

TRIGON BALTIC FUND

ANNUAL REPORT 2018

(Translation of the Estonian original)

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Short Description and Contact Details of Trigon Baltic Fund

Name

Investment Fund Trigon Baltic Fund

Legal address

Pärnu road 18
10141 Tallinn
Estonia

Tel.: + 372 6 679 200

Fax: + 372 6 679 221

Main Activities

Trigon Baltic Fund invests primarily in companies that are operating or are listed in the Baltic States (Estonia, Latvia, Lithuania) and companies who have substantial business interests in the Baltic countries. The Fund's objective is the long-term growth of assets.

Fund Management Company

AS Trigon Asset Management

Fund Manager

Veiko Visnapuu

Depositary

Swedbank AS

Auditor

AS PricewaterhouseCoopers
Pärnu road 15
10141 Tallinn
Estonia

Tel.: + 372 6 141 800

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Reporting period

1 January 2018 – 31 December 2018

Trigon Baltic Fund (hereinafter: the Fund) was launched on May 16, 2005. The Fund is a contractual investment fund that invests primarily in companies that are operating or are listed in the Baltic States (Estonia, Latvia, Lithuania) and companies who have substantial business interests in the Baltic countries. The Fund is targeted at investors with a medium and long-term investment horizon because the equity markets are volatile and the value of the Fund's unit may change significantly in the short term.

As at the end of December 2018 the Fund's net asset value was 1.1 (31.12.2017: 2.9) million euros. The Fund has four classes of units. As of 31.12.2018 the net asset value of the Fund's Class 1 unit was 5.2630 (31.12.2017: 6.7491) euros decreasing by -22.02% during the year. The net asset value of the Fund's Class 2 unit (eQ Baltia) was 8.2928 euros at year end (31.12.2017: 10.6344) decreasing by -22.02%, the net asset value of the Fund's Class 3 unit was 4.8264 (31.12.2017: 6.1083) euros decreasing by -20.99% in year and the net asset value of the Fund's Class 4 unit was 17.1276 (31.12.2017: 21.9627) euros decreasing by -22.02% in a year.

As at the end of December 2018 the equities and fund shares made up 87.57% (31.12.2017: 96.05%) of the Fund's assets. The remaining portion was made up of cash at bank and receivables (dividends and securities sold). As of 31 December 2018 the largest equity investments in the Fund were Tallink 8.23%, Grigiskes 7.91%, Siaulių bankas 7.82% and LHV Group AS 7.68%. The Fund's investments were diversified between the companies of five countries – Estonia, Lithuania, Latvia, Poland and Romania.

After a very strong and stable 2017, the year 2018 was a highly volatile one with many twists and turns, while majority of the worlds' markets spent most of the time on negative territory. US markets managed to ignore the negative world sentiment until the last quarter of the year, when downbeat expectations by tech companies and the Federal Reserve's interest rate policy started to weigh on the market sentiment. Despite very weak performance in Q4, the S&P 500 finished the year by losing only 0.2% in euro terms. Stoxx 600 TR Index, representing the performance of Western European markets, slumped by 13.2% on the back of softening economic data. Emerging world markets were also under pressure throughout the year, suffering primarily from the US-China trade disputes and US monetary policy. MSCI EM TR Index lost 10.3% in 2018. Trigon Baltic Fund was down by 22.0% in 2018 as a combination of general weakness of the Baltic stocks as well as negative risks realizing in several portfolio companies in one year. Other Baltic funds dropped 10-15% in 2018.

We are moderately optimistic towards the outlook of 2019, as the valuations of the Baltic listed companies are generally more attractive compared to most other markets, while the balance sheets of the companies are very strong and the macroeconomic situation is supporting the growth. The recovery of the Russian demand and pick-up in disposing the EU structural funds should definitely help to boost economic growth. The most important and tangible negative risk is related to a possible real estate bubble in Sweden, where a certain correction in prices is already taking place. Sweden is very important trading and financing partner for the Baltic States, therefore, any stronger negative development on the Swedish real estate market would definitely affect the Baltic business environment as well. Looking at the economies internally, rapid wage growth might start to cause problems, and at current pace this will definitely hurt export capabilities of the Baltics. World as well as the Baltic equity market sentiment shall definitely also be affected by hardly predictable events and factors such as geopolitical developments in Ukraine, Middle East, the Korean peninsula, actions of larger central banks, Donald Trump, BREXIT and political tensions within the EU, which might bring to power governments with more radical views.

Veiko Visnapuu
Fund Manager

Signatures of the Fund Management Company's Management Board to the Annual Report 2018

The Fund Management Company AS Trigon Asset Management has prepared the Trigon Baltic Fund's annual report 2018, which includes the management report, financial statements, statement of investments, statement of transaction and commission fees and independent auditor's report.

/signed/

Mehis Raud
AS Trigon Asset Management
Member of the Management Board

/signed/

Karola Sisask
AS Trigon Asset Management
Member of the Management Board

Tallinn, April 24, 2019

FINANCIAL STATEMENTS

Statement of financial position

In euros

ASSETS	Note	31.12.2018	31.12.2017
Cash and cash equivalents		117 881	52 298
Financial assets at fair value through profit or loss	Note 6	1 000 084	2 895 141
Receivables and prepayments	Note 7	24 024	45 876
TOTAL ASSETS		1 141 989	2 993 314
LIABILITIES			
Other financial liabilities	Note 8	18 466	56 561
Fund's net assets attributable to holders of redeemable units	Note 11	1 123 523	2 936 753
TOTAL LIABILITIES		1 141 989	2 993 314

The notes on pages 10-28 are an integral part of the annual report.

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Statement of comprehensive income

In euros

INCOME	Note	01.01-31.12.2018	01.01-31.12.2017
Interest income	Note 9	65	2 412
Dividend income		115 573	61 918
Net gain/loss from financial assets at fair value through profit or loss	Note 10	-495 595	268 388
Net foreign currency losses		-770	-6 861
TOTAL INCOME		-380 727	325 857
EXPENSES			
Management fee	Note 12	51 794	52 792
Performance fee		0	20
Depositary fee		18 584	11 954
Transaction costs		1 413	2 280
Other expenses		3 604	3 951
TOTAL EXPENSES		75 396	70 997
FUND'S NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		-456 123	254 859

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Statement of changes in Fund's Net Asset Value

In euros

	01.01-31.12.2018	01.01-31.12.2017
Fund's net assets at the beginning of the reporting period	2 936 753	1 754 991
Proceeds from redeemable units issued	1 866 965	4 390 938
Redemption of redeemable units	3 224 073	3 464 035
Fund's net assets attributable to holders of redeemable units	-456 123	254 859
Fund's net assets at the end of the reporting period	1 123 523	2 936 753
Fund's Net Asset Value per unit at the end of the reporting period		
Class 1	5.2630	6.7491
Class 2 (eQ Baltia unit)	8.2928	10.6344
Class 3	4.8264	6.1083
Class 4	17.1276	21.9627
Number of units outstanding	108 376.398	197 721.276
incl. Class 1	52 472.592	78 036.050
Class 2 (eQ Baltia unit)	11 205.055	18 023.768
Class 3	905.546	905.546
Class 4	43 793.205	100 755.912

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Statement of cash flows

In euros

Cash flows from Fund's operating activities	01.01-31.12.2018	01.01-31.12.2017
Interest received	58	3 019
Interest paid	0	-31
Dividends received	106 787	61 918
Proceeds from sale of financial assets	2 976 190	2 481 495
Purchase of financial assets	-1 546 626	-3 467 336
Operating expenses paid	-78 821	-71 221
Total cash inflow/outflow from Fund's operating activities	1 457 588	-992 157
Cash flows from Fund's financing activities		
Proceeds from redeemable units issued	1 866 965	4 390 938
Redemption of redeemable units	-3 258 966	-3 415 795
Total cash inflow/outflow from Fund's financing activities	-1 392 001	975 142
Total cash flows	65 587	-17 015
Cash and cash equivalents		
At the beginning of the accounting period	52 298	69 309
Effect of exchange rate changes on cash and cash equivalents	-3	4
At the end of the accounting period	117 882	52 298

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Notes to the financial statements 2018

NOTE 1. General information

Trigon Baltic Fund is a public open-end common investment fund registered in the Republic of Estonia.

The Fund is managed by AS Trigon Asset Management, with its registered office at Pärnu road 18, 10141 Tallinn. The parent company (61%) of AS Trigon Asset Management is AS Trigon Capital.

The Fund is under supervision of Estonian Financial Supervisory Authority.

The objective of Fund is a long-term capital growth of the Fund's assets. The Fund is investing its assets into different securities and other financial instruments abiding by the investment limits set out by the law and the Fund's rules.

NOTE 2. Basis of preparation

The financial statements of Fund have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS EU). Financial reporting principles of investment funds are set out by the Investment Funds Act, Accounting Act and Regulation no. 8 of the Minister of Finance of January 18, 2018 "Requirements for fund reports subject to disclosure". The financial statements have been prepared taking into account the regulation of determining the net asset value of the Fund, adopted pursuant to the Investment Funds Act §54 subsection 11.

The financial statements of the Fund have been prepared in accordance with IFRS in the extent that complies with the requirements of the Investment Funds Act and Regulation no. 8 of the Minister of Finance. In case of non-compliance, the Fund has taken into account the requirements provided in the Investment Funds Act and in the Regulation no. 8 of the Minister of Finance.

NOTE 3. Accounting policies used in preparing the financial statements

The financial statements of the Fund have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss, which are measured at fair value.

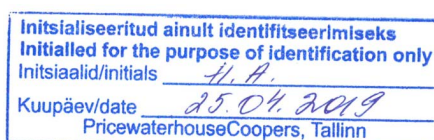
Foreign currency transactions and balances

Functional and presentation currency

The financial statements of Trigon Baltic Fund are presented in euros. Fund's functional currency is also euro.

Transactions and balances in foreign currency

Transactions in currencies other than euro are translated into euro at the last bid exchange rates of depository bank of the transactions trade date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into euro at the last bid exchange rates of depository bank at reporting date. Foreign currency gains and losses, arising on financial instruments denominated in foreign currencies, are recognised through profit or loss in the line item *Net foreign currency losses* in the statement of comprehensive income.



Management estimates

The preparation of the financial statements in conformity with IFRS requires the management of the Fund Management Company to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Although judgments are based on the management's best knowledge, actual results may differ from the estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

According to the management there have not been any events that would have affected the recognition of assets, liabilities, income or expenses.

Financial assets and liabilities

Cash and cash equivalents, term deposits, securities and other receivables are classified as financial assets. Securities comprise financial assets referred to in the Securities Market Act §2 (a share or other similar tradable right; a debt security, convertible security or other tradable debt obligation issued, a subscription right or other tradable right, an investment fund unit; a money market instrument; a derivative security or a derivative contract; a tradable depositary receipt). Liabilities to Fund's Management Company, unit-holders and other liabilities are classified as financial liabilities.

Classification of financial assets and financial liabilities starting from January 2018

The Fund classifies financial assets and financial liabilities into the following categories:

- financial assets at fair value through profit or loss – equities and investment fund units as these investments do not include only principal and interest payments;
- financial assets at amortised cost – cash and cash equivalents, receivables and prepayments are recognised at amortised cost;
- financial liabilities at amortised cost – liabilities to depositary bank and Fund Management Company are recognised at amortised cost.

The Fund has at the end of the accounting period following financial assets and financial liabilities:

IFRS 9 category class (as defined in the Fund)		31.12.2018		
Financial assets	Financial assets at amortised cost	Cash and cash equivalents	117 881	
		Receivables and prepayments	24 024	
	Financial assets at fair value through profit or loss	Mandatory measurement at fair value through profit or loss	Equities	1 000 084
Financial liabilities	Financial liabilities at amortised cost	Other financial liabilities	16 353	

Recognition and derecognition

Financial assets and liabilities are recognised initially when Fund becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Fund measures financial assets or liabilities at its fair value plus, in the case of a financial asset or liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets or emission of the financial liabilities.

Transaction costs of financial assets and liabilities carried at fair value through profit or loss are recognised as expense in statement of comprehensive income.

Financial assets are derecognised when the contractual rights to the cash flows of the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of

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ownership. Financial liabilities are derecognised only when they are extinguished (the contractual obligations are discharged, cancelled or expired).

Subsequent measurement

Financial assets: debt instruments

Subsequent measurement of the debt instruments depend on the Fund's business model for managing the financial assets and the cash flow characteristics of the assets.

Fair value through profit or loss (FVTPL): assets that do not meet the criteria for amortised cost or fair value through comprehensive income are measured at fair value through profit or loss (FVTPL). A gain or loss on a debt instruments that are subsequently measured at FVTPL are recognised in the statement of comprehensive income in the line item *Net profit/loss on financial assets at fair value through profit or loss* and presented in the period in which it arises. Such fair value gain and loss includes also contractual interests earned from relevant instruments.

Amortised cost: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the statement of comprehensive income and presented in *Other income*. Foreign exchange gains and losses and impairment losses are presented as separate line items in the statement of comprehensive income.

Equity instruments

The Fund subsequently measures all equity investments at fair value through profit and loss. Changes in the fair value are recognised in *Net gain/loss from financial assets at fair value through profit or loss* in the statement of comprehensive income.

Impairment of financial assets

The Fund assesses on forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on where there has been a significant increase in credit risk.

The measurement of the expected credit losses reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and economic forecasts of future conditions.

For trade receivables and contract assets without a significant financing component the Fund applies a simplified approach permitted by IFRS 9 and measures the allowance for impairment losses at expected lifetime credit losses from initial recognition of the receivable. The Fund uses a provision matrix in which allowance for impairment losses is calculated for trade receivables falling into different ageing or overdue periods.

Classification of financial assets and financial liabilities before December 31, 2017

The Fund classifies financial assets and financial liabilities into the following categories:

- financial assets at fair value through profit or loss – recognised initially at fair value through profit or loss – equities, investment fund units, debt securities;
- loans and receivables – cash and cash equivalents, term deposits, receivables from securities sold recognised at trade date, interest and dividend receivables. Loans and receivables are recognised at amortised cost;
- financial liabilities at amortised cost – payables from securities purchased recognised at trade date and accounted at amortised cost, overdrafts, liabilities to depositary bank and Fund Management Company.

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Financial assets that are recognised at fair value through profit or loss are held for trading, i.e. acquired or incurred principally for the purpose of reselling or repurchasing.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

As of 31.12.2017 the Fund had the following financial assets and financial liabilities:

IAS 39 category class (as defined in the Fund)			31.12.2017	
Financial assets	Loans and receivables		Cash and cash equivalents	52 298
			Receivables	45 876
	Financial assets at fair value through profit or loss	Acquired for the trading purpose	Equities and fund investments	2 875 141
			Debt securities	20 000
Financial liabilities	Financial liabilities at amortised cost	Other financial liabilities	56 561	

Initial recognition and subsequent measurement

Financial assets at fair value through profit or loss are recognised initially on the trade date, which is the date when Fund becomes a party to the contractual provisions of the instrument.

Financial assets at fair value through profit or loss are initially recognised at fair value, which is the price that would be received to sell an asset or paid to buy an asset. The transaction costs are expensed in the line item *Transaction fees* in the statement of comprehensive income.

Subsequent to initial recognition financial assets are measured at fair value.

Gains and losses arising from changes in assets' fair value, except dividend and interest income/ dividend and interest expense, are recognised in the statement of comprehensive income in the line item *Net profit/loss on financial assets at fair value through profit or loss*.

Amortised cost

Other financial assets and liabilities are recognised initially at acquisition cost including all the transaction costs directly related to their acquisition. The amortised cost of a financial asset or liability is the amount at which a financial asset or financial liability is measured at initial recognition, less principal repayments, plus or minus the cumulative amortisation using the effective interest method or any difference between the initial amount recognised and the maturity amount and minus any reduction for impairment.

Impairment of financial assets

If the Fund has financial assets that are not recognised at their fair value through profit or loss, it is assessed at each reporting date whether there is objective evidence of impairment compared to initial recognition of that asset. The following may indicate impairment of financial assets:

- financial difficulties of issuer, indications to the possible bankruptcy of the issuer;
- default of interest or principal payments or late payment by the issuer;
- disappearance of an active market of the financial asset;
- other significant events that may indicate impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by loss, which is recognised in the statement of comprehensive income. Interest on the impaired asset, measured at amortised cost, continues to be recognised in the same way. When the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed.

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Derecognition of financial assets

Financial assets are derecognised and removed from the Fund's statement of financial position when the contractual rights to the cash flows of the financial asset has expired or when the financial asset with all risks and rewards have been transferred.

Upon derecognition of financial asset the difference between the carrying amount and the sale price of a financial asset is recorded in the statement of comprehensive income line *Net profit/loss on financial assets at fair value through profit or loss*. Related transaction costs are recorded in the line Transaction fees. When all or most of the risks and rewards of ownership of a financial asset have not been transferred, the transferred financial asset shall not be derecognised (e.g. securities lending).

Derecognition of financial liabilities

The Fund derecognises financial liabilities when the contractual obligations are discharged, cancelled or expire.

Differences between the carrying amount of financial liabilities and cleared or transferred value is recognised in statement of comprehensive income.

Fair value measurement

Fair value is the amount of which a Fund's asset could be sold to the independent interested party on the measurement date.

The net asset value of the Fund is determined pursuant to "Net Asset Value Calculation Rules of Investment Funds" as approved by the management board of AS Trigon Asset Management. These rules determine the valuation of the securities traded on a regulated market, securities not traded on a regulated market and other financial assets and financial liabilities of the Fund.

Fund recognises all investments into securities at fair value through profit or loss except these investments which fair value cannot be determined. The financial statements of the Fund for the year 2018 have been prepared in accordance with the standard IFRS 13 "Fair Value Measurement" where under the financial assets and liabilities traded on a regulated market are determined at market close price if it remains within the bid-ask spread. If the close price does not fall in this spread, the Management Company will determine the value within the bid-ask spread, which most accurately reflects the fair value of specific security.

The fair value of the security (other than a debt security) traded on a regulated market is determined on the basis of the closing price of that regulated market on the valuation date. If the closing price is not available, the mid-market price of the regulated market on the valuation date is applied. If the mid-market price is also unavailable, the latest bid price of the regulated market on the valuation date is applied. In case that no bid price is available, the latest share price determined in the manner described above is applied.

The value of a debt security traded on a regulated market is determined applying the average ask and bid price $((ask+bid)/2)$ given by sources of quotes accepted by the currently used information provider on the valuation date (mid-market price). If the mid-market price is not available, the closing price on the valuation date is applied. If no closing price is available, the mid-market price of the last banking day is applied.

Valuation of a security, which is not traded on a regulated market, takes place, above all, by applying the valuation models set out by IFRS. Fair value is the probable selling price of the security, which is determined prudently, in good faith and bearing in mind the best interests of unit-holders and at which independent and experienced parties would agree to conclude a transaction.

The value of a share of a unit of an investment fund traded on a regulated market is determined as the value of the security traded on a regulated market. The value of a unit of a common fund not traded on a regulated market is determined on the basis of the latest known redemption or repurchasing price or, if such price is unavailable, on the basis of the net asset value of the fund.

If the fair value of the assets cannot be reliably determined then they can be recognised at acquisition cost or the fair value will be determined by the management of Fund Management Company using the valuation methods. The valuation methods used by Management Company include recent arm's length transactions between independent parties, references to other similar instruments, discounted cash flow analyses and option pricing models and other methods based on market information as much as possible and as little as possible on internal sources.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position only when the Fund has legal right to offset and intends to settle or realise the assets and liabilities simultaneously.

Interest

Interest income and expenses are recognised in statement of comprehensive income using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to the net carrying amount of the financial asset. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. Interest received or receivable is recorded in the statement of comprehensive income in the line *Interest income*.

Dividends

Dividend income is recognised in the statement of comprehensive income on the date when the right to receive payment is established. This is usually ex-dividend date. Dividend income from equities designated as at fair value through profit or loss is recognised as a separate line item *Dividend income*.

Gain/loss on financial assets

Unrealised gain/loss from revaluation of financial assets at fair value through profit or loss includes all fair value changes but excludes interest and dividend income.

Realised gain/loss on financial assets at fair value through profit or loss is calculated using the FIFO method (*first-in, first-out*) which means that the chronological order of purchases of securities is taken into account when calculating gains/losses from the securities.

Net gain/loss from revaluation of financial assets is recognised in the statement of comprehensive income in the line item *Net profit/loss on financial assets at fair value through profit or loss*.

Service and commission expenses

Transaction fees arising in acquiring and disposing securities are recognised on the accrual basis in the statement of comprehensive income in the line item Transaction costs and paid once a month. Commissions arising in acquiring and disposing securities are included within the cost of securities.

Cash and cash equivalents

Cash and cash equivalents include the balances of demand deposits at bank and overnight deposits. Interest receivable on overnight deposits is recognised in the statement of financial position in the line item Receivables and prepayments and in the statement of comprehensive income in the line item *Interest income*.

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Term deposits

Term deposits include deposits held at credit institutions. According to the Investment Fund Act, the open-ended public fund may invest into term deposits with maturity up to 12 months. Interest receivable on term deposits is recognised in the statement of financial position in the line item Receivables and prepayments and in the statement of comprehensive income in the line item *Interest income*.

Fees and expenses

Income and expenses are reported on the accrual basis.

Recognition of management and performance fees

Management fee rates paid to the Fund Management Company are:

- a. Class 1 units: 2.0% of the Fund's assets per annum;
- b. Class 2 units: 2.0% of the Fund's assets per annum;
- c. Class 3 units: 0.75% of the Fund's assets per annum;
- d. Class 4 units: 2.0% of the Fund's assets per annum.

The management fee is deducted daily from the Fund's assets and is paid in the month following the calculation.

In addition, the Management Company has the right to receive a performance fee based on the performance of a Class 2 unit. The Management Company is entitled to the performance fee if the net asset value of a Class 2 unit exceeds its highest month-end net asset value of Class 2 unit to which the required minimum return of 3.5% on annual basis has been added. The performance fee rate is no more than 15% of the net asset value increase of a Class 2 unit over the highest month-end net asset value of Class 2 unit to which the required minimum rate of return of 3.5% on annual basis has been added. The performance fee is revalued daily based on 365-year basis and is paid out as at the end of each month during the following month.

Furthermore, the Management Company has the right to receive a performance fee based on the performance of a Class 3 unit. The performance fee is not more than 20% of the Class 3 Unit performance that exceeds the performance of the benchmark index OMX Baltic Benchmark Capped Gross – i.e. 20% of the Alpha generated YTD. For calculating the performance fee a High Water Mark ('HWM') principle is applied. The HWM principle in the Fund rules context means that after the performance fee has been paid out for the first time during a calendar year, additional performance fee accruals during that year will be made only if additional Alpha is generated since the last month end when the performance fee was paid out. In that case, the performance fee is charged from the additional Alpha. Performance fee is taken into account daily and paid out as at the end of each month during the following month if the Class 3 unit performance during the month was positive.

The Management Board of the Management Company may decide to use a lower rate of management and performance fees.

Recognition of depositary and other fees

The maximum annual rate of the depositary fee is 0.06-0.35% of the Fund's assets per annum, but not less than 9 000 euros per year. Above-mentioned depositary fee rates do not include VAT. The depositary fee is calculated daily from the Fund's assets and is paid in the month following the calculation. Depositary fee in the statement of comprehensive income also includes administration (Fund accounting and net asset value calculation), registry and sub-custodian fees that are paid to the depositary bank in the month/quarter following the calculation.

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The Fund shall also pay other expenses related to the Fund management, safekeeping of the Fund's assets and transaction costs, such as fees to intermediaries, interest expenses, payment and service fees, Fund auditing expenses payable to the service providers.

Fund units

The Fund has four classes of units (hereinafter: "Class 1", "Class 2", "Class 3", "Class 4"). Different terms apply to the units depending on their class, such as subscription and redemption fees (see below).

At the request of the unit-holder, the Management Company shall redeem the units and the unit-holders have the right to redeem units and receive a monetary payment on a daily basis in accordance with the Fund Rules. Consequently, the issued Fund units are classified as a financial liability. Units are recognised in the statement of financial position at redemption value, ie amount that should be paid for at the balance sheet date if the unit-holder uses his right to redeem the units. The net asset value of the unit is determined by dividing that class' total net asset value by that class' number of units issued and not redeemed as at the point of valuation. For subscription or redemption the net asset value of the units is based on the Fund's net asset value which is derived measuring the Fund's investments fair value using the closing price prior to the transaction date.

The issue of units is arranged by the Management Company pursuant to the rules set out in legislation. The issuing of units is not restricted by time or volume.

As of April 6, 2009 no Class 1 units will be issued. Class 4 unit was launched on April 6, 2009.

A unit may be issued only upon a monetary payment into the assets of the Fund corresponding to the number of respective units to be issued and at Unit's net asset value. When issuing a fraction of unit an amount corresponding to the fraction of respective unit's net asset value must be paid into the assets of the Fund.

The unit's issue price is the net asset value of the unit of the respective class calculated on the following banking day from the banking day the purchase order was received. The issue price may also include an issue fee or intermediary's service fee.

The issue fee of a unit is:

- a) for Class 2 units there is no issue fee. A unit-holder shall bear the fee payable to the intermediary which is 1.0% of the subscription amount;
- b) for Class 3 units there is no issue fee;
- c) for Class 4 units there is no issue fee.

The Management Company has the right to charge a lower issue fee on a mutual agreement.

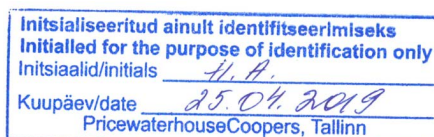
A unit is deemed to be issued at the time of making the respective entry in the registry of units.

The unit's redemption price is the net asset value of the unit of the respective class calculated on the following banking day from banking day the sale order was received. The redemption price may also include a redemption fee or intermediary's transaction cost.

The redemption fee of a unit is:

- a) for a Class 1 unit is 1.5% of the net asset value of a Class 1 unit;
- b) for Class 2 units, there is no redemption fee. The unitholder shall bear the intermediary's transaction cost of at least 0.5% of the deemed amount, but not less than 20 euro per transaction;
- c) for a Class 3 units there is no redemption fee;
- d) for Class 4 units there is no redemption fee.

The Fund Management Company has the right to charge a lower redemption fee on a mutual agreement.



Upon redemption of a unit, a monetary payment shall be made out of the assets of the Fund to the current account linked to the unit-holder's securities account. Payments shall be made in the order that the requests for redemption were submitted. The payment may be postponed in accordance with the law and Fund Rules. The unit shall be considered as redeemed from the time of making a respective entry in the registry of units.

Implementation of new and amended standards and interpretations

Certain new International Financial Reporting Standards, also amendments and interpretations to existing standards have been published by the time of compiling these consolidated financial statements which become mandatory for the Fund's accounting periods beginning on or after January 1, 2018 and which the Fund did not adopt early.

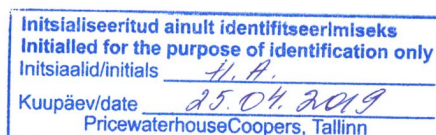
IFRS 9, "Financial Instruments": Classification and Measurement (effective for annual periods beginning on or after January 1, 2018).

Key features of the standard are as follows:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVTPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVTPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

Until December 31, 2017 the Fund assets were classified into the following IAS 39 groups:

- a) financial assets at fair value through profit or loss (statement of comprehensive income);
- b) loans and receivables.



According to Fund Manager and Management Company analysis and estimations Fund financial assets are divided into the following groups beginning on January 1st 2018:

in EUR	Note	Measurement category		Balance sheet carrying value according to IAS 39 (as of 31.12.2018)	Impact Revaluation	Balance sheet carrying value according to IFRS 9 (as of 31.12.2018)
		IAS 39	IFRS 9			
		L&R	AC	117 881	0	117 881
Cash and cash equivalents		L&R	AC	117 881	0	117 881
Equity instruments (equity and fund investments)	6	FVTPL	FVTPL	1 000 084	0	1 000 084
Other receivables	7	L&R	AC	24 024	0	24 024
Total financial assets				1 141 989		1 141 989

Financial assets at amortised cost are demand and term deposits held at credit institutions that bear a very minimal credit risk according to the Fund Manager and Management Company estimation and therefore the credit risk of such financial assets is valued individually.

The Fund's investments are carried at fair value through profit or loss and therefore the application of these financial assets is not subject to IFRS 9 impairment.

New standards, interpretations and their amendments

New or revised standards and interpretations have been issued that become mandatory for the Fund from January 1, 2019 or later, and which the Fund has not yet implemented:

Amendments to the Conceptual Framework for Financial Reporting (effective for annual periods beginning on or after 1 January 2020; not yet adopted by the European Union).

The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Fund assesses the impact on the financial statements.

“Definition of materiality” - amendments to IAS 1 and IAS 8 (effective for annual periods beginning on or after January 1, 2020; not yet adopted by the European Union).

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Fund assesses the impact on the financial statements.

Other new or amended standards or interpretations that are not yet effective are not expected to have a material impact on the Fund.

NOTE 4. Risk management

The Fund invests its assets according to the Fund's investment objectives in various securities, derivatives, deposits.

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Various risks arise from investing in funds that may affect the return of the investment. Past returns of Funds are not indicative of future returns of the Funds. The net asset value of the unit may fluctuate as a result of the Funds' investment policy. Funds may generate both profits and losses. Investors should take into account that there is no guarantee for positive return on their investments into the Fund. The shorter the duration of the investment, the more probable is a loss.

The Fund Manager invests Fund assets in accordance with the Fund's investment objectives, in consideration of the restrictions imposed by the Investment Funds Act and Fund Rules. Adherence to investment limits are monitored on a daily basis, in case the investment restrictions are exceeded, the Fund Manager shall take measures to liquidate them.

As a result of the fund's investment policy, the Fund is subject to the following risks:

- market risk
- credit risk
- liquidity and capital risk

Other key risks and their descriptions are provided in the Fund prospectus.

Market risk

Market risk is a possibility that the volatility of market prices of securities or other assets (share prices, foreign currency rates, interest rates) may decrease the value of the Fund's assets. The higher the volatility of prices, the higher the risk of potential loss from the investment is. At the same time the more volatile the investment is the higher the profit may be.

In order to mitigate market risk, investments are diversified between various issuers, fields of activities, countries and regions and derivatives may be used.

The events of the securities markets are monitored on a daily basis. In the event of changes in market conditions, changes may be made to investments, such as reducing or increasing the weight of equities in the total investment portfolio of the Fund.

The Fund's investments as at the reporting date are provided in the statement of the investments.

Currency risk

Fund's functional currency is euro. In addition to the investments and assets denominated in euro the Fund has exposures also in other currencies. As a result, the Fund is exposed to the risk that the weakening of other currencies against the Fund's functional currency may unfavourably affect to the Fund's net assets.

In order to mitigate currency risk the Fund may use derivative instruments. This is done mainly through OTC (over-the-counter) swaps and forwards. OTC derivatives expose the Fund to the risk that the counterparty of that trade may default on their obligations to the Fund. In order to mitigate that risk the Fund is using reliable counterparties.

As of 31.12.2018 and 31.12.2017 the Fund did not have exposures to the derivative instruments.

If foreign currencies' value compared to euro would fluctuate +/- 10%, then at the balance sheet date the effect of the open currency position on the profit/loss of the Fund would be +/- 30 452 (2017: 4 669) euros. The risks of Fund's significant open currency positions are mitigated with currency forwards.

The next table provides an overview of the assets and liabilities of the Fund at reporting date:

In euros as at 31.12.2018	RON	PLN	EUR
ASSETS			
Financial assets at fair value through profit or loss	34 232	270 285	695 566
Cash and cash equivalents	0	0	117 881
Receivables and prepayments	0	0	24 024
TOTAL ASSETS	34 232	270 285	837 472

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LIABILITIES			
Other financial liabilities	0	0	18 466
Fund's net asset value (NAV)	0	0	1 123 523
Total liabilities	0	0	1 141 989
Open currency position	34 232	270 285	-304 517

In euros as at 31.12.2017		PLN	EUR
ASSETS			
Financial assets at fair value through profit or loss		0	2 895 141
Cash and cash equivalents		46 692	5 605
Receivables and prepayments		0	45 876
TOTAL ASSETS		46 692	2 946 622

LIABILITIES			
Other financial liabilities		0	56 561
Fund's net asset value (NAV)		0	2 936 753
Total liabilities		0	2 993 314
Open currency position		46 692	-46 692

Equity price risk

Equity price risk is the risk that the fair value of financial instruments fluctuates due to changes in the market prices (except for those changes related to the interest rates and foreign currency rate risks).

Fluctuations of market prices may be associated with the particular issuer or the overall equity market conditions which often affects all shares traded on the stock markets.

The Fund's investments at 31.12.2018 and 31.12.2017 mainly consist of equity investments and are most sensitive to fluctuations at stock market. If Fund's equity investments would drop/rise +/-10% at the end of the accounting period the effect on the Fund's results would be following:

In euros	31.12.2018	31.12.2017
Change +/- 10%		
Equity securities	+/- 100 008	+/- 271 463

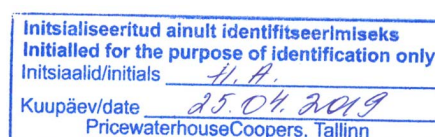
The Fund's investments are monitored for their concentration in industries and geographic regions. If the concentration in specific industry, country or region is high then in case of deterioration of the situation of respective industry, country or region the risk to the Fund's investments may increase. To minimize that risk the Fund's investments are diversified between various industries and countries.

Risk concentration

At the reporting date the Fund's investments were diversified between in the following countries:

Country	31.12.2018	31.12.2017
Estonia	34.83%	54.20%
Poland	23.67%	2.91%
Lithuania	21.43%	23.99%
Latvia	4.65%	12.27%
Romania	3.00%	0.00%
Cash	12.42%	3.28%

At the reporting date the Fund's investments were diversified between in the following industries:



Industry	31.12.2018	31.12.2017
Consumer	35.18%	44.13%
Finance	24.39%	8.41%
Industrial	16.33%	23.78%
Real Estate	4.67%	11.32%
Materials	4.01%	0.00%
Utilities	3.00%	4.90%
Healthcare	0.00%	4.18%
Cash	12.42%	3.28%

The table below sets out the distribution of the Fund investments based on listing on regulated markets:

In euros	31.12.2018	31.12.2017
Securities listed on regulated markets		
Equity investments	1 000 084	2 714 629
Fund investments	0	60 065
Securities not listed on regulated markets		
Debt securities	0	20 000
Fund investments	0	100 447
Total	1 000 084	2 895 141

The Management Company monitors investment restrictions set by Investment Funds Act, Fund Rules and also internally set limits on a daily basis. The Fund had no investment limits breaches as at the reporting date.

Interest rate risk

Interest rate risk is based on the possibility that interest rate, yield curve or interest rate volatility will change in an unfavourable way.

Since as at 31.12.2018 and 31.12.2017, the Fund does not have any substantial interest carrying assets or liabilities, funds exposure to interest rate risk is marginal.

Credit risk

Credit risk may arise from the nature and success of issuer's business that may significantly affect the prices of issuer's securities and create a situation when the issuer fails to fulfil the obligations taken at issuance of the securities (perform redemption and interest payments).

Realization of credit risk is more probable with debt securities and term deposits.

In order to mitigate credit risk the Management Company analyses and monitors the strength and reliability of issuers' businesses and diversifies investments in different issuers.

Credit risk related to balances due from brokers (pending security transactions) is considered to be low because in order to minimize that risk the Fund prefers markets where DVP (i.e. delivery-versus-payment) principles are adhered and uses reliable and known counterparties for trading.

The Fund's cash and cash equivalents are held with Fund's depository bank AS Swedbank, whose parent bank is rated as Aa2 (Moody's).

Management has assessed the ECL from credit institutions' exposures and due to the strong ratings of corresponding parties, their financial position and also due to the positive economic outlook, the Fund's credit institutions' exposures do not need to be significantly impaired as at the balance sheet date.

Receivables and prepayments include dividend receivables and securities transactions pending on the value date that have been collected by the time of compiling the financial statements. The Management estimates that the expected credit loss for these receivables is immaterial.

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Liquidity and capital risk

Liquidity risk is the risk that due to the low liquidity of markets the Fund is unable to purchase or sell securities at a fair value and as a result of that the Fund cannot observe its investment policy and objectives. This may lead to the situation where the Fund will encounter difficulties in fulfilling payments for redemptions on time, especially when a number of large redemption orders have accumulated at the same time.

Liquidity risk may also rise as a result of increase of market risk and credit risk during a difficult market situation, for example during a recession.

Large redemption orders during the times when market liquidity is low may have a negative impact to the remaining investors in the Fund. On demand of large redemption orders the Fund follows the laws and Fund Rules protecting interests of the remaining unit-holders.

The Management Company may suspend redeeming units under the conditions and according to the procedures provided for in the Investment Funds Act, incl. suspending the redemption of units for up to three months if the cash balances in the accounts of the Fund is insufficient for payment of the redemption price for the units, if the regular management of the Fund may be harmed by the payment of the price, if the securities or other assets of the fund cannot be promptly sold or if the interests of other unit-holders would be materially harmed thereby.

On a daily basis the Fund manager monitors the Fund's necessary liquidity to meet its liabilities, including estimated payments for purchases of securities and redemptions of units. If necessary, the Fund manager takes measures to settle the Fund's liabilities, for instance uses overdraft or sells liquid assets.

In order to mitigate liquidity risk the Fund diversifies investments between issuers and part of the Fund's assets is invested in securities with high liquidity.

Majority of the Fund's investments are publicly traded and liquid, they can be quickly realized and therefore the Fund's overall liquidity risk is not high.

The liquidity table below presents the potential realisation period of the Fund's assets (assuming that the Fund can take up to 50% of daily traded volume):

In euros at 31.12.2018	1-3 banking days	4-5 banking days	More than 5 banking days
Equities, fund investments and debt securities	701 846	103 076	195 161
Cash and cash equivalents	117 881	0	0
Receivables and prepayments	24 024	0	0
Total	843 751	103 076	195 161

In euros at 31.12.2017	1-3 banking days	4-5 banking days	More than 5 banking days
Equities, fund investments and debt securities	1 105 191	379 090	1 410 860
Cash and cash equivalents	52 298	0	0
Receivables and prepayments	45 876	0	0
Total	1 203 365	379 090	1 410 860

A list of Fund's assets for which the total realisation of the position in the Fund will take more than 5 banking days (assuming that the Fund can take up to 50% of daily traded volume):

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In euros at 31.12.2018

Name	Total market value	Sellable in 1 day in case of regular transactions
GETBACK SA	0	0.00%
LINDA NEKTAR AS	26 261	1.45%
ARCO VARA AS	53 322	2.41%
VALMIERA STIKLA	44 579	3.10%
AB PIENO ZVAIGZDES	45 220	4.26%
EKSPRESS GRUPP	47 810	5.68%
GRIGISKES	90 333	17.33%
LHV GROUP AS	87 656	19.18%
MONNARI TRADE SA	42 703	19.64%

In euros at 31.12.2017

Name	Total market value	Sellable in 1 day in case of regular transactions
LUKA ADRIATIC PROPERTY REAL ESTATE FUND I	100 447	0.00%
HANSAMATRIX	77 264	0.86%
LINDA NEKTAR	45 078	1.11%
ARCO VARA	158 261	1.14%
VALMIERA GLASS FIBRE	134 662	1.89%
EAST WEST AGRO UAB	64 607	2.35%
EKSPRESS GRUPP	76 634	3.09%
AB INTER RAO LIETUVA PVA	146 716	3.38%
AB LINAS AGRO GROUP	89 825	3.61%
AB PIENO ZVAIGZDES	47 606	5.95%
MERKO EHITUS AS	113 966	6.66%
SILVANO FASHION GROUP	267 900	7.78%
KLAIPEDOS NAFTA	96 197	9.10%
HARJU ELEKTER	91 525	10.02%
GRIGISKES	96 502	10.53%
MADARA COSMETICS	30 000	12.51%
BALTIC HORIZON FUND	60 065	12.97%
OLYMPIC ENTERTAINMENT GROUP	246 240	14.15%
TALLINNA KAUBAMAJA AS	131 302	14.48%
OLAINFARM AS	111 581	15.32%
NORDECON INTERNATIONAL	37 093	15.63%
LHV GROUP	109 346	17.52%

The following table gives an overview of the timely fulfilment of the obligations of the fund (considering that 5% of the net value of the assets belonging to the unit-holders is redeemable after 5 days during one month and 95% - during 1-3 months):

In euros at 31.12.2018	less than 5 banking days	5 banking days to 1 month	1-3 months
Payables to Management Company	1 882	0	0
Payables to depository bank	0	2 984	0
Payables to unit-holders	13 347	0	0
Other liabilities	0	253	0
Fund's net assets attributable to holders of redeemable units	0	56 176	1 067 347
Total	15 229	59 413	1 067 347

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In euros at 31.12.2017	less than 5 banking days	5 banking days to 1 month	1-3 months
Payables to Management Company	4 853	0	0
Payables to depository bank	0	3 318	0
Payables to unit-holders	48 240	0	0
Other liabilities	0	150	0
Fund's net assets attributable to holders of redeemable units	0	146 838	2 789 915
Total	53 093	150 306	2 789 915

The Fund Manager monitors on a daily basis Fund's liquidity and ensures that there are enough monetary assets to fulfil Fund's liabilities. As of 31.12.2017 and 31.12.2018 Fund's liquidity assets exceed Fund's short-term liabilities.

NOTE 5. Valuation of financial instruments

The Fund recognises financial assets at fair value through profit or loss. Financial investments are categorized into 3 levels depending on their revaluation:

- Level 1: Financial investments valued based on unadjusted quoted price from stock market or other active market.
- Level 2: Financial investments valued using valuation methods based on observable inputs. For example this category includes investments measured using quoted prices in active markets for similar instruments or financial instruments that are valued at quoted price in active markets but have low liquidity.
- Level 3: Financial investments valued using valuation methods based on unobservable inputs.

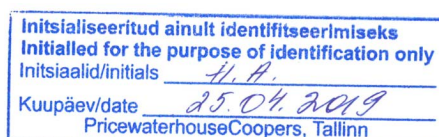
The table below categorises financial instruments measured at fair value in 3 levels of fair value hierarchy:

In euros at 31.12.2018	Level 1	Level 2	Level 3	Total
Equity investments	1 000 084	0	0	1 000 084
Debt securities	0	0	0	0
Fund investments	0	0	0	0
Total	1 000 084	0	0	1 000 084

In euros at 31.12.2017	Level 1	Level 2	Level 3	Total
Equity investments	2 714 629	0	0	2 714 629
Debt securities	0	0	20 000	20 000
Fund investments	60 065	0	100 447	160 512
Total	2 774 694	0	120 447	2 895 141

Luka Adriatic Property Real Estate Fund I is shown on Level 3 with a price of a last transaction that was made in December 2014 with an independent party. The decision to sell real estate securities at the price of 3.26 EUR was made by the investment committee.

The fair value of the assets recognised at amortized cost - cash and cash equivalents and receivables - at the balance sheet date does not differ from their amortised cost as these financial assets are very short-term.



NOTE 6. Financial assets at fair value through profit or loss

In euros

	<u>31.12.2018</u>	<u>31.12.2017</u>
Equities and fund investments	1 000 084	2 875 141
Debt securities	0	20 000
Total	1 000 084	2 895 141

NOTE 7. Receivables and prepayments

In euros

	<u>31.12.2018</u>	<u>31.12.2017</u>
Dividends receivable	8 757	0
Balances due to brokers	15 267	45 876
Total	24 024	45 876

NOTE 8. Other financial liabilities

In euros

	<u>31.12.2018</u>	<u>31.12.2017</u>
Payables to Management Company	1 882	4 853
Payables to depositary bank	2 984	3 318
Payables on withdrawn units	13 347	48 240
Other liabilities	253	150
Total	18 466	56 561

NOTE 9. Interest income

In euros

	<u>01.01-31.12.2018</u>	<u>01.01-31.12.2017</u>
Deposits	18	19
Debt securities	47	2 393
Total	65	2 412

NOTE 10. Net gain/loss on financial assets at fair value through profit or loss

In euros

	<u>01.01-31.12.2018</u>	<u>01.01-31.12.2017</u>
Equities and fund investments		
Realised gain/loss	-48 572	406 932
Unrealised loss	-445 760	-138 545
Total	-494 331	268 388

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NOTE 11. Comparative analysis of the net asset value

In euros

Year	Fund's net asset value	Net asset value of Fund unit			
		Class 1	Class 2 (eQ Baltia unit)	Class 3	Class 4
31.12.2005	44 494 045	6.9696	10.9142	-	-
31.12.2006	71 018 558	8.6818	13.7129	7.1437	-
31.12.2007	48 732 938	8.9077	14.0283	7.4606	-
31.12.2008	6 698 515	3.0858	4.8597	2.6090	-
31.12.2009	9 565 935	4.5339	7.1406	3.8630	15.1348
31.12.2010	9 076 134	4.9734	7.8334	4.2701	16.1897
31.12.2011	1 682 060	3.3231	5.2357	2.8752	10.8160
31.12.2012	1 844 385	3.9637	6.2453	3.4559	12.9015
31.12.2013	1 678 240	4.2876	6.7556	3.7711	13.9560
31.12.2014	1 898 184	4.4026	6.9369	3.9018	14.3282
31.12.2015	1 577 876	5.0770	7.9998	4.5337	16.5231
31.12.2016	1 754 991	5.8637	9.2393	5.2769	19.0818
31.12.2017	2 936 753	6.7491	10.6344	6.1083	21.9627
31.12.2018	1 123 523	5.2630	8.2928	4.8264	17.1276

NOTE 12. Related parties

For the preparation of these financial statements, related parties are considered to be AS Trigon Asset Management (Fund Management Company), AS Trigon Capital (the majority shareholder of the Fund Management Company), OÜ Fero Invest (shareholder with significant influence), companies belonging to the same consolidation group as the Fund Management Company, other funds managed by AS Trigon Asset Management, Fund Management Company beneficial owners and members of the Management Board.

Trigon Baltic Fund paid to the Fund Management Company management fees during the period 01.01-31.12.2018 in total of 51 794 (01.01-31.12.2017: 52 792) euros. As at 31.12.2018 amount owed to Fund Management Company was 1 882 (31.12.2017: 4 853) euros. The volume of the transactions in 2018 made with other funds managed by AS Trigon Asset Management amounted to 0 (01.01-31.12.2017: 71 565) euros.

NOTE 13. Fund Management Company's remuneration principles

The members of the Management Board and employees of Trigon Asset Management receive a fixed remuneration on a monthly basis. In addition, employees directly responsible for the Fund distribution can also receive variable remuneration.

Fixed remuneration is the main part of the employees' remuneration which is based on the fixed salary agreement. Fixed remuneration is set on individual basis with consideration to the role of the individual, including responsibility and position profile, achievements, qualification and expertise and market standards in respect of the relevant positions.

Variable remuneration depends on the performance of the individual and the overall results and financial situation of the company. Variable remuneration is paid in bonuses. Such bonuses are paid in accordance with the company results, evaluated each time and not defined as a fixed amount.

When deciding on remuneration practices for employees the Fund Management Company follows a principle of a proper balance. The Fund Management Company has not applied any termination benefits or non-monetary compensations.

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The average number of employees (including Management Board members) in Trigon Asset Management in the reporting year was 13 (01.01-31.12.2017: 11). The total amount of fixed salary (incl. taxes) paid to employees was 535 172 (01.01-31.12.2017: 556 281) euros.

The total amount of fixed salary (incl. taxes) paid to the members of the Management Board during the reporting period was 102 848 (01.01-31.12.2017: 94 710) euros. Members of the Supervisory Board did not receive any remuneration for participating in the work of the board.

Bonuses (incl. taxes) paid to the employees directly involved in the Fund distribution process during the reporting period were 16 724 (01.01-31.12.2017: 4 507) euros.

NOTE 14. Contingent assets

Petition for determining amount of fair compensation petition to the shareholders of AS Olympic Entertainment Group (hereinafter OEG). This is a class action in which the court involves all minority OEG shareholders whose shares were acquired as a result of a mandatory takeover offer (squeezeout) in October 2018. The Management Company AS Trigon Asset Management represents also Trigon Baltic Fund in this legal proceeding. From now on this legal proceeding does not have any negative impact on the Fund's financial statements.

The general meeting of AS Olympic Entertainment Group approved the takeover of OEG shares belonging to minority shareholders by AS Odyssey Europe for financial compensation of EUR 1.40 per share. The petition sent to the court on 11.01.2019 has been submitted for the protection of minority shareholders' rights and to receive fair compensation for the OEG shares. Petitioners, including AS Trigon Asset Management, believe that a value of EUR 1.40 per share is clearly unjustified and too low. No negative financial impact on the Fund is expected. However, if the application is ultimately satisfied and the court decides to determine higher compensation, OEG will presumably also be obligated to reimburse all the procedural expenses of the petitioners, and such court decision will have a positive effect on the Fund's results. Immediately prior to the squeezeout Trigon Baltic Fund held 86 044 shares of OEG.

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STATEMENT OF INVESTMENTS

In euros as at 31.12.2018

Name	Rating (S&P)	Country	ISIN-code	Nominal value	Currency	Quantity	Average acquisition cost per unit	Total average acquisition cost	Market value per unit	Total market value	Weight of Fund's net assets value
EQUITIES											
LISTED ON REGULATED MARKETS:											
AB PIENO ZVAIGZDES		LT	LT0000111676	0.29	EUR	48 624	1.17	57 052	0.93	45 220	4.02%
ARCO VARA AS		EE	EE3100034653	7.00	EUR	47 609	1.40	66 867	1.12	53 322	4.75%
BANK PEKAO SA	BBB+	PL	PLPEKAO00016	1.00	PLN	2 000	24.33	48 652	25.31	50 614	4.50%
BUDIMEX		PL	PLBUDMX00013	5.00	PLN	1 200	27.75	33 303	26.38	31 650	2.82%
EKSPRESS GRUPP		EE	EE3100016965	0.60	EUR	45 971	1.16	53 257	1.04	47 810	4.26%
ELECTRICA SOLUZIONE SA		RO	ROELECACNOR5	10.00	RON	16 584	2.41	40 040	2.06	34 232	3.05%
GETBACK SA		PL	PLGTBCK00297	0.00	PLN	70 000	1.76	122 901	0.00	0	0.00%
GRIGISKES		LT	LT0000102030	0.29	EUR	68 176	1.16	78 804	1.33	90 333	8.04%
GRUPA KETY SA		PL	PLKETY000011	1.00	PLN	600	76.34	45 806	76.39	45 831	4.08%
INTER CARS SA		PL	PLINTCS00010	2.00	PLN	1 000	47.10	47 098	48.52	48 525	4.32%
KLAIPEDOS NAFTA		LT	LT0000111650	0.29	EUR	48 555	0.52	25 286	0.41	19 908	1.77%
LHV GROUP		EE	EE3100073644	1.00	EUR	9 266	11.14	103 224	9.46	87 656	7.80%
LINDA NEKTAR		EE	EE3100060344	1.00	EUR	5 002	7.48	37 398	5.25	26 261	2.34%
MADARA COSMETICS		LV	LV0000101624	0.10	EUR	1 066	6.36	6 784	7.95	8 475	0.75%
MONNARI TRADE SA		PL	PLMNRTR00012	0.10	PLN	43 792	1.85	80 928	0.98	42 703	3.80%
POWSZECHNY ZAKLAD UBEZP	A-	PL	PLPZU0000011	0.10	PLN	5 000	9.18	45 876	10.19	50 962	4.54%
SIAULIU BANKAS PVA		LT	LT0000102253	0.29	EUR	222 610	0.49	109 693	0.40	89 267	7.95%
SILVANO FASHION GROUP		EE	EE3100001751	0.30	EUR	19 534	2.64	51 556	2.31	45 124	4.02%
TALLINK GRUPP		EE	EE3100004466	0.54	EUR	92 650	1.03	95 260	1.02	94 040	8.37%
TALLINNA KAUBAMAJA AS		EE	EE0000001105	0.40	EUR	5 175	9.98	51 621	8.42	43 574	3.88%
VALMIERA GLASS FIBRE		LV	LV0000100485	1.40	EUR	19 725	3.48	68 608	2.26	44 579	3.97%
TOTAL SECURITIES								1 270 014		1 000 084	89.01%
INVESTMENTS TOTAL								1 270 014		1 000 084	89.01%
RAHA											
ARVELDUSKONTO										117 881	10.49%
INVESTEERINGUD KOKKU								1 270 014		1 117 965	99.51%
Other assets											
Dividend receivable										8 757	0.78%
Balances due from brokers										15 267	1.36%
Total other assets										24 024	2.14%
TOTAL FUND ASSETS								1 270 014		1 141 989	101.64%
NET ASSET VALUE										1 123 523	100.00%

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In euros as at 31.12.2017

Name	Rating (S&P)	Country	ISIN-code	Nominal value	Currency	Quantity	Average acquisition cost per unit	Total average acquisition cost	Market value per unit	Total market value	Weight of Fund's net assets value
EQUITIES											
LISTED ON REGULATED MARKETS:											
AB AGROWILL GROUP PVA		LT	LT0000127466	0.29	EUR	62 673	0.44	27 555	0.55	34 345	1.17%
AB INTER RAO LIETUVA PVA		LT	LT0000128621	1.00	PLN	51 118	2.75	140 326	2.87	146 716	5.00%
AB LINAS AGRO GROUP		LT	LT0000128092	0.29	EUR	140 024	0.65	91 484	0.64	89 825	3.06%
AB PIENO ZVAIGZDES		LT	LT0000111676	0.29	EUR	37 485	1.33	49 770	1.27	47 606	1.62%
ARCO VARA		EE	EE3100034653	7.00	EUR	104 119	1.25	129 701	1.52	158 261	5.39%
EAST WEST AGRO UAB		LT	LT0000132060	0.00	EUR	2 930	23.95	70 175	22.05	64 607	2.20%
EKSPRESS GRUPP		EE	EE3100016965	0.60	EUR	61 307	1.13	69 201	1.25	76 634	2.61%
GRIGISKES		LT	LT0000102030	0.29	EUR	69 426	1.04	72 109	1.39	96 502	3.29%
GRINDEKS AS		LV	LV0000100659	1.00	EUR	2 017	6.75	13 623	6.80	13 716	0.47%
HANSAMATRIX		LV	LV0000101590	1.00	EUR	9 664	7.44	71 913	8.00	77 264	2.63%
HARJU ELEKTER		EE	EE3100004250	0.70	EUR	18 305	4.44	81 356	5.00	91 525	3.12%
KLAIPEDOS NAFTA		LT	LT0000111650	0.29	EUR	189 364	0.52	98 607	0.51	96 197	3.28%
LHV GROUP		EE	EE3100073644	1.00	EUR	10 514	10.37	109 083	10.40	109 346	3.72%
LINDA NEKTAR		EE	EE3100060344	1.00	EUR	6 067	7.15	43 362	7.43	45 078	1.53%
MADARA COSMETICS		LV	LV0000101624	0.10	EUR	4 000	6.25	25 000	7.50	30 000	1.02%
MERKO EHITUS AS		EE	EE3100098328	0.45	EUR	12 936	9.22	119 322	8.81	113 966	3.88%
MONNARI TRADE SA		PL	PLMNRTR00012	0.10	PLN	43 792	1.85	80 928	1.99	87 007	2.96%
NORDECON INTERNATIONAL		EE	EE3100039496	0.00	EUR	30 157	1.04	31 296	1.23	37 093	1.26%
OLAINFARM AS		LV	LV0000100501	1.40	EUR	13 861	8.83	122 411	8.05	111 581	3.80%
OLYMPIC ENTERTAINMENT GROUP		EE	EE3100084021	0.40	EUR	136 044	1.87	255 006	1.81	246 240	8.38%
SIAULIU BANKAS PVA		LT	LT0000102253	0.29	EUR	241 734	0.59	142 787	0.59	142 381	4.85%
SILVANO FASHION GROUP		EE	EE3100001751	0.30	EUR	93 021	2.70	250 797	2.88	267 900	9.12%
TALLINK GRUPP		EE	EE3100004466	0.54	EUR	211 901	1.11	234 682	1.25	264 876	9.02%
TALLINNA KAUBAMAJA AS		EE	EE0000001105	0.40	EUR	14 272	9.59	136 903	9.20	131 302	4.47%
VALMIERA GLASS FIBRE		LV	LV0000100485	1.40	EUR	36 395	3.44	125 328	3.70	134 662	4.59%
TOTAL EQUITIES								2 592 723		2 714 629	92.44%

Name/Fund Management Company	Rating (S&P)	Country	ISIN-code	Nominal value	Currency	Quantity	Average acquisition cost per unit	Total average acquisition cost	Market value per unit	Total market value	Weight of Fund's net assets value
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EQUITY FUNDS

BALTIC HORIZON FUND /Northern Horizon Capital AS		EE	EE3500110244	1.00	EUR	45 851	1.31	60 001	1.31	60 065	2.05%
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LUKA ADRIATIC PROPERTY REAL ESTATE FUND I / Trigon Asset Management AS	EE	EE3500096534	10.00	EUR	30 812	1.51	46 588	3.26	100 447	3.42%
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TOTAL EQUITY FUNDS							106 589		161 543	9.20%
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Name/Due date	Rating (S&P)	Country	ISIN-code	Nominal value	Coupon rate	Currency	Quantity	Average acquisition cost per unit	Total average acquisition cost	Market value per unit	Total market value	Weight of Fund's net assets value
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DEBT SECURITIES

ARCO VARA/06.01.2018		EE	EE3300110824	10 000.00	12%	EUR	20 000.00	100	20 000	100	20 000	0.68%
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TOTAL DEBT SECURITIES									20 000		20 000	0.68%
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** In the debt securities the accrued interest in the amount of EUR 600 has been added*

TOTAL SECURITIES									2 719 311		2 895 141	98.58%
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CASH

BANK ACCOUNT									52 298		52 298	1.78%
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INVESTMENTS TOTAL									2 771 609		2 947 438	100.36%
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Other assets

Balances due from brokers											45 876	1.56%
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Total other assets											45 876	1.56%
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TOTAL FUND ASSETS									2 771 609		2 993 314	101.93%
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NET ASSET VALUE											2 936 753	100.00%
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STATEMENT OF TRANSACTION AND COMMISSION FEES

In euros

Commissions are fees paid to the intermediaries of securities transactions. Transaction costs consist of the fees charged by the depositary bank for making transactions, fees for sub-depositaries or correspondent banks and fees charged for executing payment orders.

01.01-31.12.2018

Intermediary	Number of transactions	Volume of transactions	Total commissions paid	Weighted average fee
<i>Securities traded on regulated markets</i>				
AS LHV PANK	4	180 864	340	0.19%
AS SEB Pank	99	2 086 255	3130	0.15%
AS Swedbank	52	936 255	1151	0.12%
Bank Pekao SA	17	470 403	752	0.16%
IEBA TRUST	4	326 918	653	0.20%
OÜ FARMITI	1	21 568	0	0.00%
PKO BP Securities	2	92 904	130	0.14%
Swiss Capital	6	236 380	473	0.20%
Total	185	4 351 546	6629	0.15%

Additionally, transaction costs in the amount of 1 413 euros were paid to Swedbank AS, which was 0.03% of the total transactions volume

01.01-31.12.2017

Intermediary	Number of transactions	Volume of transactions	Total commissions paid	Weighted average fee
<i>Securities traded on regulated markets</i>				
AS LHV PANK	8	160 730	339	0.21%
AS SEB Pank	99	1 535 980	2 304	0.15%
AS Swedbank	121	2 039 298	3 058	0.15%
AS Trigon Asset Management clients	3	71 565	0	0.00%
Bank Pekao SA	28	1 134 944	1 816	0.16%
Erste Bank	10	373 681	597	0.16%
Swiss Capital	4	316 293	634	0.20%
UAB FMI Orion Securities	1	50 016	0	0.00%
WOOD & CO Financial Services	3	313 609	939	0.30%
Total	277	5 996 115	9 686	0.16%

Additionally, transaction costs in the amount of 2 280 euros were paid to Swedbank AS, which was 0.04% of the total transactions volume.

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INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholders of Trigon Baltic Fund

Our opinion

In our opinion, the annual statements present fairly, in all material respects, the financial position of Trigon Baltic Fund (the Fund) managed by AS Trigon Asset Management (the Management Company) as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Investment Funds Act.

We audited the Fund's annual statements that comprise:

- the financial statements that comprise:
 - the balance sheet as at 31 December 2018;
 - the statement of revenue and expenses for the year then ended;
 - the statement of changes in the Fund's net asset value for the year then ended;
 - the cash flow statement for the year then ended; and
 - the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information;
- the statement of investments; and
- the statement of transaction and commission fees.

Basis for opinion

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

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

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Auditors Activities Act of the Republic of Estonia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Auditors Activities Act of the Republic of Estonia.

Other information

The Management Company's Management Board is responsible for the other information contained in the Fund's annual report in addition to the Fund's annual statements and our auditor's report thereon.

Our opinion on the Fund's annual statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the Fund's annual statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Fund's annual statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management Company's Management Board and those charged with governance for the Fund's annual statements

The Fund's Management Company's Management Board is responsible for the preparation and fair presentation of the Fund's annual statements in accordance with the Investment Funds Act and for such internal control as the Management Company's Management Board determines is necessary to enable the preparation of the Fund's annual statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the Fund's annual statements

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

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

- Identify and assess the risks of material misstatement of the Fund's annual statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Company's Management Board.
- Conclude on the appropriateness of the Management Company's Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty



exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Fund's annual statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Fund's annual statements, including the disclosures, and whether the Fund's annual statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

AS PricewaterhouseCoopers

/signed/

Verner Uibo
Auditor's certificate no.568

25 April 2019

** This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

This independent auditor's report (translation of the Estonian original) should only be used with an annual report initialled for identification purposes by AS PricewaterhouseCoopers.