

## **TRIGON RUSSIA TOP PICKS FUND**

**ANNUAL REPORT 2018**  
(Translation of the Estonian original)

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## Short Description and Contact Details of Trigon Russia Top Picks Fund

### Name

Investment fund Trigon Russia Top Picks Fund

### Legal address

Pärnu road 18  
10141 Tallinn  
Estonia

Phone: + 372 6 679 200

Fax: + 372 6 679 221

### Main Activities

The assets of the Fund may be invested in securities traded on regulated markets of any countries. It is however the intention of the Fund to focus investments into securities of issuers whose basic business field of activity is in Russia and other CIS countries.

### Fund Management Company

AS Trigon Asset Management

### Fund Manager

Jelena Rozenfeld

### Depositary

Swedbank AS

### Auditor

AS PricewaterhouseCoopers  
Pärnu road 15  
10141 Tallinn  
Estonia

Phone: + 372 6 141 800

Fax: + 372 6 141 900

### Reporting period

1 January 2018 – 31 December 2018

## Management Report

Trigon Russia Top Picks Fund (hereinafter: the Fund) was launched on February 15, 2006.

The Fund offers to the unit-holders the opportunity to indirectly invest into securities traded on the global regulated markets. The intention of the Fund is to focus investments into securities of issuers whose basic business field of activity is in Russia and other CIS countries. The objective of Trigon Russia Top Picks Fund is long-term capital growth of the Fund's assets.

The Fund's net asset value as at December 31, 2018 was 6.7 (31.12.2017: 14.5) million euros. The Fund has four classes of units. The net asset value of the Fund's Class 1 unit decreased by 12.01% during the year, to 7.7514 euros as at December 31, 2018 (31.12.2017: 8.8090) euros. The net asset value of the Fund's Class 2 unit (eQ Russian Top Picks) was at the end of the reporting period 12.0062 (31.12.2017: 13.7329) euros, decreasing by 12.57% for the year 2018. The net asset value of the Fund's Class 4 unit was 21.0384 (31.12.2017: 24.0644) euros at the end of 2018, decreasing 12.57% for the year. The net asset value of the Fund's Class 5 unit was 9.7270 at the end of 2018 (31.12.2017: 10.9971) euros, decreasing by 11.55% during the year.

At the end of December 2018 equities made up 94.9% (31.12.2017: 98.0%) of the Fund's market value. The remaining part was made up of cash at bank and receivables (investment securities sold, dividends and subscription of units). As at December 31, 2018 the largest equity investments of the Fund were Globaltrans 9.77%, Sberbank 9.54%, X5 Retail Group 9.37%, Gazprom 5.4% and MMC Norilsk 5.31%. The Fund's investments were made into the companies of Russia.

2018 has been a challenging year for the global markets with particularly the year ending on a negative note. MSCI World TR Index lost -4.2% and MSCI EM TR Index was down by -10.3% in a year. MSCI Russia TR Index outperformed and showed positive return of +4.3%, as the high weight of 60% in oil and gas sector helped to deliver positive gains. Trigon Russia Top Picks Fund faced the global sell-off declining by -12.0%, as our mid-cap positions were the big laggards on little liquidity. The Fund has outperformed MSCI Russia Small and Mid Cap TR Index that was down by -24.2%.

The key themes of 2018 for the Russian equity market were new US sanctions in April and continued geopolitical tensions that have been hanging over Russia since 2014. The good news was that the sanctions were lifted in January 2019 which should be positive for the market overall.

2018 GDP growth initial estimate came out at 2.3%, higher than expected, mostly due to the revision of construction numbers. Demand side indicators showed steady growth with real wages and retail sales up by 2.5% and 2.3% respectively. Russia has also reported record high current account surplus of USD 114.9bn or 7% of GDP and solid budget surplus of 2.7%. Russia's international reserves of more than USD 470bn now exceed its gross national foreign debt that makes it an exception in the emerging markets universe. We expect Russia to continue its defensive mode with budget surplus, prudent monetary policy and modest economic growth to help absorb external shocks.

Looking forward, Russian market looks particularly compelling given its underperformance, value, and the current oil price level. Russian stocks retain one of the highest dividend yields and lowest P/E ratios of any major emerging markets. Listed Russian companies have substantially increased their dividend payouts over time from 15% to current 30-40%. MSCI Russia's estimated P/E ratio for 2019 is now 5.6x and dividend yield of 7.1%. Trigon Russia Top Picks Fund portfolio is trading at a weighted average of 5.7x expected earnings for 2019 and 10.4% dividend yield. Double digit dividend yield in the Fund is the first time in almost 10-year history.

Jelena Rozenfeld  
Fund Manager

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

The Fund Management Company has prepared the Trigon Russia Top Picks 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 18, 2019

## FINANCIAL STATEMENTS

### Statement of financial position

In euros

<b>ASSETS</b>	<b>Note</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Cash and cash equivalents		305 543	177 254
Financial assets at fair value through profit or loss	Note 6	6 420 214	14 469 798
Receivables and prepayments	Note 7	36 645	114 945
<b>TOTAL ASSETS</b>		<b>6 762 403</b>	<b>14 761 996</b>
<b>LIABILITIES</b>			
Other financial liabilities	Note 8	16 353	252 796
<b>Fund's net assets attributable to holders of redeemable units</b>	<b>Note 10</b>	<b>6 746 050</b>	<b>14 509 200</b>
<b>TOTAL LIABILITIES</b>		<b>6 762 403</b>	<b>14 761 996</b>

The notes on pages 10-26 are an integral part of this annual report.

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## Statement of comprehensive income

In euros

<b>INCOME</b>	<b>Note</b>	<b>01.01-31.12.2018</b>	<b>01.01-31.12.2017</b>
Interest income		12	47
Dividend income		624 853	634 710
Net loss from financial assets at fair value through profit or loss	Note 9	-1 898 757	-759 794
Net foreign currency losses		-6 970	-453 709
<b>TOTAL INCOME</b>		<b>-1 280 862</b>	<b>-578 747</b>
<b>EXPENSES</b>			
Management fee	Note 11	213 285	310 922
Success fee		0	173
Depositary fee		43 635	44 754
Transaction costs		8 679	13 356
Other expenses		9 076	21 571
<b>TOTAL EXPENSES</b>		<b>274 674</b>	<b>390 775</b>
<b>FUND'S NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>		<b>-1 555 536</b>	<b>-969 522</b>

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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
<b>Fund's net assets at the beginning of the reporting period</b>	<b>14 509 201</b>	<b>25 196 133</b>
Proceeds from redeemable units issued	2 752 437	14 514 106
Redemption of redeemable units	8 960 051	24 231 517
Fund's net assets attributable to holders of redeemable units	-1 555 536	-969 522
<b>Fund's net assets at the end of the reporting period</b>	<b>6 746 050</b>	<b>14 509 201</b>
<b>Fund's Net Asset Value per unit at the end of the reporting period</b>		
Class 1	7.7514	8.8090
Class 2 (eQ Russian Top Picks unit)	12.0062	13.7329
Class 4	21.0384	24.0644
Class 5	9.7270	10.9971
<b>Number of units outstanding</b>	<b>257 997.939</b>	<b>1 009 256.284</b>
inc. Class 1	40 572.974	633 959.536
Class 2 (eQ Russian Top Picks unit)	5 640.177	8 737.531
Class 4	294 490.266	365 305.886
Class 5	17 294.522	1 253.331

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## Statement of cash flows

In euros

<b>Cash flows from Fund's operating activities</b>	<b>01.01- 31.12.2018</b>	<b>01.01- 31.12.2017</b>
Interest received	12	46
Interest paid	-208	-997
Dividends received	637 975	627 004
Proceeds from sale of financial assets	9 723 598	17 936 273
Purchase of financial assets	-3 497 386	-9 815 335
Operating expenses paid	-307 388	-446 579
<b>Total cash inflow/outflow from Fund's operating activities</b>	<b>6 556 602</b>	<b>8 300 413</b>
<b>Cash flows from Fund's financing activities</b>		
Proceeds from redeemable units issued	2 751 132	14 514 106
Redemption of redeemable units	-9 179 282	-24 221 342
<b>Total cash inflow/outflow from Fund's financing activities</b>	<b>-6 428 150</b>	<b>-9 707 237</b>
<b>Total cash flows</b>	<b>128 452</b>	<b>-1 406 824</b>
<b>Cash and cash equivalents</b>		
At the beginning of the accounting period	177 253	1 584 479
Effect of exchange rate changes on cash and cash equivalents	-163	-402
<b>At the end of the accounting period</b>	<b>305 542</b>	<b>177 253</b>

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## Notes to the financial statements 2018

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### NOTE 1. General information

Trigon Russia Top Picks 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 Trigon Russia Top Picks 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 Trigon Russia Top Picks 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 Russia Top Picks 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 loss*.

## 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	305 543	
		Receivables and prepayments	36 645	
	Financial assets at fair value through profit or loss	Mandatory measurement at fair value through profit or loss	Equities	6 420 214
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	177 254
		Receivables	114 945
	Financial assets at fair value through profit or loss	Acquired for the trading purpose	Equities
Financial liabilities	Financial liabilities at amortised cost	Other financial liabilities	252 796

### 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: 1.0% of the Fund's assets per annum;
- b. Class 2 units: 2.0% of the Fund's assets per annum;
- c. Class 4 units: 2.0% of the Fund's assets per annum;
- d. Class 5 units: 0.75% of the Fund's assets per annum.

The management fee is deducted daily from the Fund's assets and 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 Class 2 and Class 5 units.

The Management Company is entitled to the performance fee if Class 2 unit's net asset value exceeds its highest month-end net asset value of the respective 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 over the highest month-end net asset value of the respective unit to which the required minimum return of 3.5% on annual basis has been added. The performance fee is revalued daily on 365-year basis and is paid out as at the end of each month during the following month. The Management Board of the Management Company may decide to use a lower rate of management and performance fees.

Furthermore the Management Company has the right to receive a performance fee based on the performance of a Class 5 unit. The performance fee is not more than 20% of the Class 5 Unit performance that exceeds the performance of the benchmark index MSCI Russia Daily Net TR EUR – 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 5 share 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's management, safekeeping of the Fund's assets and transaction costs, such as fees to intermediaries, interest expenses, payment and service fees, Fund's auditing expenses payable to the service providers.

### Fund units

The Fund has four classes of units (hereinafter: "Class 1", "Class 2", "Class 4", "Class 5"). 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.

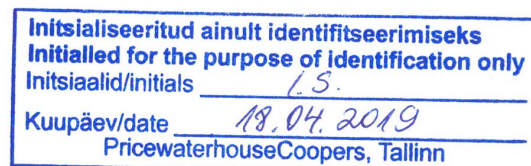
As from March 31, 2017 Class 3 unit is liquidated. Class 4 unit was launched on April 15, 2009 and Class 5 unit on August 31, 2011.

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 1 units there is no issue fee;
- b) 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;
- c) for Class 4 units there is no issue fee;
- d) for Class 5 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 Class 1 units there is no redemption fee;
- b) for Class 2 units there is no redemption fee. The unit-holder shall bear the intermediary's transaction cost of 20 euro per transaction;
- c) for Class 4 units there is no redemption fee;
- d) for Class 5 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.

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

in EUR	Note	Measurement category		Balance sheet residual value according to IAS 39 (as of 31.12.2018)	Impact Revaluation ECL	Balance sheet residual value according to IFRS 9 (as of 31.12.2017)
		IAS 39	IFRS 9			
Cash and cash equivalents		L&R	AC	305 543	0	177 254
Equity instruments (equity securities)	6	FVTPL	FVTPL	6 420 214	0	14 469 798
Other receivables	7	L&R	AC	36 645	0	114 945
<b>Total financial assets</b>				<b>6 762 403</b>		<b>14 761 996</b>

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.

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

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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 a loss is.

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 at 31.12.2017 and 31.12.2018 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 +/- 668 thousand (2017: 1 468 thousand) euros.

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

In euros as at 31.12.2018	USD	RUB	EUR
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	6 420 214	0	0
Cash and cash equivalents	220 204	0	85 339
Receivable and prepayments	9 746	25 594	1 305
<b>Total assets</b>	<b>6 650 165</b>	<b>25 594</b>	<b>86 644</b>

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#### LIABILITIES

Other financial liabilities	0	0	16 353
Fund's net asset value (NAV)	0	0	6 746 050
<b>Total liabilities</b>	<b>0</b>	<b>0</b>	<b>6 762 403</b>
<b>Open currency position</b>	<b>6 650 165</b>	<b>25 594</b>	<b>-6 675 759</b>

In euros as at 31.12.2017

USD

RUB

EUR

#### ASSETS

Financial assets at fair value through profit or loss	14 469 798	0	0
Cash and cash equivalents	96 053	0	81 201
Receivable and prepayments	82 866	32 079	0
<b>Total assets</b>	<b>14 648 717</b>	<b>32 079</b>	<b>81 201</b>

#### LIABILITIES

Other financial liabilities	0	0	252 796
Fund's net asset value (NAV)	0	0	14 509 200
<b>Total liabilities</b>	<b>0</b>	<b>0</b>	<b>14 761 996</b>
<b>Open currency position</b>	<b>14 648 717</b>	<b>32 079</b>	<b>-14 680 796</b>

#### 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
<b>Change +/- 10%</b>		
Equity securities	+/- 642 021	+/- 1 446 980

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 the following industries:

Industry	31.12.2018	31.12.2017
Consumer	18.40%	16.70%
Finance	17.02%	16.39%
Materials	16.32%	19.04%
Utility	11.11%	11.34%
Industrial	9.77%	9.62%
Energy	8.92%	4.69%
Telecommunication	4.95%	12.71%
Health Care	4.57%	3.58%
Real estate	3.89%	3.96%
Information technology	0.00%	0.00%
Cash	5.05%	1.98%

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
<b>Securities listed on regulated markets</b>		
Equity securities	6 420 214	14 469 798
<b>Total investments</b>	<b>6 420 214</b>	<b>14 469 798</b>

The Management Company is monitoring 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 or 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.

### 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 as at 31.12.2018	1-3 banking days	4-5 banking days	more than 5 banking days
Equities	5 950 229	131 000	338 986
Cash and cash equivalents	305 543	0	0
Receivables and prepayments	36 645	0	0
<b>Total</b>	<b>6 292 417</b>	<b>131 000</b>	<b>338 986</b>

In euros as at 31.12.2017	1-3 banking days	4-5 banking days	more than 5 banking days
Equities	13 625 059	401 767	442 972
Cash and cash equivalents	177 254	0	0
Receivables and prepayments	114 945	0	0
<b>Total</b>	<b>13 917 257</b>	<b>401 767</b>	<b>442 972</b>

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):

In euros as at 31.12.2018

Name	Total market value	Sellable in 1 day in case of regular transactions
PROTEK SHARE	308 788	3.35%
BANK ST.PETERBURG	238 659	13.13%

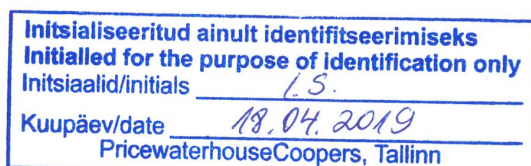
In euros as at 31.12.2017

Name	Total market value	Sellable in 1 day in case of regular transactions
PROTEK SHARE	527 913	6.54%
BANK ST.PETERBURG	399 738	15.61%

Taking into account alternative transaction methods, including block transactions, there are no illiquid equities in the Fund which realization period exceeds 14 days.

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 as at 31.12.2018	Less than 5 banking days	5 banking days to 1 month	1-3 months
Payables to Management Company	10 526	0	0
Payables to depository bank	0	5 506	0
Payables to unit-holders	0	0	0
Other liabilities	0	320	0
Fund's net assets attributable to holders of redeemable units	0	337 302	6 408 747
<b>Total</b>	<b>10 526</b>	<b>343 129</b>	<b>6 408 747</b>



In euros as at 31.12.2017	Less than 5 banking days	5 banking days to 1 month	1-3 months
Payables to Management Company	23 961	0	0
Payables to depository bank	0	8 914	0
Payables to unit-holders	219 230	0	0
Other liabilities	0	691	0
Fund's net assets attributable to holders of redeemable units	0	725 460	13 783 740
<b>Total</b>	<b>243 191</b>	<b>735 065</b>	<b>13 783 740</b>

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 as at 31.12.2018

	Level 1	Level 2	Level 3
Equity securities	6 420 214	0	0
<b>Total</b>	<b>6 420 214</b>	<b>0</b>	<b>0</b>

In euros as at 31.12.2017

	Level 1	Level 2	Level 3
Equity securities	14 469 798	0	0
<b>Total</b>	<b>14 469 798</b>	<b>0</b>	<b>0</b>

The fair value of the assets recognized 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

	31.12.2018	31.12.2017
Equities	6 420 214	14 469 798
<b>Total</b>	<b>6 420 214</b>	<b>14 469 798</b>

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## NOTE 7. Receivables and prepayments

In euros

	<b>31.12.2018</b>	<b>31.12.2017</b>
Dividends receivable	25 594	38 053
Balances due from subscription of units	1 305	0
Balances due from brokers	9 746	76 891
<b>Total</b>	<b>36 645</b>	<b>114 945</b>

## NOTE 8. Other financial liabilities

In euros

	<b>31.12.2018</b>	<b>31.12.2017</b>
Payables to Management Company	10 526	23 961
Payables to depositary bank	5 506	8 914
Payables for redeemed units	0	219 230
Other liabilities	320	691
<b>Total</b>	<b>16 353</b>	<b>252 796</b>

## NOTE 9. Net loss on financial assets at fair value through profit or loss

In euros

	<b>01.01-31.12.2018</b>	<b>01.01-31.12.2017</b>
Equities and units		
Realised gain/loss	-58 867	4 688 665
Unrealised loss	-1 839 890	-5 448 459
<b>Total</b>	<b>-1 898 757</b>	<b>-759 794</b>

## NOTE 10. 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 Russian Top Picks unit)	Class 4	Class 5
15.02.2006	-	6.3912	9.9993	-	-
31.12.2006	5 845 026	7.3149	11.4520	-	-
31.12.2007	25 919 012	8.9466	13.9723	-	-
31.12.2008	1 214 165	3.2537	5.0782	-	-
31.12.2009	1 875 454	5.3113	8.2893	15.6999	-
31.12.2010	3 667 792	9.0302	14.0780	24.7783	-
31.12.2011	6 534 039	6.9187	10.7867	18.9016	9.1686
31.12.2012	9 796 134	7.5982	11.8460	20.7575	10.0577
31.12.2013	7 822 598	6.9308	10.8047	18.9327	9.1736
31.12.2014	1 540 156	3.6515	5.6924	9.9750	4.8327
31.12.2015	4 798 052	5.1752	8.0674	14.1364	6.6921
31.12.2016	25 196 133	9.1022	14.1897	24.8625	11.5227
31.12.2017	14 509 200	8.8090	13.7329	24.0644	10.9971
31.12.2018	6 746 050	7.7514	12.0062	21.0384	9.7270

## NOTE 11. 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 Russia Top Picks Fund paid to the Fund Management Company management fees during the period 01.01-31.12.2018 in total of 213 285 (2017: 310 922) euros. As at 31.12.2018 amount owed to Fund Management Company was 10 526 (31.12.2017: 23 961) 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: 0) euros.

#### **NOTE 12. 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 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 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.

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.

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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
<b>EQUITIES</b>											
<b>LISTED ON REGULATED MARKETS:</b>											
ETALON GROUP LTD GDR		GB	US29760G1031	0.00	USD	177000	2.8	495 468	1.486	263 024	3.90%
GLOBALTRANS INVESTMENT PLC		GB	US37949E2046	0.00	USD	85000	8.29	705 060	7.771	660 533	9.79%
MMMC NORILSK NICKEL PJSC ADR	BBB-	GB	US55315J1025	0.00	USD	22000	12.96	285 189	16.3112	358 846	5.32%
Ros Agro Plc GDR		GB	US7496552057	0.00	USD	30603	10.22	312 775	9.965	304 960	4.52%
X5 RETAIL GROUP NV GDR	BB	GB	US98387E2054	0.30	USD	29000	27.76	804 997	21.8531	633 741	9.39%
AK ALROSA OAO	BBB-	RU	RU0007252813	0.50	USD	255000	1.14	290 869	1.2295	313 530	4.65%
BANK ST.PETERBURG		RU	RU0009100945	1.00	USD	440001	0.8	350 485	0.5424	238 659	3.54%
DETSKY MIR PJSC		RU	RU000A0JSQ90	1.00	USD	269276	1.35	363 969	1.1341	305 386	4.53%
ENEL RUSSIA PJSC		RU	RU000A0F5UN3	1.00	USD	23000000	0.02	395 449	0.0128	294 959	4.37%
GAZPROM	BBB-	RU	RU0007661625	5.00	USD	190000	2.04	387 048	1.9237	365 502	5.42%
GAZPROM NEFT	BBB-	RU	RU0009062467	0.00	USD	55000	3.13	172 004	4.3264	237 953	3.53%
INTER RAO		RU	RU000A0JPNM1	1.00	USD	4000000	0.05	198 665	0.0488	195 360	2.90%
MECHEL		RU	RU000A0DKXV5	10.00	USD	174480	1.92	334 793	0.9157	159 772	2.37%
MOBILE TELESYSTEMS PJSC	BB	RU	RU0007775219	0.10	USD	55000	3.91	215 302	2.9786	163 822	2.43%
MOSCOW EXCHANGE MICEX		RU	RU000A0JR4A1	1.00	USD	264990	1.68	445 373	1.0096	267 541	3.97%
PROTEK		RU	RU000A0JQU47	0.01	USD	313256	1.5	470 703	0.9857	308 788	4.58%
RASPADSKAYA		RU	RU000A0B90N8	0.00	USD	170000	1.21	205 779	1.5968	271 454	4.02%
SBERBANK COMMON SHARE		RU	RU0009029540	3.00	USD	275000	2.94	808 496	2.3449	644 846	9.56%
SISTEMA PJSC FC	BB+	RU	RU000A0DQZE3	0.09	USD	1700000	0.34	581 693	0.1005	170 802	2.53%
TERRITORIAL GENERATION COMPANY	BBB-	RU	RU000A0JNUD0	1.00	USD	261650000	0.0002	457 738	0.0001	260 735	3.87%
<b>TOTAL EQUITIES</b>								<b>8 281 855</b>		<b>6 420 214</b>	<b>95.17%</b>
<b>TOTAL SECURITIES</b>								<b>8 281 855</b>		<b>6 420 214</b>	<b>95.17%</b>
<b>CASH</b>											
BANK ACCOUNT		EE			EUR			<b>305 543</b>		<b>305 543</b>	<b>4.53%</b>
<b>TOTAL INVESTMENTS</b>								<b>8 587 398</b>		<b>6 725 757</b>	<b>99.70%</b>
<b>Other assets</b>											
Dividend receivable										25 594	0.38%
Balances due from subscription of units										1 305	0.02%
Balances due from brokers										9 746	0.14%
<b>Total other assets</b>										<b>36 645</b>	<b>0.54%</b>
<b>TOTAL FUND ASSETS</b>								<b>8 587 398.20</b>		<b>6 762 403</b>	<b>100.24%</b>
<b>NET ASSET VALUE</b>										<b>6 746 050</b>	<b>100.00%</b>

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Trigon Russia Top Picks Fund I 27

In euros, as at 31 December 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
<b>EQUITIES</b>											
<b>LISTED ON REGULATED MARKETS:</b>											
GLOBALTRANS INVESTMENT PLC		CY	US37949E2046	0.00	USD	181500	6.33	1 149 680	7.825	1 420 238	9.79%
Ros Agro PLC GDR		CY	US7496552057	0.00	USD	73000	10.88	794 059	8.25	602 250	4.15%
ETALON GROUP LTD GDR		GB	US29760G1031	0.00	USD	234045	3.09	723 505	2.5	585 113	4.03%
X5 RETAIL GROUP NV GDR	BB	NL	US98387E2054	0.30	USD	42149	33.41	1 408 152	31.475	1 326 640	9.14%
AK ALROSA OAO	BBB-	RU	RU0007252813	0.50	USD	1000000	1.28	1 283 952	1.0839	1 083 892	7.47%
BANK ST.PETERBURG		RU	RU0009100945	1.00	USD	509329	0.73	370 064	0.7848	399 738	2.76%
DETSKY MIR PJSC		RU	RU000A0JSQ90	1.00	USD	386986	1.36	525 994	1.3856	536 189	3.70%
ENEL RUSSIA PJSC		RU	RU000A0F5UN3	1.00	USD	32314000	0.02	541 715	0.0211	680 344	4.69%
GAZPROM NEFT	BBB-	RU	RU0009062467	0.00	USD	143210	2.61	374 180	3.5249	504 799	3.48%
GAZPROM NEFT SPONSORED ADR	BBB-	RU	US36829G1076	1.00	USD	10438	16.56	172 903	17.9167	187 014	1.29%
INTER RAO		RU	RU000A0JPNM1	1.00	USD	9000000	0.04	348 305	0.0491	441 878	3.05%
MECHEL		RU	RU000A0DKXV5	10.00	USD	188902	1.56	295 621	2.1336	403 034	2.78%
MEGAFON PJSC	BB+	RU	RU000A0JS942	0.10	USD	79420	8.79	698 375	7.4065	588 221	4.05%
MMC NORILSK NICKEL PJSC ADR	BBB-	RU	US55315J1025	0.00	USD	39059	14.63	571 619	15.6167	609 971	4.20%
MOBILE TELESYSTEMS PJSC	BB	RU	RU0007775219	0.10	USD	168990	4.12	695 449	3.9855	673 516	4.64%
MOSCOW EXCHANGE MICEX		RU	RU000A0JR4A1	1.00	USD	384310	1.8	692 659	1.5736	604 737	4.17%
PROTEK SHARE		RU	RU000A0JQU47	0.01	USD	333256	1.49	498 032	1.5841	527 913	3.64%
RASPADSKAYA		RU	RU000A0B90N8	0.00	USD	555300	0.93	518 846	1.2853	713 747	4.92%
SBERBANK COMMON SHARE		RU	RU0009029540	3.00	USD	435000	2.78	1 208 477	3.252	1 414 606	9.75%
SISTEMA PJSC FC	B+	RU	RU000A0DQZE3	0.09	USD	3517700	0.31	1 103 238	0.1746	614 135	4.23%
TERRITORIAL GENERATION COMPANY	BBB-	RU	RU000A0JNUD0	1.00	USD	3183600000	0.0002	516 722	0.0002	551 824	3.80%
<b>TOTAL EQUITIES</b>								<b>14 491 549</b>		<b>14 469 798</b>	<b>99.73%</b>
<b>TOTAL SECURITIES</b>								<b>14 491 549</b>		<b>14 469 798</b>	<b>99.73%</b>
<b>CASH</b>											
BANK ACCOUNT		EE			EUR			177 254		177 254	1.22%
<b>TOTAL INVESTMENTS</b>								<b>14 668 802</b>		<b>14 647 052</b>	<b>100.95%</b>
<b>Other assets</b>											
Dividend receivable										38 053	0.26%
Balances due from brokers										76 891	0.53%
<b>Total other assets</b>										<b>114 945</b>	<b>0.79%</b>
<b>TOTAL FUND ASSETS</b>								<b>14 668 802</b>		<b>14 761 996</b>	<b>101.74%</b>
<b>NET ASSET VALUE</b>										<b>14 509 200</b>	<b>100.00%</b>

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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>				
Atonline Limited	75	2 916 394	2 916	0.10%
Erste Bank	81	2 034 436	2 035	0.10%
Raiffeisen Centrobank	6	595 611	596	0.10%
Sberbank CIB (UK) Limited	39	2 256 419	2 258	0.10%
VTB Capital	79	5 302 713	5 306	0.10%
<b>Total</b>	<b>280</b>	<b>13 105 572</b>	<b>13 111</b>	<b>0.10%</b>

Additionally, transaction costs in the amount of 8 679 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>				
Atonline Limited	73	4 535 413	4 537	0.10%
Erste Bank	51	1 617 669	1 617	0.10%
MeritKapital Ltd.	18	838 743	840	0.10%
Raiffeisen Centrobank	8	1 235 309	1 394	0.11%
Renaissance Securities (Cyprus) Limited	1	28 379	28	0.10%
Sberbank CIB (UK) Limited	74	6 520 752	6 393	0.10%
VTB Capital	167	12 785 509	13 386	0.10%
<b>Total</b>	<b>392</b>	<b>27 561 774</b>	<b>28 196</b>	<b>0.10%</b>

Additionally, transaction costs in the amount of 13 356 euros were paid to Swedbank AS which was 0.05% of the total transactions volume.

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## INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)\*

To the Shareholders of Trigon Russia Top Picks Fund

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### Our opinion

In our opinion, the annual statements present fairly, in all material respects, the financial position of Trigon Russia Top Picks 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.

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### 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.



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## **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.

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## **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.

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## **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 Uiho  
Auditor's certificate no.568

18 April 2019

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*\* 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.*