



ABLV

BANKING / INVESTMENTS \ ADVISORY

Open-end investment fund  
ABLV High Yield CIS Bond Fund

Subfund  
ABLV High Yield CIS USD Bond Fund

Annual report  
for the year ended 31 December 2013

Together with independent auditors' report

## Contents

General information	3
Investment management company report	4
Statement of responsibility of the board of the investment management company	5
Custodian bank report	6
Financial statements:	
Statement of assets and liabilities	7
Statement of income and expense	8
Statement of changes in net assets	9
Statement of cash flows	10
Notes	11
Independent auditors' report	24

## General information

Name of the fund:	ABLV High Yield CIS Bond Fund
Category of the fund:	Open-end investment fund with subfunds
Name of the subfund:	ABLV High Yield CIS USD Bond Fund
Type of the fund:	Bond fund
Registration date of the subfund:	15 June 2007
Registration number of the fund:	06.03.05.263/34
Name of the investment management company:	ABLV Asset Management, IPAS
Registered office of the investment management company:	23 Elizabetes Street, Riga, LV-1010
Registration number of the investment management company:	40003814724
Licence number of the investment management company:	06.03.07.263/204
Date of the licence:	4 August 2006
Name of the custodian bank:	ABLV Bank, AS
Registered office of the custodian bank:	23 Elizabetes Street, Riga, LV-1010
Registration number of the custodian bank:	50003149401
Names and positions of council members, board members, and fund manager:	<p>Council of the investment management company:</p> <p>Chairman of the Council - Ernests Bernis  Deputy Chairman of the Council – Māris Kannenieks  Council Member - Vadims Reinfelds</p> <p>Board of the investment management company:</p> <p>Chairman of the Board - Leonīds Kijs  Deputy Chairman of the Board - Jevgenijs Gžibovskis  Board Member - Sergejs Gačenko</p> <p>Fund Manager - Sergejs Gačenko</p>
Duties of the fund manager:	The fund manager operates the fund's property according to the company's Articles of Association and the Fund Management Regulations. The fund manager may be employed only by one investment management company and manage several funds of one investment management company.

## Investment management company report

On 15 June 2007, the open-end investment fund ABLV High Yield CIS Bond Fund was registered, which was reorganised on 14 December 2011 as a fund with two subfunds – in USD and RUB currencies. The subfund ABLV High Yield CIS USD Bond Fund (hereinafter referred to as the subfund) is a bond fund with the investment currency USD.

ABLV Asset Management, IPAS (ABLV Asset Management, IPAS new name registered with the Register of Enterprises on 27.05.2011, hereinafter referred to as the Company) was registered with the Republic of Latvia Register of Enterprises on 4 August 2006 under No 40003814724, licence for investment management activities No 06.03.07.263/204, and it is located in Riga, at 23 Elizabetes Street.

The subfund's investment objective is achievement of the long-term capital growth. To achieve this objective, the subfund's assets are invested in debt securities or money market instruments issued or guaranteed by commercial companies or credit institutions registered in the CIS states.

The subfund's investment portfolio is diversified by investing in debt securities of different issuers, thus ensuring higher investment safety and protection against fluctuations in the value of the subfund's assets and performance risk.

The year 2013 is the seventh year of operations of ABLV High Yield CIS USD Bond Fund. As at the end of December 2013, the subfund's net assets amounted to USD 29,901,392 (LVL 15,399,217), its annual yield was 2.20%, whereas the subfund's investments average term to maturity was 3.4 years, average weighted rating of the investment portfolio was BB-, and yield to maturity was 6.65%.

In 2013, the situation in different segments of the global bond market developed under the impact of various factors. Improved US macroeconomic indicators promoted the decision of the US financial market regulator (FRS) on reducing the scope of the programme to stimulate the economy. This caused fast price decrease of US government bonds and, accordingly, higher yield rates. As a result, most pressure was sustained by bonds with investment rating and longer term to maturity, which are traditionally most sensitive to increasing yield under the US government bonds.

Due to its moderately conservative strategy, preferring bonds with high coupon yield and relatively low duration, since those are less sensitive to possible negative mood in the markets, ABLV High Yield CIS USD Bond Fund demonstrated positive yield in 2013 because the negative impact of increasing yield under the US government bonds was compensated to a great extent by high coupon yield.

The minimum amount of investment in the subfund is USD 1,000.

The company performs regular analysis of current political and economic situation, as well as comparative and technical analysis, analysis of various macroeconomic indicators, and summarizing analysis of recommendations given by the world leading brokerage and analytics companies on different financial markets.

In order to regularly provide information on situation in the world financial markets to current and prospective customers of ABLV Asset Management, IPAS, detailed monthly analysis of macroeconomic situation prepared by our chief analyst, as well as the subfund manager's comments on and evaluation of the market situation, the subfund's performance and actions taken by the Fund Manager are published at ABLV Bank, AS home page [www.ablv.com](http://www.ablv.com).

To ensure diversification and to minimize risks, the company constantly pays great attention to risk management issues. The company has established an Investment Strategy Committee, which determines the company's investment strategy, risk limits and financial markets where transactions in financial instruments are performed. The members of the Investment Strategy Committee are ABLV Bank, AS and the company's top specialists in financial markets.

The company will continue its efforts to efficiently manage the subfund's assets in order to increase the number of the subfund's investors and net assets in 2014.

Management of ABLV Asset Management, IPAS expresses gratitude to our customers for their loyalty and successful cooperation with us.

ABLV Asset Management, IPAS  
Chairman of the Board

**Leonīds Kijs**

Riga, 23 April 2014

ABLV Asset Management, IPAS  
Fund Manager

**Sergejs Gačenko**

## Statement of responsibility of the board of the investment management company

The board of the investment management company are responsible for the preparation of the financial statements of the subfund ABLV High Yield CIS USD Bond Fund of the investment fund ABLV High Yield CIS Bond Fund.

The financial statements set out on pages 7 to 23 are prepared in accordance with the source documents and present fair view of the financial position of the fund as at 31 December 2013 and 2012 and the results of its operations for the years then ended.

The aforementioned financial statements are prepared on a going concern basis, applying laws of the Republic of Latvia, the Regulations of the Financial and Capital Market Commission (FCMC) on the Preparation of Reports of Investment Funds and on the Preparation of Annual Reports of Investment Funds, according to International Financial Reporting Standards as adopted by the European Union. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgements and estimates have been made by the management in the preparation of the financial statements.

The board of the investment management company are responsible for the ensuring of proper system of accounting records, the safeguarding of the subfund's assets, and the prevention and detection of fraud and other irregularities in the subfund. They are also responsible for operating the subfund in compliance with the Law of the Republic of Latvia on Investment Management Companies, FCMC regulations, and other laws of the Republic of Latvia.

ABLV Asset Management, IPAS  
Chairman of the Board

**Leonīds Kijs**



Rīga, 23 April 2014

## Custodian bank report

To the investors of  
the subfund ABLV High Yield CIS USD Bond Fund of  
the open-end investment fund ABLV High Yield CIS Bond Fund

ABLV Bank, AS, registered with the Republic of Latvia Enterprise Register on 17 September 1993 under No 50003149401, located in Riga, 23 Elizabetes Street, hereby confirms and attests that:

According to the Law of the Republic of Latvia on Investment Management Companies, FCMC regulations, other requirements of Latvian laws, and the Custodian Bank Agreement signed on 2 March 2007, ABLV Bank, AS (hereinafter – the custodian bank) acts as the custodian bank for the subfund ABLV High Yield CIS USD Bond Fund established by ABLV Asset Management, IPAS.

The custodian bank is responsible for the compliance with the requirements of Latvian laws applicable to custodian banks and the execution of the Custodian Bank Agreement. The key duties of the custodian bank are as follows:

- To keep the subfund's property held in the account according to the conditions of the Custodian Bank Agreement;
- To service the subfund's account and execute the orders given by the company in respect of the subfund's property held in the account according to the Custodian Bank Agreement;
- To control that the subfund's investment certificates are issued, sold and redeemed and the subfund's share value is calculated following the procedure prescribed by laws, the fund's Prospectus, and the Fund Management Regulations;
- To submit to the company the list of persons authorised by the custodian bank to accept orders at the effectiveness date of the Custodian Bank Agreement;
- To ensure the execution of other duties provided for custodian banks by laws and regulations.

The investment certificates are issued, sold and redeemed pursuant to the requirements of the Law on Investment Management Companies, the fund's Prospectus, and the Fund Management Regulations.

The subfund's property is kept in accordance with the requirements of the Law on Investment Management Companies and the Custodian Bank Agreement.

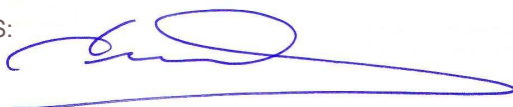
The net asset value is calculated according to the requirements of the Law on Investment Management Companies, FCMC regulations, the fund's Prospectus, and the Fund Management Regulations.

The company's orders and transactions involving the property of the subfund ABLV High Yield CIS USD Bond Fund of the open-end investment fund ABLV High Yield CIS Bond Fund are in compliance with the requirements of the Law on Investment Management Companies, the fund's Prospectus, the Fund Management Regulations, and the Custodian Bank Agreement.

In the reporting period, there were no errors or illegalities observed in the company's operations involving the subfund's property.

Custodian bank ABLV Bank, AS:  
Chairman of the Board

**Ernests Bernis**



Riga, 23 April 2014

## Statement of assets and liabilities

LVL

<b>Assets</b>	Notes	31/12/2013	31/12/2012
Demand deposits with credit institutions	4	304,612	1,441,037
Financial assets at fair value through profit or loss		15,115,978	9,981,899
Debt securities and other fixed income securities	5	15,115,978	9,981,752
Shares and other non-fixed income securities		-	147
<b>Total assets</b>		<b>15,420,590</b>	<b>11,422,936</b>
<b>Liabilities</b>			
Accrued expense	6	(21,373)	(15,100)
<b>Total liabilities</b>		<b>(21,373)</b>	<b>(15,100)</b>
<b>Net assets</b>		<b>15,399,217</b>	<b>11,407,836</b>

ABLV Asset Management, IPAS  
Chairman of the Board

**Leonīds Kijs**

ABLV Asset Management, IPAS  
Fund Manager

**Sergejs Gačenko**

Riga, 23 April 2014

## Statement of income and expense

		LVL	
	Notes	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
<b>Income</b>			
Interest revenue	7	1,038,057	565,379
Other income		2,753	-
<b>Total</b>		<b>1,040,810</b>	<b>565,379</b>
<b>Expense</b>			
Remuneration to investment management company		(198,671)	(100,900)
Remuneration to custodian bank		(31,787)	(16,144)
Other fund management expense		(1,476)	(1,444)
Interest expense		-	(125)
<b>Total</b>		<b>(231,934)</b>	<b>(118,613)</b>
<b>(Decrease)/ increase in investment value</b>			
Realised (decrease)/ increase in investment value	8	(101,710)	50,813
Unrealised (decrease)/ increase in investment value	9	(1,067,179)	509,177
<b>(Decrease)/ increase in net assets from investment</b>		<b>(360,013)</b>	<b>1,006,756</b>

ABLV Asset Management, IPAS  
Chairman of the Board

Leonīds Kijs

ABLV Asset Management, IPAS  
Fund Manager

Sergejs Gačenko

Riga, 23 April 2014



## Statement of changes in net assets

	LVL	
Position title	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
<b>Net assets at the beginning of the year</b>	<b>11,407,836</b>	<b>6,698,760</b>
(Decrease)/ increase in net assets from investment	(360,013)	1,006,756
Transactions with investment certificates		
Inflow from sale of investment certificates	7,450,899	4,609,563
Outflow of redemption of investment certificates	(3,099,505)	(907,243)
<b>Total result of transactions with investment certificates</b>	<b>4,351,394</b>	<b>3,702,320</b>
<b>Increase in net assets for the year</b>	<b>3,991,381</b>	<b>4,709,076</b>
<b>Net assets at the end of the year</b>	<b>15,399,217</b>	<b>11,407,836</b>
Issued investment certificates at the beginning of the year	1,522,174	1,029,000
Issued investment certificates at the end of the year	2,071,489	1,522,174
Net assets per investment certificate at the beginning of the year	7.49	6.51
Net assets per investment certificate at the end of the year	7.43	7.49

ABLV Asset Management, IPAS  
Chairman of the Board

**Leonīds Kijs**

ABLV Asset Management, IPAS  
Fund Manager

**Sergejs Gačenko**

Riga, 23 April 2014

## Statement of cash flows

	LVL	
Position title	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
Interest received	1,086,537	573,846
Interest paid	-	(126)
Investment management expense	(223,551)	(112,782)
Acquisition of financial assets	(26,384,618)	(11,700,924)
Disposal and redemption of financial assets	20,178,300	9,015,925
<b>Decrease in cash and cash equivalents from operating activities</b>	<b>(5,343,332)</b>	<b>(2,224,061)</b>
Inflow from sale of investment certificates	7,450,899	4,609,563
Outflow of redemption of investment certificates	(3,099,505)	(907,243)
<b>Increase in cash and cash equivalents from financing activities</b>	<b>4,351,394</b>	<b>3,702,320</b>
<b>(Decrease)/ increase in cash and cash equivalents for the year</b>	<b>(991,938)</b>	<b>1,478,259</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,441,037</b>	<b>6,443</b>
Net foreign exchange difference	(144,487)	(43,665)
<b>Cash and cash equivalents at the end of the year</b>	<b>304,612</b>	<b>1,441,037</b>

ABLV Asset Management, IPAS  
Chairman of the Board

**Leonīds Kijs**

ABLV Asset Management, IPAS  
Fund Manager

**Sergejs Gačenko**

Riga, 23 April 2014

## Note 1

### General information

The subfund ABLV High Yield CIS USD Bond Fund of the open-end investment fund ABLV High Yield CIS Bond Fund is a bond fund registered on 15 June 2007. The registered office of the investment manager is at 23 Elizabetes Street, Riga, LV-1010, Latvia.

The fund's business activity includes investments in debt securities or money market instruments issued or guaranteed by commercial companies or credit institutions registered in the CIS countries.

The following abbreviations are used in the notes to the financial statements: International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Accounting Standards Board (IASB), International Financial Reporting Interpretations Committee (IFRIC), Financial and Capital Market Commission (FCMC), European Monetary Union (EMU), European Union (EU), Organisation for Economic Cooperation and Development (OECD), and ABLV Asset Management, IPAS (company).

## Note 2

### Principal accounting policies

#### Basis of Preparation

These financial statements are based on the accounting records made pursuant to the legislative requirements and prepared in conformity with International Financial Reporting Standards and IFRIC Interpretations as adopted by the European Union, on a going concern basis.

These records are prepared under the historical cost convention, except for financial assets and liabilities which are reported at fair value.

During the year ended 31 December 2013, the subfund consistently applied accounting policies in line with those disclosed in the prior-year financial statements, except for the changes listed below.

The subfund's functional currency is USD. The monetary unit used in the financial statements is the lat (LVL), the monetary unit of the Republic of Latvia. These financial statements are reported in lats, unless otherwise stated. Information given herein in brackets represents comparative figures for the year ended 31 December 2012, unless otherwise stated.

#### Adoption of New and/ or Changed IFRSs and IFRIC Interpretations in the Reporting Year

During the year, the subfund has adopted the following IFRS amendments:

- Amendment to IAS 1 *Financial Statement Presentation* - Presentation of Items of Other Comprehensive Income (OCI);
- Amendments to IAS 19 *Employee Benefits*;
- Amendment to IFRS 7 *Financial Instruments: Disclosures* - Offsetting Financial Assets and Financial Liabilities;
- IFRS 13 *Fair Value Measurement*;
- IFRIC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*.

Amendment to IAS 1 *Financial Statement Presentation* - Presentation of Items of Other Comprehensive Income (OCI)

This amendment changes the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the subfund's financial position or performance. This amendment did not impact the subfund's financial statements because the subfund does not have such items.

Amendments to IAS 19 *Employee Benefits*

These amendments range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. This amendment did not impact the subfund's financial statements because the subfund does not have such benefits.

Amendment to IFRS 7 *Financial Instruments: Disclosures* - Offsetting Financial Assets and Financial Liabilities

The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. The amendment to IFRS 7 is to be retrospectively applied. This amendment did not impact the subfund's financial statements because the subfund does not have netting arrangements.

#### IFRS 13 *Fair Value Measurement*

The main reason of issuance of IFRS 13 is to reduce complexity and improve consistency in application when measuring fair value. It does not change when an entity is required to use fair value but, rather, provides guidance on how to measure fair value under IFRS when fair value is required or permitted by IFRS. The implementation of this standard did not have a material impact on the amounts recognised in the subfund's financial statements; however, the subfund provided additional disclosures in Note 16.

#### IFRIC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*

This interpretation applies to stripping costs incurred in surface mining activity during the production phase of the mine ('production stripping costs'). This interpretation had no impact on the subfund's financial statements as the subfund is not involved in mining activity.

The IASB has issued the Annual Improvements to IFRSs 2009 – 2011 Cycle, which contains amendments to its standards and the related Basis for Conclusions. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS.

- IAS 1 *Financial Statement Presentation*. Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period.
- IAS 16 *Property, Plant and Equipment*. Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.
- IAS 32 *Financial Instruments: Presentation*. Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*.
- IAS 34 *Interim Financial Reporting*. Clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment and disclosure in interim financial reports.

#### Standards Issued but not yet Effective

Standards issued but not yet effective or not endorsed by the EU and not early adopted

The subfund has not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorisation of these financial statements for issue, but which are not yet effective:

#### IAS 19 *Employee Benefits* (Amended)

The amendment is effective for financial years beginning on or after 1 July 2014. The amendments address accounting for the employee contributions to a defined benefit plan. This amendment has not yet been endorsed by the EU.

#### IAS 27 *Separate Financial Statements* (Amended)

The amendment is effective for financial years beginning on or after 1 January 2014. As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was amended to contain accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 *Separate Financial Statements* requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 *Financial Instruments*.

#### IAS 28 *Investments in Associates and Joint Ventures* (Amended)

The amendment is effective for financial years beginning on or after 1 January 2014. As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was renamed and addresses the application of the equity method to investments in joint ventures in addition to associates.

#### IAS 32 *Financial Instruments: Presentation* - Offsetting Financial Assets and Financial Liabilities (Amended)

The amendment is effective for financial years beginning on or after 1 January 2014. This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

#### IAS 36 *Impairment of Assets* (Amended)

The amendment is effective for financial years beginning on or after 1 January 2014. This amendment adds a few additional disclosure requirements about the fair value measurement when the recoverable amount is based on fair value less costs of disposal and removes an unintended consequence of IFRS 13 to IAS 36 disclosures.

#### IAS 39 *Financial Instruments: Recognition and Measurement* (Amended)

The amendment is effective for financial years beginning on or after 1 January 2014. The amendment provides relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.

#### IFRS 9 *Financial Instruments: Classification and Measurement*

The effectiveness date of the new standard has not been set yet. IFRS 9 will eventually replace IAS 39. The IASB has issued the first three parts of the standard, establishing a new classification and measurement framework for financial assets, requirements on the accounting for financial liabilities and hedge accounting. This standard has not yet been endorsed by the EU.

#### IFRS 10 *Consolidated Financial Statements*

The new standard is effective for financial years beginning on or after 1 January 2014. IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and, therefore, are required to be consolidated by a parent. Examples of areas of significant judgment include evaluating de facto control, potential voting rights or whether a decision maker is acting as a principal or agent. IFRS 10 replaces the part of IAS 27 *Consolidated and Separate Financial Statements* related to consolidated financial statements and replaces SIC 12 *Consolidation — Special Purpose Entities*.

#### IFRS 11 *Joint Arrangements*

The new standard is effective for financial years beginning on or after 1 January 2014. IFRS 11 eliminates proportionate consolidation of jointly controlled entities. Under IFRS 11, jointly controlled entities, if classified as joint ventures (a newly defined term), must be accounted for using the equity method. Additionally, jointly controlled assets and operations are joint operations under IFRS 11, and the accounting for those arrangements will generally be consistent with today's accounting. That is, the entity will continue to recognise its relative share of assets, liabilities, revenues and expenses.

#### IFRS 12 *Disclosures of Interests in Other Entities*

The new standard is effective for financial years beginning on or after 1 January 2014. IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, investments in associates and structured entities into one comprehensive disclosure standard. A number of new disclosures also will be required such as disclosing the judgments made to determine control over another entity.

#### IFRS 14 *Regulatory Deferral Accounts*

The new standard is effective for financial years beginning on or after 1 January 2016. It is an interim standard that provides first-time adopters of IFRS with relief from derecognising rate-regulated assets and liabilities until a comprehensive project on accounting for such assets and liabilities is completed by the IASB. This standard has not yet been endorsed by the EU.

#### IFRS 10, IFRS 12 and IAS 27 - *Investment Entities* (Amended)

The amendments are effective for financial years beginning on or after 1 January 2014. The amendments apply to entities that qualify as investment entities. The amendments provide an exception to the consolidation requirements of IFRS 10 by requiring investment entities to measure their subsidiaries at fair value through profit or loss, rather than consolidate them.

#### IFRIC Interpretation 21 *Levies*

The interpretation is effective for financial years beginning on or after 1 January 2014. This interpretation addresses the accounting for levies imposed by governments. Liability to pay a levy is recognised in the financial statements when the activity that triggers the payment of the levy occurs. This interpretation has not yet been endorsed by the EU.

In December 2013 the IASB issued a number of amendments of standards. Therefore, the adoptions of amendments are subject to change in accounting policy or disclosure. The applying of amendments is mandatory, but non-urgent. Amendments to the following standards have been made:

- IFRS 1 *First-time Adoption of IFRS*;
- IFRS 2 *Share-based Payment*;
- IFRS 3 *Business Combinations*;
- IFRS 8 *Operating Segments*;
- IFRS 13 *Fair Value Measurement*;
- IAS 16 *Property, Plant and Equipment*;
- IAS 24 *Related Party Disclosures*;
- IAS 38 *Intangible Assets*;
- IAS 40 *Investment Property*.

The subfund is in the process of assessing the impact of the guidance on its financial position or performance. The subfund plans to adopt the above mentioned standards and interpretations on their effectiveness date.

The subfund has not early adopted any other standard, interpretation or amendment that has been issued, but is not yet effective.

### **Significant Accounting Estimates and Assumptions**

The preparation of financial statements in accordance with IFRS as adopted by the EU requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. Future events occur which cause the assumptions used in arriving at the estimates to change. Such estimates and assumptions are based on most reliable information available to the management in respect to specific events and actions. The effect of any changes in estimates will be recorded in the financial

statements when determinable. The significant areas of estimation and assumptions relate to determining the fair value of financial assets.

### Revenue and Expense Recognition

All major revenue and expense items are recognised on an accrual basis. Interest revenue is recognised in the period when earned using the effective interest rate. Interest revenue and expense also include amortisation of any discount or premium. Dividend revenue is recognised when received.

The difference between the acquisition price and the value of a financial instrument (hereinafter – a 'Day 1' profit or loss) is not recognised in the statement of income and expense at the acquisition date. The 'Day 1' profit or loss from transactions is recognised on an individual basis. The difference is either recognised in the statement of income and expense during the term of the transaction, or deferred and recognised only when the fair value of the financial instrument may be determined using observable data, or recognised in the statement of income and expense upon derecognition of a financial instrument. The financial instrument is subsequently stated at fair value adjusted by the deferred 'Day 1' profit or loss. Fair value changes are recognised in the statement of income and expense without making adjustments to the deferred 'Day 1' profit or loss.

### Foreign Currency Translation

The subfund's functional currency is USD but, according to the FCMC requirements, the fund ensures accounting also in LVL. These financial statements are prepared based on transaction accounting in LVL. Income or expense resulting from changes in exchange rates is included in the statement of income and expense of the reporting period. Income or expense in foreign currencies is expressed into Latvian lats at the official currency exchange rate fixed by the Bank of Latvia at the date of recognition of the respective items.

The following LVL/USD exchange rate established by the Bank of Latvia has been applied in preparing these financial statements of the subfund:

Reporting date	USD
31 December 2013	0.515
31 December 2012	0.531

### Cash and Cash Equivalents

Cash and cash equivalents comprise subfund's demand deposits with credit institutions and term deposits with credit institutions with a contractual original maturity of three months or less. Cash and cash equivalents are highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of essential change in value.

### Recognition and Derecognition of Financial Assets and Liabilities

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the subfund; or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the subfund; or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

The subfund recognises financial assets and liabilities in its statement of assets and liabilities when, and only when, the subfund becomes a party to the contractual provisions of the instrument.

A financial asset is derecognised only when the contractual rights to receive cash flows from the asset have expired, or the subfund has transferred the financial asset and substantially all the risks and rewards of the asset to the counterparty.

A financial liability is derecognised only when the obligation under the liability is discharged according to the contract or cancelled or expires.

All purchases and sales of financial assets are recognised and derecognised on the settlement date. The acquisition value of securities is determined on a weighed average cost basis.



## Fair Value of Financial Assets and Liabilities

Fair value is the amount for which an asset could be exchanged or a liability settled between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction. The best evidence of fair value of financial assets and liabilities is quoted prices in an active market. If the market for a financial asset or liability is inactive, fair value is established by using a various valuation techniques, including discounted cash flow analysis, recent transactions that are substantially the same, as well as management estimates and assumptions.

## Financial Instruments

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are fixed income held-for-trading securities, i.e., securities acquired for generating a profit from short-term fluctuations in price.

Securities are initially stated at fair value, including transaction costs, and further marked-to-market on the basis of quoted market prices. Any gain or loss resulting from revaluation of securities at fair value as well as any gain or loss resulting from disposal of the above securities is included in the statement of income and expense.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise balances due from credit institutions. Those are carried at amortised cost using the effective interest method.

An impairment allowance is established when there is objective evidence that the subfund will not be able to collect all amounts due according to the original terms. The amount of the allowance is the difference between the amortised cost and the recoverable amount.

## Taxes

The subfund's income is subject to income taxes in the country of its origin. Basically, the subfund's income is exempt from income taxes. The subfund is not a Latvian corporate income tax payer, and upon redemption of the subfund's investment certificates, no income taxes are charged on increases in value.

## Note 3

### Risk management

Risks are inherent in the investment process and risk management is one of the fund's strategic values, which is based on the confidence that efficient risk management is critical for the success of the fund. Managing risks permits keeping the fund's exposure at a level meeting its willingness and ability to undertake risks.

The key investment risks are market risk (price risk and interest rate risk), liquidity risk, credit risk, legal risk, strategic risk, information risk, foreign investment risk, and other business-related risks. Considering that the company makes investments only in the subfund's base currency (USD), there is no exposure to currency risk.

Risk management stands for identification, assessment and control of potential risks.

The company acts in strict compliance with the provisions and restrictions of the prospectuses, agreements, and Latvian laws, as well as assesses the compliance of the investments made on an ongoing basis.

To minimise the investment risks, the fund is managed following the risk diversification and hedging principles. The company applies qualitative and quantitative assessments to manage financial risks. According to the qualitative assessment, investments are made in assets corresponding to certain parameters. In planning investments, the company takes into consideration investment safety in each particular country and particular financial instruments and term deposits with banks, i.e., analyses credit ratings granted to the respective country, bank or company. In developing the investment strategy and stating limits, the company performs an analysis of the fund's investments by maturity, geographical placements, currency profile, industry, etc., assessing the risks inherent in each of the above factors. Meanwhile, the quantitative assessment is expressed as limits set for specific investment types, countries and regions, industries, specific issuers and counterparties.

When investments are made abroad, particular attention is paid to expected investment-related currency fluctuations against the fund's base currency. For risk mitigation purposes, the company performs:

- Country assessment according to international rating agencies scale;
- Assessment of the political situation in the country;
- Assessment of the economic situation in the country.

The investment strategy of the fund is aimed at minimising the aforementioned risks to the maximum extent possible; however, the company cannot guarantee that these risks can be completely avoided in the future.

## Note 4

### Demand deposits with credit institutions

	31/12/2013		31/12/2012	
	Carrying amount to subfund's assets		Carrying amount to subfund's assets	
	Carrying amount		Carrying amount	
	LVL	%	LVL	%
<b>Demand deposits with credit institutions</b>				
Demand deposits with ABLV Bank, AS	304,612	1.98	1,441,037	12.62
<b>Total demand deposits with credit institutions</b>	<b>304,612</b>	<b>1.98</b>	<b>1,441,037</b>	<b>12.62</b>

As at 31 December 2013 and 2012, demand deposits with credit institutions were neither past due nor impaired.

## Note 5

### Financial assets at fair value through profit or loss

Debt securities and other fixed income securities by country profile and issuers as at 31 December 2013:

Issuer	Amount number	Acquisition value LVL	Carrying amount to subfund's assets	
			Carrying amount LVL	(%)
<b>Belarus</b>	<b>300</b>	<b>150,696</b>	<b>162,066</b>	<b>1.05</b>
REPUBLIC OF BELARUS	300	150,696	162,066	1.05
<b>Georgia</b>	<b>200</b>	<b>108,406</b>	<b>111,299</b>	<b>0.72</b>
Bank of Georgia JSC	200	108,406	111,299	0.72
<b>Canada</b>	<b>500</b>	<b>254,789</b>	<b>255,593</b>	<b>1.66</b>
URANIUM ONE INC	500	254,789	255,593	1.66
<b>Kazakhstan</b>	<b>22,114</b>	<b>1,394,911</b>	<b>1,402,252</b>	<b>9.09</b>
ATF Bank JSC	400	214,410	211,966	1.37
Bank CenterCredit	830	434,269	443,085	2.87
BTA BANK JSC	19,534	5,533	7,610	0.05
Halyk Savings Bank of Kazakhstan	800	457,449	449,406	2.92
Kazkommertsbank	550	283,250	290,185	1.88
<b>Russia</b>	<b>26,141</b>	<b>12,244,336</b>	<b>12,154,963</b>	<b>78.82</b>
AK BARS BANK	1,200	635,753	664,336	4.31
ALFA-BANK OAO	600	350,298	349,915	2.27
ALLIANCE OIL COMPANY LTD	600	339,900	333,845	2.16
ALROSA CO LTD	600	350,403	346,348	2.25
BANK OF MOSCOW	500	267,805	267,161	1.73
Bank St Petersburg OJSC	150	73,388	78,082	0.51
BRUNSWICK RAIL LTD	1,250	674,251	663,425	4.30
COMMERCIAL BANK RENAISSANCE CREDIT LLC	750	385,928	372,937	2.42
CREDIT BANK OF MOSCOW (OPEN JOINT STOCK COMP)	850	446,917	451,729	2.93
DME AIRPORT LTD	500	261,105	263,585	1.71
EuroChem Mineral and Chemical Co	1,000	518,074	518,922	3.37
EVRAZ GROUP SA	850	493,896	481,703	3.12
FAR EASTERN SHIPPING CO	850	449,204	395,756	2.57
HOME CREDIT AND FINANCE BANK OOO	750	398,494	396,689	2.57



Continuation of table

Issuer	Amount	Acquisition value	Carrying amount	Carrying amount to subfund's assets
	number	LVL	LVL	(%)
KOKS OAO	200	103,000	94,192	0.61
METALLOINVEST	1,000	537,086	558,522	3.62
MOBILE TELESYSTEMS OJSC	450	270,725	273,573	1.77
MTS-BANK OJSC	100	47,895	51,729	0.34
NOMOS-BANK	1,000	533,044	539,212	3.50
NORD GOLD NV	1,200	620,884	590,840	3.83
POLYUS GOLD INTERNATIONAL LTD	750	381,077	376,759	2.44
POTOK8	3,491	45,798	2,186	0.01
Promsvyazbank OJSC	900	489,452	489,542	3.18
RASPADSKAYA	950	513,963	508,320	3.30
RUSSIAN STANDARD BANK ZAO	750	383,282	383,593	2.49
SEVERSTAL OAO	950	523,103	532,355	3.45
SISTEMA JSFC	450	248,041	247,939	1.61
SOVCOMFLOT OAO	550	294,922	287,418	1.86
SVJAZINVESTNEFTEHIM	600	319,686	337,868	2.19
TINKOFF CREDIT SYSTEMS	600	337,109	331,624	2.15
TMK OAO	1,000	542,681	554,219	3.59
Transcapitalbank JSC	200	104,030	103,997	0.67
VIMPEL-COMMUNICATIONS	250	148,642	152,001	0.99
VNESHPROMBANK LTD	300	154,500	154,641	1.00
<b>Latvia</b>	<b>5,000</b>	<b>257,500</b>	<b>257,430</b>	<b>1.67</b>
ABLV BANK, AS	5,000	257,500	257,430	1.67
<b>Ukraine</b>	<b>188,362</b>	<b>435,566</b>	<b>391,907</b>	<b>2.54</b>
Bank Nadra OJSC	187,562	25,677	24,553	0.16
MHP SA	400	206,206	186,233	1.21
MRIYA AGRO HOLDING PLC	400	203,683	181,121	1.17
<b>Venezuela</b>	<b>8,000</b>	<b>422,818</b>	<b>377,893</b>	<b>2.45</b>
PETROLEOS DE VENEZUELAS	8,000	422,818	377,893	2.45
<b>Total debt securities traded on regulated markets</b>		<b>15,269,022</b>	<b>15,113,403</b>	<b>98.00</b>

Other fixed income securities as at 31 December 2013:

Issuer	Amount	Acquisition value	Carrying amount	Carrying amount to subfund's assets
	number	LVL	LVL	(%)
<b>Russia</b>	<b>1</b>	<b>51,500</b>	<b>2,575</b>	<b>0.02</b>
RTM OJSC	1	51,500	2,575	0.02
<b>Other financial instruments, total</b>		<b>51,500</b>	<b>2,575</b>	<b>0.02</b>
<b>Total financial instruments</b>		<b>15,320,522</b>	<b>15,115,978</b>	<b>98.02</b>

No payments for securities were past due in the reporting period.

In the reporting year, an allowance of LVL 1,898 was made for financial assets at fair value through profit or loss, i.e., accrued income of fixed income securities issued by a corporate company of other countries.

## Note 6

### Accrued expense

	LVL	
	31/12/2013	31/12/2012
<b>Position title</b>		
Accrued commission fees payable to investment manager	(17,216)	(11,837)
Accrued commission fees payable to custodian bank	(2,754)	(1,894)
Accrued fees payable for professional services	(1,378)	(1,344)
Accrued payments to the stock exchange	(25)	(25)
<b>Total accrued expense</b>	<b>(21,373)</b>	<b>(15,100)</b>

## Note 7

### Interest revenue

	LVL	
	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
<b>Position title</b>		
From financial assets at fair value through profit or loss	1,038,057	565,379
<b>Total interest revenue</b>	<b>1,038,057</b>	<b>565,379</b>

## Note 8

### Realised investment value

	LVL	
	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
<b>Position title</b>		
Income from sale of investments	19,890,845	8,734,592
Acquisition value of investments sold	(19,992,555)	(8,683,779)
<b>Total realised (decrease)/ increase in investment value</b>	<b>(101,710)</b>	<b>50,813</b>

## Note 9

### Unrealised investment value

	LVL	
	01/01/2013- 31/12/2013	01/01/2012- 31/12/2012
<b>Position title</b>		
Revaluation of financial assets at fair value through profit or loss	(452,444)	781,587
Currency exchange gain	(614,735)	(272,410)
<b>Total unrealised (decrease)/ increase in investment value</b>	<b>(1,067,179)</b>	<b>509,177</b>

## Note 10

### Change in investment assets during the reporting year

Changes in the investment portfolio in 2013:

	LVL					
	01/01/2013	Increase for the reporting year	Decrease for the reporting year	Fair value revaluation result	Foreign currency translation result	31/12/2013
<b>Position title</b>						
Financial assets at fair value through profit or loss	9,981,899	27,422,675	(21,366,547)	(452,444)	(469,605)	15,115,978
<b>Total assets</b>	<b>9,981,899</b>	<b>27,422,675</b>	<b>(21,366,547)</b>	<b>(452,444)</b>	<b>(469,605)</b>	<b>15,115,978</b>

Changes in the investment portfolio in 2012:

LVL

Position title	01/01/2012	Increase for the reporting year	Decrease for the reporting year	Fair value revaluation result	Foreign currency translation result	31/12/2012
Financial assets at fair value through profit or loss	6,702,403	12,317,116	(9,589,771)	781,587	(229,436)	9,981,899
<b>Total assets</b>	<b>6,702,403</b>	<b>12,317,116</b>	<b>(9,589,771)</b>	<b>781,587</b>	<b>(229,436)</b>	<b>9,981,899</b>

## Note 11

### Credit risk

Credit risk is a risk that the subfund's value will decrease from counterparty's or issuer's non-performance or default.

The subfund's exposure to credit risk arises mainly from investments in fixed income securities and balances due from credit institutions.

Credit risk associated with the subfund's assets is managed on the basis of the following classification of credit ratings assigned by international rating agencies:

High quality: AAA – BBB- (Standard & Poor's/ Fitch); Aaa – Baa3 (Moody's Investors Service);  
Average quality: BB+ – BB- (Standard & Poor's/ Fitch); Ba1 – Ba3 (Moody's Investors Service);  
Low quality: B+ – B- (Standard & Poor's/ Fitch); B1 – B3 (Moody's Investors Service), and lower ratings.

Assets by credit ratings as at 31 December 2013:

LVL

Assets	High quality	Average quality	Low quality	No rating	Total
Demand deposits with credit institutions	-	-	-	304,612	304,612
Financial assets at fair value through profit or loss	673,819	7,432,401	6,715,404	294,354	15,115,978
<b>Total assets</b>	<b>673,819</b>	<b>7,432,401</b>	<b>6,715,404</b>	<b>598,966</b>	<b>15,420,590</b>

Assets by credit ratings as at 31 December 2012:

LVL

Assets	High quality	Average quality	Low quality	No rating	Total
Demand deposits with credit institutions	-	-	-	1,441,037	1,441,037
Financial assets at fair value through profit or loss	510,331	5,069,428	4,364,881	37,259	9,981,899
<b>Total assets</b>	<b>510,331</b>	<b>5,069,428</b>	<b>4,364,881</b>	<b>1,478,296</b>	<b>11,422,936</b>

Credit risk concentration analysis by geographical area as at 31 December 2013:

LVL

Assets	Latvia	OECD countries	Other countries	Total
Demand deposits with credit institutions	304,612	-	-	<b>304,612</b>
Financial assets at fair value through profit or loss	257,430	255,593	14,602,955	<b>15,115,978</b>
<b>Total assets</b>	<b>562,042</b>	<b>255,593</b>	<b>14,602,955</b>	<b>15,420,590</b>
<b>Liabilities</b>				
Accrued expense	(21,373)	-	-	<b>(21,373)</b>
<b>Total liabilities</b>	<b>(21,373)</b>	<b>-</b>	<b>-</b>	<b>(21,373)</b>
<b>Net assets</b>	<b>540,669</b>	<b>255,593</b>	<b>14,602,955</b>	<b>15,399,217</b>

Credit risk concentration analysis by geographical area as at 31 December 2012:

	LVL		
	Latvia	Other countries	Total
<b>Assets</b>			
Demand deposits with credit institutions	1,441,037	-	<b>1,441,037</b>
Financial assets at fair value through profit or loss	-	9,981,899	<b>9,981,899</b>
<b>Total assets</b>	<b>1,441,037</b>	<b>9,981,899</b>	<b>11,422,936</b>
<b>Liabilities</b>			
Accrued expense	(15,100)	-	(15,100)
<b>Total liabilities</b>	<b>(15,100)</b>	<b>-</b>	<b>(15,100)</b>
<b>Net assets</b>	<b>1,425,937</b>	<b>9,981,899</b>	<b>11,407,836</b>

Breakdown of debt securities and other fixed income securities by industry profile:

	31/12/2013		31/12/2012	
	Carrying amount to subfund's assets		Carrying amount to subfund's assets	
	Carrying amount	%	Carrying amount	%
<b>Demand deposits with credit institutions</b>	<b>LVL</b>	<b>%</b>	<b>LVL</b>	<b>%</b>
Finance	7,032,174	45.60	5,432,752	47.56
Manufacturing	2,131,560	13.82	2,382,000	20.85
Mining	1,569,540	10.18	-	-
Logistics	1,346,599	8.73	-	-
Energy	1,220,058	7.91	1,143,105	10.01
Information and communication services	673,513	4.37	503,849	4.41
Chemicals	613,114	3.98	-	-
Production of consumer goods	367,354	2.38	-	-
Central governments	162,066	1.05	520,193	4.55
<b>Total debt and other fixed income securities</b>	<b>15,115,978</b>	<b>98.02</b>	<b>9,981,899</b>	<b>87.38</b>

The maximum exposure to credit risk is assessed without taking into account collateral and other credit enhancements.

Analysis of the subfund's maximum credit risk exposure:

	31/12/2013		31/12/2012	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
<b>Assets</b>				
Demand deposits with credit institutions	304,612	304,612	1,441,037	1,441,037
Financial assets at fair value through profit or loss	15,115,978	15,115,978	9,981,899	9,981,899
<b>Total assets</b>	<b>15,420,590</b>	<b>15,420,590</b>	<b>11,422,936</b>	<b>11,422,936</b>

## Note 12

### Financial risks

#### Interest rate risk

Interest rate risk represents the effect of changes in market rates on the fund's value, affecting the subfund's interest revenue and the market value of financial assets.

The effect on net interest revenue is calculated as 1% of the nominal value of securities bearing interest at a floating rate (a 1% decrease in the interest rate will lead to the respective reduction of interest revenue). The effect on the value of financial assets at fair value through profit or loss is calculated as duration of these assets (the effect of changes in interest rates on the price of securities and, accordingly, the fund's value).

The total fund's sensitivity to changes in interest rates is calculated as the total of net interest revenue sensitivity and value of financial assets sensitivity.

Sensitivity to changes in interest rates:

	01/01/2013 - 31/12/2013		01/01/2012 - 31/12/2012	
	+100bps	-100bps	+100bps	-100bps
Effect on profit	(416,453)	416,453	(317,407)	317,407

### Liquidity risk

Liquidity risk is the risk that the fund will sustain a loss if subfund's assets cannot be realised at minimal expense within a certain period of time.

Liquidity risk is minimised by holding part of the subfund's assets as cash and short-term debt securities as well as high-quality, highly liquid securities, ensuring the adequate diversification of the investments and fixing maturity dates within a wide maturity range, analysing the data regarding the plans changed by the participants and related cash flows as well as forecasting the fund's participants and cash flows.

Assets and liabilities by maturity profile as at 31 December 2013:

	LVL			
	Up to 1 month	1 - 12 months	1 - 5 years	More than 5 years
<b>Assets</b>				
Demand deposits with credit institutions	304,612	-	-	-
Financial assets at fair value through profit or loss	443,085	1,160,560	11,330,611	2,181,722
<b>Total assets</b>	<b>747,697</b>	<b>1,160,560</b>	<b>11,330,611</b>	<b>2,181,722</b>
<b>Liabilities</b>				
Accrued expense	(19,970)	(1,403)	-	-
<b>Total liabilities</b>	<b>(19,970)</b>	<b>(1,403)</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>727,727</b>	<b>1,159,157</b>	<b>11,330,611</b>	<b>2,181,722</b>

Assets and liabilities by maturity profile as at 31 December 2012:

	LVL			
	Up to 1 month	1 - 12 months	1 - 5 years	More than 5 years
<b>Assets</b>				
Demand deposits with credit institutions	1,441,037	-	-	-
Financial assets at fair value through profit or loss	147	274,131	7,026,413	2,681,208
<b>Total assets</b>	<b>1,441,184</b>	<b>274,131</b>	<b>7,026,413</b>	<b>2,681,208</b>
<b>Liabilities</b>				
Accrued expense	(13,731)	(1,369)	-	-
<b>Total liabilities</b>	<b>(13,731)</b>	<b>(1,369)</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>1,427,453</b>	<b>272,762</b>	<b>7,026,413</b>	<b>2,681,208</b>

### Note 13

#### Information on holders of investment certificates

The proportion of investment certificates held by related parties of the company:

	31/12/2013		31/12/2012	
Position title	Number of certificates	% of total certificates	Number of certificates	% of total certificates
Investment certificates held by related parties	12,986	0.63%	12,341	0.81%
Investment certificates held by other persons	2,058,503	99.37%	1,509,833	99.19%
<b>Investment certificates issued as at the year end</b>	<b>2,071,489</b>	<b>100.00%</b>	<b>1,522,174</b>	<b>100.00%</b>

### Note 14

## Related party disclosures

The majority of the subfund's investments are acquired with the mediation of the custodian bank ABLV Bank, AS. ABLV Bank, AS also receives remuneration as the custodian bank, as disclosed in the statement of income and expense. In addition, the subfund's cash is held with ABLV Bank, AS (see Note 4).

The remuneration paid to the investment manager during the reporting year is disclosed in the statement of income and expense.

During the reporting year, related parties acquired 5,565 (2,936) investment certificates and sold 14,323 (0) investment certificates of the subfund.

## Note 15

### Pledged assets

During the reporting year, no guarantees or collateral have been issued by the subfund, neither has it pledged or otherwise caused any encumbrance or lien on its assets.

## Note 16

### Fair value

Fair value of financial instruments, such as financial assets at fair value through profit or loss, is mostly defined based on quoted prices in an active market. Where such price is not observable, the respective instruments are valued based on observable prices in a market, where no active trading is done. For financial assets which are not quoted in the market and for which no quoted prices for similar assets in active markets are available, the fair value is estimated based on valuation models which are based on the assumptions and estimates regarding the potential future financials of the investment property, and the industry and geographical area risks in which the respective investment property operates. For other assets and liabilities for which fair value is disclosed and which have short maturities (less than three months), it is assumed that the fair value approximates to their carrying amount. This assumption also applies to demand deposits with credit institutions.

### Hierarchy of input data for determining the fair value of assets and liabilities

The following hierarchy of three levels of input data is used for determining and disclosing the fair value of assets and liabilities:

- Level 1: Quoted prices in active markets;
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable on market;
- Level 3: Other techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The subfund's financial assets recorded at fair value according to the hierarchy of input data for determining the fair value:

	31/12/2013		31/12/2012	
	Level 1	Level 3	Level 1	Level 3
<b>Assets at fair value</b>				
Demand deposits with credit institutions	304,612	-	1,441,037	-
Financial assets at fair value through profit or loss	15,113,403	2,575	9,979,244	2,655
<b>Total assets at fair value</b>	<b>15,418,015</b>	<b>2,575</b>	<b>11,420,281</b>	<b>2,655</b>

## Note 17

## Dynamics of performance

Dynamics of investment subfund's annual performance\*:

Position title	31/12/2013	31/12/2012
Net assets (LVL)	15,399,217	11,407,836
Number of investment certificates	2,071,489	1,522,174
<b>Value of investment subfund's investment certificates (LVL)</b>	<b>7.43</b>	<b>7.49</b>
Net assets (USD)	29,901,392	21,483,684
Number of investment certificates	2,071,489	1,522,174
<b>Value of investment subfund's investment certificates (USD)</b>	<b>14.43</b>	<b>14.11</b>
<b>Annual performance on investment subfund's investment certificates (USD)</b>	<b>2.20%</b>	<b>17.96%</b>

\* - Performance is calculated as the value of the subfund's share at the end of the year to its value at the beginning of the year. This ratio is expressed as annual percentage raised to the power, where the dividend is 365, but the divisor is the number of days of the reporting period.

## Note 18

### Events after reporting date

As of the last day of the reporting year until the date of approval of these financial statements there have been no significant events that could produce a material effect on the fund's performance for the year, except for the below.

Latvia joined the European Monetary Union on 1 January 2014 and the Latvian lat ceased to be a legal tender on 15 January 2014.



## INDEPENDENT AUDITORS' REPORT

To the shareholders of AIF ABLV High Yield CIS USD Bond Fund

### Report on the financial statements

We have audited the accompanying financial statements of AIF ABLV High Yield CIS USD Bond Fund (the "Fund"), set out on pages 7 through 22 of the accompanying 2013 Annual Report, which comprise the statement of assets and liabilities as at 31 December 2013, and the statement of income and expense, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union 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.

#### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of AIF ABLV High Yield CIS USD Bond Fund as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

### Report on other legal and regulatory requirements

Furthermore, we have read the investment management company report for the year ended 31 December 2013 (set out on page 4 of the accompanying 2013 Annual Report) and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2013.

SIA Ernst & Young Baltic  
Licence No. 17



Diāna Krišjāne  
Chairperson of the Board  
Latvian Certified Auditor  
Certificate No. 124

Rīga, 23 April 2014