

SPECIAL CLOSED-END REAL ESTATE INVESTMENT FUND
LORDS LB BALTIC FUND III

ANNUAL ACTIVITY REPORT
2016



LORDS LB
Asset Management



I. GENERAL INFORMATION

1. The name of the Collective Investment Undertaking, legal form, the date of Commission's approval of the establishment documents of the Collective Investment Undertaking:

Special Closed-end real estate investment fund LORDS LB BALTIC FUND III, 2012-05-30 by Decision no. 241-21 of the Director of the Supervision Service of the Bank of Lithuania.

2. Reporting period:

January 1, 2016 – December 31, 2016

3. Data of the Management Company:

- 3.1. The title and the code of the company:

Name: **LORDS LB ASSET MANAGEMENT, UAB**
Registry code: **301849625**

- 3.2. Visiting address:

Jogailos str. 4, LT-011166 Vilnius, Lithuania

- 3.3. Telephone no., e-mail, website:

Telephone no.: **+ 370 5 261 9470**
E-mail: **info@lordslb.lt**
Website: **www.lordslb.com**

- 3.4. License No.:

Management Company working under Undertakings in Collective Investment Law License No. VIK-016, issued on the 23rd of December 2008
Management Company working under Management Companies of Undertakings in Collective Investment for Professional Investors Law License No. 1, issued on the 23rd of June 2015

- 3.5. Name, surname and position of the Manager of the Collective Investment Undertaking:

Rasa Sušinskaitė, Fund Manager

4. The title of Depository, registry code, address, telephone and fax numbers:

Name: **"Swedbank", AB**
Registry code: **112029651**
Address: **Konstitucijos pr. 20A, LT-03502 Vilnius, Lietuva**
Telephone no.: **(8 5) 268 4422**

II. NUMBER AND VALUE OF NET ASSETS AND INVESTMENT UNITS

5. Number and value of net assets and investment units:

	At the start of the period	At the end of the period	One year ago	Two years ago
Amount of investment units	39.679.071,2199	40.850.597,7665	39.679.071,2199	40.783.142,6006
Net asset value	51.124.701,99	61.894.000,29	51.124.701,99	48.882.113,71
Investment unit value	1,2885	1,5151	1,2885	1,1986



I. GENERAL INFORMATION

1. The name of the Collective Investment Undertaking, legal form, the date of Commission's approval of the establishment documents of the Collective Investment Undertaking:

**Special Closed-end real estate investment fund LORDS LB BALTIC
FUND III, Decision no. 241-21 dated May 30, 2012.**

2. Reporting period:

January 1, 2016 – December 31, 2016

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Investment unit value	1,2885	1,5151	1,2885	1,1986



6. Number and value of the distributed and retired investment units during reporting period:

	Amount of investment units	Market value
Distributed	2.829.666,5686	3.676.250,00
Redeemed	1.658.140,0220	2.400.000,51
Difference	1.171.526,5466	1.276.249,49

III. COSTS OF THE COLLECTIVE INVESTMENT UNDERTAKING

7. Types, amounts, percentages, the overall cost ratio of deductions from the assets of the Collective Investment Undertaking.

Expenses	Amount of expenses, %, of average NAV of this period		Calculated this period	% of average NAV of this period
	Maximum	This period		
ADMINISTRATION COSTS:				
Management fee			794.091,53	1,42%
<i>Fixed fee</i>	1,50%	1,42%	794.091,53	1,42%
<i>Success fee</i>			0,00	0,00%
Depository services	0,20%	0,10%	56.403,16	0,10%
Transaction costs			0,00	0,00%
Audit	1,00%	0,00%	1.694,00	0,00%
Accounting services			16.843,20	0,03%
Legal services			-7.853,65	-0,01%
Loan interest			98.261,12	0,18%
Other administrative costs			18.099,38	0,03%
<i>General costs and ratio</i>			879.277,62	1,57%*
Total costs	15,00%	1,75%	977.538,74	1,75%

* General Cost Ratio (BIK) - the percentage of the average net assets of the Fund that is allocated to cover its management expenses. These costs directly reduce the investor's return on investment. It should be noted that transaction costs and loan interest expenses are not taken into account when calculating BIK.

8. The example, illustrating impact of deductions to the investor's final return on investments. The example presents the calculation of how much could be deducted (in EUR) from the contributions of the participant of the Collective Investment Undertaking at the current level of deductions and what the amount it could recover after 1, 3, 5, 10 years if invested EUR 10 000, and the annual rates of return – 5 percent:

	After 1 year	After 3 years	After 5 years	After 10 years
Expenses incurred	179,38	565,48	991,16	2.256,16
Accrued amount excluding expenses	10.500,00	11.576,25	12.762,82	16.288,95
Accrued amount including expenses	10.320,63	11.010,77	11.771,66	14.032,79



IV. INFORMATION ABOUT THE PORTFOLIO OF THE COLLECTIVE INVESTMENT UNDERTAKING

9. The portfolio of the Collective Investment Undertaking at the end of the reporting period:

The name of credit institution / issuer	State	CUR	ISIN code	Term / Maturity	Yield, %	Purchase value	Market value	Share of NAV, %
CASH:								
AB "Swedbank"	LT	EUR					421.133,65	0,68%
Total:							421.133,65	0,68%
DEPOSITS:								
Total:								
BONDS:								
UAB "SMI Lietuva"	LT	EUR	LT125221OB01	2020.03.20	8,00%	8.539.600,00	9.594.044,85	15,50%
UAB "BFIII G1"	LT	EUR	LT301849OB01	2020.03.20	8,00%	13.402.000,00	14.598.928,72	23,59%
UAB "BFIII G1"	LT	EUR	LT301849OB05	2020.03.20	8,00%	1.500.000,00	1.633.792,95	2,64%
UAB "BFIII G1"	LT	EUR	LT301849OB06	2020.03.20	8,00%	1.000.000,00	1.087.577,89	1,76%
UAB "BFIII G1"	LT	EUR	LT301849OB07	2017.06.01	8,00%	5.900.000,00	6.318.935,68	10,21%
UAB "BFIII G1"	LT	EUR	LT301849OB08	2020.03.20	8,00%	400.000,00	495.907,26	0,80%
UAB "BFIII G1"	LT	EUR	LT301849OB09	2020.03.20	8,00%	800.000,00	890.382,72	1,44%
UAB "BFIII G1"	LT	EUR	LT301849OB10	2020.03.20	8,00%	4.880.000,00	4.991.427,52	8,06%
Total:						36.421.600,00	39.610.997,59	64,00%
EQUITIES:								
UAB "SMI Lietuva"	LT	EUR	LT125221025U			5.388.549,00	7.972.303,73	12,88%
UAB PC "Mandarinas"	LT	EUR	LT300528043U			4.751.766,99	5.580.850,00	9,02%
UAB "BFIII G1"	LT	EUR	LT302964388U			4.344,30	9.055.102,78	14,63%
Total:						10.144.660,29	22.608.256,51	36,53%
RECEIVABLES:								
Total:								
TOTAL:							62.640.387,75	101,21%

10. Description of investment instruments in which funds of the Collective Investment Undertaking were invested:

The objective of the Fund is to earn the IRR to the Investors of the Fund, who have invested into the commercial real estate objects of the Baltic States that generate income; and (or) into the real estate objects that require investments or concept changes; and (or) into the development projects.

The temporarily available resources of the Fund can be invested into: the liquid government stocks of the EU member-states, having investment rating (acc. to S&P or alternative certified valuator) of up to 3-year maturity, the deposits with the term up to 1 year term at credit institutions domiciled in the EU member-states, having investment rating (acc. to S&P or alternative certified valuator).



11. Distribution of investments according to investment strategy criteria:

Investment Distribution	At the start of the period		At the end of the period	
	Market value	Share of NAV, %	Market value	Share of NAV, %
BY ASSET CLASS:	56.256.171,94	110,04%	62.640.387,75	101,21%
Cash	545.128,11	1,07%	421.133,65	0,68%
Deposits	0,00	0,00%	0,00	0,00%
Money market instruments	0,00	0,00%	0,00	0,00%
Non-equity securities	39.088.776,46	76,45%	39.610.997,59	64,00%
Equity securities	16.616.456,37	32,51%	22.608.256,51	36,53%
Other instruments and receivables	5.811,00	0,01%	0,00	0,00%
Real estate by type:	0,00	0,00%	0,00	0,00%
High-quality assets	0,00	0,00%	0,00	0,00%
Development projects	0,00	0,00%	0,00	0,00%
Distressed assets	0,00	0,00%	0,00	0,00%
Real estate by sector:	0,00	0,00%	0,00	0,00%
Office centers	0,00	0,00%	0,00	0,00%
Shopping centers	0,00	0,00%	0,00	0,00%
Logistics centers	0,00	0,00%	0,00	0,00%
Real estate by geography:	0,00	0,00%	0,00	0,00%
Lithuania	0,00	0,00%	0,00	0,00%
Latvia	0,00	0,00%	0,00	0,00%
Estonia	0,00	0,00%	0,00	0,00%
BY CURRENCY:	56.256.171,94	110,04%	62.640.387,75	101,21%
EUR	56.256.171,94	110,04%	62.640.387,75	101,21%

12. Transactions for derivative financial instruments and total value of obligations arising from derivative financial instrument transactions by the end of the reporting cycle.

No derivative transactions during the reporting period.

**V. RETURN ON INVESTMENTS AND RISK RATES
OF THE COLLECTIVE INVESTMENT UNDERTAKING**

13. Comparative index and its brief description:

Comparative index is not applied to the Collective Investment Undertaking

14. Change in value of the investment unit at the same period, rates of annual net investment return of portfolio investment instruments for the last ten years of the Collective Investment Undertaking's activity:

	Period			
	Current	1 year ago	2 years ago	10 years ago
Change in value of investment unit, €	0,2266 €	0,0899 €	0,1543 €	-
Annual gross return on investments*, %	13,99%	12,01%	14,46%	-
Annual net return on investments*, %	12,76%	10,68%	13,00%	-
Standard deviation of change in value of investment unit, €	0,0496 €	0,0375 €	0,0289 €	-

* From the beginning of Fund's activity.



15. Change in value of the average investment unit at the same period, deviation of average net return on investments during the last three, five, ten years:

	Over the last			Since the start
	3 years ago	5 years ago	10 years ago	
Average change in value of investment unit, %	13,21%	-	-	10,95%
Average gross return on investments, %	13,48%	-	-	13,99%
Average net return on investments, %	12,14%	-	-	12,76%
Standard deviation of change in value of investment unit, €	0,0387 €	-	-	0,0353 €

16. The minimum and maximum fixed value of investment unit:

	Over the current period		Over the last period	
	Date	Value	Date	Value
Minimum fixed value of investment unit	2016.04.30	1,2807	2015.10.31	1,1678
Maximum fixed value of investment unit	2016.11.30	1,5175	2015.11.30	1,2910

17. Other rates revealing the risk of portfolio of the investment units, their explanations and method of calculation:

-

VI. FINANCIAL CONDITION STATEMENTS OF THE COLLECTIVE INVESTMENT UNDERTAKING

18. Financial condition statements of the Collective Investment Undertaking, were prepared according to the laws and the legal requirements of the Republic of Lithuania:

- 18.1. The balances set out in a comparative table:

	At the end of the period	At the start of the period
ASSETS:	62.640.387,75	56.256.171,94
Cash and cash equivalents	421.133,65	545.128,11
Deposits	0,00	0,00
Investments:	62.219.254,10	55.705.232,83
Government and Central Bank securities	0,00	0,00
Bonds	39.610.997,59	39.088.776,46
Equities	22.608.256,51	16.616.456,37
Funds	0,00	0,00
Real estate	0,00	0,00
Other investments	0,00	0,00
Receivables:	0,00	5.811,00
Receivable amounts from investment sales	0,00	0,00
Other receivables	0,00	5.811,00
LIABILITIES AND NET ASSETS:	62.640.387,75	56.256.171,94
Liabilities:	746.387,46	5.131.469,95
Liabilities for investments	0,00	0,00
Amounts to Management Company and Depository	244.670,16	173.081,91
Other amounts and liabilities	501.717,30	4.958.388,04
Net assets:	61.894.000,29	51.124.701,99

18.2. Financial statements of the net asset changes of the last 3 years, set out in a comparative table:

	Current	1 year ago	2 years ago
NET ASSETS AT THE START OF THE PERIOD	51.124.701,99	48.882.113,71	32.769.257,67
INCREASE:	14.146.837,55	5.314.504,61	17.983.350,54
Distributed fund units	3.676.250,00	700.000,00	10.960.000,00
Interest received	3.152.221,13	3.061.893,44	2.833.455,15
Operating income	0,00	0,00	0,00
Realized profit from investments	0,00	0,00	0,00
Increase of investment value	5.991.800,14	1.552.611,13	4.189.895,39
Increase of asset value due to FX	0,00	0,04	0,00
Other income	1.326.566,28	0,00	0,00
DECREASE:	3.377.539,25	3.071.916,33	1.870.494,49
Redeemed fund units	2.400.000,51	2.050.000,00	1.100.000,04
Dividends	0,00	0,00	0,00
Interest calculated	98.261,12	271.063,82	84.105,52
Management expenses	794.091,53	635.263,14	591.220,23
Realized loss from investments	0,00	0,00	0,00
Decrease in value of investments	0,00	0,00	0,00
Decrease of asset value due to FX	0,00	0,00	0,02
Other expenditure	85.186,09	115.589,37	95.168,68
NET ASSETS AT THE END OF THE PERIOD	61.894.000,29	51.124.701,99	48.882.113,71
ACCOUNTING OF UNIT VALUE	1,5151	1,2885	1,1986
ACCOUNTING AMOUNT OF UNITS	40.850.597,7665	39.679.071,2199	40.783.142,6006

* "Current" is period from 2016-01-01 to 2016-12-31
 "1 year ago" is period from 2015-01-01 to 2015-12-31
 "2 years ago" is period from 2014-01-01 to 2014-12-31



19. Information about the operating income and costs from investment activity of Collective Investment Undertaking during the reporting period:

INCOME	10.470.587,55
Interest income	3.152.221,13
Realized profit (loss) from investments into:	0,00
Equities	0,00
Bonds	0,00
Money market instruments	0,00
Derivative financial instruments	0,00
Funds	0,00
Real estate	0,00
Other investment instruments	0,00
Unrealized profit (loss) from:	5.991.800,14
Equities	5.991.800,14
Bonds	0,00
Money market instruments	0,00
Derivative financial instruments	0,00
Funds	0,00
Real estate	0,00
Other investment instruments	0,00
Other income:	1.326.566,28
Rental income	0,00
Profit from foreign currency exchange	0,00
Other	1.326.566,28
EXPENSES	977.538,74
Operating expenses:	879.277,62
Management expenses	794.091,53
Depository expenses	56.403,16
Payments to brokers	0,00
Audit expenses	1.694,00
Other payments and expenditure	27.088,93
Other expenses:	98.261,12
Interest expense	98.261,12
Expenses related to managed real estate	0,00
Loss from foreign currency exchange	0,00
Other	0,00
Net income	9.493.048,81
Payments (dividends) to the owners of fund units	0,00
Reinvested income	9.493.048,81



20. Information about profit and (or) loss suffered during the financial year from the sale of each real estate object:

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21. Information about the real estate agencies, whose services are used by the Management Company while managing the assets of Collective Investment Undertaking:

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22. Value of real estate of investment portfolio of the Collective Investment Undertaking that is assessed by the latest real estate agents.

Valuation of Newsec Valuations, UAB:

EUR 141.289.000

VII. OTHER INFORMATION

23. Other important information about the financial status of the Collective Investment Undertaking, factors and circumstances that have been affecting the Collective Investment Undertaking's assets or liabilities.

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24. Additional explanations, comments, pictorial, graphic material and other important information about the Collective Investment Undertaking's activity that had an influence on the Undertaking's changes of activity and results.

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VIII. INFORMATION ABOUT DIVIDENDS

25. Information on the charged and (or) paid dividends, the period that the dividends have been paid, the dates of payment of the dividends on a per unit of investment size and other important information:

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IX. INFORMATION ABOUT THE BORROWED OR LOAN FUNDS OF THE COLLECTIVE INVESTMENT UNDERTAKING

26. The Collective Investment Undertaking's borrowings at the end of the reporting period:

No	Amount	Currency	Loan date	Repayment term	Interest	Creditor	% of NAV
1	301.424,92	EUR	2014.12.23	2017.12.31	6,00%	Legal entity	0,49%
2	170.000,00	EUR	2016.05.23	2020.03.20	3,00%	UAB PC "Mandarinas"	0,27%
Total	471.424,92						0,76%



X. PERSONS IN CHARGE

27. The Consultants, whose services were taken in preparing the Report, their names (the names of legal entities) and addresses, the titles and numbers of business licenses:

The Consultant services were not used.

28. The names, surnames, positions of the persons in charge of preparing the Report:

Rasa Sušinskaitė, Fund Manager

29. The information presented in this Report is true and there are no suppressed facts which could exert a dominant influence on the values of the rates.

30. The persons in charge for the information presented in the Report:

- 30.1. The Managing company's persons, employees and the Managing Director responsible for the Report:

Managing Director: **Domas Kačinskas**
Telephone no.: **+370 5 261 9470**
E-mail: **info@lordslb.com**

Fund Manager: **Rasa Sušinskaitė**
Telephone no.: **+370 5 261 9470**
E-mail: **info@lordslb.com**

- 30.2. The Chief Accountant who has presented the information of financial status of the Collective Investment Undertaking:

Manager: **Kristina Majauskaitė-Adomavičienė**
The name of the company: **Ernst & Young, UAB**
Telephone no.: **+370 5 274 2346**