



**INVL BALTIC FUND**

**ANNUAL FINANCIAL STATEMENTS FOR 2018,  
PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**



## Independent auditor's report

To the participants of an open-ended type harmonised investment fund "INVL Baltic Fund"

### Report on the audit of the financial statements

#### Our opinion

In our opinion, the financial statements presented on pages 7-30 give a true and fair view of the financial position of open-ended type harmonised investment fund "INVL Baltic Fund" managed by UAB „INVL Asset Management" ("the Fund") as at 31 December 2018, 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 2018;
- the statement of changes in net assets income for the year then ended;
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

#### 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 Statement.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company 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.

No non-audit services were provided to the Fund in the period from 1 January 2018 to 31 December 2018. Fee for audit services is 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

<b>Materiality</b>	Overall materiality : EUR 66 thousand (2017: EUR 106 thousand)
<b>Key audit matters</b>	Valuation and existence of investments

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, if any, both individually and in aggregate on the financial statements as a whole.

<b>Overall Fund materiality</b>	EUR 66 thousand (2017: EUR 106 thousand)
<b>How we determined it</b>	Overall materiality represents 1 % of net assets of the Fund
<b>Rationale for the materiality benchmark applied</b>	We chose net assets as 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 by UAB „ INVL Asset Management” that we would report to them misstatements identified during our audit above EUR 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*

**Valuation and existence of investments**  
(refer to accounting policy (para 22.3.2) and note 4)

Investments are the most significant item of statement of net assets (carrying amount of transferable securities is EUR 5,456 thousand).

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.

Valuation and existence of transferable securities were given special audit attention due to the being the most material asset item.

We have discussed processes and controls related to valuation, sales and purchases of investments with management and tested operating effectiveness of selected controls.

To obtain evidence on existence of all transferable securities, we have obtained confirmation letter from the bank that acts as depository and traced quantities and values of transferable securities as per letter to the data recorded by the Fund.

To obtain evidence over the fair value of investments at the financial year-end, on a sample bases we have traced the value of selected transferable securities to publicly available market prices.

Our work gave us sufficient audit evidence to conclude that the Fund's investments into transferable securities are properly accounted for.

## **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 on year 2012. Our appointment has been renewed annually by resolution of shareholder of UAB „INVL Asset Management” representing a total period of uninterrupted engagement appointment of 7 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', written in a cursive script.

Rasa Radzevičienė  
Partner  
Auditor's Certificate No. 000377

Vilnius, Republic of Lithuania  
29 April 2019

#### I. GENERAL INFORMATION

1. The main information of the 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 year
Deductions paid	132	293	478	1.069
Accrued amount before deductions	3.150	3.473	3.829	4.887
Accrued amount after deductions	3.018	3.180	3.350	3.818

#### IV. INFORMATION ON THE INVESTMENT PORTFOLIO OF THE COLLECTIVE INVESTMENT UNDERTAKING

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

Information is provided in Note 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 the 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 value of unit (share) for the same period, change in annual return (gross and net) on investments, and change in value of benchmark index (if selected), and other indicators over the last 10 years of the 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 value of unit and average change in value of benchmark index are calculated as a geometric mean of annual changes in net return on investments, annual changes in value of unit and annual changes in value of benchmark index, respectively):

Information is provided in Note 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.







INVLT ASSET MANAGEMENT UAB,  
126263073, Gynėjų g. 14, Vilnius

**INVLT Baltic Fund**  
**STATEMENT OF NET ASSETS AS AT 31 December 2018**

No	Assets	Note	Financial year	Previous financial year
A.	ASSETS		6.613.452	10.881.984
1.	CASH	4	1.134.600	995.134
2.	TIME DEPOSITS		-	-
3.	MONEY MARKET INSTRUMENTS		-	-
3.1.	Treasury bills		-	-
3.2.	Other money market instruments		-	-
4	TRANSFERABLE SECURITIES	4,5,6	5.455.881	9.734.879
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	5.455.881	9.484.962
4.3.	Investment units and shares of other collective investment undertakings		-	-
5.	PREPAYMENTS		-	-
6	AMOUNTS RECEIVABLE	4	22.971	151.971
6.1.	Amounts receivable from sale of investments	4	-	151.971
6.2.	Other amounts receivable	4	22.971	-
7.	INVESTMENT AND OTHER ASSETS		-	-
7.1.	Investment assets		-	-
7.2.	Derivative financial instruments		-	-
7.3.	Other assets		-	-
B.	LIABILITIES	4	12.158	300.843
1.	Amounts payable	4	12.158	300.843
1.1.	Amounts payable for financial and investment assets		-	-
1.2.	Amounts payable to management company and depository	4	11.943	22.665
1.3.	Other payables	4	215	278.178
2.	Accrued charges		-	-
3.	Borrowings from credit institutions		-	-
4.	Liabilities under contracts on derivative financial instruments		-	-
5.	Other liabilities		-	-
C.	NET ASSETS	2	6.601.294	10.581.141

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

<u>General Director</u>	<u>Laura Krizinauskienė</u>		<u>29 April 2019</u>
<u>Head of Funds Accounting</u>	<u>Aušra Montvydaitė</u>		<u>29 April 2019</u>



INVL ASSET MANAGEMENT UAB,  
126263073, Gynėjų g. 14, Vilnius

INVL Baltic Fund  
STATEMENT OF CHANGES IN NET ASSETS FOR 2018

No	Items	Note	Financial year	Previous financial year
1.	NET ASSETS AT 1 JANUARY	2	10.581.141	3.210.806
2.	INCREASE IN NET ASSET VALUE			
2.1.	Contributions of participants	3	6.344.880	32.253.162
2.2.	Transfers from other funds		-	-
2.3.	Guarantee contributions		-	-
2.4.	Investment income		351.857	228.922
2.4.1.	Interest income		-	-
2.4.2.	Dividends		351.857	228.922
2.4.3.	Rental income		-	-
2.5.	Gain on change in value and sale of investments	6	2.468.495	3.182.313
2.6.	Foreign exchange gain		6.291	51.768
2.7.	Gain on transactions involving derivative financial instruments		-	-
2.8.	Other increases in net asset value		54.221	2.000
	TOTAL INCREASE IN NET ASSET VALUE:		9.225.744	35.718.165
3.	DECREASE IN NET ASSET VALUE			
3.1.	Payments to participants	3	9.598.678	25.404.185
3.2.	Transfers to other funds		-	-
3.3.	Loss on change in value and sale of investments	6	3.395.673	2.619.972
3.4.	Foreign exchange loss		13.164	66.081
3.5.	Loss on transactions involving derivative financial instruments		-	-
3.6.	Management costs:	20	196.354	257.592
3.6.1.	Fee to management company	20	173.783	194.274
3.6.2.	Fee to depository	20	8.972	12.094
3.6.3.	Fee to intermediaries	9,20	6.675	44.787
3.6.4.	Audit fee costs	20	1.912	1.791
3.6.5.	Interest costs		-	-
3.6.6.	Other costs	20	5.012	4.646
3.7.	Other decreases in net asset value		1.722	-
3.8.	Reimbursement of costs (-)		-	-
	TOTAL DECREASE IN NET ASSET VALUE:		13.205.591	28.347.830
4.	Change in net asset value		(3.979.847)	7.370.335
5.	Profit distribution		-	-
6.	NET ASSET VALUE AT 31 DECEMBER	2	6.601.294	10.581.141

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

General Director

Laura Križinauskienė

29 April 2019

Head of Funds Accounting

Aušra Montvydaitė

29 April 2019



INVL ASSET MANAGEMENT UAB,  
126263073, Gynėjų g. 14, Vilnius

**INVL Baltic Fund**

**Explanatory notes to the annual financial statements for 2018**

23.3.1. General information:

Details of the collective investment undertaking

Name	INVL Baltic Fund
Legal form	Open-ended type 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 formation	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 Registers, Vilnius branch
Telephone number	(8~700) 55 959
Fax number	(8~5) 279 06 02
Email address	info@invl.com
Website address	www.invl.com
Licence No	VJK-005
Manager of the collective investment undertaking, other individuals making investment decisions	Vytautas Plunksnis – Member of the Investment Committee; Vaidotas Rūkas – Director of the Investment Management Department; Arvydas Jacikevičius – Junior 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

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

Reporting period

From 1 January 2018 to 31 December 2018

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. Assets and liabilities reported in the Fund's financial statements as at the end of the reporting period are presented at the value as at 31 December 2018.

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 objective of the Fund is to ensure the maximum growth of assets for the benefit of the Fund's participants by assuming average or higher level of risk.

From 50 to 100 per cent of the Fund's net assets might be invested into the securities of companies quoted on Lithuania, Latvian, and Estonian stock exchanges. The remaining portion of the Fund's net assets might be invested into the shares of companies developing a major part of their activities in the Baltic countries and quoted in other markets, as well as into other investment instruments defined in 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 manag

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 deposits

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](http://www.invl.com).

Any other costs not specified in the Fund's rules (including expenses related to the services provided by the depository) 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;

### 23.3.2. Accounting policies (continued)

- 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 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](http://www.invl.com).

#### Cash and time deposits

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

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

#### Amounts receivable and amounts payable

Amounts receivable represent amounts due to the 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.

**22.3.3. 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 (as at 1 January 2018)	Closing balance (as at 31 December 2018)	1 year ago (as at 31 December 2017)	2 years ago* (as at 31 December 2016)
Net asset value, EUR	10.581.141	6.601.294	10.581.141	3.210.806
Unit value, EUR	38,8865	34,9258	38,8865	32,7029
Number of units	272.103,472056	189.008,851698	272.103,472056	98.181,112140

\* As at 31 May 2016, after the merger of the INVL Flexible Subfund with the INVL Baltic Fund, investment units were issued for the total amount of EUR 396.320.

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)*	161.631,089970	6.344.316	819.096,141830	32.252.626
Redeemed (by converting units into monetary funds)	244.725,710328	9.598.678	645.173,781914	25.404.185
Difference between the number and value of units (shares) distributed and redeemed	(83.094,620358)	(3.254.362)	173.922,359916	6.848.441

\* The value of distributed units (by converting monetary funds to investment units) might 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 fee (deductions are disclosed in Note 20).



Note 4. Structure of investment portfolio  
As at 31 December 2018

Issuer's name	Country of business	ISIN code	Currency	Quantity, items	Total acquisition value, in EUR	Total market value, in EUR	Share in net assets, %
Equity securities listed on the Main List of Stock Exchange or its equivalent							
Apranga	LT	LT0000102337	EUR	73.690	199.270	117.904	1,79
Vilkyškų Pieninė	LT	LT0000127508	EUR	59.913	159.334	122.822	1,86
Šiaulių Bankas	LT	LT0000102253	EUR	1.320.000	630.843	529.320	8,02
Rokiškio Sūris	LT	LT0000100372	EUR	58.339	146.665	146.431	2,22
Linas Agro Group	LT	LT0000128092	EUR	635.000	455.944	406.400	6,16
Grigeo	LT	LT0000102030	EUR	235.000	307.955	311.375	4,72
Energijos Skirstymo Operatorius	LT	LT0000130023	EUR	390.100	328.803	252.785	3,83
Silvano Fashion Group	EE	EE3100001751	EUR	124.856	323.792	288.417	4,37
Tallink Grupp	EE	EE3100004466	EUR	410.595	449.158	416.754	6,31
Grindeks	LV	LV0000100659	EUR	10.895	41.946	70.817	1,07
Merko Ehitus	EE	EE3100098328	EUR	12.842	120.633	118.146	1,79
Olaifarm	LV	LV0000100501	EUR	27.336	308.065	183.151	2,77
Tallinna Kaubamāja Grupp	EE	EE0000001105	EUR	34.413	323.583	289.757	4,39
SAF Tehnika	LV	LV0000101129	EUR	16.544	58.113	38.382	0,58
Telia Lietuva	LT	LT0000123911	EUR	450.000	443.878	497.250	7,53
LHV Group	EE	EE3100073644	EUR	24.682	272.178	233.492	3,54
Panevėžio Statybos Trestas	LT	LT0000101446	EUR	287.135	353.629	215.926	3,27
Pieno Žvaigždės	LT	LT0000111676	EUR	10.001	13.876	9.301	0,14
Klaipėdos Nafta	LT	LT0000111650	EUR	290.000	152.027	118.900	1,80
Novaturas	LT	LT0000131872	EUR	30.883	324.185	247.064	3,74
Tallinna Sadam	EE	EE3100021635	EUR	148.215	279.727	302.359	4,58
<b>Total</b>					<b>5.693.604</b>	<b>4.916.753</b>	<b>74,48</b>
Equity securities listed on the Secondary List of Stock Exchange or its equivalent							
Valmieras Stikla Šķiedra	LV	LV0000100485	EUR	55.064	178.951	124.445	1,89
Latvijas Balzams	LV	LV0000100808	EUR	49.367	413.874	414.683	6,28
<b>Total</b>					<b>592.825</b>	<b>539.128</b>	<b>8,17</b>



Note 4. Structure of investment portfolio (continued)

Issuer's name	Country of business	ISIN code	Currency	Quantity, items	Total acquisition value, in EUR	Total market value, in EUR	Share in net assets, %
Equity securities traded on other regulated markets							
Telefonija*	RS	RSTLFNE22541	RSD	1,000	-	-	-
<b>Total</b>					-	-	-
<b>Total equity securities</b>					<b>6.286.429</b>	<b>5.455.881</b>	<b>82,65</b>

\* 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.

Bank	Currency	Total market value, in EUR	Interest rate, %	Share in net assets, %
Cash				
SEB Bankas AB	EUR	934.603	-	14,16
Šiaulių Bankas AB	EUR	199.997	-	3,03
<b>Total cash</b>		<b>1.134.600</b>		<b>17,19</b>

Name	Brief description	Total value	Share in net assets, %
Amounts receivable	Other amounts receivable	22.971	0,34
Amounts payable	Amounts payable to the Management Company and the Depository	(11.943)	(0,18)
Amounts payable	Other amounts payable	(215)	-
<b>Total</b>		<b>10.813</b>	<b>0,16</b>

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

The fund has maintained the principle of the investment strategy, according to which from 50 to 100 per cent of the Fund's net assets might be invested into the securities of companies quoted As at the end of the year, the Fund's assets were mostly invested in finance, food products, industrial, telecommunications sectors in Vilnius, Tallinn, and Riga stock exchanges. Changes in the value of the investment portfolio of the Fund mainly stemmed from market prices of financial instruments.

Note 4. Structure of investment portfolio (continued)

As at 31 December 2017

Issuer's name	Country of business	ISIN code	Currency	Quantity, items	Total acquisition value, in EUR	Total market value, in EUR	Share in net assets, %
<b>Equity securities listed on the Main List of Stock Exchange or its equivalent</b>							
Apranga	LT	LT0000102337	EUR	168.695	460.090	426.798	4,03
Vilkyškių Pieninė	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
Pieno 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
<b>Total</b>					<b>8.562.258</b>	<b>8.621.430</b>	<b>81,49</b>
<b>Equity securities listed on the Secondary List of Stock Exchange or its equivalent</b>							
Valmieras Sīklia 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 Pienas	LT	LT0000121865	EUR	130.111	106.177	226.393	2,14
<b>Total</b>					<b>723.268</b>	<b>863.532</b>	<b>8,17</b>

Note 4. Structure of investment portfolio (continued)

Issuer's name	Country of business	ISIN code	Currency	Quantity, items	Total acquisition value, in EUR	Total market value, in EUR	Share in net assets, %
Equity securities traded on other regulated markets							
Telefonija*	RS	RSTLFNE22541	RSD	1.000	-	-	-
<b>Total</b>					-	-	-
<b>Total equity securities</b>					<b>9.285.526</b>	<b>9.484.962</b>	<b>89,66</b>

\* 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.

Issuer's name	Country of business	ISIN code	Currency	Quantity, items	Total acquisition value, in EUR	Total market value, in EUR	Interest rate, %	Date/term of redemption/convertion	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	19/05/2021	2,36
<b>Total</b>					<b>251.850</b>	<b>249.917</b>	-	-	<b>2,36</b>
<b>Total non-equity securities</b>					<b>251.850</b>	<b>249.917</b>	-	-	<b>2,36</b>

Bank	Currency	Total market value, in EUR	Interest rate, %	Share in net assets, %
Cash				
SEB Bankas AB	EUR	848.569	-	8,01
SEB Bankas AB	SEK	146.403	-	1,38
SEB Bankas AB	PLN	162	-	0,00
<b>Total cash</b>		<b>995.134</b>		<b>9,39</b>

Name	Brief description	Total value	Share in net assets, %
Amounts receivable	Amounts receivable from sale of investments	151.971	1,43
Amounts payable	Amounts payable to the Management Company and the Depository	(22.665)	(0,21)
Amounts payable	Other amounts payable	(278.178)	(2,63)
<b>Total</b>		<b>(148.872)</b>	<b>(1,41)</b>

The Fund's investment portfolio is in line with the Fund's investment strategy. The Fund invests into shares in the Baltic countries.

As at the end of the year, the Fund's assets were mostly invested in consumer goods, healthcare sectors in Vilnius, Tallinn, and Riga stock exchanges.

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

## By industry sector

Breakdown of investments	Closing balance		Opening balance	
	Market value, in EUR	Share in assets, %	Market value, in EUR	Share in assets, %
Telecommunications	497.250	7,53	446.640	4,22
Health care	253.969	3,84	592.293	5,60
Emergency goods and services	653.385	9,90	1.669.253	15,78
Convenience goods and services	1.389.394	21,05	2.662.576	25,16
Financial services	762.812	11,56	1.293.617	12,23
Information technologies	38.382	0,58	130.896	1,24
Industrial materials	1.177.629	17,84	1.670.867	15,79
Utility goods and services	252.785	3,83	510.733	4,83
Energy	118.900	1,80	262.192	2,48
Materials	311.375	4,72	495.812	4,69
<b>Total</b>	<b>5.455.881</b>	<b>82,65</b>	<b>9.734.879</b>	<b>92,02</b>

## By geographical area

Breakdown of investments	Closing balance		Opening balance	
	Market value, in EUR	Share in assets, %	Market value, in EUR	Share in assets, %
Lithuania	4.110.077	62,27	6.160.969	58,22
Latvia	831.478	12,59	1.610.246	15,22
Estonia	1.648.926	24,98	2.958.798	27,97
<b>Total</b>	<b>6.590.481</b>	<b>99,84</b>	<b>10.730.013</b>	<b>101,41</b>

**Note 6. Change in value of investments**
**2018**

Items of the statement of net assets	Change, in EUR					Balance at 31 December 2018
	Balance at 31 December 2017	Acquired over the period	Sold (redeemed) over the period	Increase in value	Decrease in value	
Time deposits	-	-	-	-	-	-
Money market instruments	-	-	-	-	-	-
Non-equity securities <sup>2</sup>	249.917	-	254.583	4.666	-	-
Non-equity securities issued or guaranteed by governments and central banks	-	-	-	-	-	-
Other non-equity securities	249.917	-	254.583	4.666	-	-
Equity securities	9.484.962	1.526.766	4.624.003	2.463.829	3.395.673	5.455.881
Units and shares of collective investment undertakings	-	-	-	-	-	-
Derivative financial instruments <sup>1</sup>	-	-	-	-	-	-
Other investments	-	-	-	-	-	-
<b>Total</b>	<b>9.734.879</b>	<b>1.526.766</b>	<b>4.878.586</b>	<b>2.468.495</b>	<b>3.395.673</b>	<b>5.455.881</b>

<sup>1</sup> Balance at 31 December 2018 reflects the fair value of derivative financial instruments.

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

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

<sup>2</sup> Balance at 31 December 2018 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.

**Note 6. Change in value of investments (continued)**
**2017**

Items of the statement of net assets	Change, in EUR					
	Balance at 31 December 2016	Acquired over the period	Sold (redeemed) over the period	Increase in value	Decrease in value	Balance at 31 December 2017
Time deposits	-	-	-	-	-	-
Money market instruments	-	-	-	-	-	-
Non-equity securities <sup>2</sup>	-	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 <sup>1</sup>	-	-	-	-	-	-
Other investments	-	-	-	-	-	-
<b>Total</b>	<b>2.959.374</b>	<b>19.973.767</b>	<b>13.760.603</b>	<b>3.182.313</b>	<b>2.619.972</b>	<b>9.734.879</b>

<sup>1</sup> Balance at 31 December 2017 reflects the fair value of derivative financial instruments.

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

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

<sup>2</sup> Balance at 31 December 2017 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.

**Note 7. Results of disposal of investments**

In 2018 and 2017, the undertaking had no sale transactions involving financial instruments other than those measured at fair value.

**Note 8. Derivative financial instruments**

The Subfund had no transactions involving derivative financial instruments over the reporting period.



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	6.575	31.471	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	The management company and intermediary have signed an agreement on intermediation services
FMJ ORION SECURITIES UAB	Commission fee for intermediation services in transactions involving securities	100	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	-
<b>Total</b>		<b>6.675</b>	<b>44.787</b>	

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 2018 to 31 December 2018, the Fund applied accounting policies consistent with those applied in the previous year.

Note 15. 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

The actual growth in the Fund's assets may be lower due to inflation. Moreover, inflation has a direct effect on changes in interest rates which, in turn, affect the value of the Fund's investment portfolio. Historically, investments into equity instruments provide sufficient protection from inflation.

Interest rate risk

As the majority of the Fund's investment portfolio consists of shares, the direct impact of this risk on the Fund's return on investments is minimal.

Credit risk

Credit risk is managed by diversifying the investment portfolio as prescribed by laws, which means that investments in the investment portfolio are distributed so that investments in the entity's transferable securities or money market instruments may exceed 5 per cent but no more than 10 per cent of net assets, provided that the total amount of the investments is not higher than 40 per cent of net assets.

Foreign exchange risk

Foreign exchange risk is a risk to incur losses due to adverse fluctuations in foreign currency exchange rate against the euro. In managing this risk, the fund may use derivative financial instruments.

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.



**Note 18. Financial risk and risk management methods (continued)**
**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 2018, the fund's Beta ratio was 0.72 (for 12 months).

This implies that a 1% change in the fund's benchmark index resulted in on average 0.72% change in 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 investments:**
**19.1. Benchmark index (if selected) and its brief description:**

With effect from 15 December 2005, the Fund used the benchmark index OMX BALTIX.

With effect from 1 January 2007, the Fund uses the benchmark index 1.0 \* OMX Baltic Benchmark Capped Gross index (OMXBBCPG index) that reflects changes in prices of shares of companies operating in the Baltic countries.

**19.2. Change in value of investment unit and change in value of benchmark index (%):**

	During the reporting period	1 year ago	2 years ago	10 years ago
Change in value of unit <sup>1</sup>	(10,19)	18,91	26,51	(62,49)
Change in value of benchmark index	(6,45)	20,04	22,75	(67,04)
Standard deviation of change in value of units <sup>2</sup>	6,02	4,86	6,59	22,02
Standard deviation of change in value of benchmark index <sup>3</sup>	7,38	5,37	6,07	27,78
Correlation factor between value of unit and value of benchmark index <sup>4</sup>	93,59	86,12	88,74	98,81
Index tracking error <sup>5</sup>	3,85	4,72	3,05	6,56
Alfa ratio <sup>6</sup>	(5,83)	2,72	4,85	0,62
Beta ratio <sup>7</sup>	0,72	0,80	0,92	0,90

<sup>1</sup> Change in value of unit (share) does not take into account deductions of contributions.

<sup>2</sup> Standard deviation of change in value of unit is a standard risk indicator, which shows how far the changes in value of unit are spread above and below the mean change.

<sup>3</sup> Standard deviation of change in value of benchmark index is a statistical risk indicator, which shows how far the changes in value of benchmark index are spread above and below the mean change.

<sup>4</sup> Correlation factor between value of unit and value of benchmark index is a ratio, which shows statistical dependence between the values of unit and the values of benchmark index.

<sup>5</sup> Index tracking error is a ratio, which shows how closely the changes in value of unit match (or follow) the changes in value of benchmark index.

<sup>6</sup> Alfa ratio is a ratio, which shows the difference between the change in value of the accounting unit of pension fund and the change in value of benchmark index, given a comparable risk level.

<sup>7</sup> Beta ratio is a ratio, which shows the scope of change in value of the accounting unit of pension fund as compared to the change in the value of benchmark index.

**19.3. Average change in value of investment unit and average change in value of benchmark index (%)**

	Over the last 3 years	Over the last 5 years	Over the last 10 years	Since the start of operations
Average change in value of unit <sup>1</sup>	10,55	6,49	9,77	1,44
Average change in value of benchmark index <sup>2</sup>	11,29	7,95	15,24	3,39
Average standard deviation of change in value of unit <sup>3</sup>	5,92	6,74	10,43	12,04
Average standard deviation of change in value of the Fund's benchmark index	6,34	7,22	12,57	14,59

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

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

<sup>3</sup> Average standard deviation of change in value of unit is a standard annual deviation of change in value of the investment unit over the specified period.

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

Change in value of unit and benchmark index during the period between 1 January 2018 and 31 December 2018:



Note 20. Expense ratios and turnover rates:
**2018**

Deductions	Rates of deductions (%)		Amount of deductions charged for the reporting period, in EUR	Percentage of average net asset value for the reporting period
	Maximum rates as per founding documents	Rates applied during the reporting period		
Management fee:				
Fixed rate	Up to 2% of the Fund's average annual net asset value	2% of the Fund's average annual net asset value	173.219	1,98
Success fee	Not applicable	Not applicable	-	-
Other operating costs (Subfund change fee)	No more than 3% of the amount invested	No more than 2% of the amount invested	564	0,01
Other operating costs (Subfund change fee)	Not applicable	Not 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	8.972	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	6.675	0,08
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	1.912	0,02
Fee charged by the bank for keeping records of participants			3.233	0,04
Other operating costs (bank charges)	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	298	-
Other operating costs (fees charged by the market maker, quotation costs and one-off fees)			1.481	0,02
Total expenses included in TER, in EUR				189.115
TER as % of NAV*				2,17
Total expenses, in EUR				196.354
PTR (%)**				(109,22)

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

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

Note 20. Expense ratios and turnover rates (continued)
2017

Deductions	Rates of deductions (%)		Amount of deductions charged for the reporting period, in EUR	Percentage of average net asset value for the reporting period
	Maximum rates as per founding documents	Rates applied during the reporting period		
Management fee:				
Fixed rate	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
Success fee	Not applicable	Not applicable	-	-
Other operating costs (Subfund change fee)	No more than 3% of the amount invested	No more than 2% of the amount invested	536	0,01
Other operating costs (Subfund change fee)	Not applicable	Not 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
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			1.860	0,02
Other operating costs (bank charges)	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	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, in EUR				212.269
TER as % of NAV*				2,17
Total expenses, in EUR				257.592
PTR (%)**				(243,88)

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

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



Note 20. Expense ratios and turnover rates (continued)

All the services provided during the audit of the Fund's annual financial statements are presented below:

	Reporting period	Previous reporting period
Audit of the financial statements under the agreement	1,694	1,573
Assurance and other related services	-	-
Tax consultation services	-	-
Other services	218	218
<b>Total</b>	<b>1,912</b>	<b>1,791</b>

**Note 21. Cash flows**

	Items of cash flows	Financial year	Previous financial year
<b>I.</b>	<b>Cash flows from operating activities</b>	-	-
I.1.	Cash inflows over the reporting period	5.382.414	13.837.525
I.1.1.	Proceeds on disposal of financial assets and investment assets*	5.025.974	13.592.199
I.1.2.	Interest received	4.583	16.433
I.1.3.	Dividends received	351.857	228.893
I.1.4.	Cash inflows on sale of derivative financial statements	-	-
I.1.5.	Cash inflows from other activities	-	-
I.2.	Cash outflows for the reporting period	1.734.176	20.215.245
I.2.1.	Payments on acquisition of financial assets and investment assets, and liabilities settled	1.526.766	19.973.767
I.2.2.	Payments related to management	202.072	235.190
I.2.3.	Deposits placed	-	-
I.2.4.	Cash outflows on sale of derivative financial statements	-	-
I.2.5.	Other cash outflows	5.338	6.288
	Net cash flows from (used in) operating activities (I.1-I.2)	3.648.238	(6.377.720)
<b>II.</b>	<b>Cash flows from financing of activities</b>	-	-
II.1.	Cash inflows over the reporting period. Sales of investment units	6.344.880	32.253.162
II.2.	Cash outflows over the reporting period. Redemption of investment units	9.876.305	25.139.205
II.3.	Dividends paid	-	-
II.4.	Proceeds from borrowings	-	-
II.5.	Repayment 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	31.250	3.063
II.9.	Other decrease in cash flows from financing activities	1.722	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)	(3.501.897)	7.115.958
<b>III.</b>	<b>Foreign exchange effect on the balance of cash (+/-)**</b>	<b>(6.875)</b>	<b>(14.284)</b>
<b>IV.</b>	<b>Net increase (decrease) in cash flows (+/-)</b>	<b>139.466</b>	<b>723.954</b>
<b>V.</b>	<b>Cash at the beginning of the period</b>	<b>995.134</b>	<b>271.180</b>
<b>VI.</b>	<b>Cash at the end of the period</b>	<b>1.134.600</b>	<b>995.134</b>

\* The difference as compared to the value of sold financial instruments indicated in Note 6 arises due to not yet deducted transactions the value of which is included in assets in item 6.1 in the statement of net assets.

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

24. Entire text of the auditor's report:

Presented on pages 2 to 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.	Realised gain (loss) on investment in:	(118.199)
2.1.	equity securities	(118.282)
2.2.	non-equity securities	83
2.3.	money market instruments	-
2.4.	derivative financial instruments	-
2.5.	units of other collective investment undertakings	-
2.6.	real estate objects	-
2.7.	other investment instruments	-
3.	Unrealised gain (loss) on:	(808.979)
3.1.	equity securities	(813.562)
3.2.	non-equity securities	4.583
3.3.	money market instruments	-
3.4.	derivative financial instruments	-
3.5.	units of other collective investment undertakings	-
3.6.	real estate objects	-
3.7.	other investment instruments	-
4.	Other income:	412.369
4.1.	income from lease of real estate	-
4.2.	positive foreign exchange effect	6.291
4.3.	other	406.078
	total income	(514.809)
II.	expenses	
1.	Operating expenses:	196.354
1.1.	deductions of management fee	173.783
1.2.	deductions of depository fee	8.972
1.3.	intermediary fee	6.675
1.4.	audit fee	1.912
1.5.	deductions of other fees and charges	5.012
2.	Other expenses:	14.886
2.1.	interest expenses	-
2.2.	expenses related to the managed real estate objects	-
2.3.	negative foreign exchange effect	13.164
2.4.	other	1.722
	Total expenses	211.240
III.	Net income	(726.049)
IV.	Payments (dividends) to holders of investment units	-
V.	Re-invested earnings	(726.049)

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 financial position of the fund.

**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 values of reported items:

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 responsible for the preparation of financial statements;

Full name	Laura Križinauskienė	Aušra Montvydaitė
Position	General Director	Head of Funds Accounting
Telephone number	(8~7) 005 59 59	(8~6) 264 55 82
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33.2. When the financial statements have been prepared by or with assistance of consultants, please specify their full names, telephone and fax numbers, email addresses (if a consultant is a legal entity, please specify its name, telephone and fax numbers, email address and full name(s) of a consultant's representative(s)); please indicate, which specific sections have been prepared by or with assistance of consultants and the scope of their liability.

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