



ABLV

BANKING / INVESTMENTS \ ADVISORY

Open-end investment fund ABLV European Industry EUR Equity Fund

Annual report
for the period 8 November 2013 through 31 December 2014

Together with independent auditors' report

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General information

Name of the fund:	ABLV European Industry EUR Equity Fund
Category of the fund:	Open-end investment fund
Type of the fund:	Stock fund
Registration date of the fund:	11 September 2013
Registration number of the fund:	FL131-02.01.02.263/204
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 – Oļegs Rusnaks</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 11 September 2013, open-end mutual fund ABLV European Industry EUR Equity Fund (hereinafter referred to as the fund) was registered as a stock fund the investment currency of which is EUR.

ABLV Asset Management, IPAS (new name ABLV Asset Management, IPAS, was 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, the licence for operations of investment management company 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 growth. To achieve this objective, the fund's assets are invested in the ETF securities that replicate the index structure of the stocks of commercial companies operating in different economy sectors which are traded on regulated markets of European countries.

The fund's investment portfolio is diversified among investments in different sectors of economy and issuers, thus ensuring higher investment safety and protection against fluctuations of the fund's assets value and against the risk of default on obligations.

The year 2014 was the second year of operations of ABLV European Industry EUR Equity Fund. As at the end of December 2014, the fund's net assets amounted to EUR 2 717 912, and annualized return since inception equalled 2.39%.

In 2014, European securities markets were affected by multiple factors and therefore demonstrated varying trends. On the one hand, geopolitics played a big part, as well as sanction war of the USA and Europe against Russia, which negatively influenced the European economy and investors' mood. On the other hand, positive impact on the securities market was brought by monetary policy of the European Central Bank (ECB), which is aimed at economy support by means of reducing the interest rates and initiating stimulation programmes. Due to these reasons, increased volatility was observed at European securities markets in 2014. In the given situation, best results were shown by stocks of the companies operating in protected sectors of economy, for example, real estate, healthcare, and utility companies. Whereas cyclical sectors lagged behind the market. Oil-processing and extractive sectors have fallen behind considerably, which is attributable to significant decrease of oil and other raw materials prices.

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

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

In order to regularly provide information on situation in the world's financial markets to current customers and prospective investors of ABLV Asset Management, IPAS, detailed monthly analysis of macroeconomic situation prepared by our chief analyst, as well as monthly comment of the fund manager and overview of the market situation, 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 minimize risks, the company constantly pays great attention to risk management. The Investment Strategy Committee is established at the company, and it determines the company's investment strategy, risk limits, and financial markets on which 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 making every effort to efficiently manage the fund's assets in order to increase the number of the fund's investors and the fund's net assets in 2015.

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

ABLV Asset Management, IPAS
Chairman of the Board

Leonīds Kijs

Riga, 14 April 2015

ABLV Asset Management, IPAS
Fund Manager

Oļegs Rusnaks

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 European Industry EUR Equity Fund.

The financial statements set out on pages 7 to 25 are prepared in accordance with the source documents and present fairly the financial position of the fund as at 31 December 2014 and the results of its operations for the period 8 November 2013 through 31 December 2014.

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 on the Preparation of Reports of Investment Management Companies and on the Preparation of Annual Reports, Consolidated Annual Reports and Interim Reports of Investment Funds and Open-end Alternative 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 maintenance of proper 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, 14 April 2015

Custodian bank report

To the investors of
the open-end investment fund ABLV European Industry EUR Equity 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 European Industry EUR Equity 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 European Industry EUR Equity 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, 14 April 2015

Statement of assets and liabilities

		EUR
Assets	Notes	31.12.2014
Demand deposits with credit institutions	4	854,704
Financial assets at fair value through profit or loss		1,869,598
Debt securities and other fixed income securities	5	1,869,598
Other assets		
Total assets		2,724,302
Liabilities		
Accrued expense	6	(6,390)
Total liabilities		(6,390)
Net assets		2,717,912

ABLV Asset Management, IPAS
Chairman of the Board

Leonīds Kijs

Rīga, 14 April 2015

ABLV Asset Management, IPAS
Fund Manager

Oļegs Rusnaks

Statement of income and expense

		EUR
		08/11/2013- 31/12/2014
Income	Notes	
Dividends		3,783
Total		3,783
Expense		
Remuneration to investment management company		(42,853)
Remuneration to custodian bank		(5,713)
Other fund management expense		(2,587)
Total		(51,153)
Increase in investment value		
Realised increase in investment value	7	118,996
Unrealised (decrease) in investment value	8	(3,660)
Taxes and duties		(54)
Increase in net assets from investment		67,912

ABLV Asset Management, IPAS
Chairman of the Board

Leonīds Kijs

Riga, 14 April 2015

ABLV Asset Management, IPAS
Fund Manager

Oļegs Rusnaks

Statement of changes in net assets

	EUR
Item	08/11/2013- 31/12/2014
Increase in net assets from investment	67,912
Transactions with investment certificates	
Inflow from sale of investment certificates	2,663,216
(Outflow) of redemption of investment certificates	(13,216)
Total result of transactions with investment certificates	2,650,000
Increase in net assets for the period	2,717,912
Net assets at the end of the period	2,717,912
Issued investment certificates at the end of the period	264,501
Net assets per investment certificate at the end of the period	10.28

ABLV Asset Management, IPAS
Chairman of the Board

Leonīds Kijs

Rīga, 14 April 2015

ABLV Asset Management, IPAS
Fund Manager

Oļegs Rusnaks

Statement of cash flows

Item	EUR
	08/11/2013- 31/12/2014
Dividends received	3,783
Investment management (expense)	(44,763)
(Acquisition) of financial assets	(6,734,913)
Disposal of financial assets	4,980,651
(Decrease) in cash and cash equivalents from operating activities	(1,795,242)
Inflow from sale of investment certificates	2,663,216
Outflow of redemption of investment certificates	(13,216)
Increase in cash and cash equivalents from financing activities	2,650,000
Taxes and duties	(54)
Increase in cash and cash equivalents for the period	854,704
Cash and cash equivalents at the beginning of the period	-
Net foreign exchange difference	
Cash and cash equivalents at the end of the period	854,704

ABLV Asset Management, IPAS
Chairman of the Board

Leonīds Kijs

Riga, 14 April 2015

ABLV Asset Management, IPAS
Fund Manager

Oļegs Rusnaks

Note 1

General information

The open-end investment fund ABLV European Industry EUR Equity Fund is a stock fund registered on 11 September 2013. The registered office of the investment management company is at 23 Elizabetes Street, Riga, LV-1010, Latvia.

The fund's business activity includes diversified investments in ETF securities to get advantage from the Europe's economy development.

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 EUR. The monetary unit used in the financial statements is the euro (EUR), the monetary unit of the Republic of Latvia. These financial statements are reported in EUR, 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:

- IAS 27 *Separate Financial Statements* (Amended)
- IAS 28 *Investments in Associates and Joint Ventures* (Amended)
- IAS 32 *Financial Instruments: Presentation* (Amended) - *Offsetting Financial Assets and Financial Liabilities*
- IAS 36 *Impairment of Assets* (Amended) – *Recoverable Amount Disclosures for Non-Financial Assets*
- IAS 39 *Financial Instruments* (Amended): *Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*
- IFRS 10 *Consolidated Financial Statements*, IAS 27 *Separate Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosures of Interests in Other Entities*
- IFRS 10, IFRS 12 and IAS 27 - *Investment Entities* (Amended)

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the fund, its impact is described below.

Amendment to IAS 27 *Separate Financial Statements*

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. The implementation of this amendment had no impact on the financial statements of the fund.

Amendment to IAS 28 *Investments in Associates and Joint Ventures*

As a result of the new standards 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. This amendment had no impact on the financial statements of the fund.

Amendment to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*

These amendments are 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. This amendment had no impact on the financial statements of the fund.

Amendment to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*

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. The amendment did not have any impact on the financial position or performance of the fund.

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

Amendment to IAS 39 Financial Instruments: Recognition and Measurement

The amendment provides relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendment did not have any impact on the financial position or performance of the fund, since it does not apply hedge accounting.

IFRS 10 Consolidated Financial Statements

IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. IFRS 10 replaces the part of IAS 27 *Consolidated and Separate Financial Statements* related to consolidated financial statements and replaces SIC 12 *Consolidation — Special Purpose Entities*.

IFRS 11 Joint Arrangements

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. The implementation of this amendment had no impact on the financial statements of the fund, since it has no joint ventures.

IFRS 12 Disclosures of Interests in Other Entities

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 are also required such as disclosing the judgments made to determine control over another entity. The amendment did not have any impact on the financial position or performance of the fund.

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities

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. The implementation of this amendment had no impact on the financial statements of the fund.

IFRIC Interpretation 21 *Levies* (effective for financial years beginning on or after 17 June 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.

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 1 Presentation of Financial Statements: Disclosure Initiative (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU). The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortisation

The amendment is effective for annual periods beginning on or after 1 January 2016. The amendment provides additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. It is clarified that a revenue-based method is not considered to be an appropriate manifestation of consumption.

Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU). Bearer plants will now be within the scope of IAS 16 *Property, Plant and Equipment* and will be subject to all of the requirements therein. The implementation of this amendment will have no impact on the financial statements of the fund, as the fund does not have bearer plants.

Amendments to IAS 19 Employee Benefits (effective for financial years beginning on or after 1 February 2015). The amendments address accounting for the employee contributions to a defined benefit plan. Since the fund's employees do not make such contributions, the implementation of this amendment will not have any impact on the financial statements of the fund.

Amendments to IAS 27 Equity Method in Separate Financial Statements (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU). The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

IFRS 9 Financial Instruments (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU). 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.

Amendments to IFRS 10, IFRS 12 and IAS 28 - *Investment Entities: Applying the Consolidation Exception* (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU). The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities.

Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU). The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business and partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

IFRS 11 *Joint Arrangements* (Amendment): *Accounting for Acquisitions of Interests in Joint Operations* (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU). IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions.

IFRS 14 *Regulatory Deferral Accounts* (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU). 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.

IFRS 15 *Revenue from Contracts with Customers* (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU). IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates.

In December 2013 the IASB issued the Annual Improvements to IFRSs 2011 – 2013 Cycle, which is a collection of amendments to the following IFRSs (effective for financial years beginning on or after 1 January 2015, once endorsed by the EU):

- IFRS 1 *First-time Adoption of IFRS*;
- IFRS 3 *Business Combinations*;
- IFRS 13 *Fair Value Measurement*;
- IAS 40 *Investment Property*.

In December 2013 the IASB issued the Annual Improvements to IFRSs 2010 – 2012 Cycle (effective for financial years beginning on or after 1 February 2015, once endorsed by the EU):

- 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*.

In September 2014 the IASB issued the Annual Improvements to IFRSs 2012 – 2014 Cycle (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU):

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operation*;
- IFRS 7 *Financial Instruments: Disclosures*;
- IAS 19 *Employee Benefits*;
- IAS 34 *Interim Financial Reporting*.

The fund is in the process of assessing the impact of the amended standards on the financial position or performance of the fund. The fund plans to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

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 EUR. These financial statements are prepared based on transaction accounting in EUR. By 31 December 2013, income or expense resulting from changes in exchange rates has been included in the statement of income and expense of the reporting period. Income or expense in foreign currencies was translated into EUR at the official currency exchange rate fixed by the Bank of Latvia at the date of recognition of the respective items.

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 valuation technique, 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.

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

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 (EUR), 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.

In spite of the fact that the company makes investments only in the fund'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.

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

	31/12/2014	
	Carrying amount	Carrying amount to fund's assets
Demand deposits with credit institutions	EUR	%
Demand deposits with ABLV Bank, AS	854,704	31.37
Total demand deposits with credit institutions	854,704	31.37

As at 31 December 2014, demand deposits with credit institutions were neither past due nor impaired.

Note 5

Financial assets at fair value through profit or loss

All shares and other non-fixed income securities are classified as financial assets at fair value through profit or loss. All securities are quoted and traded on a regulated market (on an exchange).

Shares and other non-fixed income securities by country profile and issuers as at 31 December 2014:

Issuer	Amount number	Acquisition value EUR	Carrying amount EUR	Carrying amount to fund's assets (%)
USA	142	3,314	3,359	0.12
LYXOR ETF STOXX TRAVL LEISRE	142	3,314	3,359	0.12
Austria	243	6,580	5,961	0.22
ISHARES EST BANKS DE	144	2,198	1,971	0.07
LYXOR ETF STOXX BASIC RSRCES	99	4,382	3,990	0.15
Belgium	779	31,886	32,967	1.22
ISHARES EST BANKS DE	192	2,918	2,616	0.10
LYXOR ETF STOXX CHEMICALS	24	1,921	1,976	0.07
LYXOR ETF STOXX FINCL SERVCS	95	3,701	4,007	0.15
LYXOR ETF STOXX FOOD BEVERGE	321	17,814	18,686	0.69
LYXOR ETF STOXX HEALTH CARE	23	1,713	1,736	0.06
LYXOR ETF STOXX INSURANCE	30	751	854	0.03
LYXOR ETF STOXX MEDIA	24	721	724	0.03
LYXOR ETF STOXX RETAIL	70	2,347	2,368	0.09

Table (cont'd):

Issuer	Amount number	Acquisition value EUR	Carrying amount EUR	Carrying amount to fund's assets (%)
Bermuda	13	522	419	0.02
LYXOR ETF STOXX OIL & GAS	13	522	419	0.02
Czech Republic	35	1,308	1,298	0.05
LYXOR ETF STOXX UTILITIES	35	1,308	1,298	0.05
Denmark	454	25,590	25,695	0.94
LYXOR ETF STOXX BANKS	107	2,279	2,216	0.08
LYXOR ETF STOXX CNST MATERLS	18	676	664	0.02
LYXOR ETF STOXX FOOD BEVERGE	32	1,772	1,859	0.07
LYXOR ETF STOXX HEALTH CARE	256	18,822	19,073	0.70
LYXOR ETF STOXX OIL & GAS	26	1,057	848	0.03
LYXOR ETF STOXX PERS & HOUSE	15	984	1,035	0.04
Jersey	145	6,411	5,837	0.21
LYXOR ETF STOXX BASIC RSRCES	145	6,411	5,837	0.21
France	7,934	262,221	262,873	9.63
ISHARES EST BANKS DE	1,821	27,714	24,845	0.91
LYXOR ETF STOXX AUTOML-PARTS	422	21,965	22,892	0.84
LYXOR ETF STOXX BANKS	530	11,284	10,974	0.40
LYXOR ETF STOXX BASIC RSRCES	56	2,491	2,268	0.08
LYXOR ETF STOXX CHEMICALS	93	7,547	7,764	0.29
LYXOR ETF STOXX CNST MATERLS	615	22,801	22,385	0.82
LYXOR ETF STOXX FINCL SERVCS	34	1,322	1,431	0.05
LYXOR ETF STOXX FOOD BEVERGE	249	13,850	14,528	0.53
LYXOR ETF STOXX HEALTH CARE	324	23,872	24,190	0.89
LYXOR ETF STOXX INDUSTRIALS	487	20,785	21,098	0.77
LYXOR ETF STOXX INSURANCE	218	5,424	6,170	0.23
LYXOR ETF STOXX MEDIA	513	15,294	15,369	0.56
LYXOR ETF STOXX OIL & GAS	238	9,533	7,655	0.28
LYXOR ETF STOXX PERS & HOUSE	149	9,608	10,107	0.37
LYXOR ETF STOXX RETAIL	266	8,877	8,956	0.33
LYXOR ETF STOXX TECHNOLOGY	943	28,097	30,607	1.12
LYXOR ETF STOXX TELECOMMS	126	4,775	4,696	0.17
LYXOR ETF STOXX TRAVL LEISRE	342	7,957	8,063	0.30
LYXOR ETF STOXX UTILITIES	508	19,025	18,875	0.69
Guernsey	31	777	884	0.03
LYXOR ETF STOXX INSURANCE	31	777	884	0.03
Greece	207	3,456	3,202	0.11
ISHARES EST BANKS DE	169	2,565	2,299	0.08
LYXOR ETF STOXX TRAVL LEISRE	38	891	903	0.03
Italy	2,959	70,232	67,058	2.46
ISHARES EST BANKS DE	1,550	23,579	21,138	0.78
LYXOR ETF STOXX AUTOML-PARTS	124	6,483	6,757	0.25
LYXOR ETF STOXX BANKS	452	9,625	9,360	0.34
LYXOR ETF STOXX FINCL SERVCS	61	2,379	2,576	0.09
LYXOR ETF STOXX FOOD BEVERGE	7	385	404	0.01
LYXOR ETF STOXX INSURANCE	116	2,889	3,287	0.12
LYXOR ETF STOXX MEDIA	25	733	736	0.03
LYXOR ETF STOXX OIL & GAS	160	6,405	5,143	0.19
LYXOR ETF STOXX PERS & HOUSE	15	961	1,011	0.04
LYXOR ETF STOXX TELECOMMS	43	1,611	1,584	0.06
LYXOR ETF STOXX UTILITIES	406	15,182	15,062	0.55

Table (cont'd):

Issuer	Amount	Acquisition	Carrying	Carrying
	number	value EUR	amount EUR	amount to fund's assets (%)
Ireland	916	31,618	31,829	1.18
ISHARES EST BANKS DE	132	2,015	1,807	0.07
LYXOR ETF STOXX CNST MATERLS	165	6,117	6,005	0.22
LYXOR ETF STOXX FINCL SERVCS	37	1,451	1,571	0.06
LYXOR ETF STOXX FOOD BEVERGE	57	3,159	3,314	0.12
LYXOR ETF STOXX HEALTH CARE	100	7,381	7,479	0.28
LYXOR ETF STOXX INDUSTRIALS	82	3,503	3,555	0.13
LYXOR ETF STOXX TRAVL LEISRE	343	7,992	8,098	0.30
UK	13,994	525,568	519,722	19.08
LYXOR ETF STOXX AUTOML-PARTS	80	4,146	4,321	0.16
LYXOR ETF STOXX BANKS	1,544	32,846	31,943	1.17
LYXOR ETF STOXX BASIC RSRCS	2,985	132,392	120,547	4.43
LYXOR ETF STOXX CHEMICALS	43	3,440	3,539	0.13
LYXOR ETF STOXX CNST MATERLS	18	682	670	0.02
LYXOR ETF STOXX FINCL SERVCS	654	25,363	27,460	1.01
LYXOR ETF STOXX FOOD BEVERGE	582	32,293	33,875	1.24
LYXOR ETF STOXX HEALTH CARE	521	38,333	38,844	1.43
LYXOR ETF STOXX INDUSTRIALS	636	27,157	27,565	1.01
LYXOR ETF STOXX INSURANCE	638	15,844	18,023	0.66
LYXOR ETF STOXX MEDIA	853	25,399	25,523	0.94
LYXOR ETF STOXX OIL & GAS	457	18,285	14,683	0.54
LYXOR ETF STOXX PERS & HOUSE	426	27,536	28,967	1.06
LYXOR ETF STOXX RETAIL	720	23,995	24,209	0.89
LYXOR ETF STOXX TECHNOLOGY	727	21,676	23,612	0.87
LYXOR ETF STOXX TELECOMMS	598	22,607	22,233	0.82
LYXOR ETF STOXX TRAVL LEISRE	1,446	33,698	34,146	1.25
LYXOR ETF STOXX UTILITIES	1,066	39,876	39,562	1.45
Luxembourg	543	22,228	20,603	0.75
LYXOR ETF STOXX BASIC RSRCS	414	18,379	16,735	0.61
LYXOR ETF STOXX MEDIA	129	3,849	3,868	0.14
Mexico	50	2,237	2,037	0.07
LYXOR ETF STOXX BASIC RSRCS	50	2,237	2,037	0.07
Netherlands	3,315	101,395	100,251	3.69
ISHARES EST BANKS DE	771	11,724	10,511	0.39
LYXOR ETF STOXX BANKS	221	4,702	4,572	0.17
LYXOR ETF STOXX CHEMICALS	56	4,488	4,617	0.17
LYXOR ETF STOXX CNST MATERLS	62	2,278	2,237	0.08
LYXOR ETF STOXX FOOD BEVERGE	96	5,328	5,589	0.21
LYXOR ETF STOXX INDUSTRIALS	133	5,680	5,766	0.21
LYXOR ETF STOXX INSURANCE	83	2,060	2,343	0.09
LYXOR ETF STOXX MEDIA	215	6,417	6,448	0.24
LYXOR ETF STOXX OIL & GAS	426	17,031	13,675	0.50
LYXOR ETF STOXX PERS & HOUSE	90	5,794	6,095	0.22
LYXOR ETF STOXX RETAIL	102	3,403	3,433	0.13
LYXOR ETF STOXX TECHNOLOGY	947	28,233	30,755	1.13
LYXOR ETF STOXX TELECOMMS	39	1,475	1,450	0.05
LYXOR ETF STOXX UTILITIES	74	2,782	2,760	0.10

Table (cont'd):

Issuer	Amount number	Acquisition value EUR	Carrying amount EUR	Carrying amount to fund's assets (%)
Norway	390	16,995	15,886	0.59
LYXOR ETF STOXX BASIC RSRCES	176	7,795	7,097	0.26
LYXOR ETF STOXX CHEMICALS	15	1,248	1,284	0.05
LYXOR ETF STOXX FOOD BEVERGE	37	2,029	2,128	0.08
LYXOR ETF STOXX MEDIA	43	1,275	1,281	0.05
LYXOR ETF STOXX OIL & GAS	66	2,635	2,116	0.08
LYXOR ETF STOXX TELECOMMS	53	2,013	1,980	0.07
Portugal	175	5,156	4,941	0.18
ISHARES EST BANKS DE	61	929	833	0.03
LYXOR ETF STOXX OIL & GAS	13	504	405	0.01
LYXOR ETF STOXX RETAIL	17	564	569	0.02
LYXOR ETF STOXX UTILITIES	84	3,159	3,134	0.12
Finland	1,235	44,160	44,684	1.64
LYXOR ETF STOXX AUTOML-PARTS	29	1,534	1,599	0.06
LYXOR ETF STOXX BASIC RSRCES	357	15,820	14,404	0.53
LYXOR ETF STOXX INDUSTRIALS	90	3,848	3,906	0.14
LYXOR ETF STOXX INSURANCE	90	2,227	2,533	0.09
LYXOR ETF STOXX PERS & HOUSE	3	215	227	0.01
LYXOR ETF STOXX RETAIL	17	570	575	0.02
LYXOR ETF STOXX TECHNOLOGY	570	16,987	18,505	0.68
LYXOR ETF STOXX UTILITIES	79	2,959	2,935	0.11
Spain	5,161	112,478	106,592	3.91
ISHARES EST BANKS DE	2,985	45,418	40,716	1.49
LYXOR ETF STOXX BANKS	914	19,449	18,914	0.69
LYXOR ETF STOXX CNST MATERLS	125	4,628	4,543	0.17
LYXOR ETF STOXX FINCL SERVCS	30	1,181	1,279	0.05
LYXOR ETF STOXX FOOD BEVERGE	9	501	526	0.02
LYXOR ETF STOXX HEALTH CARE	14	1,042	1,056	0.04
LYXOR ETF STOXX INDUSTRIALS	82	3,503	3,555	0.13
LYXOR ETF STOXX OIL & GAS	70	2,785	2,237	0.08
LYXOR ETF STOXX RETAIL	234	7,790	7,860	0.29
LYXOR ETF STOXX TELECOMMS	210	7,934	7,803	0.29
LYXOR ETF STOXX UTILITIES	488	18,247	18,103	0.66
Switzerland	4,502	216,647	218,684	8.03
LYXOR ETF STOXX BANKS	484	10,300	10,016	0.37
LYXOR ETF STOXX BASIC RSRCES	766	33,969	30,930	1.14
LYXOR ETF STOXX CHEMICALS	103	8,362	8,602	0.32
LYXOR ETF STOXX CNST MATERLS	286	10,597	10,403	0.38
LYXOR ETF STOXX FINCL SERVCS	105	4,078	4,415	0.16
LYXOR ETF STOXX FOOD BEVERGE	711	39,451	41,384	1.52
LYXOR ETF STOXX HEALTH CARE	974	71,634	72,588	2.66
LYXOR ETF STOXX INDUSTRIALS	347	14,806	15,028	0.55
LYXOR ETF STOXX INSURANCE	359	8,908	10,133	0.37
LYXOR ETF STOXX MEDIA	38	1,126	1,132	0.04
LYXOR ETF STOXX PERS & HOUSE	88	5,671	5,966	0.22
LYXOR ETF STOXX RETAIL	55	1,819	1,835	0.07
LYXOR ETF STOXX TECHNOLOGY	135	4,009	4,367	0.16
LYXOR ETF STOXX TELECOMMS	51	1,917	1,885	0.07

Table (cont'd):

Issuer	Amount number	Acquisition value EUR	Carrying amount EUR	Carrying amount to fund's assets (%)
Germany	7,087	276,042	286,220	10.51
ISHARES EST BANKS DE	775	11,790	10,569	0.39
LYXOR ETF STOXX AUTOML-PARTS	1,645	85,702	89,321	3.28
LYXOR ETF STOXX BANKS	227	4,823	4,691	0.17
LYXOR ETF STOXX CHEMICALS	461	37,282	38,353	1.41
LYXOR ETF STOXX CNST MATERLS	80	2,984	2,930	0.11
LYXOR ETF STOXX FINCL SERVCS	136	5,287	5,725	0.21
LYXOR ETF STOXX HEALTH CARE	133	9,782	9,912	0.36
LYXOR ETF STOXX INDUSTRIALS	478	20,382	20,689	0.76
LYXOR ETF STOXX INSURANCE	434	10,785	12,268	0.45
LYXOR ETF STOXX MEDIA	125	3,712	3,730	0.14
LYXOR ETF STOXX PERS & HOUSE	74	4,763	5,011	0.18
LYXOR ETF STOXX RETAIL	31	1,020	1,029	0.04
LYXOR ETF STOXX TECHNOLOGY	1,675	49,909	54,368	2.00
LYXOR ETF STOXX TELECOMMS	214	8,088	7,954	0.29
LYXOR ETF STOXX TRAVL LEISRE	189	4,398	4,456	0.16
LYXOR ETF STOXX UTILITIES	410	15,335	15,214	0.56
Sweden	2,492	84,333	86,495	3.18
LYXOR ETF STOXX BANKS	453	9,636	9,371	0.34
LYXOR ETF STOXX BASIC RSRCES	152	6,734	6,131	0.23
LYXOR ETF STOXX CHEMICALS	5	382	393	0.01
LYXOR ETF STOXX CNST MATERLS	231	8,567	8,411	0.31
LYXOR ETF STOXX FINCL SERVCS	296	11,486	12,436	0.46
LYXOR ETF STOXX HEALTH CARE	28	2,066	2,093	0.08
LYXOR ETF STOXX INDUSTRIALS	223	9,517	9,660	0.35
LYXOR ETF STOXX PERS & HOUSE	42	2,696	2,836	0.10
LYXOR ETF STOXX RETAIL	289	9,633	9,719	0.36
LYXOR ETF STOXX TECHNOLOGY	703	20,962	22,835	0.84
LYXOR ETF STOXX TELECOMMS	70	2,654	2,610	0.10
Other countries	698	22,105	22,101	0.81
LYXOR ETF STOXX BANKS	267	5,686	5,530	0.20
LYXOR ETF STOXX HEALTH CARE	26	1,925	1,950	0.07
LYXOR ETF STOXX INDUSTRIALS	142	6,037	6,128	0.23
LYXOR ETF STOXX INSURANCE	100	2,488	2,830	0.10
LYXOR ETF STOXX MEDIA	35	1,055	1,060	0.04
LYXOR ETF STOXX OIL & GAS	32	1,273	1,022	0.04
LYXOR ETF STOXX TELECOMMS	96	3,641	3,581	0.13
Total shares and other non-fixed income securities		1,873,259	1,869,598	68.63

Shares and other non-fixed income securities by geographical area:

Geographical area	31/12/2014	
	Carrying amount	Carrying amount to fund's assets
	EUR	%
EMU countries	967,181	35.50
Other EU Member States	633,210	23.25
OECD countries	239,966	8.81
Other countries	29,241	1.07
Total debt securities and other fixed income securities	1,869,598	68.63

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

Note 6

Accrued expense

Item	EUR	
	31/12/2014	
Accrued commission fees payable to investment management company	3,399	
Accrued commission fees payable to custodian bank	453	
Accrued fees payable for professional services	2,240	
Accrued payments to the stock exchange	298	
Total accrued expense	6,390	

Note 7

Realised investment value

Item	EUR	
	08/11/2013-31/12/2014	31/12/2014
Income from sale of investments	4,980,651	
(Acquisition) value of investments sold	(4,861,655)	
Total realised increase in investment value	118,996	

Note 8

Unrealised investment value

Item	EUR	
	08/11/2013-31/12/2014	31/12/2014
Revaluation of financial assets at fair value through profit or loss	(3,660)	
Total unrealised (decrease) in investment value	(3,660)	

Note 9

Change in investment assets during the reporting period

Changes in the investment portfolio in 2014:

Item	EUR				
	08/11/2013	Increase for the reporting period	Decrease for the reporting period	Fair value revaluation result	31/12/2014
Financial assets at fair value through profit or loss	-	6,853,909	(4,980,651)	(3,660)	1,869,598
Total assets	-	6,853,909	(4,980,651)	(3,660)	1,869,598

Note 10

Credit risk

Credit risk is a risk that the fund's value will decrease from counterparty's or issuer's non-performance or default. Considering that the fund makes investments chiefly in stocks that reflect the fund index dynamics for certain countries and regions, thereby achieving the maximum diversification, credit risk associated with investments is low.

Assets and liabilities by geographical area as at 31 December 2014:

Assets	EUR					
	Latvia	EMU countries	EU Member States	OECD countries	Other countries	Total
Demand deposits with credit institutions	854,704	-	-	-	-	854,704
Financial assets at fair value through profit or loss	-	967,181	633,210	239,966	29,241	1,869,598
Total assets	854,704	967,181	633,210	239,966	29,241	2,724,302
Liabilities						
Accrued expense	(6,390)	-	-	-	-	(6,390)
Total liabilities	(6,390)	-	-	-	-	(6,390)
Net assets	848,314	967,181	633,210	239,966	29,241	2,717,912

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

Industry	31/12/2014	
	Carrying amount EUR	Carrying amount to fund's assets %
Production of consumer goods	487,884	17.91
Finance	345,116	12.67
Manufacturing	276,504	10.15
Information and communication services	240,828	8.84
Health care	178,920	6.57
Mining	175,199	6.43
Utilities	116,944	4.29
Energy	48,203	1.77
Total debt securities and other fixed income securities	1,869,598	68.63

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	EUR	
	31/12/2014	
	Carrying amount	Maximum exposure
Demand deposits with credit institutions	854,704	854,704
Financial assets at fair value through profit or loss	1,869,598	1,869,598
Total assets	2,724,302	2,724,302

Note 11

Financial risks

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 2014:

Assets	EUR		
	Up to 1 month	1 - 12 months	Total
Demand deposits with credit institutions	854,704	-	854,704
Financial assets at fair value through profit or loss	1,869,598	-	1,869,598
Total assets	2,724,302	-	2,724,302
Liabilities			
Accrued expense	(3,852)	(2,538)	(6,390)
Total liabilities	(3,852)	(2,538)	(6,390)
Net assets	2,720,450	(2,538)	2,717,912

Price risk

Price risk is a risk of potential loss due to adverse changes in the market prices of financial instruments. There exist two types of price risk: systematic and specific risk.

Systematic risk represents changes in stock indexes of a respective country, while specific risk demonstrates potential changes in the individual issuer's financial position. Considering that the fund hedges its market risk by making investments in various index funds traded on US and European stock exchanges, specific risk is minimised, whereas the exposure to systematic risk still remains. Systematic risk is managed by conducting a fundamental analysis of the countries and regions selected for investing, based on the forecasts regarding the global economic development. This risk is assessed by calculating the volatility of the fund's market prices. Although the historical performance does not always provide a sound basis for forecasting future income, it still demonstrates the potential volatility of the fund's prices. As a rule, the higher price volatility, the higher investor risk. The lowest potential yield due to price volatility is calculated as a deviation from the 2014 yield subject to the 95% confidence level, i.e., that is the probability that the fund's yield cannot be below the lowest level assuming a normal distribution of the market price volatility.

Analysis of volatility of the fund's market prices:

	31/12/2014
	%
Annual volatility	12.12
Annual yield	2.09
Lowest potential yield subject to the 95% confidence level	(17.85)

The annual volatility is calculated by extrapolating the daily yield volatility estimated for the previous year. The daily yield volatility is determined as the standard deviation from the natural logarithms of the daily yield for the reporting year.

The annual yield is computed as the relative difference in the fund's prices at the year end against the previous reporting date.

The lowest potential yield subject to the 95% confidence level is determined on the basis of a normal distribution assumption where the average expected value is the estimated annual yield, while the standard deviation is the estimated annual volatility.

Note 12

Information on holders of investment certificates

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

	31/12/2014	
Item	Number of certificates	% of total certificates
Investment certificates held by shareholders of the company	160,000	60.49%
Investment certificates held by related parties	52,130	19.71%
Investment certificates held by other persons	52,371	19.80%
Investment certificates issued as at the period end	264,501	100.00%

Note 13

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 52,130 investment certificates of the fund.

Note 14

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 15

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),

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

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;
- 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:

	EUR
	31/12/2014
Assets at fair value	Level 1
Demand deposits with credit institutions	854,704
Financial assets at fair value through profit or loss	1,869,598
Total assets at fair value	2,724,302

Note 16

Dynamics of performance

Dynamics of investment fund's annual performance*:

Item	31/12/2014
Net assets (EUR)	2,717,912
Number of investment certificates	264,501
Value of investment fund's investment certificates (EUR)	10.28
	08/11/2013- 31/12/2014
Annual performance on investment fund's investment certificates (EUR)	2.39%

* - 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 17

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.



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INDEPENDENT AUDITORS' REPORT

To the shareholders of ABLV European Industry EUR Equity Fund

Report on the financial statements

We have audited the accompanying financial statements of ABLV European Industry EUR Equity Fund (the "Fund"), set out on pages 7 through 25 of the accompanying Annual Report for the period 8 November 2013 through 31 December 2014, which comprise the statement of assets and liabilities as at 31 December 2014, and the statement of income and expense, statement of changes in net assets and statement of cash flows for the period 8 November 2013 through 31 December 2014, 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 ABLV European Industry EUR Equity Fund as of 31 December 2014, and of its financial performance and its cash flows for the 8 November 2013 through 31 December 2014 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 8 November 2013 through 31 December 2014 (set out on page 4 of the accompanying Annual Report for the period 8 November 2013 through 31 December 2014) and have not noted any material inconsistencies between the financial information included in it and the financial statements for the period 8 November 2013 through 31 December 2014.

SIA Ernst & Young Baltic
Licence No. 17

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

Rīga, 14 April 2015