

**INVESTMENT FUND
CBL Eastern European Bond Fund**

**SEMIANNUAL REPORT 2019 (NON-AUDITED)
(for the six – month period ended 30 June 2019)**

PREPARED IN ACCORDANCE WITH FCMC “NORMATIVE REGULATIONS ON PREPARATION OF ANNUAL REPORTS AND CONSOLIDATED ANNUAL REPORTS OF INVESTMENT FUND AND OPEN ALTERNATIVE INVESTMENT FUND” AND INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

Translation from Latvian original*

Riga, 2019

*This version of financial statements is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of financial statements takes precedence over this translation.

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INVESTMENT FUND INFORMATION

Name of the Fund:	CBL Eastern European Bond Fund
Type of the Fund:	Investment fund
Classes:	-R Acc USD ISIN: LV0000400125
	-R Acc EUR (hedged) ISIN: LV0000400174
Registration date of the Fund:	20 July 2009
Number of the Fund:	FL92
Investment management company name:	CBL Asset Management IPAS
Investment management company's registered office:	Republikas laukums 2a, Riga, LV-1010, Latvia
Investment management company's registration number:	40003577500
Number of the license for investment management company operations:	06.03.07.098/367
Name of the Fund's Custodian:	Citadele banka AS
Registered office of the Fund's Custodian:	Republikas laukums 2a, Riga, LV-1010, Latvia
Registration number of the Fund's Custodian:	40103303559
Investment management company's Council and Board members and their positions:	<p><i>Council of the investment management company:</i> Chairperson of the Council – Juris Jākobsons – appointed on 11.10.2010 Deputy Chairperson of the Council - Vladimirs Ivanovs - appointed on 06.11.2012 Member of the Council - Peter Meier - appointed on 30.09.2015</p> <p><i>Board of the investment management company:</i> Chairperson of the Board – Kārlis Purgailis - appointed on 08.09.2017 Board Member - Zigurds Vaikulis - appointed on 19.04.2007 Board Member - Andris Kotāns - appointed on 11.05.2015 Board Member - Lolita Sičeva - appointed on 11.05.2015</p>
Rights and responsibilities related to investment fund management:	The Council and the Board members shall perform all duties prescribed in laws and regulations of the Republic and in the Articles of Association of the investment management company
Fund Managers:	Andris Kotāns – appointed on 15.03.2013 Edgars Lao – appointed on 15.03.2013
Rights and responsibilities related to the Fund's management:	The Fund Manager shall perform all duties prescribed in laws and regulations of the Republic of Latvia, in the Articles of Association of the investment management company and in the prospectus of the Fund
Auditor:	KPMG Baltics SIA Vesetas iela 7 Riga, LV-1013 License No 55 Latvia



INVESTMENT MANAGEMENT COMPANY'S REPORT

The investment fund "CBL Eastern European Bond Fund" (previously the sub-fund "CBL Eastern European Bond Fund - USD" of CBL Eastern European Fixed Income Funds) (hereinafter – the Fund) is a debt securities investment fund with two share classes: R Acc USD and R Acc EUR (hedged). The Fund manager is the investment management company CBL Asset Management, legal address Republikas laukums 2a, Riga, LV-1010, registered under No. 40003577500. The Investment Company's operating license is No. 06.03.07.098/367.

The Fund aims at achieving long-term capital appreciation by investing primarily in debt instruments and money market instruments issued or guaranteed by central governments, municipalities, central banks, credit institutions and commercial companies of the Eastern European countries as well as in fixed income funds and in ETFs traded on the regulated markets of the European Economic Area member states and OECD member states, without industry limitations. The investment portfolio of the Fund is diversified to include investments in different industries and countries, thereby achieving a higher protection against volatility of the Fund's asset value versus investments in a single industry or country financial instruments. There were no changes to the Fund's policy during the reporting period.

During the first half of 2019, the amount of Fund's net assets increased by 0.50% (EUR 143,614), amounting to EUR 28,928,443. As at 30.06.2019, gross assets amounted to EUR 29,047,518. Return and value are being calculated for each investment class separately. The share value of the "CBL Eastern European Bond Fund" R Acc USD share class during the reporting period increased by EUR 1.50 and at the end of the period it amounted to EUR 22.65; the share value of the "CBL Eastern European Bond Fund" R Acc EUR (hedged) share class during the reporting period increased by EUR 0.86 and at the end of the period amounted to EUR 18.87. The R Acc USD share class's total return in the first half of 2019 was 7.09% in terms of euro, according to the ECB's rates, and 6.44% in terms of its base currency (USD) and market exchange rates. The R Acc EUR (hedged) share class's total return in the first half of 2019 was 4.78% in terms of euro.

The first half of 2019 was a very successful one in the financial markets. Global equity markets closed the reporting period near all-time highs, while long-term UST yields dropped to the lowest level since autumn 2016. Investors' favourable view towards risk and lower risk-free bond yields made a perfect environment for emerging market bonds, including Eastern European Eurobonds. During the reporting period, the Fund's USD share class increased by 6.3% making it the highest first half result in the last four years. An important part in this market development was due to unexpected change in the rhetoric of Jerome Powell, Chair of the Federal Reserve of the United States. At the end of 2018, he saw the need to continue with a hawkish monetary policy, while at the beginning of this year he suggested the need for a dovish monetary policy. Lower global economic growth and tensions in trade relations were cited as the main reasons for the decision.

One of the most important events regionally was the power-change in Ukraine, where an actor and a comedian Volodymyr Zelensky won the presidential election, replacing the popularity losing president Petro Poroshenko. Investors in the region were initially cautious about the new and inexperienced president, but the sentiment gradually improved, allowing Ukraine to raise funds in the global financial markets.

Russian bond market delivered the highest positive contribution to the Fund, which is also the Fund's largest market. It was followed by the investments in Ukraine, which due to the reasons mentioned above showed strong gains at the end of the reporting period. During the reporting period, we invested in the Moldovan financial market, where the country's largest grain wholesaler experienced a debut issuance of Eurobonds, at the same time we fully captured profits in Belarus, as we believe the expected risk-return relation has lost its appeal. Furthermore, we significantly decreased the exposure to the Turkish market from 9.57% to 5.38% of net assets due to increased political risks in the country. These funds were invested in the Polish market where we saw attractive investment opportunities. At the end of the reporting period, the Fund's investments were diversified among 16 countries, the average yield in USD was 5.8%, average duration 3.5, and average credit rating was in a Ba1/BB+ level.

In the reporting period, the total management costs amounted to EUR 243,109. The investment management company fee amounted to EUR 211,476, custodian fee - EUR 25,377, other management expenses - EUR 6,256.

During the period between the last day of the reporting year and the date of the approval of the annual report there have been no significant events that have material effect on the Fund's financial position and the interpretation of its results.

The management team of IPAS "CBL Asset Management" closely follows developments both locally and globally: in terms of sustainability of economic growth, monetary and fiscal policies of leading economies, as well as potential inflationary and political risks, as they have a substantial impact on the dynamics of Eastern European region's economy and capital market. Selective instrument selection, regardless of the sector and the country will continue to be a decisive factor in the Fund's investment process.

For the Board of IPAS:

Kārlis Purgailis
Chairperson of the Board

Andris Kotāns
Fund Manager

Edgars Lao
Fund Manager



STATEMENT OF ASSETS AND LIABILITIES

	Notes	<u>30.06.2019.</u>	<u>31.12.2018.</u>
Assets			
Due on demand from credit institutions	2	2,436,611	1,753,298
Financial assets at fair value through profit or loss:			
Debt instruments	3	26,525,229	27,135,565
Derivative financial instruments	4	<u>85,678</u>	<u>158,407</u>
Total assets		<u>29,047,518</u>	<u>29,047,270</u>
Liabilities			
Financial liabilities at fair value through profit or loss:			
Derivative financial instruments	4	(79,792)	(220,374)
Accrued expenses		<u>(39,283)</u>	<u>(42,067)</u>
Total liabilities		<u>(119,075)</u>	<u>(262,441)</u>
Net assets		<u>28,928,443</u>	<u>28,784,829</u>

The accompanying notes on pages 8 to 11 form an integral part of these financial statements.

For the Board of IPAS:

Kārlis Purgailis
Chairperson of the Board

Riga, 31 July 2019



STATEMENT OF INCOME AND EXPENSE

	01.01.2019.- 30.06.2019.	01.01.2018.- 30.06.2018.
Income for the reporting period		
Interest income	723,627	1,098,207
Other income	-	36,636
otal income	723,627	1,134,843
Expenses for the reporting period		
Remuneration to investment management company	(211,476)	(220,806)
Custodian Fee	(25,377)	(26,497)
Other Fund management expenses	(6,256)	(2,985)
Total expenses	(243,109)	(250,288)
Increase/(decrease) in investment value		
Realized increase/(decrease) in investment value	208,192	(172,714)
Unrealized increase/(decrease) in investment value	785,754	(1,014,504)
Total increase/(decrease) in investments	993,946	(1,187,218)
Increase/(decrease) in net assets from investments	1,474,464	(302,663)

The accompanying notes on pages 8 to 11 form an integral part of these financial statements.

For the Board of IPAS:

Kārlis Purgailis
Chairperson of the Board

Riga, 31 July 2019

STATEMENT OF CHANGES IN NET ASSETS

	01.01.2019.- 30.06.2019.	01.01.2018.- 30.06.2018.
<i>"CBL Eastern European Bond Fund"</i>		
Net assets at the beginning of the reporting period	28,784,829	29,153,261
Increase/(decrease) in net assets from investment	1,474,464	(302,663)
Transactions with share certificates		
<i>Inflow from subscription of share certificates</i>	1,520,282	1,339,261
<i>(Outflow) from redemption of share certificates</i>	(2,851,132)	(831,667)
(Decrease)/ Increase in net assets from transactions with share certificates	(1,330,850)	507,594
Increase in net assets in the reporting period	143,614	204,931
Net assets as at the end of the reporting period	28,928,443	29,358,192
<i>"CBL Eastern European Bond Fund" Class R Acc USD</i> <i>ISIN : LV0000400968</i>	01.01.2019.- 30.06.2019.	01.01.2018.- 30.06.2018.
Number of share certificates issued as at the beginning of the reporting period	356,182	488,880
Number of share certificates issued as at the end of the reporting period	295,486	525,442
Net assets per share certificate as at the beginning of the reporting period	21.15	20.42
Net assets pershare certificate as at the end of the reporting period	22.65	20.74
<i>"CBL Eastern European Bond Fund" Class R Acc EUR (hedged)</i> <i>ISIN : LV0000400828</i>	01.01.2019.- 30.06.2019.	01.01.2018.- 30.06.2018.
Number of share certificates issued as at the beginning of the reporting period	1,180,217	1,022,346
Number of share certificates issued as at the end of the reporting period	1,178,714	1,010,187
Net assets per share certificate as at the beginning of the reporting period	18.01	18.77
Net assets pershare certificate as at the end of the reporting period	18.87	18.29

The accompanying notes on pages 8 to 11 form an integral part of these financial statements.

For the Board of IPAS:

Kārlis Purgailis
Chairperson of the Board

Riga, 31 July 2019

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

Name of the Fund:	CBL Eastern European Fund (hereinafter - the Fund)
Type of the Fund:	Investment fund
Scope of the Fund:	Investments primarily in debt securities issued or guaranteed by the Eastern European countries, local authorities, central banks, credit institutions and commercial undertakings. The investment portfolios of the Fund's sub-funds are diversified among investments in various currencies, sectors and countries, thus providing greater investment safety and protection against fluctuations in asset value, compared to investments in securities of a single currency, sector or country. The Fund's base currency is the U.S. dollar (USD). The Prospectus of the Fund does not provide for any investments in equity instruments.
Investment management company name:	IPAS CBL Asset Management (hereinafter - the Company) Republikas laukums 2a, Riga, LV-1010, Latvia

NOTE 2 DUE ON DEMAND FROM CREDIT INSTITUTIONS

	30.06.2019.	% from net assets as at 30.06.2019.	31.12.2018.	% from net assets as at 31.12.2018.
Due on demand from credit institutions, AS Citadele banka	2,436,611	8.42%	1,753,298	6.09%
Total demand deposits with credit institutions	2,436,611	8.42%	1,753,298	6.09%

NOTE 3 DEBT INSTRUMENTS AND OTHER FIXED INCOME SECURITIES

All debt instruments and other fixed income instruments are classified as financial assets at fair value through profit or loss. All fixed income securities held by the fund are traded on regulated markets, except for not traded on regulated markets the fixed income securities worth EUR 1,011,585. The following table presents the debt instruments distribution of by the issuer's country of origin:

Financial instrument	ISIN code	Currency	Nominal amount	Acquisition value (EUR)	Carrying value (EUR) 30.06.2019.	% of the Fund's net assets 30.06.2019.
Financial instruments traded on regulated markets:				24,890,933	25,513,644	88.19%
Debt instruments of Russian issuers:				3,758,683	4,016,030	13.88%
NLMK 4.5% 06/2023	XS1405775617	USD	1,400,000	1,230,687	1,262,098	4.36%
PhosAgro 3.949% 04/2023	XS1752568144	USD	1,200,000	936,680	1,067,567	3.69%
Rusal Capital 4.85% 02/2023	XS1759468967	USD	1,000,000	830,320	890,759	3.08%
Petropavlovsk Ltd 8.125% 11/2022	XS1711554102	USD	950,000	760,996	795,606	2.75%
Debt instruments of Romanian issuers:				2,654,411	2,648,324	9.15%
Globalworth Real Estate Investments Ltd 3.0% 03/2025	XS1799975922	EUR	1,050,000	1,108,822	1,119,870	3.87%
Digi Communications 5% 10/2023	XS1405770576	EUR	850,000	870,786	886,615	3.06%
Romania 6.75% 02/2022	US77586TAA43	USD	650,000	674,803	641,839	2.22%
Debt instruments of Kazakhstan issuers:				2,364,760	2,471,847	8.55%
KazTransGas JSC 4.375% 09/2027	XS1682544157	USD	1,300,000	1,072,852	1,173,831	4.06%
Halyk Savings Bank of Kazakhstan JSC 5.5% 12/2022	XS0867478124	USD	732,625	652,106	662,601	2.29%
Nostrum Oil & Gas 7.00% 02/2025	USN64884AD67	USD	1,100,000	639,802	635,415	2.20%
Debt instruments of Polish issuers:				2,140,636	2,168,305	7.50%
PKO Bank 4.63% 09/2022	XS0783934085	USD	1,200,000	1,133,437	1,121,620	3.88%
Tauron Polska Energia SA 2.375% 05/07/2027	XS1577960203	EUR	1,000,000	1,007,199	1,046,685	3.62%
Debt instruments of Azerbaijan issuers:				2,030,763	2,016,110	6.97%
Southern Gas Corridor CJSC 6.875% 03/2026	XS1319820897	USD	1,000,000	1,017,450	1,033,430	3.57%
Azerbaijan 4.75% 03/2024	XS1044540547	USD	1,050,000	1,013,313	982,680	3.40%
Debt instruments of Georgia issuers:				1,693,299	1,703,394	5.89%
BGEO Group JSC 6% 07/2023	XS1405775880	USD	1,095,000	1,005,187	991,501	3.43%
Silknet JSC 11.0% 04/2024	XS1843443430	USD	750,000	688,112	711,893	2.46%
Debt instruments of Turkish issuers:				1,479,755	1,559,014	5.38%
Turk Telekomunikasyon AS 4.875% 06/2024	XS1028951264	USD	1,000,000	780,215	830,237	2.87%
Arcelik 5% 04/2023	XS0910932788	USD	850,000	699,540	728,777	2.51%

Financial instrument	ISIN code	Currency	Nominal amount	Acquisition value (EUR)	Carrying value (EUR) 30.06.2019.	% of the Fund's net assets 30.06.2019.
Debt instruments issued by Ukraine institutions:				1,427,530	1,503,646	5.20%
Metinvest BV 7.75% 04/2023	XS1806400534	USD	1,000,000	864,114	930,404	3.22%
Kernel Holding 8.75% 01/2022	XS1533923238	USD	600,000	563,416	573,242	1.98%
Debt instruments of Swedish issuers:				1,303,751	1,288,959	4.46%
DDM Debt AB 9.25% 04/2022	SE0012454940	EUR	700,000	701,824	719,010	2.49%
European Lingerie Group AB 7.75% 02/2021	SE0010831792	EUR	600,000	601,927	569,949	1.97%
Debt instruments of Norwegian issuers:				1,100,779	1,104,764	3.82%
B2Holding ASA 6.35% 05/2024	NO0010852742	EUR	1,100,000	1,100,779	1,104,764	3.82%
Debt instruments of Hungarian issuers:				1,076,158	1,085,418	3.75%
MOL 2.625% 04/2023	XS1401114811	EUR	1,000,000	1,076,158	1,085,418	3.75%
Debt instruments of Lithuanian issuers:				992,945	1,047,812	3.62%
Maxima Grupe UAB 3.25% 09/2023	XS1878323499	EUR	1,000,000	992,945	1,047,812	3.62%
Debt instruments of Bulgarian issuers:				887,636	948,152	3.28%
Bulgarian Energy Holding 4.875% 08/2021	XS1405778041	EUR	850,000	887,636	948,152	3.28%
Debt instruments of Croatian issuers:				802,034	766,463	2.65%
Hrvatska Elektroprivreda 5.875% 10/2022	XS1309493630	USD	800,000	802,034	766,463	2.65%
Debt instruments of Estonia issuers:				629,399	643,645	2.22%
Luminor Bank AS/Estonia 1.50% 10/2021	XS1894121695	EUR	630,000	629,399	643,645	2.22%
Debt instruments of Moldova issuers:				548,394	541,761	1.87%
Aragvi Finance International DAC 12.0% 04/2024	XS1960552823	USD	600,000	548,394	541,761	1.87%
Financial instruments not traded on regulated markets:				1,000,290	1,011,585	3.50%
Debt instruments of Estonian issuers:				1,000,290	1,011,585	3.50%
Mainor Ulemiste 5.5% 04/2023	EE3300111343	EUR	600,000	600,000	607,760	2.10%
Nortal AS 4.75% 05/2024	FI4000383930	EUR	400,000	400,290	403,825	1.40%
Total debt instruments and other fixed income instruments:				25,891,223	26,525,229	91.69%

NOTE 4 DERIVATIVE FINANCIAL INSTRUMENTS

The following table presents the notional amount and fair value of currency swaps. The notional amount of foreign exchange transactions is determined in accordance with the requirements arising from these transactions.

	30.06.2019.			% of the Fund's net assets 30.06.2019.	31.12.2018.			% of the Fund's net assets 30.12.2018.
	Notional amount	Fair value			Notional amount	Fair value		
		Assets	Liabilities			Assets	Liabilities	
Foreign currency Exchange transactions (swaps)	34,409,338	85,678	(79,792)	1.19%	32,087,284	158,407	(220,374)	(0.22%)
Total derivative financial instruments	34,409,338	85,678	(79,792)	1.19%	32,087,284	158,407	(220,374)	(0.22%)

All derivative financial instruments are EUR and USD swaps concluded with AS Citadele Banka.

NOTE 5 PERFORMANCE DYNAMICS OF THE INVESTMENT FUND

"CBL Eastern European Bond Fund" Class R Acc USD	30.06.2019.	31.12.2018.	31.12.2017.	31.12.2016.
Net assets (EUR)	6,691,762	7,531,567	9,983,212	10,815,319
Number of share certificates	295,486	356,182	488,880	493,936
Value of the unit of the investment fund (EUR)	22.65	21.15	20.42	21.90
Profitability of the investment fund*	7.09%	3.57%	(6.76%)	14.20%
Net assets (USD)**	7,615,225	8,623,645	11,972,866	11,400,427
Number of share certificates	295,486	356,182	488,880	493,936
Value of the unit of the investment fund (USD)	25.77	24.21	24.49	23.08
Profitability of the investment fund*	6.44%	(1.14%)	6.11%	10.61%
"CBL Eastern European Bond Fund" Class R Acc EUR (hedged)	30.06.2019.	31.12.2018.	31.12.2017.	31.12.2016.
Net assets (EUR)	22,236,671	21,253,257	19,191,715	18,592,090
Number of share certificates	1,178,714	1,180,217	1,022,346	1,032,779
Value of the unit of the investment fund (EUR)	18.87	18.01	18.77	18.00
Profitability of the investment fund**	4.78%	(4.05%)	4.28%	8.67%
Net assets (EUR)*	22,236,671	21,253,257	19,135,188	18,636,606
Number of share certificates	1,178,714	1,180,217	1,022,346	1,032,779
Value of the unit of the investment fund (EUR)	18.87	18.01	18.72	18.05
Profitability of the investment fund**	4.78%	(3.79%)	3.71%	8.84%

"CBL Eastern European Bond Fund" R Acc EUR (hedged) share class performance dynamics and profitability of the investment fund for the previous periods refer to the CBL Eastern European Bond Fund.

* The net asset value in EUR is determined using the foreign exchange rates prevailing on the financial markets at the end of the day.

** Yield is calculated as the change in the value of the Fund unit over the reporting period in relation to its value at the beginning of the period. The profitability of the semi-annual report is presented in absolute terms. The Fund's annual performance is expressed as a multiple of 365 times the number of days in the period.