



ABLV

BANKING / INVESTMENTS \ ADVISORY

Open-end investment fund
ABLV Global Corporate USD Bond Fund

Annual report
for the period 5 June 2013 through 31 December 2013

Together with independent auditors' report

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General information

Name of the fund:	ABLV Global Corporate USD Bond Fund
Category of the fund:	Open-end investment fund
Type of the fund:	Bond fund
Registration date of the fund:	16 May 2013
Registration number of the fund:	FL128-02.01.02.263/108
Name of the investment management company:	ABLV Asset Management, IPAS
Registered office of the investment management company:	23 Elizabetes Street, Riga, LV-1010
Registration number of the investment management company:	40003814724
Licence number of the investment management company:	06.03.07.263/204
Date of the licence:	4 August 2006
Name of the custodian bank:	ABLV Bank, AS
Registered office of the custodian bank:	23 Elizabetes Street, Riga, LV-1010
Registration number of the custodian bank:	50003149401
Names and positions of council members, board members, and fund manager:	<p>Council of the investment management company:</p> <p>Chairman of the Council - Ernests Bernis Deputy Chairman of the Council – Māris Kannenieks Council Member - Vadims Reinfelds</p> <p>Board of the investment management company:</p> <p>Chairman of the Board - Leonīds Kijs Deputy Chairman of the Board - Jevgenijs Gžibovskis Board Member - Sergejs Gačenko</p> <p>Fund Manager - Sergejs Gačenko</p>
Duties of the fund manager:	The fund manager operates the fund's property according to the company's Articles of Association and the Fund Management Regulations. The fund manager may be employed only by one investment management company and manage several funds of one investment management company.

Investment management company report

On 16 May 2013, the open-end investment fund ABLV Global Corporate USD Bond Fund (hereinafter referred to as the fund) was registered as a corporate bond fund with the investment currency USD.

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

The fund's investment objective is achievement of the long-term capital. To achieve this objective, the fund's assets are invested in debt securities issued or guaranteed by commercial companies or credit institutions registered in the countries of the global USD bond market.

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

The year 2013 is the first year of operations of ABLV Global Corporate USD Bond Fund. As at the end of December 2013, the fund's net assets amounted to USD 7,457,862 (LVL 3,840,799). Since its establishment and until the end of the year the value of ABLV Global Corporate USD Bond Fund certificate increased by 2.00%. As at the end of December 2013, the fund's investments average term to maturity was 4.3 years, average weighted rating of the investment portfolio was BB, and yield to maturity was 5.61%.

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

In the corporate bond segment, the negative impact of increasing yield under the US government bonds was compensated to a great extent by high coupon yield. In their turn, improved macroeconomic indicators of developed countries improved the investors' attitude towards risk, promoting higher demand for corporate bonds of developed countries, which showed outperforming dynamics in 2013.

Due to its moderately conservative strategy, preferring bonds with high coupon yield, as well as high demand for corporate bonds of developed countries, ABLV Global Corporate USD Bond Fund demonstrated comparatively high yield in 2013.

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

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

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

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

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

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

ABLV Asset Management, IPAS
Chairman of the Board

Leonīds Kijs

ABLV Asset Management, IPAS
Fund Manager

Sergejs Gačenko

Riga, 23 April 2014

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

Statement of responsibility of the board of the investment management company

The board of the investment management company are responsible for the preparation of the financial statements of the investment fund ABLV Global Corporate USD Bond Fund.


The financial statements set out on pages 7 to 22 are prepared in accordance with the source documents and present fair view of the financial position of the fund as at 31 December 2013 and the results of its operations for the period 5 June 2013 through 31 December 2013.

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

The board of the investment management company are responsible for the ensuring of proper system of accounting records, the safeguarding of the fund's assets, 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.

ABLV Asset Management, IPAS
Chairman of the Board

Leonīds Kijs



Riga, 23 April 2014

Custodian bank report

To the investors of
the open-end investment fund ABLV Global Corporate USD Bond Fund

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

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

The custodian bank is responsible for the compliance with the requirements of Latvian laws applicable to custodian banks and the execution of the Custodian Bank Agreement.

The key duties of the custodian bank are as follows:

- To keep the fund's property held in the account according to the conditions of the Custodian Bank Agreement;
- 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;
- 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;
- To submit to the company the list of persons authorised by the custodian bank to accept orders at the effectiveness date of the Custodian Bank Agreement;
- To ensure the execution of other duties provided for custodian banks by laws and regulations.

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

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

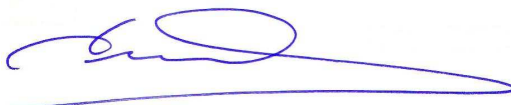
The net asset value is calculated according to the requirements of the Law on Investment Management Companies, FCMC regulations, the fund's Prospectus, and the Fund Management Regulations.

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

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

Custodian bank ABLV Bank, AS:
Chairman of the Board

Ernests Bernis



Riga, 23 April 2014

Statement of assets and liabilities

		LVL
	Notes	31//12/2013
Assets		
Demand deposits with credit institutions	4	118,849
Financial assets at fair value through profit or loss	5	3,727,416
Other assets		
Total assets		3,846,265
Liabilities		
Accrued expense	6	(5,466)
Total liabilities		(5,466)
Net assets		3,840,799

ABLV Asset Management, IPAS
Chairman of the Board

Leonīds Kijs

ABLV Asset Management, IPAS
Fund Manager

Sergejs Gačenko

Riga, 23 April 2014

Statement of income and expense

		LVL
		05/06/2013- 31/12/2013
Income	Notes	
Interest revenue	7	105,839
Total		105,839
Expense		
Remuneration to investment management company		(21,268)
Remuneration to custodian bank		(4,254)
Other fund management expense		(1,497)
Interest expense		(24)
Total		(27,043)
(Decrease) in investment value		
Realised (decrease) in investment value	8	(4,137)
Unrealised (decrease) in investment value	9	(143,433)
(Decrease) in net assets from investment		(68,774)

ABLV Asset Management, IPAS
Chairman of the Board

Leonīds Kijs

Rīga, 23 April 2014

ABLV Asset Management, IPAS
Fund Manager

Sergejs Gačenko

Statement of changes in net assets

Position title	LVL 05/06/2013- 31/12/2013
Net assets at the beginning of the period	-
Decrease in net assets from investment	(68,774)
Transactions with investment certificates	
Inflow from sale of investment certificates	4,342,137
Outflow of redemption of investment certificates	(432,564)
Total result of transactions with investment certificates	3,909,573
Increase in net assets for the period	3,840,799
Net assets at the end of the period	3,840,799
Issued investment certificates at the beginning of the period	-
Issued investment certificates at the end of the period	731,171
Net assets per investment certificate at the beginning of the period	-
Net assets per investment certificate at the end of the period	5.25

ABLV Asset Management, IPAS
Chairman of the Board

Leonīds Kijs

ABLV Asset Management, IPAS
Fund Manager

Sergejs Gačenko

Riga, 23 April 2014

Statement of cash flows

	LVL
Position title	05/06/2013- 31/12/2013
Interest received	107,296
Interest paid	(24)
Investment management expense	(21,465)
Acquisition of financial assets	(5,873,011)
Disposal of financial assets	2,037,753
Decrease in cash and cash equivalents from operating activities	(3,749,451)
Inflow from sale of investment certificates	4,342,137
Outflow of redemption of investment certificates	(432,564)
Increase in cash and cash equivalents from financing activities	3,909,573
Increase in cash and cash equivalents for the period	160,122
Cash and cash equivalents at the beginning of the period	-
Net foreign exchange difference	(41,273)
Cash and cash equivalents at the end of the period	118,849

ABLV Asset Management, IPAS
Chairman of the Board

Leonīds Kijs

ABLV Asset Management, IPAS
Fund Manager

Sergejs Gačenko

Riga, 23 April 2014

Note 1

General information

The open-end investment fund ABLV Global Corporate USD Bond Fund is a bond fund registered on 16 May 2013. The registered office of the investment manager is at 23 Elizabetes Street, Riga, LV-1010, Latvia.

The fund's business activity includes investments in debt securities issued or guaranteed by commercial companies or credit institutions registered in the countries of the global USD bond market.

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

Note 2

Principal accounting policies

Basis of Preparation

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

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

The fund's functional currency is USD. The monetary unit used in the financial statements is the lat (LVL), the monetary unit of the Republic of Latvia. These financial statements are reported in lats, unless otherwise stated.

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

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

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

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

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

Amendments to IAS 19 *Employee Benefits*

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

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

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

IFRS 13 *Fair Value Measurement*

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

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

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

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

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

Standards Issued but not yet Effective

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

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

IAS 19 *Employee Benefits* (Amended)

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

IAS 27 *Separate Financial Statements* (Amended)

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

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

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

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

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

IAS 36 *Impairment of Assets* (Amended)

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

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

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

IFRS 9 *Financial Instruments: Classification and Measurement*

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

IFRS 10 *Consolidated Financial Statements*

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

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

IFRS 11 *Joint Arrangements*

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

IFRS 12 *Disclosures of Interests in Other Entities*

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

IFRS 14 *Regulatory Deferral Accounts*

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

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

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

IFRIC Interpretation 21 *Levies*

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

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

Amendments to the following standards have been made:

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

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

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

Significant Accounting Estimates and Assumptions

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

Revenue and Expense Recognition

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

The difference between the acquisition price and the value of a financial instrument (hereinafter – a 'Day 1' profit or loss) is not recognised in the statement of income and expense at the acquisition date. The 'Day 1' profit or loss from

transactions is recognised on an individual basis. The difference is either recognised in the statement of income and expense during the term of the transaction, or deferred and recognised only when the fair value of the financial instrument may be determined using observable data, or recognised in the statement of income and expense upon derecognition of a financial instrument. The financial instrument is subsequently stated at fair value adjusted by the deferred 'Day 1' profit or loss. Fair value changes are recognised in the statement of income and expense without making adjustments to the deferred 'Day 1' profit or loss.

Foreign Currency Translation

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

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

Reporting date	USD
31 December 2013	0.515

Cash and Cash Equivalents

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

Recognition and Derecognition of Financial Assets and Liabilities

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

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

The 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.

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 substantially all the risks and rewards of the asset to the counterparty. A financial liability is derecognised only when the obligation under the liability is discharged according to the contract or cancelled or expires.

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

Fair Value of Financial Assets and Liabilities

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

Financial Instruments

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

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

Taxes

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

Note 3

Risk management

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

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

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

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

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

In developing the investment strategy and stating limits, the company performs an analysis of the fund's investments by maturity, geographical placements, currency profile, industry, etc., assessing the risks inherent in each of the above factors.

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

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

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

Note 4

Demand deposits with credit institutions

	31/12/2013	
	Carrying amount	Carrying amount to fund's assets
	LVL	%
Demand deposits with credit institutions		
Demand deposits with ABLV Bank, AS	118,849	3.09
Total demand deposits with credit institutions	118,849	3.09

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

Note 5

Financial assets at fair value through profit or loss

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

Issuer	Amount number	Acquisition value LVL	Carrying amount LVL	Carrying amount
				to fund's assets (%)
USA	1,600	911,288	934,610	24.30
ALCOA INC.	200	108,771	112,145	2.92
CHESAPEAKE ENERGY CORP	200	117,523	119,283	3.10
FRONTIER COMMUNICATIONS CORP	200	115,875	119,877	3.12
HEALTH NET INC	200	109,489	111,131	2.89
PEABODY ENERGY CORP	200	108,407	110,645	2.88
SPRINT CORP	200	119,761	123,553	3.21
TENET HEALTHCARE CORP	200	110,725	115,135	2.99
TIME WARNER CABLE INC	200	120,737	122,841	3.19
Brazil	250	125,016	123,474	3.21
TELEMAR NORTE LESTE SA	250	125,016	123,474	3.21
Georgia	250	136,475	139,123	3.62
Bank of Georgia JSC	250	136,475	139,123	3.62
Croatia	200	106,090	105,633	2.75
HRVATSKA ELEKTROPRIVREDA	200	106,090	105,633	2.75
Indonesia	400	215,013	216,438	5.63
BERAU COAL ENERGY TBK PT	200	100,425	103,692	2.70
PERUSAHAAN LISTRIK NEGARA	200	114,588	112,746	2.93
Italy	200	111,858	114,381	2.97
TELECOM ITALIA SPA	200	111,858	114,381	2.97
Israel	200	109,695	114,548	2.98
ISRAEL ELECTRIC CORP LTD	200	109,695	114,548	2.98
Canada	300	152,873	153,356	3.99
URANIUM ONE INC	300	152,873	153,356	3.99
Kazakhstan	500	267,478	271,066	7.05
Halyk Savings Bank of Kazakhst	250	138,728	140,440	3.65
KAZAKHSTAN ENGINEERING CO AO	250	128,750	130,626	3.40
Russia	650	330,334	333,201	8.66
NORD GOLD NV	250	123,922	123,092	3.20
RASPADSKAYA	200	103,412	107,015	2.78
VNESHPRROMBANK LTD	200	103,000	103,094	2.68
China	850	440,969	463,573	12.05
CHINA ORIENTAL GROUP CO LTD	200	103,000	108,131	2.81
CHINA SHANSHUI CEMENT GROUP LTD	200	104,030	108,193	2.81
CITIC LTD	200	104,545	110,494	2.87
WEST CHINA CEMENT LTD	250	129,394	136,755	3.56
Latvia	2,750	116,306	115,001	2.99
ABLVBANK, AS	2,750	116,306	115,001	2.99
Luxembourg	200	123,291	131,222	3.41
ARCELORMITTAL	200	123,291	131,222	3.41

Continuation of table

Issuer	Amount	Acquisition value	Carrying amount	Carrying amount
	number	LVL	LVL	to fund's assets (%)
Singapore	200	106,399	110,067	2.86
BW GROUP LTD	200	106,399	110,067	2.86
Turkey	200	109,129	110,550	2.87
YAPI VE KREDI BANKASI AS	200	109,129	110,550	2.87
Hungary	400	203,425	204,508	5.32
MOL HUNGARIAN OIL AND GAS	200	104,545	107,125	2.79
NITROGENMUVEK ZRT	200	98,880	97,383	2.53
Venezuela	2,000	91,876	86,665	2.25
PETROLEOS DE VENEZUELAS	2,000	91,876	86,665	2.25
Total debt securities traded on regulated markets		3,657,515	3,727,416	96.91

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

Note 6

Accrued expense

	LVL
Position title	31/12/2013
Accrued commission fees payable to investment manager	(3,307)
Accrued commission fees payable to custodian bank	(662)
Accrued fees payable for professional services	(1,378)
Accrued payments to the stock exchange	(119)
Total accrued expense	(5,466)

Note 7

Interest revenue

	LVL
Position title	05/06/2013- 31/12/2013
From financial assets at fair value through profit or loss	105,839
Total interest revenue	105,839

Note 8

Realised investment value

	LVL
Position title	05/06/2013- 31/12/2013
Income from sale of investments	2,005,144
Acquisition value of investments sold	(2,009,281)
Total realised decrease in investment value	(4,137)

Note 9

Unrealised investment value

	LVL
	05/06/2013- 31/12/2013
Position title	
Revaluation of financial assets at fair value through profit or loss	16,425
Currency exchange gain	(159,858)
Total unrealised decrease in investment value	(143,433)

Note 10

Change in investment assets during the reporting year

Changes in the investment portfolio in 2013:

	LVL					
		Increase for the reporting year	Decrease for the reporting year	Fair value revaluation result	Foreign currency translation result	
Position title	05/06/2013					31/12/2013
Financial assets at fair value through profit or loss	-	5,978,850	(2,149,186)	16,425	(118,673)	3,727,416
Total assets	-	5,978,850	(2,149,186)	16,425	(118,673)	3,727,416

Note 11

Credit risk

Credit risk is a risk that the fund's value will decrease from counterparty's or issuer's non-performance or default. The fund's exposure to credit risk arises mainly from investments in fixed income securities and balances due from credit institutions.

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

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

Assets by credit ratings as at 31 December 2013:

	LVL				
Assets	High quality	Average quality	Low quality	No rating	Total
Demand deposits with credit institutions	-	-	-	118,849	118,849
Financial assets at fair value through profit or loss	469,010	2,333,192	810,213	115,001	3,727,416
Total assets	469,010	2,333,192	810,213	233,850	3,846,265

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

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

						LVL
Assets	Latvia	EMU countries	EU Member States	OECD countries	Other countries	Total
Demand deposits with credit institutions	118,849	-	-	-	-	118,849
Financial assets at fair value through profit or loss	115,001	245,603	310,141	1,313,064	1,743,607	3,727,416
Total assets	233,850	245,603	310,141	1,313,064	1,743,607	3,846,265
Liabilities						
Accrued expense	(5,466)		-	-	-	(5,466)
Total liabilities	(5,466)		-	-	-	(5,466)
Net assets	228,384		-	-	1,743,607	3,840,799

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

Issuer	31/12/2013	
	Carrying amount	Carrying amount
	LVL	to fund's assets
		%
Mining	738,440	19.20
Energy	634,425	16.50
Finance	608,208	15.81
Information and communication services	604,126	15.70
Manufacturing	375,574	9.77
Utilities	332,927	8.66
Health care	226,266	5.88
Logistics	110,067	2.86
Chemicals	97,383	2.53
Total debt and other fixed income securities	3,727,416	96.91

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

Analysis of the fund's maximum credit risk exposure:

Assets	LVL	
	31/12/2013	
	Carrying amount	Maximum exposure
Demand deposits with credit institutions	118,849	118,849
Financial assets at fair value through profit or loss	3,727,416	3,727,416
Total assets	3,846,265	3,846,265

Note 12

Financial risks

Interest rate risk

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

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

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

Sensitivity to changes in interest rates:

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

	LVL	
	05/06/2013-31/12/2013	
	+100bps	-100bps
Effect on profit	(132,082)	132,082

Liquidity risk

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

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

	LVL				
	Up to 1 month	1 - 12 months	1 - 5 years	More than 5 years	Total
Assets					
Demand deposits with credit institutions	118,849	-	-	-	118,849
Financial assets at fair value through profit or loss	-	-	2,918,225	809,191	3,727,416
Total assets	118,849	-	2,918,225	809,191	3,846,265
Liabilities					
Accrued expense	(3,969)	(1,497)	-	-	(5,466)
Total liabilities	-	3,969	-	-	(5,466)
Net assets	114,880	-	2,918,225	809,191	3,840,799

Note 13

Information on holders of investment certificates

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

	31/12/2013	
Position title	Number of certificates	% of total certificates
Investment certificates held by shareholders of the company	473,040	64.70%
Investment certificates held by related parties	36,251	4.96%
Investment certificates held by other persons	221,880	30.35%
Investment certificates issued as at the period end	731,171	100.00%

Note 14

Related party disclosures

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

The remuneration paid to the investment management company during the reporting period is disclosed in the statement of income and expense.

During the reporting period, related parties acquired 517,216 investment certificates and sold 7,925 investment certificates of the fund.

Note 15

Pledged assets

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

Note 16

Fair value

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

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

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

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

The fund's assets according to the hierarchy of input data for determining the fair value:

	LVL
	31/12/2013
	Level 1
Financial assets	
Demand deposits with credit institutions	118,849
Financial assets at fair value through profit or loss	3,727,416
Total financial assets	3,846,265

Note 17

Dynamics of performance

Dynamics of investment fund's annual performance*:

Position title	31/12/2013
Net assets (LVL)	3,840,799
Number of investment certificates	731,171
Value of investment fund's investment certificates (LVL)	5.25
Net assets (USD)	7,457,862
Number of investment certificates	731,171
Value of investment fund's investment certificates (USD)	10.20
	05/06/2013- 31/12/2013
Annual performance on investment fund's investment certificates (USD)	3.48%

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

Note 18

Events after reporting date

As of the last day of the reporting period 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 period, except for the below.

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



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INDEPENDENT AUDITORS' REPORT

To the shareholders of AIF ABLV Global Corporate USD Bond Fund

Report on the financial statements

We have audited the accompanying financial statements of AIF ABLV ABLV Global Corporate USD Bond Fund (the "Fund"), set out on pages 7 through 22 of the accompanying Annual Report for the period 5 June 2013 through 31 December 2013, which comprise the statement of assets and liabilities as at 31 December 2013, and the statement of income and expense, statement of changes in net assets and statement of cash flows for the period 5 June 2013 through 31 December 2013, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting 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.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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


Opinion

In our opinion, the financial statements give a true and fair view of the financial position of AIF ABLV Global Corporate USD Bond Fund as of 31 December 2013, and of its financial performance and its cash flows for the period 5 June 2013 through 31 December 2013 in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Furthermore, we have read the investment management company report for the period 5 June 2013 through 31 December 2013 (set out on page 4 of the accompanying Annual Report for the period 5 June 2013 through 31 December 2013) and have not noted any material inconsistencies between the financial information included in it and the financial statements for the period 5 June 2013 through 31 December 2013.

SIA Ernst & Young Baltic
Licence No. 17



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

Rīga, 23 April 2014