,186,303	10,094,154

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

General Director

Darius Šulnis

(signature)

21 April 2017

Head of Funds Accounting

Aušra Montvydaite

(signature)

21 April 2017



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

INVL Emerging Europe ex Russia TOP20 Subfund  
STATEMENT OF CHANGES IN NET ASSETS FOR 2016

No	Items	Note No	Financial year	Previous financial year
1.	NET ASSETS AT 1 JANUARY	1	10,094,154	11,152,158
2.	INCREASE IN NET ASSET VALUE		-	-
2.1.	Contributions of participants	2	1,621,782	221,463
2.2.	Transfers from other funds	2	50,919	81,266
2.3.	Guarantee contributions		-	-
2.4.	Investment income		337,717	387,203
2.4.1.	Interest income		-	-
2.4.2.	Dividends		337,717	387,203
2.4.3.	Rental income		-	-
2.5.	Gain on change in value and sale of investments	5	6,597,183	6,913,001
2.6.	Foreign exchange gain		129,259	192,952
2.7.	Gain on transactions involving derivative financial instruments		-	-
2.8.	Other increases in net asset value		-	-
	TOTAL INCREASE IN NET ASSET VALUE		8,736,860	7,795,885
3.	DECREASE IN NET ASSET VALUE		-	-
3.1.	Payments to participants	2	1,627,361	1,462,134
3.2.	Transfers to other funds	2	136,514	172,525
3.3.	Loss on change in value and sale of investments	5	6,512,376	6,743,266
3.4.	Foreign exchange loss		153,075	191,088
3.5.	Loss on transactions involving derivative financial instruments		-	-
3.6.	Management costs:	19	215,385	284,876
3.6.1.	Fee to management company	19	146,625	218,677
3.6.2.	Fee to depository	19	15,033	24,342
3.6.3.	Fee to intermediaries	8,19	33,611	27,825
3.6.4.	Audit fee costs	19	3,364	4,840
3.6.5.	Interest costs		-	-
3.6.6.	Other costs	19	16,752	9,192
3.7.	Other decreases in net asset value		-	-
3.8.	Reimbursement of costs (-)		-	-
	TOTAL DECREASE IN NET ASSET VALUE		8,644,711	8,853,889
4.	Change in net asset value		92,149	(1,058,004)
5.	Profit distribution		-	-
6.	NET ASSET VALUE AT 31 DECEMBER	1	10,186,303	10,094,154

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

General Director

Darius Šulnis

(signature)

21 April 2017

Head of Funds Accounting

Aušra Montvydaitė

(signature)

21 April 2017



# INVL EMERGING EUROPE EX RUSSIA TOP20 SUBFUND

## ANNUAL FINANCIAL STATEMENTS FOR 2016

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

### INVL Emerging Europe ex Russia TOP20 Subfund

#### Explanatory notes to the annual financial statements for 2016

#### 23.3.1. General information:

##### Details of the collective investment undertaking

Name	INVL Emerging Europe ex Russia TOP20 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, 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	UAB „PricewaterhouseCoopers“
Company code	111473315
Office address	J.Jasinskio 16B, LT-03163 Vilnius
Telephone number	(8~5) 239 2300

##### Listing

Subfund 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 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.

The financial year of the subfund coincides with the calendar year. The subfund's financial statements are prepared within four months following the end of the financial year. The fund keeps its accounting records in the euros. All amounts in these financial statements are presented in the euros.

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

Investment policy and structure of investment portfolio

INVL Emerging Europe ex Russia TOP20 Subfund investments are concentrically distributed among shares of 15–25 Emerging Europe (except for Russia) region companies. A high risk of fluctuations is assumed when making investments and the aim is to achieve a maximum return on investments in shares.

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 investment 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.

Financial risk management

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

- 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;
- 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 subfund'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.



### 23.3.2. Accounting policies (continued)

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

No more than 20% of the subfund'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 subfund 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 subfund 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 subfund 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 subfund 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.

Financial liabilities are recorded when the subfund 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 subfund 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.



23.3.2. Accounting policies (continued)

Rules on deductions to the accumulating company and the depository

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

The fee to the management company includes as follows:

- performance fee – no more than 15 (fifteen) percent on increase in the subfund's net asset value;
- management fee – no more than 1.5 (one point five) percent on the subfund's average annual net asset value.

The fee to the management company does not include the fee charged by the management company for the distribution and change of the subfund's units (subfund change fee is charged on change of the subfund's units into the units of another subfund):

The sale price of the subfund's unit is equal to the sum of the value of the subfund's unit and no more than 2 (two) percent of the fee to cover distribution costs.

The change price of the subfund's unit is equal to the sum of the value of the subfund's unit and no more than 0.25 percent of the fee to cover subfund change costs.

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

The distribution fee and subfund change fee are not included in the calculation of net asset value.

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

The calculation period for performance fee is from 1 January to December 31 of each calendar year. The performance fee is calculated on the basis of the *High Water Mark* principle. The performance fee is calculated on each business day by deducting the performance fee from daily increase in the value of the subfund's unit as defined in the fund's documents. Under the High water mark principle, the performance fee is deducted from the daily increase in the value of the subfund's unit only when the value of unit is higher than any of the previous values of the fund's unit.

After the end of the calendar year, the rate of asset management fee is reviewed. All overpayments during the calendar year are refunded to the subfund over 30 (thirty) calendar days after the end of the financial year, and all underpayments should be covered to the management company by the subfund 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 subfund's assets and it may be no more than 0.5 (point five) percent of the subfund'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 subfund's net asset value. The fee is calculated based on assumption that one year has the actual number of business days;
- custody of the subfund'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 subfund are added to the subfund's net asset value.



### 23.3.2. Accounting policies (continued)

#### Investment valuation methods, investment revaluation intervals <sup>1</sup>

The fair value of financial instruments traded on regulated markets of the Baltic (NASDAQ OMX Vilnius, NASDAQ OMX Riga, NASDAQ OMX Tallinn), and 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 subfund'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 subfund'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 approved by the Bank of Lithuania or based on the following valuation techniques if they reflect more accurately the value of these financial statements:

- profitability of Lithuanian securities 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 subfund'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 subfund's net asset value, which is generally accepted and widely applied in the finance market;

Valuation of units (shares) of collective investment undertakings is based on the last quoted redemption price; Valuation of time deposits held in banks is based on the amortised cost; Valuation of cash and cash held in credit institutions is based on the nominal value;

<sup>1</sup> 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)

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.

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 subfund'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 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](http://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 subfunds 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

Significant events subsequent to the end of the reporting period have been disclosed in Note 14.



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23.3.3. Notes to the financial statements:

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	10,094,154	10,186,303	10,094,154	11,152,158
Unit value, EUR	28.7218	29.1978	28.7218	28.1405
Number of units in circulation	351,445.379801	348,872.587901	351,445.379801	396,302.611394

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)*	60,956.9415	1,672,435	10,154.7309	302,266
Redeemed (by converting units into monetary funds)	63,529.7334	1,763,875	55,011.9625	1,634,659
Difference between the number and value of units (shares) distributed and redeemed	(2,572.7919)	(91,440)	(44,857.2316)	(1,332,393)

\*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, %
<b>Equity securities listed on the Main List of Stock Exchange or its equivalent</b>						
Olainfarm	LV	LV0000100501	42,954	309,717	365,539	3.59
Olympic Entertainment Group	EE	EE3100084021	242,796	487,260	432,177	4.24
<b>Total</b>	-	-	<b>285,750</b>	<b>796,977</b>	<b>797,716</b>	<b>7.83</b>
<b>Equity securities listed on the Secondary List of Stock Exchange or its equivalent</b>						
Latvijas balzams	LV	LV0000100808	28,145	152,594	211,650	2.08
<b>Total</b>	-	-	<b>28,145</b>	<b>152,594</b>	<b>211,650</b>	<b>2.08</b>
<b>Equity securities traded on other regulated markets</b>						
Fondul Proprietatea	RO	ROFPTAACNOR5	4,644,352	791,653	813,720	7.99
Powszechna Kasa Oszczednosci Bank Polski S.A.	PL	PLPKO0000016	57,500	366,314	366,564	3.61
KRKA d.d.	SI	SI0031102120	6,800	291,842	359,720	3.53
Adris Grupa DD (Preference)	HR	HRADRSAPA0009	9,000	335,072	543,265	5.33
Transgaz SA Medias	RO	ROTGNTACNOR8	7,500	319,949	485,950	4.77
POWSZECHNY ZAKLAD UBEZPIECZE SA	PL	PLPZU0000011	52,000	492,316	391,228	3.84
Celebi Hava Servisi	TR	TRACLEBI91M5	80,000	477,256	498,294	4.89
Warsaw Stock Exchange	PL	PLGPW0000017	52,745	607,159	477,132	4.68
Bank of Georgia Holdings PLC	GE	GB00B759CR16	11,000	360,446	384,807	3.78
Rainbow Tours	PL	PLRNBWT00031	54,031	322,603	324,375	3.18
Electrica SA	RO	ROELECACNOR5	173,000	492,643	501,748	4.93
Telefonija	RS	RSTLFNE22541	11,971	1,015,789	-	-
Raiffeisen Bank International AG	AT	AT0000606306	18,000	255,196	312,840	3.07
Wizz Air Holdings	JE	JE00BN574F90	40,000	913,337	839,859	8.24
WORK SERVICE SA	PL	PLWRKSR00019	165,312	453,251	381,999	3.75
Transselectra	RO	ROTSELACNOR9	60,196	397,975	387,377	3.80
Lubelski Wegiel Bogdanka SA	PL	PLLWBGD00016	25,599	315,682	403,056	3.96
TBC BANK GROUP PLC	GE	GB00BYT18307	30,500	403,367	519,179	5.10
Vienna Insurance Group	AT	AT0000908504	22,000	358,577	468,600	4.60
Luka Koper	SL	SI0031101346	18,500	-	462,500	4.54
<b>Total</b>	-	-	<b>5,540,006</b>	<b>8,970,427</b>	<b>8,922,213</b>	<b>87.59</b>
<b>Total equity securities</b>			<b>5,853,901</b>	<b>9,919,998</b>	<b>9,931,579</b>	<b>97.50</b>

Note 3. Structure of investment portfolio (continued)

Name of the bank		Currency	Total market value	Interest rate	Share in net assets, %
Cash					
SEB Bankas AB		EUR	279,033	-	2.74
SEB Bankas AB		TRY	326	-	-
<b>Total cash</b>		-	<b>279,359</b>	-	<b>2.74</b>
Name	Brief description	Total value	Intended purpose	Share in net assets, %	
Amounts payable	Amounts payable for assets acquired	(1,049)	-	(0.01)	
Amounts payable	Amounts payable to the management company and the depository	(16,358)	-	(0.16)	
Amounts payable	Amounts payable for the redemption of investment units	(2,340)	-	(0.02)	
Amounts payable	Other amounts payable	(4,888)	-	(0.05)	
<b>Total</b>	-	<b>(24,636)</b>	-	<b>(0.24)</b>	

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

The fund makes investments in stock markets of New Europe (except for Russia) region: the Baltic States (Lithuania, Latvia, Estonia), Poland, Czech Republic, Hungary, Slovenia, Croatia, Bulgaria, Romania, Turkey, Ukraine, etc.

At the year-end, the fund's assets were mostly invested in the sectors of finance, energy and utility services in the Warsaw, Vienna and Bucharest stock markets.



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						
Olainfarm	LV	LV0000100501	43,209	311,007	307,346	3.04
Olympic Entertainment Group	EE	EE3100084021	208,796	419,600	374,371	3.71
<b>Total</b>	-	-	<b>252,005</b>	<b>730,607</b>	<b>681,717</b>	<b>6.75</b>
Equity securities traded on other regulated markets						
Turk Tuborg Bira	TR	TRATBORG91A4	288,407	314,920	620,532	6.15
Bank Pekao SA	PL	PLPEKAO00016	14,600	595,951	494,127	4.9
Fondul Proprietatea	RO	ROFPTAACNOR5	3,278,136	392,894	586,209	5.81
Telefonija*	RS	RSTLFNE22541	11,971	1,015,789	-	0
Powszechna Kasa Oszczednosci Bank Polski S.A.	PL	PLPKO00000016	106,500	850,992	686,473	6.8
Erste Group Bank AG	AT	AT0000652011	32,000	561,289	925,120	9.16
KRKA d.d.	SI	SI0031102120	7,800	333,842	508,560	5.04
CEZ	CZ	CZ0005112300	23,264	511,769	382,411	3.79
Adris Grupa DD (Preference)	HR	HRADRSPA0009	9,000	335,072	429,825	4.26
Transgaz SA Medias	RO	ROTGNTACNOR8	7,500	319,949	458,650	4.54
POWSZECHNY ZAKLAD UBEZPIECZE SA	PL	PLPZU00000011	62,000	595,578	497,462	4.93
Jeronimo Martins	PT	PTJMTOAE0001	42,000	301,525	503,790	4.99
Conpet SA	RO	ROCOTEACNOR7	12,300	136,984	209,091	2.07
Turkiye Garanti Bankasi AS	TR	TRAGARAN91N1	155,000	479,136	346,641	3.43
EGE SERAMIK SANAYI	TR	TRAEGBSER91F0	362,834	499,726	454,725	4.5
Warsaw Stock Exchange	PL	PLGPW0000017	47,745	567,679	404,819	4.01
Bank of Georgia Holdings PLC	GB	GB00B759CR16	16,500	439,733	425,697	4.22
Electrica SA	RO	ROELECACNOR5	173,000	492,643	465,957	4.62
Raiffeisen Bank International AG	AT	AT0000606306	35,000	507,665	476,175	4.72
Rainbow Tours	PL	PLRNBWT00031	53,072	318,131	302,911	3.00
<b>Total</b>	-	-	<b>4,738,629</b>	<b>9,571,267</b>	<b>9,179,175</b>	<b>90.94</b>
<b>Total equity securities</b>			<b>4,990,634</b>	<b>10,301,874</b>	<b>9,860,892</b>	<b>97.69</b>

Note 3. Structure of investment portfolio (continued)

Name of the bank	Currency	Total market value	Interest rate	Share in net assets, %
<b>Cash</b>				
SEB Bankas AB	EUR	76,766	-	0.76
SEB Bankas AB	RON	135,332	-	1.34
SEB Bankas AB	PLN	40,399	-	0.40
<b>Total cash</b>		<b>252,497</b>		<b>2.50</b>

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	(18,821)	-	(0.19)
Amounts payable	Amounts payable to intermediaries	(414)	-	-
<b>Total</b>	-	<b>(19,235)</b>		<b>(0.19)</b>

The fund's investment portfolio is in line with the subfund's investment strategy. 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. Change in the value of the fund's investment portfolio was mainly affected by the market prices of financial instruments.



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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 January 1	Share in assets at 1 January,%
Shares	9,931,579	97.5	9,860,892	97.69
Government debt securities	-	-	-	-
Corporate debt securities	-	-	-	-
Collective investment undertakings	-	-	-	-
Money market instruments	-	-	-	-
Deposits	-	-	-	-
Derivative financial instruments	-	-	-	-
Cash held in credit institutions	279,359	2.74	252,497	2.50
Other instruments	-	-	-	-
<b>Total</b>	<b>10,210,938</b>	<b>100.24</b>	<b>10,113,389</b>	<b>100.19</b>

By industry sector

Breakdown of investments	Market value	Share in assets, %	Market value at January 1	Share in assets at 1 January,%
Health care	725,259	7.12	815,906	8.08
Emergency goods and services	756,551	7.43	677,282	6.71
Convenience goods and services	754,915	7.41	1,554,147	15.40
Financial services	3,734,071	36.66	4,842,723	47.98
Industrial materials	2,182,652	21.42	-	-
Utility goods and services	1,375,075	13.50	1,307,018	12.95
Energy	403,056	3.96	209,091	2.07
Materials	-	-	454,725	4.50
<b>Total</b>	<b>9,931,579</b>	<b>97.50</b>	<b>9,860,892</b>	<b>97.69</b>

By currency

Breakdown of investments	Market value	Share in assets, %	Market value at January 1	Share in assets at 1 January,%
EUR	2,892,058	28.39	3,172,127	31.42
TRL	498,620	4.90	1,421,898	14.09
PLN	2,344,354	23.01	2,426,192	24.03
HRK	543,265	5.33	429,825	4.26
GBP	1,743,845	17.12	425,697	4.22
ROL	2,188,796	21.49	1,855,239	18.38
CZK	-	-	382,411	3.79
<b>Total</b>	<b>10,210,938</b>	<b>100.24</b>	<b>10,113,389</b>	<b>100.19</b>



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

By geographical area

Breakdown of investments	Market value	Share in assets, %	Market value at January 1	Share in assets at 1 January,%
Lithuania	279,359	2.74	252,497	2.50
Austria	781,440	7.67	1,401,295	13.88
Latvia	577,189	5.67	307,346	3.04
Croatia	543,265	5.33	429,825	4.26
Poland	2,344,354	23.01	2,385,792	23.63
Romania	2,188,795	24.51	1,719,907	17.04
Slovenia	822,220	8.07	508,560	5.04
Turkey	498,294	4.89	1,421,898	14.09
Estonia	432,177	4.24	374,371	3.71
Georgia	903,986	8.87	-	-
Great Britain	839,859	8.24	425,697	4.22
Czech Republic	-	-	382,411	3.79
Portugal	-	-	503,790	4.99
<b>Total</b>	<b>10,210,938</b>	<b>100.24</b>	<b>10,113,389</b>	<b>100.19</b>

By type of issuer

Breakdown of investments	Market value	Share in assets, %	Market value at January 1	Share in assets at 1 January,%
Government of the Republic of Lithuania	-	-	-	-
Governments of other countries	-	-	-	-
Companies registered in the Republic of Lithuania	-	-	-	-
Companies registered outside the Republic of Lithuania	9,931,579	97.50	9,860,892	97.69
Collective investment undertakings registered in the Republic of Lithuania	-	-	-	-
Collective investment undertakings registered outside the Republic of Lithuania	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>9,931,579</b>	<b>97.50</b>	<b>9,860,892</b>	<b>97.69</b>



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Note 5. Change in value of investments

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	-	-	-	-	-	-
Money market instruments	-	-	-	-	-	-
Non-equity securities <sup>2</sup>	-	-	-	-	-	-
Non-equity securities issued or guaranteed by governments and central banks	-	-	-	-	-	-
Other non-equity securities	-	-	-	-	-	-
Equity securities	9,860,892	6,613,697	6,627,817	6,597,183	6,512,376	9,931,579
Units and shares of collective investment undertakings	-	-	-	-	-	-
Derivative financial instruments <sup>1</sup>	-	-	-	-	-	-
<b>Total</b>	<b>9,860,892</b>	<b>6,613,697</b>	<b>6,627,817</b>	<b>6,597,183</b>	<b>6,512,376</b>	<b>9,931,579</b>

<sup>1</sup> 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.

<sup>2</sup> Balance at 31 December 2015 reflects the fair value of debt 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.

2015

Items reported in 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 <sup>2</sup>	-	-	-	-	-	-
Non-equity securities issued or guaranteed by governments and central banks	-	-	-	-	-	-
Other non-equity securities	-	-	-	-	-	-
Equity securities	10,468,159	3,967,846	4,744,848	6,913,001	6,743,266	9,860,892
Units and shares of collective investment undertakings	-	-	-	-	-	-
Derivative financial instruments <sup>1</sup>	-	-	-	-	-	-
<b>Total</b>	<b>10,468,159</b>	<b>3,967,846</b>	<b>4,744,848</b>	<b>6,913,001</b>	<b>6,743,266</b>	<b>9,860,892</b>

<sup>1</sup> 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.

<sup>2</sup> Balance at 31 December 2014 reflects the fair value of debt 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

The subfund had no transactions involving derivative financial instruments that were not expired at the end of the financial year.

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 (currently Šiaulių Bankas AB)	Commission fee for intermediation services in transactions involving securities	-	12,161	The management company and intermediary have signed an agreement on intermediation services*
Šiaulių Bankas AB	Commission fee for intermediation services in transactions involving securities	23,797	7,281	The management company and intermediary have signed an agreement on intermediation services
SEB Bankas AB	Commission fee for intermediation services in transactions involving securities	9,814	8,383	SEB Bankas AB is a depository of the fund managed by the management company
<b>Total</b>	-	<b>33,611</b>	<b>27,825</b>	-

\* The management company was a related party to Finasta Bankas AB until 30 June 2015. On 21 December 2015, Finasta Bankas AB was merged to Šiaulių Bankas AB.

Note 9. 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 10. Borrowings and loans granted

The subfund 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 with the management company and year-end balances arising on these transactions 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 to 31 December 2016, the subfund applied accounting policies consistent with those applied in the previous financial 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 subfund's financial position.

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, fund's investment objective and investment policy risk.

Liquidity risk

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

Liquidity risk is managed on the basis of exposure limits: exposure limit per single counterparty or issuer cannot 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 0.60 (for 12 months). This implies that a 1% change in the fund's benchmark index will result in on average 0.60% 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:

With effect from 29 October 2010, the fund uses the benchmark index CECE extended index EUR, that reflects changes in prices of shares of the Central and Eastern Europe companies.

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

	Reporting period	1 year ago	2 years ago	10 years ago
Change in value of unit <sup>1</sup>	1,66	2,07	(2,24)	-
Change in value of benchmark index	5,46	(11,43)	(4,85)	-
Annual gross return on investments <sup>3</sup>	3,68	4,05	0,05	-
Annual net return on investments <sup>2</sup>	2,14	2,29	(1,68)	-
Standard deviation of change in value of unit <sup>4</sup>	12,71	10,88	10,79	-
Standard deviation of change in value of benchmark index <sup>5</sup>	18,14	17,01	13,98	-
Correlation factor between value of unit and value of benchmark index <sup>6</sup>	87,56	68,69	59,55	-
Index tracking error <sup>7</sup>	9,93	10,10	10,31	-
Alfa ratio <sup>8</sup>	(1,76)	10,97	(0,39)	-
Beta ratio <sup>9</sup>	0,60	0,68	0,37	-

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

<sup>2</sup> 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.

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

<sup>4</sup> 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.

<sup>5</sup> 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.

<sup>6</sup> 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.

<sup>7</sup> 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.

<sup>8</sup> 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.

<sup>9</sup> 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 investments (continued)

18.3. Average return on investments, average change in value of unit, its standard changes, and average change in 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 <sup>1</sup>	0.48	7.70	-	0.13
Average change in value of benchmark index <sup>2</sup>	(3.85)	0.29	-	(4.82)
Average gross return on investments <sup>4</sup>	0.03	0.10	-	0.02
Average net return on investments <sup>3</sup>	0.01	0.08	-	-
Average standard deviation of change in value of unit <sup>5</sup>	11.44	11.56	-	13.19

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

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

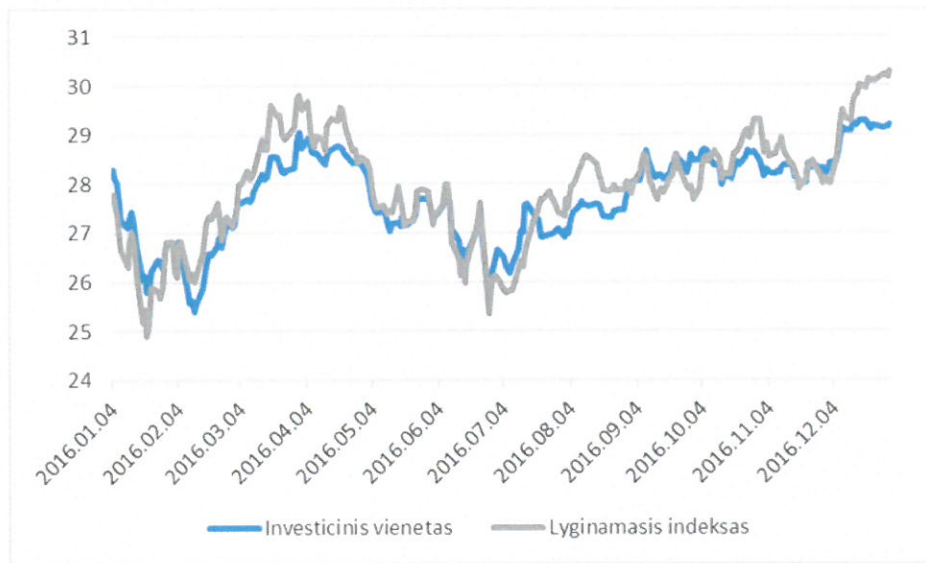
<sup>3</sup> Average net return on investments is calculated as a geometric mean of annual changes in net return on investments.

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

<sup>5</sup> 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]







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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 1.5% of the subfund's average annual net asset value	No more than 1.5% of the subfund's average annual net asset value	146,359	1.49
<i>Performance fee</i>	No more than 15% of the increase in the subfund's net asset value	No more than 15% of the increase in the subfund's net asset value	-	-
Depository fee	No more than 0.5% of the average annual net asset value	No more than 0.5% of the average annual net asset value	15,033	0.15
Transaction fee	No more than 1% of the value of transactions executed	No more than 1% of the value of transactions executed	33,611	0.34
Other operating costs (distribution fee)	No more than 5% of the value of the subfund's unit	2% of the value of the subfund's unit	139	-
Other operating costs (subfund change fee)	No more than 0.25% of the value of the subfund's units changed	No more than 0.25% of the value of the subfund's units changed	127	-
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	3,364	0.03
Other operating costs (bank charges)			93	-
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	0.02
Other operating costs (fees charged by the market maker, quotation costs and one-off fees)			14,761	0.15
Other operating costs (legal costs)	No more than 1% of the umbrella fund's average annual net asset value	No more than 1% of the umbrella fund's average annual net asset value	-	-
Total expenses included in TER				181,508
TER as % of NAV*				1.85
Total expenses				215,385
PTR (%) **				99.76

\*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 cost.



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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 foundation documents	Rates applied during the reporting period		
<b>Management fee:</b>				
<i>Fixed rate</i>	1.5% of the subfund's average annual net asset value	1.5% of the subfund's average annual net asset value	164,366	1.49
<i>Performance fee</i>	15% of the increase in the subfund's net asset value	15% of the increase in the subfund's net asset value	53,847	0.49
Depository fee	No more than 0.5% of the average annual net asset value	No more than 0.5% of the average annual net asset value	24,342	0.22
Transaction fee	No more than 1% of the value of transactions executed	No more than 1% of the value of transactions executed	27,825	0.25
Other operating costs (distribution fee)	2% of the value of the subfund's unit	2% of the value of the subfund's unit	349	-
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	115	-
Audit fee	Fee payable to audit firm and financial institutions for services rendered - no more than 1% of the fund's average annual net asset value	Fee payable to audit firm and financial institutions for services rendered - no more than 1% of the fund's average annual net asset value	4,840	0.04
Other operating costs (third party fees charged on services of the Depository through use of services provided by other financial institutions)			53	-
Other operating costs (bank charges)	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	38	-
Other operating costs (fee charged by the bank for keeping records of participants)			2,293	0.02
Other operating costs (fees charged by the market maker, quotation costs and one-off fees)			6,808	0.06
Other operating costs (legal costs)	No more than 1% of the umbrella fund's average annual net asset value	No more than 1% of the umbrella fund's average annual net asset value	-	-
Total expenses included in TER				256,587
TER as % of NAV*				2.33
Total expenses				284,876
PTR (%) **				61.41

\*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 cost.



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Note 20. Cash flows:

	Items of cash flows	Financial year	Previous financial year
<b>I.</b>	<b>Cash flows from operating activities</b>		
I.1.	Cash inflows over the reporting period	6,975,732	5,144,052
I.1.1.	Proceeds on disposal of financial assets and investment assets	6,627,817	4,744,848
I.1.2.	Interest received	-	-
I.1.3.	Dividends received	347,915	399,204
I.1.4.	Lease payments received	-	-
I.1.5.	Cash inflows from other activities	-	-
I.2.	Cash outflows over the reporting period	6,826,021	4,281,331
I.2.1.	Payments on acquisition of financial assets and investment assets, and liabilities settled	6,612,648	3,967,846
I.2.2.	Payments related to the general and administrative needs	197,474	282,881
I.2.3.	Deposits placed	-	-
I.2.4.	Other payments	15,899	30,604
	Net cash flows from (used in) operating activities (I.1-I.2)	149,711	862,721
<b>II.</b>	<b>Cash flows from financing activities</b>	-	-
II.1.	Cash inflows over the reporting period. Sales of investment units	1,672,701	302,729
II.2.	Cash outflows over the reporting period. Redemption of investment units	1,761,535	1,634,659
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 of financing activity	-	-
II.9.	Other decrease in cash flows of financing activity	-	-
	Net cash flows from financing activities (II.1- II.2- II.3 + II.4-II.5 - II.6 + II.7 + II.8- II.9)	(88,834)	(1,331,930)
<b>III.</b>	<b>Foreign exchange effect on the balance of cash (+/-) *</b>	<b>(34,015)</b>	<b>1,971</b>
<b>IV.</b>	<b>Net increase (decrease) in cash flows (+/-)</b>	<b>26,862</b>	<b>(467,238)</b>
<b>V.</b>	<b>Cash at the beginning of the period</b>	<b>252,497</b>	<b>719,735</b>
<b>VI.</b>	<b>Cash at the end of the period</b>	<b>279,359</b>	<b>252,497</b>

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



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>	(508,396)
2.1.	equity securities	(508,396)
2.2.	non-equity securities	-
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 investment instruments	-
3.	<i>Unrealised gain (loss) on:</i>	593,203
3.1.	equity securities	593,203
3.2.	non-equity securities	-
3.3.	money market instruments	-
3.4.	derivative financial instruments	-
3.5.	units of other collective investment undertakings	-
3.6.	real estate objects	-
3.7.	other investment instruments	-
4.	<i>Other income:</i>	466,976
4.1.	income from lease of real estate	-
4.2.	positive foreign exchange effect	129,259
4.3.	Other	337,717
	Total income	551,783
II.	Expenses	-
1.	<i>Operating expenses:</i>	215,385
1.1.	deductions of management fee	146,625
1.2.	deductions of depository fee	15,033
1.3.	intermediary fee	33,611
1.4.	audit fee	3,364
1.5.	deductions of other fees and charges	16,752
2.	<i>Other expenses:</i>	153,075
2.1.	interest expenses	-
2.2.	expenses related to the managed real estate objects	-
2.3.	negative foreign exchange effect	153,075
2.4.	other	-
	Total expenses	368,460
III.	Net income	183,323
IV.	Payments (dividends) to holders of investment units	-
V.	Re-invested earnings	183,323



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 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 values of reported items:

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 subfund's results.

(signature)

I, Aušra Montvydaite, 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 subfund'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 responsible for the preparation of financial statements;

Full name	Darius Šulnis	Aušra Montvydaite
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. 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.