

„FINASTA“ EMERGING EUROPE BOND SUBFUND

SEMI-ANNUAL REPORT
JANUARY–JUNE 2013

I. GENERAL INFORMATION

1. Finasta Emerging Europe Bond Subfund (hereinafter – Subfund) information:

Name	Finasta Emerging Europe Bond Subfund
Date of the Commission's agreement for collective investment undertaking forming for documentation	October 29, 2010

2. Reporting period covered by this report:

From 1 January, 2013 to 30 June, 2013.

3. Information on the Management Company:

Name	Finasta Asset Management UAB
Company code	126263073
Registered office (address)	Maironio str. 11, Vilnius LT 01124
Phone number	1813
Fax number	(8~5) 203 22 44
E-mail	info@finasta.com
Website	www.finasta.com
Activity license number	VJK-005
Collective investment undertaking's manager, other parties making investment decisions	Andrej Cyba, Director General, Member of the Board; Arturs Miezis, IPAS Finasta Asset Management (LV); Vitalijus Šostak, Head of Fund Management Department, Member of the Board; Tomas Krakauskas, Deputy Director General, Head of Portfolio Management Department.

4. Information on the depository:

Name	SEB bankas AB
Company code	112021238
Registered office (address)	Gedimino ave. 12, Vilnius LT 01103
Phone number	+370 5 268 28 00
Fax number	+370 5 268 23 33

II. NUMBER AND VALUE OF NET ASSETS, INVESTMENT ITEMS OR SHARES

5. Number and value of net assets (hereinafter NA) and investment items (shares):

	At the beginning of the reporting period	At the end of the reporting period	Year before	Two years before
Net assets value (NAV), LTL	33.658.605,9678	36.863.201,2752	22.966.342,2971	21.173.982,2219
Investment item (share) value, LTL	115,6926	116,6304	107,3229	102,7678
Number of investment items (shares) in circulation	291.324,6086	316.068,1215	213.992,8835	206.037,1043

6. Number and total conversion amount of the distributed and redeemed investment items or shares during the reporting period:

	Number of investment items	Value, LTL
Distributed (converting monetary funds into investment items)	39.172,78	7.081.190,24
Redeemed (converting investment items into monetary funds)	11.396,80	967.652,62

III. EXPENSE AND TURNOVER INDICES OF COLLECTIVE INVESTMENT UNDERTAKING

7. Deductions from the collective investment undertaking assets:

Deductions	Fee ratio		Fee amount calculated over the reporting period, LTL	% of the average net assets value over the reporting period
	Maximum as specified in foundation documents	Applied during the reporting period		
Management fee				
<i>Fixed fee</i>	1% of the average annual NAV of the Subfund	1% of the average annual NAV of the Subfund	172.995,89	0,49
<i>Success fee</i>	No fee	No fee	-	-
For the depository	Not exceeding 0,5% of the average annual NAV	Not exceeding 0,5% of the average annual NAV	18.768,04	0,05
Transactions' expenses	Not exceeding 1% of the value of transactions executed	Not exceeding 1% of the value of transactions executed	178,27	-
Other expenses (distribution fee)	2% of the Subfund instrument value	2% of the Subfund instrument value	23.918,56	0,07
Other expenses (change fee)	0.25% of the changed Subfund instruments value	0.25% of the changed Subfund instruments value	7.413,75	0,02
For audit	Total amount of remuneration for the audit company and financial entities cannot exceed 1% of the average annual NAV of the Fund	Total amount of remuneration for the audit company and financial entities cannot exceed 1% of the average annual NAV of the Fund	6.252,66	0,02
Other expenses (third parties fee)			-	-
Other expenses (bank services)			6.241,15	0,02
Other expenses (legal expenses)	Not exceeding 1% of the average annual NAV of the Umbrella Fund	Not exceeding 1% of the average annual NAV of the Umbrella Fund	-	-
Total amount of expenditure			235.768,32	

8. Intermediary fee:

Intermediary name	Description of services provided	Remuneration for services, LTL	Remuneration for services, LTL	Intermediary's connection with the Management Company
Finasta bank AB	Commission fee for intermediation	178,27	9.936,20	The supervisory person of the Management Company and the

	in securities transactions			intermediary supervisory person is one and the same
Total	***	178,27	9.936,20	***

9. Information about all existing agreements on sharing of fees and hidden commissions:

The Management Company did not conclude any formal or informal agreements on fee sharing during the reporting period. No hidden commission fees were charged to the Fund.

10. An example that illustrates the influence of deductions on the final return of investment that falls on the investor:

Information is provided in the annual report.

IV. INFORMATION ABOUT PORTFOLIO OF INVESTMENT INSTRUMENTS OF COLLECTIVE INVESTMENT UNDERTAKING

11. Composition of the investment instruments portfolio at the end of the reporting period:

Issuer name	Country	ISIN Code	Quantity, units	Total nominal value	Total acquisition value	Total market value	Market, according to which data the market value has been established (website)	Vote share of the issuer, %	Share of NA, %
Equity securities listed in the Official or corresponding trading list									
Total:									
Equity securities listed in the Supplementary or corresponding trading list									
Total:									
Equity securities traded in other regulated markets									
Total:									
Issued new equity securities									
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Total of equity securities:									

Issuer name	Country	ISIN Code	Quantity, units	Total nominal value	Total acquisition value	Total market value	Interest rate	Redemption / conversion date	Share of NA, %
Non-equity securities listed in the Official or corresponding trading list									
Lithuania 5,2% 2018/03/28	LT	LT0000607053	17.581	1.758.100	540.064,96	571.808,14	5,2	2018.03.28	5,3559
Lithuania 5,5% 2022/05/17	LT	LT0000610057	7.000	700.000	221.169,28	230.798,06	5,5	2022.05.17	2,1618
Total:			24.581		761.234,24	802.606,20			
Non-equity securities listed in the Supplementary or corresponding trading list									
Croatia 6,5% 2015/01/05	HR	XS0431967230	457	1.577.930	491.459,16	494.272,51	6,5	2015.01.05	4,6296
Hungary 4,5% 2014/01/29	HU	XS0183747905	100	345.280	100.552,06	103.421,12	4,5	2014.01.29	0,9687
Romania 5% 2015/03/18	RO	XS0495980095	337	1.163.594	353.534,62	356.878,52	5	2015.03.18	3,3427
Romania 5,25% 2016/06/17	RO	XS0638742485	300	1.035.840	299.531,56	320.511,27	5,25	2016.06.17	3,0021
Q-Vara 2009/01/12	EE	EE3300079987	10	345.280	100.087,80	-	-	2009.01.12	-
OTP Bank 5,27% 2016/09/19	HU	XS0268320800	652	2.251.226	621.369,66	659.430,84	5,27	2016.09.19	6,1766
Vimpelcom 6,493 2016/02/02	IE	XS0587030957	600	1.589.760	460.981,50	496.280,28	6,493	2016.02.02	4,6484
MOL 3,875% 2015/10/05	HU	XS0231264275	677	2.337.546	661.234,01	700.324,75	3,875	2015.10.05	6,5596
Avangard 10% 2015/10/29	CY	XS0553088708	496	1.314.202	363.702,51	389.729,56	10	2015.10.29	3,6504

SINEK 7,7% 2015/08/03	LU	XS0225785962	585	1.550.016	474.390,01	493.527,11	7,7	2015.08.03	4,6226
Zhaikmunai 10,5% 2015/10/19	KZ	USN97708AA49	850	2.252.160	694.730,74	708.354,42	10,5	2015.10.19	6,6348
Agrokor 10% 2016/12/07	HR	XS0471612076	440	1.519.232	584.844,77	473.683,28	10	2016.12.07	4,4368
VTB Bank 5,01% 2015/09/29	LU	XS0230683111	950	2.517.120	746.572,21	754.177,96	5,01	2015.09.29	7,064
Telekom Slovenije 4.875% 2016/12/21	SI	XS0473928371	480	1.657.344	508.280,11	502.029,74	4,875	2016.12.21	4,7023
Romania 4,5% 2014/05/06	RO	RO1114DBE010	4	690.560	208.810,54	205.677,16	4,5	2014.05.06	1,9265
Slovenia 4.375% 2014/04/02	SI	SI0002102935	552	1.905.946	479.346,00	561.869,48	4,375	2014.04.02	5,2628
Slovenia 2.75% 2015/03/17	SI	SI0002103065	470	1.622.816	480.307,10	465.433,15	2,75	2015.03.17	4,3595
Vimpelcom 8.25% 2016/05/23	RU	XS0253861834	250	662.400	275.130,00	211.878,03	8,25	2016.05.23	1,9846
Gaz Capital Via Gaz Capital SA bonds 8.146% 2018.04.11	RU	XS0357281558	330	874.368	298.334,02	298.919,09	8,146	2018.04.11	2,7998
Total:			8.540		8.203.198,38	8.196.398,27			
Non-equity securities traded in other regulated markets									
Total:									
Issued new non-equity securities									
Total:									
Total of non-equity securities:			33.121		8.964.432,62	8.999.004,47			

CIU name	Country	ISIN Code	Quantity, units	Manager	Total acquisition value	Total market value	Market, according to which data the market value has been established (website)	CIU type *	Share of NA, %
CIU items (shares) following requirements of Article 61 (1) of the Law on Collective Investment Undertakings									
Total:									
Items (shares) of other collective investment undertakings									
Total:									
Total CIU items (shares):									

*CIU 1 – CIU, which investment strategy intends to invest up to 100 percent of net assets into non-equity securities;
 CIU 2 – CIU, which investment strategy intends to invest into mixed (balanced) investments;
 CIU 3 – CIU, which investment strategy intends to invest up to 100 percent of net assets into equity securities;
 CIU 4 – CIU, which investment strategy intends to invest up to 100 percent of net assets into money market instruments;
 CIU 5 – other CIU (alternative investment, private capital, real estate, raw materials, etc.).

Issuer name	Country	Instrument name	Quantity, units	Currency	Total market value	Interest rate	Termination date	Share of NA, %
Money market instruments traded in regulated markets								
Total:								
Other instruments of money market								
JSC Bank of Georgia				EUR	289.193,84		2013.10.15	2,709
JSC Bank of Georgia 2				EUR	304.359,27		2014.04.02	2,851
JSC Bank of Georgia 3				EUR	217.160,39		2014.05.08	2,034
Total:								
Total of money market instruments:					810.713,50			

Credit institution name	Country	Currency	Total market value	Interest rate	Termination of the deposit period	Share of NA, %
Deposits in credit institutions						
Total of deposits in credit institutions:						

Instrument name	Issuer	Country	Other part of the transaction	Currency	Investment transaction	Transaction value	Total market value	Market name (website)	Termination date	Share of NA, %
Derivative financial instruments traded in regulated markets										
Total:										
Other derivative financial instruments										
FWD13528	FWD SEB bankas_USD	LT	AB SEB bankas	USD	USD/EUR	1.018.587,36	(32.621,47)	www.reuters.com	2013.07.25	(0,306)
FW1304261	FWD Finasta bankas_USD	LT	AB Bankas Finasta	USD	USD/EUR	1.129.662,25	(2.100,51)	www.reuters.com	2013.08.26	(0,02)
FW1305023	FWD Finasta bankas_USD	LT	AB Bankas Finasta	USD	USD/EUR	654.236,79	(2.317,23)	www.reuters.com	2013.11.04	(0,02)
FW1306141	FWD Finasta bankas_USD	LT	AB Bankas Finasta	USD	USD/EUR	654.237,79	(19.313,84)	www.reuters.com	2013.11.05	(0,181)
Total:							(56.353,05)			
Total of derivative financial instruments:							(56.353,05)			

Bank name	Currency	Total market value	Interest rate	Share of NA, %
Money				
AB SEB Bankas_LTL	LTL	485.839,52	0,00	4,551
AB SEB Bankas_EUR	EUR	10.849,61	0,00	0,102
AB SEB Bankas_USD	USD	94.117,79	0,00	0,882
Total amount of money:		590.806,92		

Name	Short description	Total value	Purpose	Share of NA, %
Other instruments not described in the Law on Collective Investment Undertakings , Article 57 (1)				
Accounts receivable		369.612,68		3,462
Accounts payable		(37.463,48)		(0,351)
Total:		332.149,20		

12. Allocation of investment assets according to criteria corresponding with the investment strategy:

According to investment objects

Allocation of investment assets	Market value	Share of assets, %	Market value at the start of the reporting period	Share of assets at the start of the reporting period, %
Shares	-	-	-	-
Government debt securities	1.431.079,34	31,01	16.211.252,05	48,16
Corporate debt securities	9.640.683,30	53,28	14.897.441,55	44,26
Collective investment instrument	-	-	-	-
Money market instruments	2.799.231,57	7,59	2.038.308,00	6,06
Deposits	-	-	-	-
Derivative financial instruments	(194.575,81)	(0,53)	153.200,49	0,46
Money in credit institutions	2.039.938,13	-	393.189,38	1,17
Other instruments	-	-	-	-
Total:	5.716.356,53	91,36	33.693.391,47	100,10

By sector

Investment allocation	Market value	Share of assets, %	Market value at the start of the reporting period	Share of assets at the start of the reporting period, %
Telecommunication	4.178.537,30	11,34	3.362.176,19	9,99
Everyday consumer goods and	2.981.191,85	8,09	2.876.302,50	8,55
Financial services	4.880.908,46	13,24	3.063.177,58	9,10
Energy sector	7.600.045,68	20,62	5.595.785,28	16,63
Derivative financial instruments	(194.575,81)	(0,53)	153.200,49	0,46
Government securities	11.431.079,34	31,01	16.211.252,05	48,16
Total:	30.877.186,82	83,76	31.261.894,09	92,88

By currency

Investment allocation	Market value	Share of assets, %	Market value at the start of the reporting period	Share of assets at the start of the reporting period, %
Lithuania Litas	2.614.124,41	7,09	4.968.437,84	14,76
Euro	21.200.484,94	57,51	21.158.420,90	62,86
United States of America dollar	11.901.747,18	32,29	7.566.532,73	22,48
Total:	35.716.356,53	96,89	33.693.391,47	100,10

As per geographic zone

Investment allocation	Market value	Share of assets, %	Market value at the start of the reporting period	Share of assets at the start of the reporting period, %
Lithuania	4.616.601,01	6,99	5.262.735,86	15,64
Ireland	1.713.556,55	4,65	1.729.544,87	5,14
Georgia	2.799.231,57	7,59	2.038.308,00	6,06
Kazakhstan	2.445.806,14	6,63	1.613.143,60	4,79
Cyprus	1.345.658,22	3,65	1.259.557,40	3,74
Croatia	3.342.157,75	9,07	3.135.735,77	9,32
Luxembourg	4.308.076,07	11,69	4.217.794,31	12,53
Romania	3.049.053,56	8,27	4.784.391,08	14,21
Slovenia	5.280.478,81	14,32	4.928.184,03	14,64
Turkey	-	-	1.348.686,52	4,01
Russia	1.763.680,30	4,78	-	-

Hungary	5.052.056,54	13,70	3.375.310,03	10,03
Total:		91,36	33.693.391,47	100,10

By Issuer type

Investment allocation	Market value	Share of assets, %	Market value at the start of the reporting period	Share of assets at the start of the reporting period, %
Government of the Republic of	2.771.238,69	7,52	4.716.345,99	14,01
Governments of other countries	8.659.840,65	23,49	11.494.906,06	34,15
Companies registered in the Republic of Lithuania	(194.575,81)	(0,53)	153.200,49	0,46
Companies registered not in the Republic of Lithuania	19.640.683,30	53,28	14.897.441,55	44,26
Collective investment undertakings registered in the Republic of	-	-	-	-
Collective investment undertakings registered not in the Republic of	-	-	-	-
Other	-	-	-	-
Total:	30.877.186,82	83,76	31.261.894,09	92,88

13. Transactions of derivative financial instruments that were executed during the reporting period; except the ones provided in Clause 11 of this report:

Category of financial instruments	The settlement date	Profit / loss	Currency	Purpose of financial instrument	Comments
Not traded on regulated markers	2013.01.25	26.872,53	EUR	Currency risk hedging	Not traded on regulated markers
Not traded on regulated markers	2013.02.11	9.087,00	EUR	Currency risk hedging	Not traded on regulated markers
Not traded on regulated markers	2013.04.26	2.616,29	EUR	Currency risk hedging	Not traded on regulated markers
Not traded on regulated markers	2013.06.14	(1.080,17)	EUR	Currency risk hedging	Not traded on regulated markers
Not traded on regulated markers	2013.06.14	4.752,53	EUR	Currency risk hedging	Not traded on regulated markers
Total:	***	42.248,18	EUR	***	***

Number of transactions	Purchase		Sale		Profit (loss), 30/06/2013 (LTL)
	currency	sum (LTL)	currency	sum (LTL)	
5	EUR	8.169.145,96	USD	8.160.768,00	145.874,52
Total:		8.169.145,96		8.160.768,00	145.874,52

14. Types of the derivative financial instruments, their risks, quantitative limits and methods that are used to evaluate the collective investment undertaking risk related to transactions of derivative financial instruments are provided in Clause 11 of the Annex. Methods by which the derivative financial instrument can protect the transaction (position) of investment instruments against risk:

During the reporting period Subfund has used currency forwards. The purpose of these contracts is to manage currency risk. As a result, Subfund investment and Subfund unit price volatility was reduced and the similar performance in the local currency terms was achieved.

While buying forward contracts, which are traded in the over the counter market, Subfund carry credit risk exposure of forward contracts counterparty. This is the risk that counterparty will not be able to fulfill its financial obligations for the Subfund. The risk is managed by limiting the total exposure (can not exceed 20% of funds' net asset value) of forward contracts with one counterparty.

15. Total value of liabilities resulting from the transactions of derivative financial instruments at the end of the reporting period:

Category of financial instruments	Value of liabilities the end of the reporting period	Currency	Comments
Currency forwards	(194.575,82)	LTL	Not traded on regulated markers
Total:	(194.575,82)	LTL	***

Category of financial instruments	The settlement date	Profit / loss	Currency	Purpose of financial instrument	Comments
Currency forwards	2013.07.25	(112.635,42)	LTL	Currency risk hedging	Not traded on regulated markers
Currency forwards	2013.08.26	(7.252,64)	LTL	Currency risk hedging	Not traded on regulated markers
Currency forwards	2013.09.16	(66.686,82)	LTL	Currency risk hedging	Not traded on regulated markers
Currency forwards	2013.11.04	(8.000,94)	LTL	Currency risk hedging	Not traded on regulated markers
Total:	***	(194.575,82)	LTL	***	***

Number of contracts	Purchase		Sale		Profit (loss), 29/06/2012 (LTL)
	Currency	Sum (LTL)	Currency	Sum (LTL)	
4	EUR	10.707.240,98	USD	10.903.104,00	(194.575,82)
Total:		10.707.240,98		10.903.104,00	(194.575,82)

16. Risk extent for derivative financial instruments accepted by the master collective investment undertaking after transactions:

16.1. 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 investments to the master undertaking:

The collective investment undertaking is a non-master investment undertaking.

16.2. 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 on 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 investments to the master undertaking:

The collective investment undertaking is a non-master investment undertaking.

17. Provide an analysis on how the investment instruments portfolio complies (does not comply) with the investment strategy of the collective investment undertaking (direction of investments, specialization of investments, geographical area, etc):

The investment portfolio of the Subfund complies with the Fund investment strategy.

Managers harmonize more risky (companies' bonds) and safer (government and municipal bonds) investments of subfund, striving to achieve balanced investment return. Subfund invests without limits to any industry or sector in Central and Eastern Europe region. Subfund mainly invests in the medium term bonds. Derivatives are used to manage risks.

18. Name the factors that were most influential on the structure and value changes of the investment instruments portfolio during the reporting period:

Subfund's investment portfolio value index was influenced by the emerging European government and corporate bond prices.

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

19. Comparative index (if selected) and a brief description of it:

Information provided in the annual report.

20. Change in the value of investment instruments (shares) of the same period, annual return (gross and net) on the investment instruments portfolio and change in the value of the comparative index (if selected) and other indicators over the last ten years of operation of the Fund:

Information provided in the annual report.

21. The average return on investments, the average change in the value of investment instruments and the average change in the value of the comparative index (if selected) over the last three, five and ten years (the average net return on investments, the average change in the value of investment instruments and the comparative index are calculated as the respective geometric averages of annual net investment return, change in the value of the investment instrument and the comparative index):

Information provided in the annual report.

22. Other indicators revealing risks related to the investment instruments portfolio:

Information provided in the annual report.

VI. FINANCIAL CONDITION OF THE COLLECTIVE INVESTMENT UNDERTAKING

23. Financial statements of the collective investment undertaking are prepared in compliance with the laws and requirements of the legal acts of the Republic of Lithuania:

23.1. Statement of Net Assets:

No.	Assets	Note No.	Financial year	last financial year
A.	ASSETS		37.190.134,94	33.693.391
I.	MONEY		2.042.942,07	393.189
II.	TERM DEPOSITS		-	-
III.	MONEY MARKET INSTRUMENTS		2.799.231,57	2.038.308
III.1.	Treasury bills		-	-
III.2.	Other money market instruments		2.799.231,57	2.038.308
IV.	TRANSFERABLE SECURITIES		31.071.762,63	31.108.694
IV.1.	Non-equity securities		31.071.762,63	31.108.694
IV.1.1.	Governments and central banks or non-equity securities guaranteed by them		11.431.079,34	16.211.252
IV.1.2.	Other non-equity securities		19.640.683,30	14.897.442
IV.2.	Equity securities		-	-
IV.3.	Investment instruments and shares of other collective investment undertakings		-	-
V.	ACCOUNTS RECEIVABLE		1.276.198,66	-
V.1.	Receivable accounts from sale of investment transactions		-	-
V.2.	Other receivable accounts		1.276.198,66	-
VI.	INVESTMENT AND OTHER PROPERTY		-	153.200
VI.1.	Investment assets		-	-
VI.2.	Derivative financial instruments		-	153.200
VI.3.	Other assets		-	-
B.	LIABILITIES		326.933,66	34.786
I.	Financial and investment asset purchase liabilities		-	-
II.	Liabilities to credit institutions		-	-
III.	Liabilities from contracts for derivative financial instruments		194.575,81	-
VI.	Accounts payable to the Management Company and the depository		45.797,78	34.786
V.	Other payable accounts and liabilities		86.560,07	-
C.	NET ASSETS		36.863.201,28	33.658.606

23.2. Statement of changes in net assets:

No.	Articles	Note No.	Financial year	Last financial year
I.	NET ASSETS VALUE AT THE START OF THE REPORTING PERIOD		33.658.605,95	19.924.168
II.	INCREASE OF THE NET ASSET VALUE		-	
II.1.	Members' contributions to the fund		4.105.998,80	14.361.049
II.2.	Amounts received from other funds		2.975.191,44	3.043.013
II.3.	Margins		-	-
II.4.	Interest income		-	3.351
II.5.	Dividends		-	-
II.6.	Profit on change in value of investments and sales		3.886.931,61	7.125.179
II.7.	Profit on change in foreign exchange rate		51.702,33	118.787
II.8.	Profit from derivative financial instrument transactions		2.259.203,29	5.119.950
II.9.	Other increases in net asset value		-	3.943
	TOTAL INCREASE:		13.279.027,48	29.775.271
III.	DECREASE IN NET ASSETS VALUE		-	
III.1.	Allowances for the fund's members		3.088.493,93	4.149.544
III.2.	Allowances for other funds		1.080.310,64	3.099.788
III.3.	Losses on changes in value of investments and sales		3.190.994,01	3.401.470
III.4.	Losses on changes in foreign exchange rate		17.760,16	133.452
III.5.	Losses from derivative financial instrument transactions		2.461.105,07	4.915.666
III.6.	Management costs		235.768,32	340.914
III.6.1.	Salary for the Management Company		204.328,19	282.630
III.6.2.	Salary for depository		18.768,04	27.186
III.6.3.	Salary for intermediaries		178,26	17.841
III.6.4.	Audit costs		6.252,66	12.657
III.6.5.	Other expenses		6.241,14	600
III.7.	Other decreases in net asset value		-	-
III.8.	Cost reimbursement (-)		-	-
III.9.	Distribution of profit		-	-
	TOTAL DECREASE:		10.074.432,15	16.040.833
IV.	NET ASSETS VALUE AT THE END OF THE REPORTING PERIOD		36.863.201,27	33.658.606

The following Explanatory Letter is an inseparable part of the financial reports.

23.3. Explanatory Letter:

23.3.1. General part:

Information about the collective investment undertaking

Name	Finasta Emerging Europe Bond Subfund
Legal form	Harmonized Investment Fund
Date of the SC's approval for the formation documents of the collective investment undertaking	29 October, 2010.
Type	
Operation time	Unlimited
Location	Vilnius

Information about the Management Company

Name	Finasta Asset Management UAB
Company code	126263073
Registered office (address)	Maironio str. 11, Vilnius LT 01124
Phone number	1813
Fax number	+370 5 203 22 44
E-mail	info@finasta.com
Website	www.finasta.com
Activity license number	VJK-005
Collective investment undertaking manager, other parties making investment decisions	Andrej Cyba, Director General, Member of the Board; Arturs Miezis, IPAS Board Finasta Asset Management (LV); Vitalijus Šostak, Head of Fund Management Department, Member of the Board; Tomas Krakauskas, Deputy Director General, Head of Portfolio Management Department.

Information about the depository:

Name	SEB bankas AB
Company code	112021238
Registered office (address)	Gedimino ave. 12, Vilnius LT 01103
Phone number	+370 5 268 28 00
Fax number	+370 5 268 23 33

Information about the audit company that performed the audit of annual financial reports

Name	PricewaterhouseCoopers UAB
Company code	111473315
Registered office (address)	J.Jasinskio 16B, Vilnius LT 01112
Phone number	+370 5 239 23 00

Reporting period

1 January 2013 - 30 June 2013.

23.3.2. Accounting policy:

Legislation used in the preparation of the financial statements

The financial reports were prepared in accordance with the following legal acts:

- Law on Accounting of the Republic of Lithuania;
- Law on Financial Statements of Entities of the Republic of Lithuania;
- Law on Collective Investment Undertaking of the Republic of Lithuania;
- Business Accounting Standards of the Republic of Lithuania

The Subfund's assets are denominated in litas, so investments could be made in different foreign currencies. The Management Company plans to use derivative financial instruments to avoid losses due to adverse effects of exchange rate fluctuations.

The Subfund financial year is the calendar year. The Sunfund's financial statements are prepared within four months of the end of the financial year.

The Management Company keeps accounts and all amounts in these financial statements provides in the national currency of Republic of Lithuania – litas. Since 2 February 2002, the litas has been pegged to the euro at a rate of 3.4528 litas to 1 euro. The exchange rate of litas with respect to other currencies is set daily by the Bank of Lithuania.

Investment policy and structure of the investment portfolio

The Subfund's goal is to ensure sustainable growth of its assets. Up to 100 percent of the Sub-Fund's assets are invested in developing and the most promising European government and corporate debt securities. There are harmonized riskier (corporate bonds) and safer (government bonds) investments in the Subfund, in order to protect the value of the property and to ensure the smooth Subfund's return on investment.

Subfund's assets are invested in Central and Eastern Europe. Subfund's investments are not limited to a particular industry. The Subfund may invest in bonds which have different periods and the credit rating.

If the situation unable to offer better investment opportunities in the market, up to 100 percent Sub-Fund's assets may be invested in deposits, money market instruments and in regulated collective investment undertakings (shares) in which the main investment trends - money market instruments or bonds, and other forms of non-equity securities. Subfund's assets may be invested in derivative financial instruments, if they are used to manage the risk.

The probability is low, that the portfolio composition or the portfolio management techniques may result net asset value volatility in the Subfund.

Financial risk management policy

The Subfund's assets are invested in the financial instruments listed below, in accordance with its objectives and investment policy:

- shares, depository receipts with respect to shares and harmonised investment instruments (shares) of collective investment undertakings, whose primary investment trend – stocks, depository receipts in respect of shares;

- bonds and other forms of non-equity securities, as well as harmonised investment instruments (shares) of collective investment undertakings, whose primary investment trend – bonds and other forms of non-equity securities;
- other securities that give the right to acquire or transfer transferable securities or determinant cash settlements, set according to transferable securities, currencies, interest rates, yield, market commodities or other indices or instruments;
- other regulated investment instruments (shares) of collective investment undertakings, whose primary investment trend – transferable securities, raw materials, market commodities, currencies, interest rates, yields, and other indices;
- special collective investment undertakings (alternative investments, private capital, real estate) and collective investment undertakings that are not regulated by the Law on Collective Investment Undertakings of the Republic of Lithuania (investing directly in market commodities, raw materials, currencies, etc.);
- money market instruments and investment instruments (shares) of harmonised collective investment undertakings, whose primary investment trend – money market instruments;
- deposits in credit companies;
- derivative financial instruments associated with the above financial instruments, financial indices, interest rates, currencies or currency rates, if they are used for risk management.

The composition of the Subfund's portfolio must meet the investment portfolio diversification requirements and investment restrictions of the Law on Collective Investment Undertakings of the Republic of Lithuania.

The Subfund's financial risk is managed by diversifying the investment portfolio in accordance with principles laid down in the Fund's rules.

The Investment Committee, which makes decisions on the composition of the Subfund's investment portfolio, must take into account the portfolio's current risk status and the impact of investment decisions on this status. The Subfund's portfolio risk is assessed periodically and provided to the Investment Committee meeting at least once per quarter of the calendar year.

The Subfund's investment portfolio risk is assessed with respect to the portfolio's securities:

- the issuer's credit rating;
- price sensitivity to interest rate changes;
- historical and expected price fluctuations of the nominal currency;
- duration;
- yield;
- the value of securities in the investment portfolio.

Among group companies that determine the consolidated financial accountability, no more than 20 per cent of the Subfund's net assets may be invested in issued transferable securities and money market instruments.

Any of the issuer's shares that belong to the Subfund in conjunction with the Management Company and other concerted collective investment undertakings managed by the Management Company may not give more than a tenth of total voting rights in the issuer's general meeting of shareholders.

The Subfund may acquire no more than:

- 10 per cent of all the issuer's non-voting shares;
- 10 per cent of all the issuer's bonds and other forms of non-equity securities;
- 25 per cent of the investment instruments or shares of other collective investment undertakings;
- 10 per cent of a single issuer's issued money market instruments.

The Management Company reviews the investment strategy at least once every 3 years and changes it where necessary.

Recognition principles for increases and decreases in assets and liabilities

The net asset value (NAV) is calculated as follows:

- the value of property (assets);
- the value of liabilities;
- the difference in the values of property (assets) and liabilities shows NAV.

Calculations of the value of assets and liabilities are based on their fair value. This represents NAV, at which they are most likely to be sold.

Liabilities are calculated in compliance with Business Accounting Standards.

The Subfund's asset (or a part of it) shall be written-off only if:

- the rights to the asset (or a part of it) are realised;
- the rights have expired or the right are transferred.

The liabilities (or a part of it) must be written-off only when they vanish, i.e. when the liabilities of the Subfund expire, are fulfilled or annulified.

When calculating NAV, the value of assets and liabilities denominated in foreign currencies is estimated in accordance with the Bank of Lithuania's established official exchange rate between that currency and litas that prevails on the valuation date.

Rules for the deduction accumulation company and depositary

The salary due to the Management Company for the Subfund's management shall be paid from the Subfund's resources.

The salary of the Management Company consists of:

- an asset management fee – no higher than one (1 %) per cent of the Subfund's average annual NAV.

The salary payable to the Management Company for the Subfund's instrument distribution and conversion is not included in the management fee (a conversion fee is applied to change one subfund's instruments into another subfund's instruments):

- The Subfund's selling price for an investment instrument is equal to the instrument's value and no higher than two (2) per cent of the payment to cover distribution costs;
- The Subfund's replacement cost for an investment instrument is equal to the instrument's value and no higher than 0.25 per cent of the payment to cover replacement costs.

Distribution / conversion charges, which are included in the Subfund's investment instrument purchase / conversion price, pay the Member pursuant to the Fund's purchase-sale agreement for instruments.

Distribution and exchange fees are not included in calculations of NAV.

The salary for the Management Company is calculated on an accumulation basis every day of the Subfund's NAV and an increase of the Subfund's instrument value on that day, in line with the principle of simultaneity. The salary for the Management Company is paid monthly until the 10th (tenth) calendar day of the following month.

At the end of the calendar year, an amount shall be adjusted for the management's salary. During the year, overpayments within 30 (thirty) calendar days of the end of the year are returned to the Subfund, and the resultant debts must be repaid to the Management Company within 30 (thirty) calendar days after the end of the financial year.

Overpayments repaid by the Management Company to the Subfund are increased by the Subfund's NAV.

A salary for the depositary and services provided under the depositary contract shall be paid from the Subfund's resources and cannot exceed 0.5 (five-tenths of a) per cent of the Subfund's average annual NAV.

The salary for the depositary consists of:

- custody of the Subfund's assets, calculated by the accumulation principle every day of the Subfund's NAV. The salary is calculated on the basis of actual number of working days in the year;
- the movement of financial instruments in accounts, which is calculated on the basis of each business day on which operations were executed in financial instrument accounts.

The salary for the depositary is paid for each quarter of the preceding year until the 10th (tenth) day of the following quarter.

The amount of remuneration of assets in custody shall be adjusted at the end of the calendar year. During the calendar year, resulting overpayments for assets in custody within 30 (thirty) calendar days after the end of the financial year shall be returned to the Fund, and the Fund's resulting debts must be repaid to the depositary within 30 (thirty) calendar days of the end of the financial year.

The overpayment amount repaid to the Subfund is increased by the Subfund's NAV.

Investment evaluation methods and frequency of revaluation of investments

The fair market value of instruments traded on regulated markets in the Baltic countries (in Riga, Tallinn and Vilnius stock exchanges) is determined by the average market price of instruments traded in regulated markets on the publicly-announced valuation date. The fair value of instruments traded on the markets, other than those specified above, is determined by the closing price, except when:

- instruments are quoted on several regulated markets. In this case, the fair value is determined on the basis of data on the regulated market where trading of these financial instruments was more intense;
- under the given criteria, it is impossible to reasonably choose a market on the basis of data to determine the fair value of the instrument. In such a case, data is used from the regulated market where the issuer's registered office of the instrument is;
- the instrument has not been quoted during the last trading session. In this case, to determine the fair value is used the last known price. This price should be from no more than 30 calendar days prior to the former average market price or closing price, if no events have occurred since the last trading day for which the current market price is significantly lower or higher than the last known price;

- the instrument has not been quoted for more than 30 calendar days prior to the valuation date, or was quoted less than is established in the value calculation procedures of the Management Company's net asset fund, the real value of the financial instrument is determined by the last average price in the mid-market;
- when there is no supply of the financial instrument in the regulated market, the financial instrument is accounted for its demand price. If there is no demand of the financial instrument in the regulated market, the financial instrument is accounted for its supply price divided by two.
- when a certain company moves from the trade lists in the regulated market (the shares are removed from the list) or there are neither demand of the financial instrument nor supply price in the regulated market, the financial instrument is evaluated considering the net profit (for one share) ratio of one or several similar companies that is multiplied by the evaluated company's net profit for one share.

Financial instruments not sold in regulated markets are evaluated as follows:

- shares, depository receipts on shares:
 - if it is possible to evaluate reasonably that the financial instrument is not liquid, it is evaluated considering the ratio of the net profit for one share (using the average weighted number of ordinary shares that were in circulation for a certain period of time) of other similar company(s) that is multiplied by the evaluated company's profit for one share and providing a discount for asset illiquidity;
 - when it is impossible to reasonably assess the value of the financial instrument by the said method, the real value of the financial instrument can be assessed by an independent business valuator who has the right for such activity if the evaluation took place no later than one year and if there were no essential changes after the evaluation due to which the present market price is significantly lower or higher compared to the evaluated by the evaluator; or is evaluated by a likely sale price determined by a chosen evaluation model that is defined in the calculation requirements of the Management Company's net assets of managed funds and that is universally applied and recognised in the finance market.
- Bonds and other form non-equity securities are evaluated according to the calculation requirements of the Management Company's managed net assets of funds. In order to evaluate the value of these financial instruments as accurately as possible, bonds and other form non-equity securities are evaluated using the following methods (order of priority):
 - The instruments that will be redeemed during more than a year are evaluated according to the formula provided in the Subfund's rules. The Subfund's rules are available on the internet, www.finasta.com.
 - The instruments that will be redeemed during less than a year are evaluated according to the formula provided in the Subfund's rules. The Subfund's rules are available on the internet, www.finasta.com
 - The yield of the financial instruments of the Republic of Lithuania is determined by the yield average as for that day the best buying (lowest BID) sale (highest ASK) for a certain issue offered by at least three primary dealers (e.g. SEB bankas AB, DnB Nord bankas AB, Swedbank AB, bankas Finasta AB);
 - The financial instrument is evaluated by a method of accrued interest (amortising the value of a financial instrument);
 - The real value of foreign bonds and other form non-equity securities is determined by the net assets calculation requirements of the Management Company's managed funds.

- The value of a derivative financial instrument is determined by a likely sale price determined by the chosen evaluation model that is defined in the calculation requirements of the Management Company's net assets of managed funds and that is universally applied and recognised in the finance market.
- CIU items (shares) assessed by the last publicly announced redemption price;
- Money market instruments that have reached redemption maturity or with a remaining time of no longer than 397 days or those whose yield regularly is adjusted in line with money market conditions at least once per 397 days, or whose risks, including credit and interest rate risks, are very similar to the risks of financial instruments with a redemption maturity and yield that meet the above characteristics.
- The fixed-term deposits are evaluated by the value of amortised cost;
- Cash and assets in credit companies, except the fixed-term deposits, are evaluated by the nominal value;
- Other asset is evaluated by the most likely sale price determined by a chosen evaluation model that is defined in the calculation requirements of the Management Company's managed net assets of funds and that is universally applied and recognised in the finance market.

Rules for investment item value evaluation

The initial value of the Subfund's item is 100 (one hundred) litas.

The Subfund's NA value is being calculated every day according to the NAV calculating methodology confirmed by the Securities Commission of the Republic of Lithuania and according to calculation requirements of the Management Company's net assets of managed funds that were confirmed by the Board of the Management Company.

The Subfund's item value is assessed by dividing the Subfund's NAV by the number of all the Subfund's items in circulation. The total value of all items of the Subfund is always equal to the NAV of the Subfund. The Subfund's item value is calculated leaving four decimal places and is rounded according to mathematical rounding rules.

The currency that is used for calculation of the Subfund's NAV and item value is litas.

The Subfund's NAV and item value during the running day are announced by the 12.00 of the subsequent business day on the internet www.finasta.com.

Cash and cash equivalents

The cash is considered to be the money in the Fund's accounts. Short-term deposits (up to 3 months) are admitted as cash equivalents. Term deposits are accounted for nominal value, accumulating the interest following the linear method until the end of the term.

Cash and cash equivalents that are nominated in a foreign currency are evaluated by the national currency of the Republic of Lithuania according to the official exchange rate provided by the Bank of Lithuania on the day of assessment.

Post-balance events

After the end of the reporting period, there were no important post-balance events.

22.3.3. Comments on Explanatory Letter:

Note 1. Net assets, investment items and value

Information is provided in the report's Clause 5.

Note 2. Number and value of the distributed and redeemed investment items

Information is provided in the report's Clause 6.

Note 3. Investment portfolio structure

Information is provided in the report's Clause 11.

Note 4. Allocation of investment assets according to criteria corresponding with the investment strategy

Information is provided in the report's Clause 12.

Note 5. Change in value of investments

Statement of Net Asset articles	Change					At the end of the reporting period
	At the end of the previous reporting period	Acquired	Sold (redeemed)	Value increase*	Value decrease *	
Term deposits						
Money market instruments	590.334,80	517.472,00	311.187,04	14.093,74		810.713,50
Debt securities	9.009.700,42	2.710.230,69	2.603.191,13	1.111.639,47	1.229.374,97	8.999.004,47
Debt securities of governments or central banks, or granted by them	4.695.103,12	474.865,57	1.749.946,47	225.657,20	335.010,00	3.310.669,41
Other debt securities	4.314.597,30	2.235.365,12	853.244,66	885.982,27	894.364,97	5.688.335,06
Equity securities						
Investment items and shares of the collective investment undertakings						
Derivative financial instruments	44.369,93		42.248,18	618.988,98	677.463,78	(56.353,05)
Real estate objects						
Other investments						
Total	9.644.405,15	3.227.702,69	2.956.626,35	1.744.722,19	1.906.838,75	9.753.364,92

* The net value of investment increase or decrease is provided here; the net value is calculated from the investment profit from sales and investment increase amount by contracting investment losses from sales and investment value decrease amount.

Note 6. Investment sale results

The undertaking did not carry out financial instrument transactions in 2013 that are not recorded at their fair value in accounting records.

Note 7. Derivative financial instruments

Information is provided in the report's Clauses 13, 14 and 15.

Note 8. Remuneration costs for intermediaries

Information is provided in the report's Clause 8.

Note 9. Participants calculated and (or) paid dividends and other payments that do not change the number of items after being paid

Information is provided in the report's Clause 26.

Note 10. Borrowed and lent funds

Information is provided in the report's Clause 27.

Note 11. Third-party commitments to guarantee yield size of the income undertaking.

During the reporting period and at the end of it, there were no third party's liabilities to guarantee the yield size of the undertaking.

Note 12. The volumes of transactions with related parties during the reporting and previous periods.

No transactions were drawn with the related persons during the reporting period.

Note 13. Significant accounting estimates, or if these were not made, effect of a change, or correction of the presented comparative information due to changes in accounting policies or because of errors

During the reporting period from January 1, 2013 to June 30, 2013, the Fund followed the same accounting policy as in the previous year.

Note 14. Short summary on significant after-balance events that, if not disclosed, could have a material impact on the ability of the users of the company's financial statements to make decisions

Here were no significant changes in assets and liabilities after the period closed.

Note 15. Significant changes in assets or liabilities after the date for calculations of net assets, if not included in the net asset value.

Here were no significant changes in assets and liabilities after the period closed.

Note 16. Other significant information on the financial condition, factors and circumstances of the collective investment undertaking that have an impact on its assets or liabilities

There is no other significant information on the Fund's financial condition.

24. The full text of the audit's conclusion:

Information provided in the annual report.

25. Information about income from investment activities of the collective investment undertaking and expenses incurred over the reporting period:

I.	Income from investment activities	
1.	Interest income	
2.	Realised profit from investments in:	244.127,53
2.1.	Equity securities	
2.2.	Government non-equity securities	(15.048,62)
2.3.	Companies' non-equity securities	(22.525,31)
2.4.	Financial instruments	
2.5.	Derivative financial instruments	
2.6.	Other items of collective investment undertakings	
2.7.	Other (dividends, coupon, currency)	281.701,46
3.	Unrealised profit (loss) from:	(91.214,54)
3.1.	Equity securities	
3.2.	Government non-equity securities	(17.169,86)
3.3.	Companies' non-equity securities	(15.569,88)
3.4.	Financial instruments	-
3.5.	Derivative financial instruments	(58.474,80)
3.6.	Other items of collective investment undertakings	
3.7.	Other	-
	Total amount of income	152.912,99
II.	Expenses	
1.	Operating expenses:	68.283,23
1.1.	Payments for management	59.177,54
1.2.	Depository fees	5.435,60
1.3.	Intermediary fees	51,63
1.4.	Auditor's fee	1.810,90
1.5.	Other charges and expenses	1.807,56
2.	Other expenses	-
	Total costs	68.283,23
III.	Net income	84.629,77
IV.	Payouts (dividends) to holders of investment items	
V.	Re-invested income	84.629,77

26. Other important information about the financial state of the collective investment undertaking, factors and circumstances that influenced the assets and liabilities of the collective investment undertaking:

There is no other important information about the financial state of the collective investment undertaking, factors and circumstances that influenced the assets and liabilities of the collective investment undertaking.

VII. INFORMATION ABOUT PAYMENT OF DIVIDENDS

27. Information about the dividends reckoned or/and paid:

The Fund did not pay or calculate payable dividends during the reporting period.

VIII. INFORMATION ABOUT THE BORROWED ASSETS NECESSARY FOR THE COLLECTIVE INVESTMENT UNDERTAKING

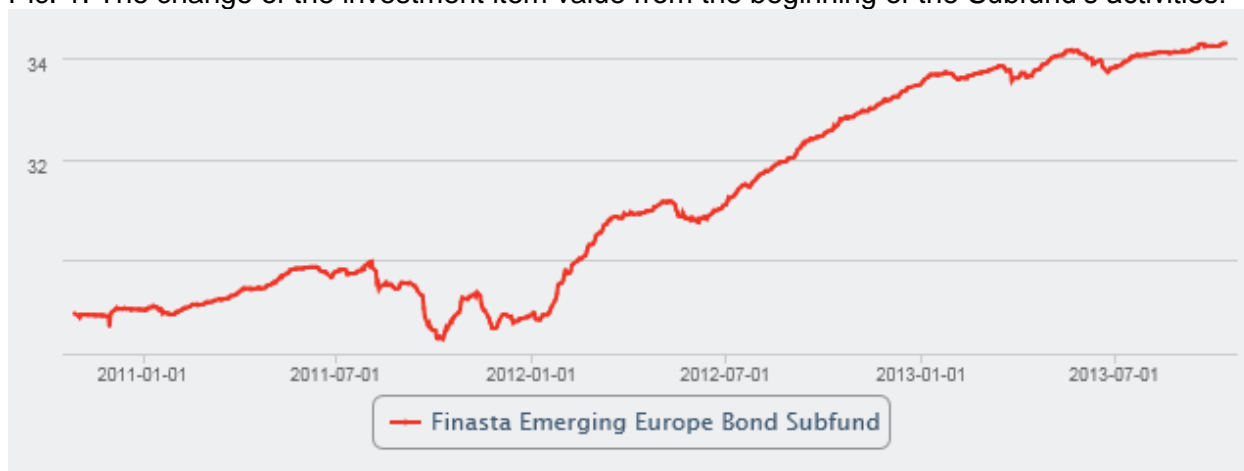
28. The borrowed assets for the collective investment undertaking usage at the end of the reporting period:

No assets were borrowed for the Fund's usage during the reporting period or at the end of it.

IX. OTHER INFORMATION

29. Explanations, comments, illustrating graphical material and other important information about the activities of the collective investment undertaking, so that the investor could properly evaluate changes and results of the undertaking:

Pic. 1. The change of the investment item value from the beginning of the Subfund's activities.



X. PERSONS ACCOUNTABLE

30. Names, surnames (names of legal entities), addresses, title and number of the permission for certain activities of consultants (finance dealer's companies, auditors, etc.) who provided services during the preparation of the report.

Consultant's services were not used during the preparation of the reports.

31. Names, surnames, positions, workplaces (in case the persons who prepared the report are not employees of the company) of the persons who prepared the report:

The reports were prepared by the employees of the Management Company.

32. The Management Company's administrative head, chief accountant, the persons and consultants who prepared the report confirmation that the information presented in this report is true and that there are no concealed facts that may substantially influence the indices of the provided values.

I, Andrej Cyba, Director General at Finasta Asset Management UAB, hereby confirm that the information presented in this report is true and that there are no concealed facts that may substantially influence the indices of the provided values.

(signature)

I, Audronė Minkevičienė, Chief Accountant at Finasta Asset Management UAB, hereby confirm that the information presented in this report is true and that there are no concealed facts that may substantially influence the indices of the provided values.

(signature)

33. Persons who are accountable for the information provided in the report:

33.1. Members of the Company's management organs, employees and head of administration accountable for the report:

Name and surname	Andrej Cyba	Audronė Minkevičienė
Position	Director General	Chief Accountant
Phone number	+370 5 236 18 56	+370 5 203 22 36
Fax number	+370 5 203 22 44	+370 5 203 22 44
E-mail	Andrej.Cyba@finasta.com	Audrone.Minkeviciene@finasta.com

33.2. In case the report is prepared by consultants or using their help, provide their names, surnames, phones' and faxes' numbers, e-mail addresses (if the consultant is a legal entity, provide its name, phones' and faxes' numbers, e-mail addresses and name(s) and surname(s) of the consultant's representative(s)); mark the specific places prepared by the consultants or the parts that were prepared with their help, and define the accountability limits of the consultants.

During the report preparation no consulting services were used.