

**Open-end investment fund
AB.LV Global USD ETF Fund**

**AUDITED ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009**

**PREPARED IN ACCORDANCE WITH
THE FCMC REGULATIONS ON ANNUAL REPORTS OF INVESTMENT FUNDS AND
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED IN THE EUROPEAN
UNION**

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Riga, 2010

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General information

Name of the fund:	AB.LV Global USD ETF Fund
Type of the fund:	Open-end investment fund
Registration date of the fund:	23 March 2007
Number of the fund:	06.03.05.263/33
Name of the investment manager:	IPAS AB.LV Asset Management
Registered office of the investment manager:	Elizabetes iela 23, Riga, LV-1010
Registration number of the investment manager:	40003814724
Licence number of the investment manager:	06.03.07.263/204
Date of the licence:	4 August 2006
Name of the custodian bank:	AS Aizkraukles banka
Registered office of the custodian bank:	Elizabetes iela 23, Riga, LV-1010
Registration number of the custodian bank:	50003149401
Names and positions of Council Members, Board Members, and Fund Manager:	Council of the investment manager: <i>Chairman of the Council</i> - Ernests Bernis <i>Deputy Chairman of the Council</i> – Māris Kannenieks <i>Council Member</i> - Vadims Reinfelds Board of the investment manager: <i>Chairman of the Board</i> - Leonīds Kiļs <i>Deputy Chairman of the Board</i> - Jevgeņijs Gžibovskis <i>Board Member</i> - Oļegs Fiļs <i>Fund Manager</i> - Oļegs Rusnaks
Duties of the Fund Manager:	The Fund Manager operates the Fund's property according to the Company's Articles of Association and the Fund Management Regulations. The Fund Manager may be employed only by one investment manager and manage several funds of one investment manager.
Auditors:	SIA Ernst & Young Baltic Muitas iela 1, Riga, Latvia, LV-1010, Licence No. 17 Diāna Krišjāne, Chairperson of the Board Latvian Certified Auditor, Certificate No. 124

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Investment manager report

The open-end investment fund AB.LV Global USD ETF Fund (hereinafter – the Fund) was registered on 23 March 2007 as an equity fund having the US dollar as its base currency.

The investment management company IPAS AB.LV Asset Management (hereinafter – the Company) was registered with the Republic of Latvia Enterprise Register on 4 August 2006 under No. 40003814724. The Company holds Licence No. 06.03.07.263/204 to operate as an investment manager, and its address is Riga, Elizabetes iela 23.

The investment objective of the Fund is long-term capital growth, by making investments mainly in exchange traded funds (ETF) and other instruments traded on US and European stock exchanges, which represent the value of stocks, as well as the value of particular sectors of economy of various countries. It is also acceptable that funds are invested in stocks, which have essential weight in the main index of the chosen country.

The Fund's investment portfolio is diversified among investments in various countries, thus ensuring higher investment safety and protection against fluctuations of the Fund's asset value, which are characteristic of investments in securities of one country.

The year 2009 was the third business year for AIF AB.LV Global USD ETF Fund. At the end of 2009, the Fund's assets amounted to USD 5,127,288 (LVL 2,507,244), while its net assets were USD 5,113,600 (LVL 2,500,551), the return for 2009 was 34.07%, while the annual return since inception was -3.62%.

The last year was highly successful for investment activities on global financial markets. In 2009, the major markets recovered from the shocks caused by the greatest ever financial crisis of 2007-2008. Most of the stock loss sustained in 2008 was compensated successfully. Considering the prudent management strategy pursued in 2009, AIF AB.LV Global USD ETF Fund demonstrated adequate growth of its annual return (+34.07%) against that of the benchmark Morgan Stanley All Country World Index (+31.52%).

In August 2008, the investment funds managed by IPAS AB.LV Asset Management had the minimum investment amount reduced for funds or subfunds to USD 1,000. In addition, the minimum investment increment requirement was annulled.

The Company analyses the political and economic situation on an ongoing basis, as well as conducts the comparative and technical analysis, the analysis of macroeconomic indicators, and the summary analysis of the recommendations for various financial markets given by the world's leading brokers and analysts.

To keep the existing customers and potential investors of IPAS AB.LV Asset Management informed about the situation on the global financial markets, since July 2008 AS Aizkraukles banka has been publishing on its homepage the detailed monthly macroeconomic analysis of the chief analyst. Meanwhile, since November 2008 those customers which have made investments in the funds of IPAS AB.LV Asset Management have been sent monthly Fund Manager's commentaries and opinion regarding the market situation, performance of the funds, and activities of the Fund Manager.

The Company has always been focusing specifically on risk management in order to ensure proper diversification and achieve risk minimisation. The Company has the Investment Committee set up, which determines the investment policy to be pursued by the Company, hedging limits, and financial markets to enter into transactions involving financial

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instruments. The members of the Investment Committee are the leading financial market specialists of AS Aizkraukles banka and the Company.

The Company will seek to provide the utmost efficiency in management of the Fund's assets also in future in order to increase the number of investors and achieve growth of net assets in 2010. The management of IPAS AB.LV Asset Management would like to express their deep gratitude to customers for loyalty and successful cooperation.

For IPAS AB.LV Asset Management:
Chairman of the Board

Leonīds Kiļs

Fund Manager

Oļegs Rusnaks

Riga, 22 April 2010

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Statement of responsibility of the Board of the investment manager

The Board of the investment manager (hereinafter – the Company) are responsible for the preparation of the financial statements of the investment fund AB.LV Global USD ETF Fund (hereinafter – the Fund).

The financial statements set out on pages 8 to 30 are prepared in accordance with the source documents and present fairly the financial position of the Fund as at 31 December 2009 and the results of its operations for the year then ended.

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

The Board of the Company are responsible for the maintenance of proper accounting records, the safeguarding of the assets of AIF AB.LV Global USD ETF Fund, and the prevention and detection of fraud and other irregularities in the Fund. They are also responsible for operating the Fund in compliance with the Law of the Republic of Latvia on Investment Management Companies, FCMC regulations, and other laws of the Republic of Latvia.

IPAS AB.LV Asset Management
Chairman of the Board

Leonīds Kiļs

Riga, 22 April 2010

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Custodian bank report

To the investors of AIF AB.LV Global USD ETF Fund

No. _____

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

According to the Law of the Republic of Latvia on Investment Management Companies, FCMC regulations, other requirements of Latvian laws, and the Custodian Bank Agreement signed on 2 March 2007, AS Aizkraukles Banka (hereinafter – the Custodian Bank) acts as the custodian bank for AIF AB.LV Global USD ETF Fund (hereinafter – the Fund), a fund established by IPAS AB.LV Asset Management (hereinafter – the Company);

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

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

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

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

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

The Company's orders and transactions involving the property of AIF AB.LV Global USD ETF Fund are in compliance with the requirements of the Law on Investment Management Companies, the Fund's Prospectus, the Fund Management Regulations, and the Custodian Bank Agreement.

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

For the Custodian Bank AS Aizkraukles Banka:
Chairman of the Board

Ernests Bernis

Riga, 22 April 2010

AIF AB.LV Global USD ETF Fund
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Statement of assets and liabilities

	Notes	<u>31/12/2009</u>	<u>31/12/2008</u>
ASSETS		LVL	LVL
Demand deposits with credit institutions	4	66,440	5,949,689
Term deposits with credit institutions	4	455,732	-
Financial assets at fair value through profit or loss	5	1,985,072	-
Shares and other non-fixed income securities		185,905	-
Investment certificates of investment funds and similar securities		1,799,167	-
Other assets		-	2,426
TOTAL ASSETS		<u>2,507,244</u>	<u>5,952,115</u>
 LIABILITIES			
Accrued expense	6	(6,693)	(14,533)
Other liabilities		-	(1,675)
TOTAL LIABILITIES		<u>(6,693)</u>	<u>(16,208)</u>
NET ASSETS		<u>2,500,551</u>	<u>5,935,907</u>

For IPAS AB.LV Asset Management:
Chairman of the Board

Leonīds Kiļs

Fund Manager

Oļegs Rusnaks

Riga, 22 April 2010

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Statement of income and expense

	Notes	01/01/2009- 31/12/2009	01/01/2008- 31/12/2008
		LVL	LVL
INCOME			
Interest revenue	7	3,949	40,182
Dividends		22,322	54,196
Other income		-	67
TOTAL		26,271	94,445
EXPENSE			
Remuneration to investment manager		(49,770)	(168,605)
Remuneration to custodian bank		(6,221)	(21,076)
Other fund management expense		(2,579)	(3,288)
TOTAL		(58,570)	(192,969)
INCREASE/ (DECREASE) IN INVESTMENT VALUE			
Realised increase/ (decrease) in investment value	8	577,476	(4,783,699)
Unrealised increase in investment value	9	77,062	128,959
INCREASE/ (DECREASE) IN NET ASSETS FROM INVESTMENT		622,239	(4,753,264)

For IPAS AB.LV Asset Management:
Chairman of the Board

Leonīds Kiļs

Fund Manager

Oļegs Rusnaks

Riga, 22 April 2010

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Statement of changes in net assets

	01/01/2009- 31/12/2009	01/01/2008- 31/12/2008
	LVL	LVL
Net assets at the beginning of the year	5,935,907	9,196,337
Increase/ (decrease) in net assets from investment activities	622,239	(4,753,264)
Transactions with investment certificates		
Inflow from sale of investment certificates	-	1,492,834
Outflow of redemption of investment certificates	(4,057,595)	-
Total	<u>(4,057,595)</u>	<u>1,492,834</u>
(Decrease) in net assets for the year	(3,435,356)	(3,260,430)
Net assets at the end of the year	<u>2,500,551</u>	<u>5,935,907</u>
Issued investment certificates at the beginning of the year	1,776,123	1,573,377
Issued investment certificates at the end of the year	564,956	1,776,123
Net assets per investment certificate at the beginning of the year	3.34	5.85
Net assets per investment certificate at the end of the year	4.43	3.34

For IPAS AB.LV Asset Management:
Chairman of the Board

Leonīds Kiļs

Fund Manager

Oļegs Rusnaks

Riga, 22 April 2010

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Statement of cash flows

	<u>31/12/2009</u>	<u>31/12/2008</u>
	LVL	LVL
Interest received	3,949	40,182
Dividends received	22,322	54,196
Investment management income	581,750	-
Investment management expense	(58,571)	(4,966,499)
(Acquisition) of financial assets	(8,249,936)	(36,320,317)
Disposal of financial assets	6,341,926	45,486,047
(Decrease)/ increase in cash from operating activities	(1,358,560)	4,293,609
Inflow from sale of investment certificates	-	1,578,653
Outflow of redemption of investment certificates	(4,068,957)	-
(Decrease)/ increase in cash from financing activities	(4,068,957)	1,578,653
(Decrease)/ increase in cash	(5,427,517)	5,872,262
Cash at the beginning of the year	5,949,689	77,427
Cash at the end of the year	522,172	5,949,689

For IPAS AB.LV Asset Management:
Chairman of the Board

Leonīds Kiļs

Fund Manager

Oļegs Rusnaks

Riga, 22 April 2010

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NOTE 1 GENERAL INFORMATION

Name of the fund:	AB.LV Global USD ETF Fund
Type of the fund:	Open-end investment fund
Registered office:	Elizabetes iela 23, Riga, LV-1010, Latvia
Fund's business activity:	Investments in exchange traded funds (ETF) and other instruments traded on US and European stock exchanges, which represent the value of stocks, as well as the value of particular sectors of economy of various countries
Name of the investment manager:	IPAS AB.LV Asset Management Elizabetes iela 23, Riga, LV-1010, Latvia

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

NOTE 2 INFORMATION ON PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance

The financial statements of AIF AB.LV Global USD ETF Fund (hereinafter - the Fund) have been prepared in accordance with laws of the Republic of Latvia, the FCMC Regulations on Annual Reports of Investment Funds, and International Financial Reporting Standards as adopted in the EU.

During 2009, the Fund consistently applied accounting policies in line with those disclosed in the prior-year financial statements, except for the changes listed below in *Amended IFRS and IFRIC that came into effect in the reporting period*.

Amended IFRS and IFRIC that came into effect in the reporting period

The following IFRS and IFRIC interpretations as adopted in the EU are amended and enter into force starting from 1 January 2009:

IFRS 7 Financial Instruments: Disclosures. These amendments were issued in March 2009 and are applicable to annual periods beginning on or after 1 January 2009. The amendments outline additional disclosure requirements for fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The Fund has adopted this amendment effective 1 January 2009. The liquidity risk disclosures are not significantly impacted by the amendments.

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The Fund has applied the following IFRS, IAS and IFRIC interpretations which are amended or enter into force in the reporting year, but which do not have an impact on the financial statements:

IAS 1 Presentation of Financial Statements (revised). This amendment requires the entity to make disclosures of the objectives, policies and processes of managing capital. The key amendments presented in these financial statements refer to the following changes of statement headings: *Balance Sheet* and *Income Statement* have been replaced by a *Statement of Financial Position* and a *Statement of Comprehensive Income* respectively.

IAS 23 Borrowing Costs. The revised IAS 23 eliminates the option of expensing all borrowing costs and requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. The adoption of this standard did not have any impact on the financial position or performance of the Fund.

IFRIC 9 Reassessment of Embedded Derivatives and *IAS 39 Financial Instruments: Recognition and Measurement*. This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss. The adoption of this amendment did not have any impact on the financial position or performance of the Fund.

IFRIC 13 Customer Loyalty Programmes. This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credit and deferred over the period that the award credit is fulfilled. The adoption of this interpretation did not have any impact on the financial position or performance of the Fund.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation. The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The adoption of this interpretation did not have any impact on the financial position or performance of the Fund.

IFRS 8 Operating Segment Information. The standard sets out requirements for disclosure of information about an entity's operating segments in breakdown by components that management uses to make operating decisions. According to the requirements of this IFRS, information on operating segments shall be disclosed by the companies, whose debt or equity instruments are traded in a public market. The Fund does not have any equity instruments and, therefore, the operating segment information is not disclosed in these financial statements.

IFRSs and IFRIC Interpretations that have been issued but are not yet effective

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The Fund has not applied the following IFRSs and IFRIC Interpretations that have been issued but are not yet effective:

Amendment to IFRS 2 *Share-based Payment* (effective for financial years beginning on or after 1 January 2010, once adopted by the EU). The amendment clarifies the scope and the accounting for group cash-settled share-based payment transactions. The amendment will have no impact on the financial position or performance of the Fund, as the Fund does not have share-based payments.

Amendments to IFRS 3 *Business Combinations* and IAS 27 *Consolidated and Separate Financial Statements* (effective for financial years beginning on or after 1 July 2009). Revised IFRS 3 (IFRS 3R) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investment in Associates* and IAS 31 *Interests in Joint Ventures*. The amendment will have no impact on the financial position or performance of the Fund, as the Fund does not have business combinations.

IFRS 9 *Financial Instruments* (effective for financial years beginning on or after 1 January 2013, once adopted by the EU). IFRS 9 will eventually replace IAS 39. The IASB has issued the first part of the standard, establishing a new classification and measurement framework for financial assets. The Fund has not yet assessed the impact of this amendment.

Amendments to IAS 24 *Related Party Disclosures* (effective for financial years beginning on or after 1 January 2011, once adopted by the EU). The amendments simplify the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. They also provide a partial exemption from the disclosure requirements for government-related entities. The implementation of these amendments will have no impact on the financial position or performance of the Fund, however it may impact the related parties disclosures.

Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* (effective for financial years beginning on or after 1 February 2010). The amendment changes the definition of a financial liability to exclude certain rights, options and warrants. The amendment will have no impact on the financial position or performance of the Fund, as the Fund does not have such instruments.

Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* (effective for financial years beginning on or after 1 July 2009). The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The amendment will have no impact on the financial position or performance of the Fund, as the Fund has not entered into any such hedges.

Improvements to IFRSs

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In May 2008 and April 2009 IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The second omnibus, issued in April 2009, is still to be adopted by the EU. The adoption of the following amendments (all not adopted by the EU yet) may result in changes to accounting policies but will not have any impact on the financial position or performance of the Fund:

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.
- IFRS 8 *Operating Segments*. Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
- IAS 7 *Statement of Cash Flows*. Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.
- IAS 36 *Impairment of Assets*. The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

Other amendments resulting from Improvements to IFRSs to the following standards will not have any impact on the accounting policies, financial position or performance of the Fund:

- IFRS 2 *Share-based Payment*;
- IAS 1 *Presentation of Financial Statements*;
- IAS 17 *Leases*;
- IAS 38 *Intangible Assets*;
- IAS 39 *Financial Instruments: Recognition and Measurement*;
- IFRIC 9 *Reassessment of Embedded Derivatives*;
- IFRIC 16 *Hedge of a Net Investment in a Foreign Operation*.

IFRIC 12 *Service Concession Arrangements* (effective for financial years beginning on or after 29 March 2009). This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. This interpretation has no impact on the Fund's financial statements.

Amendment to IFRIC 14 *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for financial years beginning on or after 1 January 2011, once adopted by the EU). The amendment modifies the accounting for prepayments of future contributions when there is a minimum funding requirement. This amendment will not have any impact on the financial statements because the Fund does not have defined benefit assets.

IFRIC 17 *Distributions of Non-cash Assets to Owners* (effective for financial years beginning on or after 31 October 2009). The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. IFRIC 17 will not have an impact on the financial statements because the Fund does not distribute non-cash assets to owners.

IFRIC 18 *Transfers of Assets from Customers* (effective for financial years beginning on or after 31 October 2009). The interpretation provides guidance on accounting for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer

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with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). IFRIC 18 will not have an impact on the financial statements because the Fund does not have such agreements.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for financial years beginning on or after 1 April 2010, once adopted by the EU). The interpretation provides guidance on accounting for extinguishing financial liabilities with equity instruments. Since the Fund does not have such transactions, IFRIC 19 will not have any impact on its financial statements.

The Fund expects that the initial application of the pronouncements listed above will have no significant impact on the financial statements.

Significant Accounting Estimates and Assumptions

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

Basis of Preparation

The financial statements are prepared on a historical cost basis, as modified for the measurement at fair value of held-for-trading securities.

The monetary unit used in the financial statements is lat (LVL), the monetary unit of the Republic of Latvia. The financial statements cover the period 1 January 2009 through 31 December 2009.

Information given herein in brackets represents comparative figures for the year ended 31 December 2008, unless otherwise stated.

Revenue and Expense Recognition

All major revenue and expense items are recognised on an accrual basis. Commission and fee revenue and expense are included in the statement of income and expense over the period or at a specific time, except for commission and fee revenue and expense directly attributable to financial assets and liabilities measured at amortised cost – for these assets and liabilities the respective commission and fee revenue and expense form an integral part of the effective interest rate.

Interest revenue is recognised in the period when earned using the effective interest method and includes interest revenue from securities and term deposits.

Dividend revenue is recognised when the right to receive the payment is established.

The difference between the acquisition price and the value of a financial instrument (hereinafter – a 'Day 1' profit or loss) is not recognised in the statement of income and expense at the acquisition date. The 'Day 1' profit or loss from transactions is recognised on an individual basis. The difference is either recognised in the statement of income and expense during the term of the transaction, or deferred and recognised only when the fair value of the financial instrument

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may be determined using observable data, or recognised in the statement of income and expense upon derecognition of a financial instrument. The financial instrument is subsequently stated at fair value adjusted by the deferred 'Day 1' profit or loss. Fair value changes are recognised in the statement of income and expense without making adjustments to the deferred 'Day 1' profit or loss.

Foreign Currency Translation

The Fund's functional currency is the US dollar but, according to the FCMC requirements, the Fund ensures accounting also in Latvian lats. These financial statements are prepared based on transaction accounting in Latvian lats. All assets and liabilities denominated in foreign currencies are translated into Latvian lats at the official exchange rate established by the Bank of Latvia at the last day of the reporting period. Income or expense resulting from changes in exchange rates is included in the statement of income and expense of the reporting period. Transactions denominated in foreign currencies are recorded in Latvian lats at the official exchange rate established by the Bank of Latvia at the date of the transaction.

Assets and liabilities denominated in foreign currencies are translated into Latvian lats at the official exchange rates established by the Bank of Latvia at the last day of the reporting period.

	<u>31/12/2009</u>	<u>31/12/2008</u>
USD 1	LVL 0.489	LVL 0.495

Cash

Cash comprises Fund's demand deposits with credit institutions. Cash and cash equivalents are highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

Shares and Other Non-fixed Income Securities

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

Financial assets at fair value through profit or loss

- Classification

Financial assets at fair value through profit or loss are held-for-trading securities, i.e. securities acquired for generating a profit from short-term fluctuations in price. Financial assets are analysed by the Fund Manager on the basis of their fair value and other financial information.

- Measurement

Securities are initially recognised at cost and subsequently re-measured at fair value based on the bid prices. Any gain or loss on revaluation at fair value is recognised in the statement of income and expense. Interest revenue from financial assets at fair value through profit or loss is calculated using the effective interest rate and recognised in the statement of income and

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expense. Dividends from financial assets at fair value through profit or loss are recognised in the statement of income and expense when the right to the payment has been established.

- Derecognition

A financial asset is derecognised only when the contractual rights to receive cash flows from the asset have expired, or the Fund has transferred the financial asset and all the risks and rewards of the asset to the counterparty. Securities purchase and sale transactions are recognised on the trading date. The cost of securities sold is defined on a FIFO (first in, first out) basis.

Fair Value of Financial Assets and Liabilities

Fair value of financial assets and liabilities represents the amount at which an asset could be exchanged, or a liability settled, on an arm's length basis. Where, in the opinion of the Fund's management, the fair values of financial assets and liabilities differ materially from their carrying amounts, such fair values are separately disclosed in the notes to the financial statements.

The fair value of financial assets traded in active markets is based on their quoted market prices on the last day of the reporting period. The Fund has no financial assets classified as at fair value through profit or loss that would not be traded in an active market. The quoted market price is the last closing transaction price or the last available bid price of the securities quoted on a respective stock exchange if no transactions are registered during the trading session at the settlement date.

Provisions

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Taxes

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

NOTE 3 RISK MANAGEMENT

The key investment risks are market risk (price risk and interest rate risk), liquidity risk, credit risk, legal risk, strategic risk, informational risk, foreign investment risk, and other business-related risks. The Fund believes that its exposure to credit risk arises mainly from investments in non-fixed income securities and balances due from credit institutions.

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

The table below provides the analysis of the Fund's maximum credit risk exposure as at 31 December 2009:

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	<u>31/12/2009</u>	<u>31/12/2009</u>
	Carrying amount	Maximum exposure
ASSETS	LVL	LVL
Demand deposits with credit institutions	66,440	66,440
Term deposits with credit institutions	455,732	455,732
Financial assets at fair value through profit or loss	<u>1,985,072</u>	<u>1,985,072</u>
TOTAL ASSETS	<u>2,507,244</u>	<u>2,507,244</u>

The table below provides the analysis of the Fund's maximum credit risk exposure as at 31 December 2008:

	<u>31/12/2008</u>	<u>31/12/2008</u>
	Carrying amount	Maximum exposure
ASSETS	LVL	LVL
Demand deposits with credit institutions	5,949,689	5,949,689
Other assets	<u>2,426</u>	<u>2,426</u>
TOTAL ASSETS	<u>5,952,115</u>	<u>5,952,115</u>

To keep the risk exposure at the required level, the Fund is managed following the risk diversification and hedging principles.

In developing the investment strategy and stating limits, the Company performs an analysis of the Fund's investments by maturity, geographic placements, currency profile, industry, etc., as well as assesses the risks inherent to each of the above factors.

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

The Company applies qualitative and quantitative assessments to manage financial risks:

- According to the qualitative assessment, investments are made in assets corresponding to certain parameters. In planning investments, the Company takes into consideration investment safety in each particular country and particular financial instruments and term deposits with banks, i.e. analyses credit ratings granted to the respective country, bank or company.
- The quantitative assessment is expressed as limits set for specific investment types, countries and regions, industries, specific issuers and counterparties.

When investments are made abroad, particular attention is paid to expected currency fluctuations against the Fund's base currency. For risk mitigation purposes, the Company performs:

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

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In spite of the fact that the Company makes investments only in the subfund's base currency, currency risk should also be considered. As a rule, MSCI indexes, which are indexes underlying ETFs, reflect the changes in equity prices in the currency of a respective country. Therefore, the ETF dynamics and the underlying index dynamics may differ significantly in the event of changes in the rate of the base currency against the rate of the respective country's currency. This risk is mitigated following the investment diversification principle.

NOTE 4 DEPOSITS WITH CREDIT INSTITUTIONS

	31/12/2009	31/12/2008	% of total Fund's assets as at 31/12/2009
	LVL	LVL	(%)
Demand deposits with credit institutions, AS Aizkraukles banka	66,440	5,949,689	2.66
Term deposits with credit institutions, AS Aizkraukles banka	455,732	-	18.23
Total deposits	522,172	5,949,689	20.88

The Fund receives interest on demand deposits fixed as monthly average LIBOR USD o/n - 0.2%. No payments to the Fund related to term deposits and securities were past due in the reporting period.

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NOTE 5 SHARES AND OTHER NON-FIXED INCOME SECURITIES

All shares and other non-fixed income securities are classified as financial assets at fair value through profit or loss. All securities are listed.

Financial assets at fair value through profit or loss by geographical placement:

	<u>31/12/2009</u>	<u>31/12/2008</u>	<u>% of total Fund's assets as at 31/12/2009</u>
	LVL	LVL	(%)
EU Member States	60,352	-	2.41
OECD countries	1,190,445	-	47.61
Other countries	<u>734,275</u>	-	<u>29.36</u>
Total financial assets at fair value through profit or loss	<u><u>1,985,072</u></u>	-	<u><u>79.39</u></u>

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31/12/2009				
Issuer	Amount	Acquisition value	Carrying amount	% of total Fund's assets
		LVL	LVL	(%)
<u>Shares and other non-fixed income securities:</u>		186,333	185,905	7.43
Russia		186,333	185,905	7.43
OAO GAZPROM	2,200	26,857	27,433	1.10
LUKOIL	1,800	52,235	50,347	2.01
MMC Norilsk Nickel	4,000	28,604	27,932	1.12
Evraz Group SA	2,000	26,426	27,629	1.10
RysHydro	15,000	27,957	28,020	1.12
Vimpel-Communications	2,700	24,254	24,544	0.98
<u>Investment certificates of investment funds and similar securities:</u>		1,718,803	1,799,167	71.95
Australia		58,191	55,843	2.23
iSHARES MSCI Australia Index F	5,000	58,191	55,843	2.23
Brazil		94,291	91,211	3.65
iShares MSCI Brazil Index Fund	2,500	94,291	91,211	3.65
Canada		62,937	64,377	2.57
iShares MSCI Canada Index Fund	5,000	62,937	64,377	2.57
Germany		60,161	60,352	2.41
iSHARES MSCI Germany Index Fun	5,500	60,161	60,352	2.41
China		88,768	92,993	3.72
iShares FTSE/XINHUA China 25 Index Fund	4,500	88,768	92,993	3.72
South Africa		54,306	57,476	2.30
iShares MSCI South Africa Index Fund	2,100	54,306	57,476	2.30
Russia		163,544	167,771	6.71
Market Vestors Russia ETF	11,000	163,544	167,771	6.71
South Korea		115,747	121,139	4.84
iSHARES MSCI South Korea Index	5,200	115,747	121,139	4.84
Mexico		60,945	64,523	2.58
iShares MSCI Mexico Index Fund	2,700	60,945	64,523	2.58
Hong Kong		106,661	107,208	4.29
iShares MSCI Hong Kong Index F	14,000	106,661	107,208	4.29
Turkey		108,608	115,971	4.64
iShares MSCI Turkey Index fund	4,400	108,608	115,971	4.64
Taiwan		30,220	31,712	1.27
iShares MSCI Taiwan Index Fund	5,000	30,220	31,712	1.27
USA		714,424	768,591	30.74
DIAMONDS Trust Series	2,200	96,649	111,959	4.48
iShares MSCI Emerging Markets Index	11,000	207,900	223,229	8.93
iShares S&P Latin America 40	4,000	93,369	93,477	3.74
iShares Russell 2000 Index Fun	3,900	108,027	119,079	4.76
POWERSHARES QQQ	5,000	104,114	111,859	4.47
SPDR Trust Series 1	2,000	104,365	108,988	4.36
Total financial assets at fair value through profit or loss		1,905,136	1,985,072	79.39

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Breakdown of shares and other non-fixed income securities by industry profile:

	<u>31/12/2009</u>	<u>31/12/2008</u>	<u>% of total Fund's assets as at 31/12/2009</u>
	LVL	LVL	(%)
Finance	1,799,168	-	71.95
Oil and gas production	77,780	-	3.11
Manufacturing	55,560	-	2.22
Communications	24,544	-	0.98
Energy	28,020	-	1.12
Total shares	<u>1,985,072</u>	-	<u>79.39</u>

NOTE 6 ACCRUED EXPENSE

	<u>31/12/2009</u>	<u>31/12/2008</u>
	LVL	LVL
Accrued commission fees payable to investment manager	4,273	10,169
Accrued commission fees payable to custodian bank	534	1,271
Accrued fees payable for professional services	1,255	3,070
Accrued payments to Riga Stock Exchange	26	-
Accrued fees payable to third parties	605	23
Total accrued expense	<u>6,693</u>	<u>14,533</u>

NOTE 7 INTEREST REVENUE

	<u>31/12/2009</u>	<u>31/12/2008</u>
	LVL	LVL
From deposits with credit institutions	3,949	40,182
Total interest revenue	<u>3,949</u>	<u>40,182</u>

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NOTE 8 REALISED INCREASE/ (DECREASE) IN INVESTMENT VALUE

	<u>31/12/2009</u>	<u>31/12/2008</u>
	LVL	LVL
Income from sale of investments	6,919,402	40,702,348
Acquisition value of investments sold	<u>(6,341,926)</u>	<u>(45,486,047)</u>
Total realised increase/ (decrease) in investment value	<u>577,476</u>	<u>(4,783,699)</u>

NOTE 9 UNREALISED INCREASE IN INVESTMENT VALUE

	<u>31/12/2009</u>	<u>31/12/2008</u>
	LVL	LVL
Financial assets at fair value through profit or loss	92,975	315,511
Currency exchange (loss)	<u>(15,913)</u>	<u>(186,552)</u>
Total unrealised increase in investment value	<u>77,062</u>	<u>128,959</u>

NOTE 10 CHANGE IN INVESTMENT ASSETS DURING THE REPORTING YEAR

The table below shows changes in the Fund's investment portfolio in 2009:

	<u>31/12/2008</u>	Investments made during the year	Investments annulled during the year	Fair value revaluation result	<u>31/12/2009</u>
	LVL	LVL	LVL	LVL	LVL
Financial assets at fair value through profit or loss	-	8,249,936	(6,341,926)	77,062	<u>1,985,072</u>
Total assets	<u>-</u>	<u>8,249,936</u>	<u>(6,341,926)</u>	<u>77,062</u>	<u>1,985,072</u>

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The table below shows changes in the Fund's investment portfolio in 2008:

	31/12/2007	Investments made during the year	Investments annulled during the year	Fair value revaluation result	31/12/2008
	LVL	LVL	LVL	LVL	LVL
Financial assets at fair value through profit or loss	9,036,772	36,320,317	(45,486,047)	128,958	-
Total assets	9,036,772	36,320,317	(45,486,047)	128,958	-

NOTE 11 FUND'S ASSETS BY GEOGRAPHICAL PLACEMENT

The table below shows the Fund's assets and liabilities by geographical placement as at 31 December 2009:

	Latvia	EU Member States	OECD countries	Other countries	Total
	LVL	LVL	LVL	LVL	LVL
ASSETS					
Demand deposits with credit institutions	66,440	-	-	-	66,440
Term deposits with credit institutions	455,732	-	-	-	455,732
Financial assets at fair value through profit or loss	-	60,352	1,190,445	734,275	1,985,072
TOTAL ASSETS	522,172	60,352	1,190,445	734,275	2,507,244
LIABILITIES					
Accrued expense	(6,693)	-	-	-	(6,693)
TOTAL LIABILITIES	(6,693)	-	-	-	(6,693)
NET ASSETS	515,479	60,352	1,190,445	734,275	2,500,551

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The table below shows the Fund's assets and liabilities by geographical placement as at 31 December 2008:

	Latvia	OECD countries	Other countries	Total
ASSETS	LVL	LVL	LVL	LVL
Demand deposits with credit institutions	5,949,689	-	-	5,949,689
Other assets	-	2,426	-	2,426
TOTAL ASSETS	5,949,689	2,426	-	5,952,115
LIABILITIES				
Accrued expense	(14,533)	-	-	(14,533)
Other liabilities	-	(1,675)	-	(1,675)
TOTAL LIABILITIES	(14,533)	(1,675)	-	(16,208)
NET ASSETS	5,935,156	751	-	5,935,907

NOTE 12 MATURITY PROFILE OF ASSETS AND LIABILITIES (LIQUIDITY)

Liquidity is the risk that the Fund will sustain a loss if its assets cannot be realised at minimal expense within a certain period of time.

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

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The table below presents the distribution of the Fund's assets and liabilities into maturity bands based on the remaining period of the contractual maturity date as at 31 December 2009:

ASSETS	Up to 1 month	1 - 12	Total
	LVL	months	LVL
Demand deposits with credit institutions	66,440	-	66,440
Term deposits with credit institutions	455,732	-	455,732
Financial assets at fair value through profit or loss	1,985,072	-	1,985,072
TOTAL ASSETS	2,507,244	-	2,507,244
LIABILITIES			
Accrued expense	(5,438)	(1,255)	(6,693)
Other liabilities	-	-	-
TOTAL LIABILITIES	(5,438)	(1,255)	(6,693)
NET ASSETS	2,501,806	(1,255)	2,500,551

The table below presents the distribution of the Fund's assets and liabilities into maturity bands based on the remaining period of the contractual maturity date as at 31 December 2008:

ASSETS	Up to 1 month	1 - 12	Total
	LVL	months	LVL
Demand deposits with credit institutions	5,949,689	-	5,949,689
Other assets	2,426	-	2,426
TOTAL ASSETS	5,952,115	-	5,952,115
LIABILITIES			
Accrued expense	(11,463)	(3,070)	(14,533)
Other liabilities	(1,675)	-	(1,675)
TOTAL LIABILITIES	(13,138)	(3,070)	(16,208)
NET ASSETS	5,938,977	(3,070)	5,935,907

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NOTE 13 INFORMATION ON HOLDERS OF INVESTMENT CERTIFICATES

The below table specifies the proportion of investment certificates held by related parties out of total investment certificates issued:

	31/12/2009	31/12/2008	% of total certificates as at 31/12/2009 (%)
Investment certificates held by related parties	92,765	40,158	16.4%
Investment certificates held by other persons	472,190	1,735,965	83.6%
Investment certificates issued as at the year end	564,955	1,776,123	100.0%

NOTE 14 RELATED PARTY DISCLOSURES

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

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

During the reporting year, related parties acquired 0 (70,500) investment certificates and sold 9 (55,400) investment certificates.

NOTE 15 PLEDGED ASSETS

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

NOTE 16 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The management of the Company believes that the carrying amounts of financial assets and liabilities approximate to their fair values. The Company assumes that the fair value of liquid financial assets and financial liabilities or financial assets and financial liabilities having short maturities (less than three months) approximates to their carrying amount. The fair value of the Fund's financial assets and liabilities is chiefly based on the official price quotations in an active market.

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

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

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

Level 3 inputs, i.e. other valuation techniques, are used for available-for-sale financial assets not quoted in the market and for which no quoted prices for similar assets in active markets are available. In determining the fair value for such financial assets, valuation models based on the assumptions and estimates regarding the potential future financials of the investment property, and the industry and geographical area risks in which the respective investment property operates.

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

	<u>31/12/2009</u>
FINANCIAL ASSETS	Level 1 LVL
Financial assets at fair value through profit or loss	<u>1,985,072</u>
TOTAL FINANCIAL ASSETS	<u><u>1,985,072</u></u>

	<u>31/12/2008</u>
FINANCIAL ASSETS	Market quotations LVL
Demand deposits with credit institutions	5,949,689
Term deposits with credit institutions	-
Financial assets at fair value through profit or loss	<u>-</u>
TOTAL FINANCIAL ASSETS	<u><u>5,949,689</u></u>

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NOTE 17 PERFORMANCE OF INVESTMENTS

The following table demonstrates the performance of Fund's investments:

	<u>31/12/2009</u>	<u>31/12/2008</u>
Net assets (LVL)	2,500,551	5,935,907
Number of investment certificates	564,956	1,776,123
Value of investment fund's shares (LVL)	4.426	3.342
Performance on investment fund's shares	32.63%	-42.81%
Net assets (USD)	5,113,600	11,991,732
Number of investment certificates	564,956	1,776,123
Value of investment fund's shares (USD)	9.051	6.752
Performance on investment fund's shares	34.07%	-43.93%

NOTE 18 EVENTS AFTER REPORTING DATE

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