



INVL BALTIC FUND

ANNUAL FINANCIAL STATEMENTS FOR 2017, PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S
REPORT



Independent auditor's report

To the participants of "INVL Baltic Fund"

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements, presented on pages 7 - 29, give a true and fair view of the financial position of open-ended harmonized investment fund "INVL Baltic Fund" managed by UAB „INVL Asset Management" ("the Fund") as at 31 December 2017, and of its changes in net assets for the year then ended in accordance with Lithuanian regulatory legislation on accounting and financial reporting and Business Accounting Standards.

Our opinion is consistent with our additional report to the Board of UAB „INVL Asset Management".

What we have audited

The Fund's financial statements comprise:

- the statement of net assets as at 31 December 2017 ;
- the statement of changes in net assets for the year then ended;
- the notes to the financial statements, which include significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the Law of the Republic of Lithuania on the Audit of Financial Statements that are relevant to our audit of the financial statements in the Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law of the Republic of Lithuania on the Audit of Financial Statements.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Fund are in accordance with the applicable law and regulations in the Republic of Lithuania and that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014 considering the exemptions of Regulation (EU) No 537/2014 endorsed in the Law of the Republic of Lithuania on the Audit of Financial Statements.

The non-audit services that we have provided to the Fund, in the period from 1 January 2017 to 31 December 2017, are disclosed in note 20 to the financial statements.

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



Our audit approach

Overview

Materiality	Overall materiality: EUR 106 thousand.
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Key audit matters	Valuation and existence of investments.
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Fund materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Fund materiality	EUR 106 thousand (2016: EUR 32 thousand)
How we determined it	Overall materiality represents 1 % of net assets of the Fund
Rationale for the materiality benchmark applied	We chose net assets as the benchmark because, in our view, it is the generally accepted measure for funds. We chose 1%, which is within the range of acceptable quantitative materiality thresholds for this benchmark.

We agreed with the management of UAB „INVL Asset Management” that we would report to them misstatements identified during our audit above EUR 5.3 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation and existence of investments <i>(refer to accounting policies and note 4)</i></p> <p>Investments are the most significant item of the statement of net assets (carrying amount of transferable securities is EUR 9,735 thousand).</p> <p>The investments into transferable securities are accounted for at fair value, which is determined with reference to prices available on the active market. If quoted prices from active markets are not available, the value is determined based on internally approved valuation methods that use key data from other observable inputs.</p> <p>Valuation and existence of transferable securities were given special audit attention due to them being the most material asset item.</p>	<p>We have discussed processes and controls related to valuation, sales and purchases of investments with management and tested operating effectiveness of selected controls.</p> <p>To obtain evidence on existence of all transferable securities, we have obtained confirmation letter from the bank that acts as depository and traced quantities of transferable securities as per the letter to the data recorded by the Fund.</p> <p>To obtain evidence over the fair value of investments at the financial year-end, on a sample basis we have traced the value of selected transferable securities to publicly available market prices.</p> <p>Our work gave us sufficient audit evidence to conclude that the Fund's investments into transferable securities are properly accounted for.</p>

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

Management of UAB „INVL Asset Management” is responsible for the preparation and fair presentation of the financial statements in accordance with Lithuanian regulatory legislation on accounting and financial reporting and Business Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Fund for 2013 audit. Our appointment has been renewed annually by the resolution of shareholder of UAB „INVL Asset Management” representing a total period of uninterrupted engagement appointment of 5 years.

The certified auditor on the audit resulting in this independent auditor’s report is Rasa Radzevičienė.

On behalf of PricewaterhouseCoopers UAB

A handwritten signature in blue ink, appearing to read 'Radzevičienė', is written in a cursive style.

Rasa Radzevičienė
Partner
Auditor's Certificate No. 000377

Vilnius, Republic of Lithuania
24 April 2018



I. GENERAL INFORMATION

1. General information about INVL Baltic Fund:

Information is provided under section *General information* in the explanatory notes.

2. Reporting period covered by these financial statements:

Information is provided under section *General information* in the explanatory notes.

3. Details of the management company:

Information is provided under section *General information* in the explanatory notes.

4. Details of the depository:

Information is provided under section *General information* in the explanatory notes.

II. NET ASSET VALUE, NUMBER AND VALUE OF INVESTMENT UNITS

5. Net asset value (NAV), number and value of investment units:

Information is provided in Note 2.

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

Information is provided in Note 3.

III. EXPENSE AND TURNOVER RATIOS OF THE COLLECTIVE INVESTMENT UNDERTAKING

7. Deductions from assets of the collective investment undertaking:

Information is provided in Note 20.

8. Intermediary fee:

Information is provided in Note 9.

9. Information on all existing arrangements on distributions and hidden commission fees:

Over the reporting period, the management company did not enter into any formal or informal arrangements on distributions, nor any hidden commission fees were applied to the fund.

10. Illustration of impact of deductions on investor's ultimate return on investments:

The table below presents calculations relating to deduction (in EUR) on contributions of the participant of the collective investment undertaking in case of a current level of deductions and the amount to be received after 1, 3, 5, 10 years if EUR 3,000 is invested and the annual return on investments is 5%.

	After 1 year	After 3 years	After 5 years	After 10 years
Deductions paid, EUR	144	330	543	1,215
Accrued amount before deductions	3,150	3,473	3,829	4,887
Accrued amount after deductions	3,006	3,143	3,286	3,672

IV. INFORMATION ON INVESTMENT PORTFOLIO OF THE COLLECTIVE INVESTMENT UNDERTAKING

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

Information is provided in Note 4.

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

Information is provided in Note 5.

13. Transactions involving derivative financial instruments conducted over the reporting period, other than those referred to in section 11 herein:

Information is provided in Note 8.

14. Types of derivative financial instruments referred to in section 11 of the financial statements, the related risks and quantitative limits and methods used to assess the risks incurred by the collective investment undertaking in relation to



transactions involving derivative financial instruments. Description of how derivative financial instrument may be used to hedge investment instrument transaction (position) against risk:

Information is provided in Note 8.

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

Information is provided in Note 8.

16. Risk extent related to derivative financial instruments taken by the master collective investment undertaking: the sum of the direct potential risk extent of the feeder collective investment undertaking and the actual derivative financial instruments risk of the master collective investment undertaking that is proportional to the feeder collective investment undertaking's investments in the master undertaking, and the sum of the direct potential risk extent of the feeder collective investment undertaking and the extent of potential maximum risk that was taken by the master collective investment undertaking according to transactions in derivative financial instruments and that was determined in the founding documents of the master collective investment undertaking and that is proportional to the feeder collective investment undertaking's investments to the master undertaking.

The fund is a non-master collective investment undertaking.

17. Analysis of the current investment portfolio's compliance (non-compliance) with the collective investment undertaking's investment strategy (investment trends, investment specialisation, geographical area, etc.):

Structure of investment portfolio is provided in Note 4.

18. Factors that had a major impact on the structure of investment portfolio and changes in its value over the reporting period:

Information is provided in Note 4.

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

19. Benchmark index (if selected) and its brief description:

Information is provided in Note 19.1.

20. Change in unit's value for the same period, change in annual return (gross and net) on investments, and change in value of benchmark index (if selected), and other indicators over the last 10 years of the fund's operation. If the collective investment undertaking operated for a period shorter than 10 years, return on investments for the period during which the portfolio was managed:

Information is provided in Note 19.2.

21. Average return on investments, average change in value of investment unit and average change in value of benchmark index (if selected) over the last three, five, ten years (average net return on investments, average change in unit value and average change in value of benchmark index are calculated as a geometric mean of annual changes in net return on investments, annual changes in unit value and annual changes in value of benchmark index, respectively):

Information is provided in Note 19.3.

22. Other indicators showing the risks pertaining to the investment portfolio:

Other indicators showing the risks pertaining to the investment portfolio over the reporting period were not estimated.

VI. FINANCIAL POSITION OF THE COLLECTIVE INVESTMENT UNDERTAKING

23. The financial statements of the collective investment undertaking have been prepared in accordance with the requirements of the Lithuanian laws and legal acts:

23.1. Statement of net assets;

23.2. Statement of changes in net assets;

23.3. Explanatory notes.





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

INVL BALTIC FUND
STATEMENT OF NET ASSETS AS AT 31 DECEMBER 2017

No	Assets	Note No	Financial year	Previous financial year
A.	ASSETS		10,881,984	3,230,554
1.	CASH	4,5	995,134	271,180
2.	TIME DEPOSITS		-	-
3.	MONEY MARKET INSTRUMENTS		-	-
3.1.	Treasury bills		-	-
3.2.	Other money market instruments		-	-
4.	TRANSFERABLE SECURITIES	4,5,6	9,734,879	2,959,374
4.1.	Non-equity securities	4,5,6	249,917	-
4.1.1.	Non-equity securities issued or guaranteed by governments and central banks		-	-
4.1.2.	Other non-equity securities	4,5,6	249,917	-
4.2.	Equity securities	4,5,6	9,484,962	2,959,374
4.3.	Investment units and shares of other collective investment undertakings		-	-
5.	PREPAYMENTS		-	-
6.	AMOUNTS RECEIVABLE	4	151,971	-
6.1.	Amounts receivable from sale of investments	4	151,971	-
6.2.	Other amounts receivable		-	-
7.	INVESTMENT AND OTHER ASSETS		-	-
7.1.	Investment property		-	-
7.2.	Derivative financial instruments		-	-
7.3.	Other assets		-	-
B.	LIABILITIES	4	300,843	19,748
1.	Amounts payable	4	300,843	19,748
1.1.	Amounts payable for financial and investment assets		-	-
1.2.	Amounts payable to management company and depository	4	22,665	6,765
1.3.	Other payables	4	278,178	12,983
2.	Accrued charges		-	-
3.	Borrowings from credit institutions		-	-
4.	Liabilities under contracts on derivative financial instruments		-	-
5.	Other liabilities		-	-
C.	NET ASSETS	2	10,581,141	3,210,806

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

General Director	<u>Laura Križinauskienė</u>	 (signature)	24 April 2018
Head of Funds Accounting	<u>Aušra Montvydaitė</u>	 (signature)	24 April 2018



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

INVL BALTIC FUND
STATEMENT OF CHANGES IN NET ASSETS FOR 2017

No	Items	Note No	Financial year	Previous financial year
1.	NET ASSET VALUE AT 1 JANUARY	2	3,210,806	1,747,904
2.	INCREASE IN NET ASSET VALUE		-	-
2.1.	Contributions of participants	3	32,253,162	2,492,778
2.2.	Transfers from other funds*	3	-	396,320
2.3.	Guarantee contributions		-	-
2.4.	Investment income		228,922	115,914
2.4.1.	Interest income		-	-
2.4.2.	Dividends		228,922	115,914
2.4.3.	Rental income		-	-
2.5.	Gain on change in value and sale of investments	6	3,182,313	1,112,603
2.6.	Foreign exchange gain		51,768	1
2.7.	Gain on transactions involving derivative financial instruments		-	-
2.8.	Other increases in net asset value		2,000	-
	TOTAL INCREASE IN NET ASSET VALUE		35,718,165	4,117,616
3.	DECREASE IN NET ASSET VALUE		-	-
3.1.	Payments to participants	3	25,404,185	1,966,413
3.2.	Transfers to other funds		-	-
3.3.	Loss on change in value and sale of investments	6	2,619,972	633,548
3.4.	Foreign exchange loss		66,081	1
3.5.	Loss on transactions involving derivative financial instruments		-	-
3.6.	Management costs:	20	257,592	54,752
3.6.1.	Fee to management company	20	194,274	45,100
3.6.2.	Fee to depository	20	12,094	2,198
3.6.3.	Fee to intermediaries	9,20	44,787	3,029
3.6.4.	Audit fee costs	20	1,791	1,178
3.6.5.	Interest costs		-	-
3.6.6.	Other costs	20	4,646	3,247
3.7.	Other decreases in net asset value		-	-
3.8.	Reimbursement of costs (-)		-	-
	TOTAL DECREASE IN NET ASSET VALUE		28,347,830	2,654,714
4.	Change in value of net assets		7,370,335	1,462,902
5.	Profit appropriation		-	-
6.	NET ASSET VALUE AT 31 DECEMBER	2	10,581,141	3,210,806

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

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

General Director _____
Laura
Križinauskienė


(signature) _____
24 April 2018

Head of Funds Accounting _____
Aušra Montvydaitė


(signature) _____
24 April 2018



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

INVL BALTIC FUND

Explanatory notes to the annual financial statements for 2017

23.3.1. General information:

Details of the collective investment undertaking

Name	INVL Baltic Fund
Type, legal form	Open-ended harmonised investment fund with no rights of a legal entity
Date on which the Securities Commission (currently the Bank of Lithuania) approved the documents on the formation of the collective investment undertaking	8 December 2005
Duration of operation	Indefinite period
Location	Vilnius

Details of the management company

Name	INVL Asset Management UAB
Company code	126263073
Office address	Gynėjų g. 14, LT-01109 Vilnius
Register at which all data about the undertaking is stored and compiled	State enterprise Centre of Register, Vilnius branch
Telephone number	8 700 55 959
Fax number	8 5 279 06 02
Email address	info@invl.com
Website address	www.invl.com
Licence No	VJK-005
Manager of the collective investment undertaking, other individuals making investment decisions	Vytautas Plunksnis – Member of the Investment Committee; Vaidotas Rūkas – Head of the Investment Management Division, Justinas Gataveckas – Fund Manager

Details of the depository

Name	SEB Bankas AB
Company code	112021238
Office address	Gedimino pr. 12, LT-01103 Vilnius
Telephone number	(8~5) 268 28 00
Fax number	(8~5) 268 23 33

Details of the audit company engaged to audit the annual financial statements

Name	PricewaterhouseCoopers UAB
Company code	111473315
Office address	J. Jasinskio 16B, LT-03163 Vilnius
Telephone number	(8~5) 239 2300

Listing

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

Reporting period

From 1 January 2017 to 31 December 2017.



23.3.2. Accounting policies:

Regulatory legislation adopted in the preparation of the financial statements

INVL Asset Management UAB manages the assets of the fund, keeps the fund's accounting records and prepares its financial statements in compliance with Business Accounting Standards (BAS), Lithuanian Law on Accounting, Lithuanian Law on Collective Investment Undertakings and other legal acts.

Generally accepted accounting principles

The financial year of the fund coincides with the calendar year. For the purpose of the Fund's financial statements, the year-end balances of assets and liabilities are reported as at 29 December 2017 amounts.

The fund's financial statements are prepared within four months following the end of the financial year. All amounts in these financial statements are presented in the euros (EUR).

Investment policy and structure of investment portfolio

The Fund's target is to achieve a maximum growth of assets for the benefit of the Fund's members with medium and higher risk level accepted.

Between 50 and 100% of the Fund's net assets may be invested in the securities of companies listed on stock exchanges of Lithuania, Latvia and Estonia. The remaining part of the Fund's net assets may be invested in the shares of companies with substantial part of their business developed in the Baltic states, which are quoted on other markets, as well as in other investment instruments referred to the Fund's rules.

The structure of investment portfolio is presented in Note 4.

Financial risk management

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

The Investment Committee decides on the composition of the Fund's investment portfolio in view of the current risk level of the portfolio and the effects of decisions made on the overall risk level of the portfolio.

The Fund's portfolio risk and liquidity are assessed periodically and reported to the Investment Committee.

The Fund's investment portfolio risk is assessed on the basis of constituent securities in view of:

- issuer's credit rating;
- price sensitivity to interest rate shifts;
- nominal currency risk;
- maturity;
- yield;
- weight of securities in total investment portfolio;
- liquidity.

The shares of the issuer held by the management company together with the shares of the same issuer held by the managed funds may not carry over 1/10 of the voting rights at the issuer's general meeting of shareholders.

The Fund's assets may be used to acquire no more than as follows:

- 10% of the non-voting shares of an issuing body;
- 10% of the debt securities and other forms of non-equity securities of an issuing body;
- 25% of the units or shares of another collective investment undertaking;
- 10% of the money market instruments issued by a single issuing body.

23.3.2. Accounting policies (continued)

Policies for recognition of increase and decrease in assets and liabilities

Difference between the value of the Fund's net assets and the value of the Fund's liabilities reflects the value of net assets (NA).

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

Financial assets are recorded when the Fund receives or obtains a contractual right to receive cash or any other financial assets, i.e. following the selected trade date approach, when the receivable financial asset and the liability to pay for it are recorded in the buyer's books of account at the date of the transaction. In the seller's books of account, the financial asset sold is written off, and a receivable amount and the result of disposal (gain or loss) are recorded at the date of the transaction. Planned transactions, guarantees and sureties received are not recognised as the Fund's assets for as long as they do not meet the definition criteria of financial assets.

Financial liabilities are recorded when the Fund assumes a commitment to pay cash or any other financial assets (the selected trade date approach). Planned transactions, guarantees and sureties granted but not yet executable are not recognised as the Fund's liabilities for as long as they do not meet the definition criteria of financial liabilities.

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

When calculating the NA value in foreign currency, the value of assets and liabilities is determined using a foreign exchange reference rate of EUR against other currencies published by the European Central Bank, and where such foreign exchange reference rate is not published by the European Central Bank, using the foreign exchange reference rate published on the date of estimation by the Bank of Lithuania. For the purpose of accounting, the most recent foreign exchange rate effective before the economic event or economic transaction should be applied.

Rules on deductions to the accumulation undertaking and the depository

The maximum rates of deductions from the Fund's assets charged for the management of the Fund and the services provided by the Depository are presented in the Fund's rules.

The specific rates of deductions for the management of the Fund are set by the decision of the Board of the Management Company and they are available to public on the Management Company's official website at address www.invl.com.

Any other costs not specified in the Fund's rules or in excess of the defined limits are born by the Management Company at its own expense.

The Fund's deductions over the reporting period are presented in Note 20.

Investment valuation methods, investment revaluation intervals

The Fund's net assets are measured at fair value in accordance with the procedure prescribed by legal acts of the Republic of Lithuania and in line with the net assets calculation procedures approved by the Management Company.

Valuation of net assets (NA) is based on the following principles for determining the fair value of investments:

- The fair value of financial instruments traded on regulated markets is determined with reference to the quoted closing price of the instrument or, in case the closing price is not available, with reference to the average market price quoted on that regulated market and/or multilateral trading system, which has a higher liquidity, regularity and frequency of trade in these financial instruments, except for the cases defined in the Methodology for Calculation of Net Assets approved by the Bank of Lithuania;
- The fair value of financial instruments not traded on regulated markets is determined with reference to the Methodology for Calculation of Net Assets approved by the Bank of Lithuania;
- Valuation of investment units (shares) of collective investment undertakings is carried out with reference to the NA value determined by the collective investment undertaking or the last quoted redemption price;
- Valuation of time deposits is based on the amortised cost;
- Valuation of cash on hand and cash held at credit institutions, except for time deposits, is based on the nominal value;
- Valuation of derivative financial instruments is based on the last market value of previous analogous transactions, provided there were no substantial changes in economic circumstances over the period between the date of the transaction and the date of valuation;
- Valuation of other assets is based on the most probable selling price determined by the selected valuation model, which is generally accepted in the financial market.

Valuation of all investments is conducted on each business day.



23.3.2. . Accounting policies (continued)

Valuation of liabilities

Valuation of liabilities is based on the requirements of Business Accounting Standards:

- Liabilities initially are recognised at cost;
- Liabilities related to market prices are measured at fair value;
- Liabilities not related to market prices are carried at amortised cost, which approximates to the fair value.

Rules on valuation of investment units

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

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

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

The value of the fund's unit is announced not later than by midday (12am) of the following day after the calculation of net asset value, on the website at address www.invl.com

Cash and time deposits:

Cash includes cash balances at accounts opened with credit institutions, overnight deposits and deposits with undefined maturity the repayment of which may be demanded in full or in part at any time without losing accumulated interest thereon (demand deposits).

Time deposits include a deposit amount with the specific deposit repayment date indicated in the deposit agreement, including the deposits with maturity of three months or less that cannot be taken from the account opened with the credit institutions without losing accumulated interest thereon. Time deposits are shown with accumulated interest thereon.

Amounts receivable and amounts payable:

Amounts receivable represent amounts due to the fund on sale of investments, amounts due on guarantee contributions and other amounts receivable under contracts. Amounts receivable also include amounts due from the management company that upon receipt are deducted from expenses for the reporting period, other than those defined in the fund's rules or which exceed the established limits.

Amounts payable represent amounts due to other funds to which the participant move, amounts due to the participants or their beneficiaries, amounts due to the distributors, amounts payable under the service agreement, and other amounts payable and receivable not specified elsewhere.

Subsequent events

All significant subsequent events that occurred after the end of the reporting period are disclosed in Note 15 of the explanatory notes.



23.3.3. Notes:

Note 1. Significant amounts reported in the financial statements and reasons for their changes:

Significant amounts reported in the financial statements are presented in the explanatory notes.

Note 2. Net asset value, number and value of units

	Opening balance at 1 January 2017	Closing balance at 31 December 2017*	One year ago at 31 December 2016*	Two years ago at 31 December 2015
Net asset value, EUR	3,210,806	10,581,141	3,210,806	1,747,904
Unit value, EUR	32.7029	38.8865	32.7029	25.8503
Number of units in circulation	98,181.112140	272,103.472056	98,181.112140	67,616.483243

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

Note 3. Number and value of units distributed and redeemed over the reporting period

	Current financial year*		Previous financial year**	
	Number of units	Value, EUR	Number of units	Value, EUR
Distributed (by converting monetary funds into units)**	819,096.141830	32,252,626	97,963.607853	2,888,927
Redeemed (by converting units into monetary funds)	645,173.781914	25,404,185	67,398.978956	1,966,413
Difference between the number and value of units (shares) distributed and redeemed	173,922.359916	6,848,441	30,564.628897	922,514

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

** The value of distributed units (by converting monetary funds to investment units) does not correspond to the amounts of contributions of participants reported in the statement of changes in net assets (2.1. and 2.2.), because in the table above it excludes the distribution and subfund change fee (deductions are disclosed in Note 20)

Note 4. Structure of investment portfolio
2017

Issuer's name	Country of business	ISIN code	Currency	Quantity, items	Total acquisition value	Total market value	Share in net assets, %
Equity securities listed on the Main List of Stock Exchange or its equivalent							
Apranga	LT	LT0000102337	EUR	168,695	460,090	426,798	4.03
Vilkyškių Plėtinė	LT	LT0000127508	EUR	67,155	166,035	251,831	2.38
Šiaulių Bankas	LT	LT0000102253	EUR	1,503,997	881,874	885,854	8.37
Rokiškio Sūris	LT	LT0000100372	EUR	184,225	419,194	506,619	4.79
Linus Agro Group	LT	LT0000128092	EUR	809,606	573,584	518,148	4.90
Grigeo	LT	LT0000102030	EUR	356,699	462,032	495,812	4.69
Energijos Skirstymo Operatorius	LT	LT0000130023	EUR	593,875	517,430	510,733	4.83
Silvano Fashion Group	EE	EE3100001751	EUR	129,856	324,342	373,985	3.53
Tallink Grupp	EE	EE3100004466	EUR	649,242	728,634	811,553	7.67
Grindeks	LV	LV0000100659	EUR	17,589	67,718	119,605	1.13
Merko Ehitus	EE	EE3100098328	EUR	35,137	327,595	309,557	2.93
Olainfarm	LV	LV0000100501	EUR	58,719	570,054	472,688	4.47
Olympic Entertainment Group	EE	EE3100084021	EUR	341,742	646,150	618,553	5.85
Tallinna Kaubamāja Grupp	EE	EE0000001105	EUR	47,542	455,582	437,386	4.13
SAF Tehnika	LV	LV0000101129	EUR	20,294	69,807	130,896	1.24
Telia Lietuva	LT	LT0000123911	EUR	463,319	436,351	446,640	4.22
LHV Group	EE	EE3100073644	EUR	39,208	422,415	407,763	3.85
Panevėžio Statybos Trestas	LT	LT0000101446	EUR	346,536	424,079	317,427	3.00
Pleno Žvaigždės	LT	LT0000111676	EUR	249,913	349,834	317,390	3.00
Klaipėdos Nafta	LT	LT0000111650	EUR	516,125	259,458	262,192	2.48
Total	-	-	-	6,599,474	8,562,258	8,621,430	81.49
Equity securities listed on the Secondary List of Stock Exchange or its equivalent							
Valmieras Stikla Šķiedra	LV	LV0000100485	EUR	62,792	203,217	232,330	2.20
Latvijas Balzams	LV	LV0000100808	EUR	49,367	413,874	404,809	3.83
Žemaitijos Plėnas	LT	LT0000121865	EUR	130,111	106,177	226,393	2.14
Total	-	-	-	242,270	723,268	863,532	8.17
Equity securities traded on other regulated markets							
Telefonija *	RS	RSTLFNE22541	RSD	1,000	-	-	-
Total	-	-	-	1,000	-	-	-
Total equity securities				6,842,744	9,285,526	9,484,962	89.66

* Telefonija (ISIN RSTLFNE22541) is measured at a zero value due to the initiated bankruptcy procedure and suspension of trade in shares from 2 October 2014.

Note 4. Structure of investment portfolio (continued)

Issuer's name	Country of business	ISIN code	Currency	Quantity, items	Total acquisition value	Total market value	Interest rate	Redemption/ conversion date	Share in net assets, %
Non-equity securities traded on other regulated markets									
European Lingerie Group AS	LV	LV0000802254	EUR	25	251,850	249,917	12.00	2021-05-19	2.36
Total	-	-	-	25	251,850	249,917	-	-	2.36
Total non-equity securities				25	251,850	249,917	-	-	2.36

Name of bank	Currency	Total market value	Interest rate	Share in net assets, %
Cash				
SEB Bankas AB	EUR	848,569	-	8.02
SEB Bankas AB	SEK	146,403	-	1.38
SEB Bankas AB	PLN	162	-	-
Total cash	-	995,134	-	9.40

Name	Brief description	Total value	Intended purpose	Share in net assets, %
Amounts receivable	Amounts receivable on disposal of investments	151,971	-	1.43
Amounts payable	Amounts payable to the Management Company and the Depository	(22,665)	-	(0.22)
Amounts payable	Other amounts payable	(278,178)	-	(2.63)
Total	-	(148,872)	-	(1.42)

The Fund's investment portfolio is in line with the fund's investment strategy.
The Fund makes investments in shares in the Baltic states.

At the end of the reporting period, the investments were mostly made in the sectors of consumer goods and health care on stock exchanges in Vilnius, Tallinn and Riga.

Note 4. Structure of investment portfolio (continued)

2016

Issuer's name	Country of business	ISIN code	Currency	Quantity, items	Total acquisition value	Total market value	Share in net assets, %
Equity securities listed on the Main List of Stock Exchange or its equivalent							
Apranga PVA AB	LT	LT0000102337	EUR	60,080	155,209	154,406	4.81
Vilkyškių Pieninė AB	LT	LT0000127508	EUR	54,564	84,717	128,225	3.99
Šiaulių Bankas AB	LT	LT0000102253	EUR	422,461	114,989	189,685	5.91
Rokiškio Sūris AB	LT	LT0000100372	EUR	78,373	118,941	138,720	4.32
Linus Agro Group AB	LT	LT0000128092	EUR	214,703	146,682	136,980	4.27
Grigeo Grigiskės AB	LT	LT0000102030	EUR	194,854	166,840	220,185	6.86
Energijos Skirstymo Operatorius AB	LT	LT0000130023	EUR	170,092	149,243	146,619	4.57
Silvano Fashion Group	EE	EE3100001751	EUR	71,056	109,334	210,326	6.55
Tallink Grupp	EE	EE3100004466	EUR	165,942	146,824	151,505	4.72
Grindeks	LV	LV0000100659	EUR	28,000	107,800	122,920	3.83
Merko Ehitis	EE	EE3100098328	EUR	11,320	90,910	102,446	3.19
Olainfarm	LV	LV0000100501	EUR	29,559	220,276	251,547	7.83
Olympic Entertainment Group	EE	EE3100084021	EUR	83,450	156,708	148,541	4.63
Tallinna Kaubamaja Grupp AS	EE	EE0000001105	EUR	16,570	100,743	136,371	4.25
SAF Tehnika	LV	LV0000101129	EUR	19,700	63,361	69,147	2.15
Teo LT	LT	LT0000123911	EUR	162,107	149,481	151,246	4.71
Total	-	-	-	1,782,831	2,082,058	2,458,869	76.59
Equity securities listed on the Secondary List of Stock Exchange or its equivalent							
Valmieras Stikla Skiedra	LV	LV0000100485	EUR	39,218	117,055	121,968	3.80
Latvijas Balzams	LV	LV0000100808	EUR	17,000	122,530	127,840	3.98
Žemaitijos Pienas PVA AB	LT	LT0000121865	EUR	130,111	106,177	139,219	4.34
Total	-	-	-	186,329	345,762	389,027	12.12
Equity securities traded on other regulated markets							
City Service SE	EE	EE3100126368	PLN	48,101	82,196	111,478	3.47
Telefonija *	RS	RSTLFNE22541	RSD	1,000	-	-	-
Total	-	-	-	49,101	82,196	111,478	3.47
Total non-equity securities	-	-	-	2,018,261	2,510,016	2,959,374	92.18

* Telefonija (ISIN RSTLFNE22541) is measured at a zero value due to the initiated bankruptcy procedure and suspension of trade in shares from 2 October 2014.

Note 4. Structure of investment portfolio (continued)

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

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

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

The Fund makes investments in shares in the Baltic states.

At the end of the reporting period, the investments were mostly made in the sectors of consumer goods and health care on stock exchanges in Vilnius, Tallinn and Riga.



Note 5. Breakdown of investments by the criteria that meet the investment strategy

By industry sector

Breakdown of investments	Market value	Share in assets, %	Market value at the beginning of the reporting period	Share in assets at the beginning of the reporting period, %
Telecommunications	446,640	4.22	151,246	4.71
Health care	592,293	5.60	374,467	11.66
Emergency goods and services	1,669,253	15.78	733,924	22.86
Convenience goods and services	2,662,576	25.16	807,356	25.14
Financial services	1,293,617	12.23	189,685	5.91
Information technology	130,896	1.24	-	-
Industrial materials	1,670,867	15.79	224,414	6.99
Utility goods and services	510,733	4.83	258,097	8.04
Energy	262,192	2.48	-	-
Materials	495,812	4.69	220,185	6.86
Total	9,734,879	92.02	2,959,374	92.17

By geographical area

Breakdown of investments	Market value	Share in assets, %	Market value at the beginning of the reporting period	Share in assets at the beginning of the reporting period, %
Lithuania	6,160,969	58.23	1,676,465	52.21
Latvia	1,610,246	15.22	693,422	21.60
Estonia	2,958,798	27.97	860,667	26.81
Total	10,730,013	101.42	3,230,554	100.62



Note 6. Change in value of investments

2017

Items of the statement of net assets	Change					Balance at 31 December 2017
	Balance at 31 December 2016	Acquired over the period *	Sold (redeemed) over the period	Increase in value	Decrease in value	
Time deposits	-	-	-	-	-	-
Money market instruments	-	-	-	-	-	-
Non-equity securities ²	-	251,850	16,433	14,667	167	249,917
Non-equity securities issued or guaranteed by governments and central banks	-	-	-	-	-	-
Other non-equity securities	-	251,850	16,433	14,667	167	249,917
Equity securities	2,959,374	19,721,917	13,744,170	3,167,646	2,619,805	9,484,962
Units and shares of collective investment undertakings	-	-	-	-	-	-
Derivative financial instruments ¹	-	-	-	-	-	-
Total	2,959,374	19,973,767	13,760,603	3,182,313	2,619,972	9,734,879

¹ Balance at 31 December 2016 reflects the fair value of derivative financial instruments.

Acquired over the period equals zero, because the valuation of derivative instruments is made on the following day after the acquisition.

Sold (redeemed) over the period reflects the realised result of finalised transactions.

² Balance at 31 December 2016 reflects the fair value of non-equity securities at 1 January plus accrued interest.

Acquired over the period reflects the acquisition value plus accrued interest of the predecessor client as at the date of acquisition.

Sold (redeemed) over the period reflects the sale value comprising accrued interest, acquisition cost and realised gain or loss.

Increase/decrease in value reflects accrued interest and revaluation result.



2016

Items of the statement of net assets	Change					Balance at 31 December 2016
	Balance at 31 December 2015	Acquired over the period *	Sold (redeemed) over the period	Increase in value	Decrease in value	
Time deposits	-	-	-	-	-	-
Money market instruments	-	-	-	-	-	-
Non-equity securities ²	-	-	-	-	-	-
Non-equity securities issued or guaranteed by governments and central banks	-	-	-	-	-	-
Other non-equity securities	-	-	-	-	-	-
Equity securities	1,660,862	1,487,766	668,309	1,112,598	633,543	2,959,374
Units and shares of collective investment undertakings	-	31	31	5	5	-
Derivative financial instruments ¹	-	-	-	-	-	-
Total	1,660,862	1,487,797	668,340	1,112,603	633,548	2,959,374

¹ Balance at 31 December 2015 reflects the fair value of derivative financial instruments.

Acquired over the period equals zero, because the valuation of derivative instruments is made on the following day after the acquisition.

Sold (redeemed) over the period reflects the realised result of finalised transactions.

² Balance at 31 December 2015 reflects the fair value of non-equity securities at 1 January plus accrued interest.

Acquired over the period reflects the acquisition value plus accrued interest of the predecessor client as at the date of acquisition.

Sold (redeemed) over the period reflects the sale value comprising accrued interest, acquisition cost and realised gain or loss.

Increase/decrease in value reflects accrued interest and revaluation result.

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

Note 7. Results of disposal of investments

During 2016 and 2017, the undertaking had no sale transactions involving financial instruments other than those measured at fair value.

Note 8. Derivative financial instruments

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



Note 9. Costs of intermediary fees

Name of the intermediary	Description of services rendered	Fee for the services during the reporting period, EUR	Fee for the services during the previous reporting period, EUR	Relationship of the intermediary to the management company
SEB Bankas AB	Commission fee for intermediation services in transactions involving securities	31,471	3,026	SEB Bankas AB is the depository of the fund managed by the management company
Šiaulių Bankas AB	Commission fee for intermediation services in transactions involving securities	10,144	3	The management company and intermediary have signed an agreement on intermediation services
ORION SECURITIES UAB FMĮ	Commission fee for intermediation services in transactions involving securities	2,862	-	The management company and intermediary have signed an agreement on intermediation services
Other	Commission fee for intermediation services in transactions involving securities	310	-	-
Total	-	44,787	3,029	-

Note 10. Dividends and other benefits assessed and/or paid to the participants that do not result in changes in units
The fund did not pay and did not account for any dividends payable to its clients over the reporting period.

Note 11. Borrowings and loans granted

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

Note 12. Third-party guarantee commitments in respect of the undertaking's yield

There were no third-party guarantee commitments in respect of the undertaking's yield as at the end and over the reporting period.

Note 13. Related-party transactions over the financial year and previous financial year

Transactions and balances arising on these transactions with the management company have been disclosed in Notes 4 and 20.

Note 14. Significant effect of changes in accounting estimates, or if these were not made, adjustments to comparative information due to changes in accounting policies or correction of errors

During the reporting period from 1 January 2017 to 31 December 2017, the fund applied accounting policies consistent with those applied in the previous year.

Note 16. Brief description of significant events after the end of the reporting period, that, if not disclosed, might have material impact on the ability of users of these financial statements to make decisions

There were no significant events after the end of the reporting period.

Note 16. Significant changes in assets and liabilities that occurred after the date of calculation net asset value and that were not included in net asset value

There were no significant changes in assets and liabilities after the end of the reporting period.

Note 17. Other significant information on the financial position of the collective investment undertaking, factors and circumstances that had impact on assets and liabilities of the collective investment undertaking

There is no other significant information on the financial position of the fund.



Note 18. Financial risk and risk management methods

Description of risks that affect the Fund

The Fund's exposure to financial risks is managed through the diversification of the investment portfolio based on diversification principles defined in the Fund's rules and legal acts regulating the Fund's activities.

The Fund's portfolio risk and liquidity are assessed periodically and reported to the Investment Committee.

Risks relating to the Fund's investments and their management:

Inflation risk

Real growth of the Fund's assets may be lower due to inflation risk. In addition, inflation has direct impact on changes in interest rates, which in turn affect the Fund's investment portfolio value. Historically, investments in equity securities provide for an adequate protection against inflation risk.

Interest rate risk

Since the Fund's investment portfolio mostly consists of shares, the interest rate risk has a minimum direct impact on return from the Fund's investments.

Foreign exchange risk

Foreign exchange risk has a minimum impact on the Fund's NA value since the Fund's assets are mostly invested in countries where euro is in circulation or where national currencies are pegged to the euro. The Fund has not set any ceiling or floor limits in respect of its investments in securities denominated in certain currencies.

Liquidity risk

This risk is managed on the basis of exposure limits: exposure limit per single counterparty or issuer may not exceed 20% of net asset value.

Sensitivity analysis – share market risk

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

At the end of 2017, the Fund's Beta ratio was 0.80 (for 12 months). This implies that a 1% change in the Fund's benchmark index will result in average 0.80% change in the Fund's value.

The sensitivity analysis is based on the following assumptions:

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

Note 19. Return on investments and benchmarks for return on investments:

19.1 Benchmark index and its brief description:

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

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

Note 19. Return on investments and benchmarks for return on investments (continued):
19.2. Change in value of unit, change in annual gross and annual net return on investments, change in the benchmark index (%):

	Over the reporting period	1 year ago	2 years ago	10 years ago
Change in value of unit ¹	18.91	26.51	7.62	2.59
Change in value of benchmark index	20.04	22.75	11.25	(7.15)
Annual gross return on investments ³	21.52	29.35	9.99	4.60
Annual net return on investments ²	19.13	26.78	7.69	2.60
Standard deviation of change in value of unit ⁴	4.86	6.59	6.44	13.45
Standard deviation of change in value of benchmark index ⁵	5.37	6.07	8.13	16.05
Correlation factor between value of unit and value of benchmark index ⁶	86.12	88.74	92.45	96.82
Index tracking error ⁷	4.72	3.05	2.84	8.28
Alfa ratio ⁸	2.72	4.85	(3.12)	7.64
Beta ratio ⁹	0.80	0.92	0.99	0.72

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

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

³ Annual gross return on investments stands for return on investments in investment instrument portfolio, which takes into account only the trading costs.

⁴ Standard deviation of change in value of unit (share) is a standard risk indicator, which shows how far the changes in value of unit (share) are spread above and below the mean change.

⁵ Standard deviation of change in value of benchmark index is a statistical risk indicator, which shows how far the changes in value of benchmark index are spread above and below the mean change.

⁶ Correlation factor between value of unit (share) and value of benchmark index is a ratio, which shows statistical dependence between the values of unit and the values of benchmark index.

⁷ Index tracking error is a ratio, which shows how closely the changes in value of unit match (or follow) the changes in value of benchmark index.

⁸ Alfa ratio is a ratio, which shows the difference between the change in value of unit of pension fund or collective investment undertaking and the change in value of benchmark index, given a comparable risk level.

⁹ Beta ratio is a ratio, which shows the scope of change in value of unit of the pension fund or collective investment undertaking as compared to the change in the value of benchmark index.

19.3. Average return on investments, average change in value of unit and its standard change, and average change in the benchmark index (%):

	Over the last 3 years	Over the last 5 years	Over the last 10 years	Since start of operations
Average change in value of unit ¹	17.42	10.78	0.60	2.48
Average change in value of benchmark index ²	17.91	12.14	3.82	4.26
Average gross return on investments ³	20.02	13.47	1.63	3.60
Average net return on investments ⁴	17.60	11.17	(0.41)	1.59
Average standard deviation of change in value of unit (share) ⁵	6.00	6.77	12.60	12.41

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

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

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

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

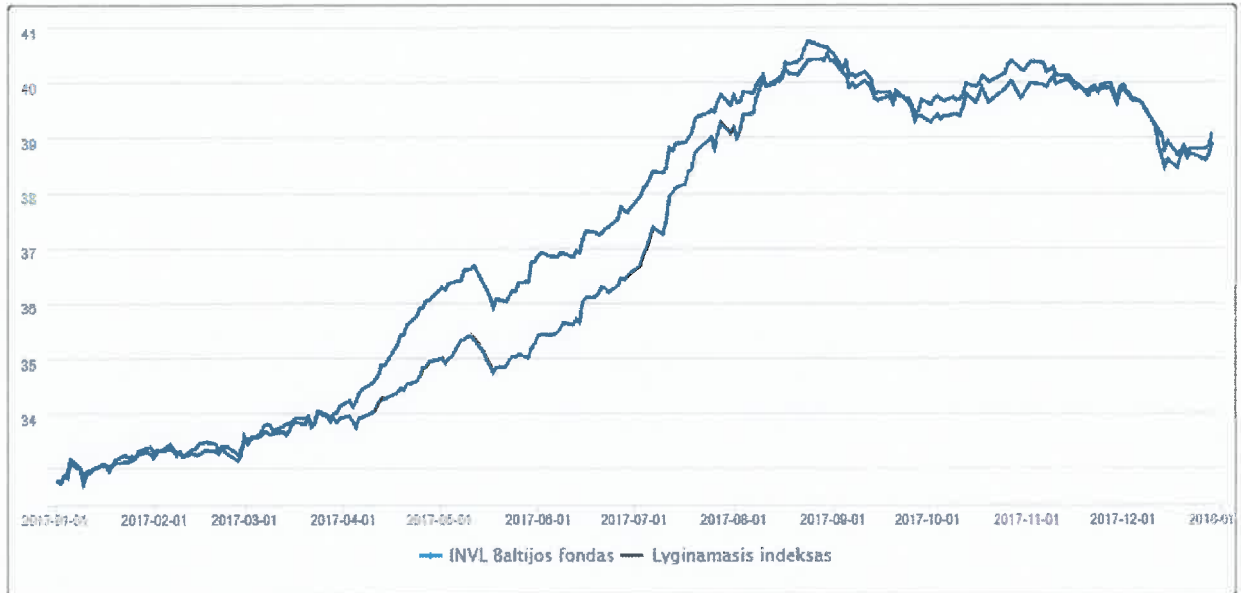
⁵ Average standard deviation of change in value of unit (share) is a standard annual deviation of change in value of accounting unit over the specified period.



Note 19. Return on investments and benchmarks for return on investments (continued):

Change in benchmark index and value of unit during the period between 31 December 2016 and 31 December 2017

[Text in the diagram: INVL Baltic Fund Benchmark Index]





Note 20. Expense ratios and turnover rates:

2017

	Rates of deductions (fees/charges)		Amount of deductions charged for the reporting period, EUR	% of average net asset value for the reporting period
	Maximum rates as per founding documents	Rates applied during the reporting period		
Management fee:				
<i>Fixed rate</i>	Up to 2% of the Fund's average annual net asset value	2% of the Fund's average annual net asset value	193,738	1.98
<i>Performance fee</i>	Non-applicable	Non-applicable	-	-
Depository fee	No more than 0.25% of the Fund's average annual net asset value	No more than 0.25% of the Fund's average annual net asset value	12,094	0.12
Transaction fee	No more than 0.75% of the average annual value of transactions executed	No more than 0.75% of the average annual value of transactions executed	44,787	0.46
Other operating costs (distribution fee)	No more than 3% of the invested amount	No more than 2% of the invested amount	536	0.01
Other operating costs (subfund change fee)	Non-applicable	Non-applicable	-	-
Audit fee	No more than 0.5% of the Fund's average annual net asset value	No more than 0.5% of the Fund's average annual net asset value	1,791	0.02
Fee charged by the bank for keeping records of participants	No more than 0.5% of average annual net asset value of the Fund	No more than 0.5% of average annual net asset value of the Fund	1,860	0.02
Other operating costs (bank charges)			226	-
Other operating costs (fees charged by the market maker, quotation costs and one-off fees)			2,560	0.03
Total expenses included in TER				212,269
TER as % of NAV*				2.17
Total expenses				257,592
PTR (%) **				(2.44)

*Total expense ratio (TER) is a percentage value, which shows what part of average net assets of an undertaking is used to cover its management costs. These costs are directly deducted from the investor's return on investments. It is important to note that TER does not take into account the transaction fee, the distribution fee and the fund change fee.

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



Note 20. Expense ratios and turnover rates (continued):

2016

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

*Total expense ratio (TER) is a percentage value, which shows what part of average net assets of an undertaking is used to cover its management costs. These costs are directly deducted from the investor's return on investments. It is important to note that TER does not take into account the transaction fee, the distribution fee and the fund change fee.

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



Note 20. Expense ratios and turnover rates (continued):

Below is the list of all services of audit company to the Company and the Funds over 2017

	2017	2016
Contractual audit services of financial statements	1,573	960
Costs of assurance and other related services	-	-
Tax consulting costs	-	-
Costs of other services	218	218
Total:	1,791	1,178



Note 21. Cash flows:

	Items of cash flows	Current financial year	Previous financial year
I.	Cash flows from operating activities	-	-
I.1.	Cash inflows over the reporting period	13,837,525	784,254
I.1.1.	Proceeds on disposal of financial assets and investment assets	13,592,199	668,340
I.1.2.	Interest received	16,433	-
I.1.3.	Dividends received	228,893	115,914
I.1.4.	Cash inflows on sale of derivative financial statements	-	-
I.1.5.	Cash inflows from other activities	-	-
I.2.	Cash outflows over the reporting period	20,215,245	1,539,670
I.2.1.	Cash outflows on acquisition of financial assets and investment assets, and liabilities settled*	19,973,767	1,487,766
I.2.2.	Cash outflows related to management	235,190	49,194
I.2.3.	Deposits placed	-	-
I.2.4.	Cash outflows on sale of derivative financial statements	-	-
I.2.5.	Other cash outflows	6,288	2,710
	Net cash flows from (used in) operating activities (I.1-I.2)	(6,377,720)	(755,416)
II.	Cash flows from financing of activities	-	-
II.1.	Cash inflows over the reporting period. Sales of investment units**	32,253,162	2,889,098
II.2.	Cash outflows over the reporting period. Redemption of investment units	25,139,205	1,953,766
II.3.	Dividends paid	-	-
II.4.	Proceeds of borrowings	-	-
II.5.	Repayments of borrowings	-	-
II.6.	Interest paid	-	-
II.7.	Cash flows relating to other finance sources (+/-)	-	-
II.8.	Other increase in cash flows from financing activities	3,063	809
II.9.	Other decrease in cash flows from financing activities	1,063	-
	Net cash flows from financing activities (II.1- II.2- II.3 + II.4-II.5 - II.6 + II.7 + II.8 - II.9)	7,115,958	936,141
III.	Foreign exchange effect on the balance of cash (+/-)	(14,284)	-
IV.	Net increase (decrease) in cash flows (+/-)	723,954	180,725
V.	Cash at the beginning of the period	271,180	90,455
VI.	Cash at the end of the period	995,134	271,180

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

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



24. Entire text of the auditor's report:

Presented on pages 2-6 of the financial statements.

25. Information on investment income and expenses of the collective investment undertaking over the reporting period:

I.	Income from investing activities	
1.	Interest income	-
2.	<i>Realised gain (loss) on investment in:</i>	718,436
2.1.	equity securities	718,436
2.2.	non-equity securities	-
2.3.	money market instruments	-
2.4.	derivative financial instruments	-
2.5.	units of other collective investment undertaking	-
2.6.	real estate objects	-
2.7.	other investment instruments	-
3.	Unrealised gain (loss) on:	(156,095)
3.1.	equity securities	(170,595)
3.2.	non-equity securities	14,500
3.3.	money market instruments	-
3.4.	derivative financial instruments	-
3.5.	units of other collective investment undertaking	-
3.6.	real estate objects	-
3.7.	other investments instruments	-
4.	<i>Other income:</i>	282,690
4.1.	income from lease of real estate	-
4.2.	positive foreign exchange effect	51,769
4.3.	Other	230,921
	Total income	845,031
II.	Expenses	
1.	<i>Operating expenses:</i>	257,592
1.1.	deductions of management fee	194,274
1.2.	deductions of depository fee	12,094
1.3.	intermediary fee	44,787
1.4.	audit fee	1,791
1.5.	deductions of other fees and charges	4,646
2.	<i>Other expenses:</i>	66,081
2.1.	interest expenses	-
2.2.	expenses related to the managed real estate objects	-
2.3.	negative foreign exchange effect	66,081
2.4.	Other	-
	Total expenses	323,673
III.	Net income	521,358
IV.	Payments (dividends) to holders of investment units	-
V.	Re-invested earnings	521,358

26. Other significant information on the financial position of the collective investment undertaking, factors and circumstances that had impact on assets and liabilities of the collective investment undertaking:

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

VII. INFORMATION ON PAYMENT OF DIVIDENDS

27. Information on dividends declared and/or paid:
Information is provided in Note 10.

VIII. . INFORMATION ON COLLECTIVE INVESTMENT UNDERTAKING'S BORROWINGS FOR ITS OWN NEEDS

28. Collective investment undertaking's borrowings for its own needs as at the end of the reporting period:
Information is provided in Note 11.

IX. OTHER INFORMATION

29. Explanations, comments, graphic illustrations and other important information on the activities of collective investment undertaking enabling the investor to assess appropriately all changes in and results of operations of the undertaking:
Information is provided in Note 19.

X. ACCOUNTABLE PERSONS

30. First and last names (names of legal entities), addresses, titles and registration numbers of permits to engage in relevant activities of consultants whose services were used in the preparation of the financial statements (finance dealer firms, auditors, etc.):

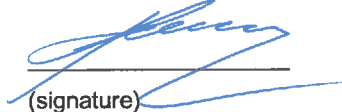
No services of consultants were used in the preparation of these financial statements.

31. First and last names, job titles and workplace of persons who prepared the financial statements (if other than employees of the company):

The financial statements were prepared by the employees of the management company.

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

I, Laura Križinauskienė, Director General of INVL Asset Management UAB, hereby confirm that information contained in these financial statements is true and fair and that there are no omissions of facts that might substantially affect the assessment of the Fund's results.



(signature)

I, Aušra Montvydaitė, Head of Funds Accounting of INVL Asset Management UAB, hereby confirm that information contained in these financial statements is true and fair and that there are no omissions of facts that might substantially affect the assessment of the fund's results.



(signature)

33. Persons responsible for information contained in these financial statements:

33.1. members of the undertaking's managerial bodies, employees and head of administration who are responsible for the preparation of the financial statements;

Full name	Laura Križinauskienė	Aušra Montvydaitė
Job position	Director General	Head of Funds Accounting
Telephone number	(8~7) 005 59 59	(8~6) 264 55 82
Fax number	(8~5) 279 06 02	(8~5) 279 06 02
Email address	laura.krizinauskiene@invl.com	ausra.montvydaite@invl.com

33.2. If the financial statements have been prepared by or with assistance of consultants, please specify their full names, telephone and fax numbers, email addresses (if a consultant is a legal entity, please specify its name, telephone and fax numbers, email address and full name(s) of a consultant's representative(s)); please indicate, which specific sections have been prepared by or with assistance of consultants and the scope of their liability. No services of consultants were used in the preparation of these financial statements.