

SPECIAL CLOSED-ENDED INVESTMENT FUND
LORDS LB BALTIC FUND III

ACTIVITY REPORT
2017 Q1-Q2



LORDS LB
Asset Management

LORDS LB ASSE



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-ended 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, 2017 – June 30, 2017

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. VĮK-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	40.850.597,7665	40.062.235,4988	41.641.372,3102	39.910.397,1929
Net asset value	61.894.000,29	60.955.785,33	57.524.106,69	47.926.077,91
Investment unit value	1,5151	1,5215	1,3814	1,2008



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

	Amount of investment units	Market value
Distributed	22,2009	33,59
Redeemed	788.384,4686	1.200.000,00
Difference	-788.362,2677	-1.199.966,41

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			460.213,99	0,75%
<i>Fixed fee</i>	1,50%	0,75%	460.213,99	0,75%
<i>Success fee</i>			0,00	0,00%
Depository services	0,20%	0,05%	30.680,93	0,05%
Transaction costs			0,00	0,00%
Audit	1,00%	0,00%	847,02	0,00%
Accounting services			8.421,60	0,01%
Legal services			0,00	0,00%
Loan interest			11.830,95	0,02%
Other administrative costs			22.558,68	0,04%
<i>General costs and ratio</i>			522.722,22	0,85%*
Total costs	15,00%	0,87%	534.553,17	0,87%

* 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.



IV. INFORMATION ABOUT THE PORTFOLIO OF THE COLLECTIVE INVESTMENT UNDERTAKING

8. 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					10.352.242,20	16,99%
AB "Swedbank"	EE	EUR					263,44	0,00%
Total:							10.352.505,64	16,99%
DEPOSITS:								
Total:								
BONDS:								
UAB "BFIII Kaunas"	LT	EUR	LT304515OB01	2020.03.20	8,00%	2.251.900,00	2.511.177,86	4,12%
UAB "BFIII Klaipėda"	LT	EUR	LT125221OB01	2020.03.20	8,00%	4.377.400,00	4.881.403,79	8,01%
UAB "BFIII Šiauliai"	LT	EUR	LT304515OB02	2020.03.20	8,00%	1.910.300,00	2.130.248,52	3,49%
UAB "BFIII G1"	LT	EUR	LT301849OB01	2020.03.20	8,00%	6.880.600,00	6.882.279,07	11,29%
UAB "BFIII G1"	LT	EUR	LT301849OB05	2020.03.20	8,00%	1.500.000,00	1.500.353,08	2,46%
UAB "BFIII G1"	LT	EUR	LT301849OB06	2020.03.20	8,00%	1.000.000,00	1.000.237,39	1,64%
UAB "BFIII G1"	LT	EUR	LT301849OB07	2020.03.20	8,00%	5.900.000,00	5.901.392,39	9,68%
UAB "BFIII G1"	LT	EUR	LT301849OB08	2020.03.20	8,00%	400.000,00	400.110,44	0,66%
UAB "BFIII G1"	LT	EUR	LT301849OB09	2020.03.20	8,00%	800.000,00	800.198,96	1,31%
UAB "BFIII G1"	LT	EUR	LT301849OB10	2020.03.20	8,00%	4.880.000,00	4.881.128,20	8,01%
Total:						29.900.200,00	30.888.529,70	50,67%
EQUITIES:								
UAB "BFIII Kaunas"	LT	EUR	LT304515AKC1			1.420.780,75	1.196.538,70	1,97%
UAB "BFIII Klaipėda"	LT	EUR	LT125221AKC1			2.762.170,22	2.334.955,52	3,84%
UAB "BFIII Šiauliai"	LT	EUR	LT304515AKC2			1.205.598,03	2.221.614,49	3,64%
UAB PC "Mandarinai"	LT	EUR	LT300528043U			4.751.766,99	6.650.075,81	10,91%
UAB "BFIII G1"	LT	EUR	LT302964388U			4.344,30	3.553.832,43	5,83%
UAB "SMI Alytus"	LT	EUR	LT250100560U			3.189.334,00	2.410.000,00	3,95%
UAB "SMI Marijampolė"	LT	EUR	LT300571450U			1.593.947,00	1.600.000,00	2,62%
BFIII Tallinn OU	EE	EUR	EE3100136540			2.700,00	2.700,00	0,00%
Total:						14.930.641,29	19.969.716,95	32,76%
RECEIVABLES:								
Total:								
TOTAL:							61.210.752,29	100,42%

9. 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).



10. 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:	62.640.387,75	101,21%	61.210.752,29	100,42%
Cash	421.133,65	0,68%	10.352.505,64	16,99%
Deposits	0,00	0,00%	0,00	0,00%
Money market instruments	0,00	0,00%	0,00	0,00%
Non-equity securities	39.610.997,59	64,00%	30.888.529,70	50,67%
Equity securities	22.608.256,51	36,53%	19.969.716,95	32,76%
Other instruments and receivables	0,00	0,00%	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:	62.640.387,75	101,21%	61.210.752,29	100,42%
EUR	62.640.387,75	101,21%	61.210.752,29	100,42%

11. 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**

12. Comparative index and its brief description:

Comparative index is not applied to the Collective Investment Undertaking.

13. 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, €	0,0064 €	0,0929 €	0,0022 €	-
Annual gross return on investments*, %	12,43%	12,76%	10,98%	-
Annual net return on investments*, %	11,18%	11,50%	9,57%	-
Standard deviation of change in value of investment unit, €	0,0045 €	0,0428 €	0,0062 €	-

* From the beginning of Fund's activity.



14. 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, %	8,28%	8,76%	-	8,76%
Average gross return on investments, %	12,81%	12,43%	-	12,43%
Average net return on investments, %	11,54%	11,18%	-	11,18%
Standard deviation of change in value of investment unit, €	0,0390 €	0,0333 €	-	0,0333 €

* Calculations were made by using the data from January 1, 2015 – June 30, 2017 period.

** Calculations were made by using the data from January 1, 2013 – June 30, 2017 period.

15. 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	2017.01.31	1,5130	2016.04.30	1,2807
Maximum fixed value of investment unit	2017.05.31	1,5221	2016.05.31	1,3835

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

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VI. FINANCIAL CONDITION STATEMENTS OF THE COLLECTIVE INVESTMENT UNDERTAKING

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

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

	At the end of the period	At the start of the period
ASSETS:	61.210.752,29	62.640.387,75
Cash and cash equivalents	10.352.505,64	421.133,65
Deposits	0,00	0,00
Investments:	50.858.246,65	62.219.254,10
Government and Central Bank securities	0,00	0,00
Bonds	30.888.529,70	39.610.997,59
Equities	19.969.716,95	22.608.256,51
Funds	0,00	0,00
Real estate	0,00	0,00
Other investments	0,00	0,00
Receivables:	0,00	0,00
Receivable amounts from investment sales	0,00	0,00
Other receivables	0,00	0,00
LIABILITIES AND NET ASSETS:	61.210.752,29	62.640.387,75
Liabilities:	254.966,96	746.387,46
Liabilities for investments	0,00	0,00
Amounts to Management Company and Depository	246.643,71	244.670,20
Other amounts and liabilities	8.323,25	501.717,26
Net assets:	60.955.785,33	61.894.000,29



17.2. 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	61.894.000,29	51.124.701,99	48.882.113,71
INCREASE:	8.220.858,77	8.069.965,90	1.522.587,74
Distributed fund units	33,59	3.676.250,00	0,00
Interest received	1.567.544,18	1.548.540,49	1.522.587,72
Operating income	0,00	0,00	0,00
Realized profit from investments	0,00	0,00	0,00
Increase of investment value	0,00	1.518.609,13	0,00
Increase of asset value due to FX	0,00	0,00	0,02
Other income	6.653.281,00	1.326.566,28	0,00
DECREASE:	9.159.073,73	1.670.561,20	2.478.623,54
Redeemed fund units	1.200.000,00	1.200.000,14	1.050.000,00
Dividends	0,00	0,00	0,00
Interest calculated	11.830,95	85.345,82	141.434,78
Management expenses	460.213,99	348.203,59	314.776,35
Realized loss from investments	0,00	0,00	0,00
Decrease in value of investments	7.424.520,56	0,00	922.080,77
Decrease of asset value due to FX	0,00	0,00	0,00
Other expenditure	62.508,23	37.011,65	50.331,64
NET ASSETS AT THE END OF THE PERIOD	60.955.785,33	57.524.106,69	47.926.077,91
ACCOUNTING OF UNIT VALUE	1,5215	1,3814	1,2008
ACCOUNTING AMOUNT OF UNITS	40.062.235,4988	41.641.372,3102	39.910.397,1929

* "Current" is period from 2017-01-01 to 2017-06-30
"1 year ago" is period from 2016-01-01 to 2016-06-30
"2 years ago" is period from 2015-01-01 to 2015-06-30



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

INCOME	796.304,62
Interest income	1.567.544,18
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:	-7.424.520,56
Equities	-7.424.520,56
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:	6.653.281,00
Rental income	0,00
Profit from foreign currency exchange	0,00
Other	6.653.281,00
EXPENSES	534.553,17
Operating expenses:	522.722,22
Management expenses	460.213,99
Depository expenses	30.680,93
Payments to brokers	0,00
Audit expenses	847,02
Other payments and expenditure	30.980,28
Other expenses:	11.830,95
Interest expense	11.830,95
Expenses related to managed real estate	0,00
Loss from foreign currency exchange	0,00
Other	0,00
Net income	261.751,45
Payments (dividends) to the owners of fund units	0,00
Reinvested income	261.751,45



19. Information about profit and (or) loss suffered during the financial year from the sale of each real estate object:
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20. 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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21. Value of real estate of investment portfolio of the Collective Investment Undertaking that is assessed by the latest real estate agents.

PC "Mandarinas", Ateities str. 89, 91, Vilnius, Lithuania Valuation of Newsec Valuations, UAB:	EUR 15.800.000
Logistics Center "Bergi", "Augšvimbis", Bergi, Garkalne District, Latvia Valuation of Newsec Valuations, UAB:	EUR 31.830.000
PC "Jelgava", Rigas str. 11A, Jelgava, Latvia Valuation of Newsec Valuations, UAB:	EUR 13.941.000
PC "Krasta", Krasta str. 52, Riga, Latvia Valuation of Newsec Valuations, UAB:	EUR 6.800.000
PC "Liepaja" and administrative building, Jauna ostmala 3/5, Liepaja, Latvia Valuation of Newsec Valuations, UAB:	EUR 10.301.000
PC "Stirnu", Stirnu str. Riga, Latvia Valuation of Newsec Valuations, UAB:	EUR 15.660.000
PC "Marijampolē", Dariaus and Girēno str. 3A, Marijampolē, Lithuania Valuation of Newsec Valuations, UAB:	EUR 5.770.000
PC "Klaipēda", Taikos pr. 64, Klaipēda, Lithuania Valuation of Newsec Valuations, UAB:	EUR 18.440.000
PC "Kaunas", Savanorių av. 321, Kaunas, Lithuania Valuation of Newsec Valuations, UAB:	EUR 9.890.000
PC "Alytus", Udrijos str. 1, Alytus, Lithuania Valuation of Newsec Valuations, UAB:	EUR 8.210.000
PC "Šiauliai", Gegužių str. 30, Šiauliai, Lithuania Valuation of Newsec Valuations, UAB:	EUR 8.570.000
Land plot, Naujoji str. 7C, 7D, Alytus, Lithuania Valuation of Newsec Valuations, UAB:	EUR 79.000

22. Auditor's report and financial statements:

Provided with annual activity report.



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
Total:	-						0,00%

27. The Collective Investment Undertaking's loans granted at the end of the reporting period:

No	Amount	Currency	Loan date	Repayment term	Interest	Debitor	% of NAV
Total:	-						0,00%



X. PERSONS IN CHARGE

28. 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.

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

Rasa Sušinskaitė, Fund Manager

30. 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.

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

- 31.1. 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**

- 31.2. 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**