

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

**ACTIVITY REPORT
2015 Q1 - Q2**



**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, Decision no. 241-21 dated May 30, 2012.**

2. Reporting period:

January 1, 2015 – June 30, 2015

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.:

License no. VĮK-016, issued on the December 23, 2008

- 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 |
|----------------------------|----------------------------|--------------------------|-----------------|-----------------|
| | EUR | EUR | EUR | EUR |
| Amount of investment units | 40.783.142,6006 | 39.910.397,1929 | 40.783.142,6006 | 27.348.769,4547 |
| Net asset value | 48.882.113,71 | 47.926.077,91 | 44.473.102,93 | 27.249.909,88 |
| Investment unit value | 1,1986 | 1,2008 | 1,0905 | 0,9964 |



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

| | Amount of investment units | Market value |
|-------------|----------------------------|---------------|
| | | EUR |
| Distributed | 0,0000 | 0,00 |
| Redeemed | 872.745,4077 | 1.050.000,00 |
| Difference | -872.745,4077 | -1.050.000,00 |

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 | | Calculated this period | % of average NAV of this period |
|------------------------------|--------------------|-------------|------------------------|---------------------------------|
| | Maximum | This period | EUR | |
| ADMINISTRATION COSTS: | | | | |
| Management fee | | | 314.776,35 | 0,65% |
| <i>Fixed fee</i> | 1,50% | 0,65% | 314.776,35 | 0,65% |
| <i>Success fee</i> | | | 0,00 | 0,00% |
| Depository services | 0,20% | 0,05% | 24.134,72 | 0,05% |
| Property valuation | | | 0,00 | 0,00% |
| Audit | 1,00% | 0,00% | 1.221,80 | 0,00% |
| Accounting services | | | 8.410,56 | 0,02% |
| Legal services | | | 506,65 | 0,00% |
| Loan interest | | | 141.434,78 | 0,29% |
| Other administrative costs | | | 16.057,91 | 0,03% |
| General cost and weight | 15,00% | 1,04% | 506.542,77 | 1,04% |

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 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 – 9,57 percent:

| | After 1 year | After 3 years | After 5 years | After 10 years |
|-----------------------------------|--------------|---------------|---------------|----------------|
| Expenses incurred | 108,98 | 359,21 | 659,64 | 1.701,39 |
| Accrued amount excluding expenses | 10.957,00 | 13.154,52 | 15.792,77 | 24.941,16 |
| Accrued amount including expenses | 10.848,02 | 12.795,30 | 15.133,13 | 23.239,76 |



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 | CNCY | ISIN code | Term / Maturity | Yield, % | Purchase value, EUR | Market value, EUR | Share of NAV, % |
|---|-------|------|--------------|-----------------|----------|---------------------|-------------------|-----------------|
| CASH: | | | | | | | | |
| "Swedbank", AB | LT | EUR | | | | | 316.999,43 | 0,7% |
| Total: | | | | | | | 316.999,43 | 0,7% |
| DEPOSITS: | | | | | | | | |
| BONDS: | | | | | | | | |
| UAB "SMI Lietuva" | LT | EUR | LT125221OB01 | 2016.12.31 | 8,00% | 8.539.600,00 | 9.000.885,02 | 18,8% |
| UAB "BFIII G1" | LT | EUR | LT301849OB01 | 2016.12.31 | 8,00% | 13.402.000,00 | 13.491.581,16 | 28,2% |
| UAB "BFIII G1" | LT | EUR | LT301849OB05 | 2016.12.31 | 8,00% | 1.500.000,00 | 1.510.208,89 | 3,2% |
| UAB "BFIII G1" | LT | EUR | LT301849OB06 | 2016.12.31 | 8,00% | 1.000.000,00 | 1.098.791,72 | 2,3% |
| UAB "BFIII G1" | LT | EUR | LT301849OB07 | 2017.06.01 | 8,00% | 5.900.000,00 | 6.434.761,66 | 13,4% |
| UAB "BFIII G1" | LT | EUR | LT301849OB08 | 2016.12.31 | 8,00% | 400.000,00 | 441.747,50 | 0,9% |
| UAB "BFIII G1" | LT | EUR | LT301849OB09 | 2016.12.31 | 8,00% | 800.000,00 | 882.169,14 | 1,8% |
| UAB "BFIII G1" | LT | EUR | LT301849OB10 | 2016.12.31 | 8,00% | 4.880.000,00 | 5.335.016,06 | 11,1% |
| Total: | | | | | | 36.421.600,00 | 38.195.161,15 | 79,7% |
| EQUITIES: | | | | | | | | |
| UAB "SMI Lietuva" | LT | EUR | LT125221025U | | | 5.388.549,00 | 3.595.378,11 | 7,5% |
| UAB "Citycon" | LT | EUR | LT302131211U | | | 4.751.766,99 | 5.799.305,00 | 12,1% |
| UAB „BFIII G1“ | LT | EUR | LT302964388U | | | 4.344,30 | 4.747.081,36 | 9,9% |
| Total: | | | | | | 10.144.660,29 | 14.141.764,47 | 29,5% |
| RECEIVABLES: | | | | | | | | |
| Total receivables: | LT | EUR | | | | | 0,00 | 0,0% |
| TOTAL : | | | | | | | 52.653.925,05 | 109,9% |

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, % |
| | EUR | | EUR | |
| BY ASSET CLASS: | 53.664.877,95 | 109,78% | 52.653.925,05 | 109,86% |
| Cash | 450.318,19 | 0,92% | 316.999,43 | 0,66% |
| Deposits | 0,00 | 0,00% | 0,00 | 0,00% |
| Money market instruments | 0,00 | 0,00% | 0,00 | 0,00% |
| Non-equity securities | 38.263.513,00 | 78,28% | 38.195.161,15 | 79,70% |
| Equity securities | 14.951.046,76 | 30,59% | 14.141.764,47 | 29,51% |
| 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: | 53.664.877,95 | 109,78% | 52.653.925,05 | 109,86% |
| EUR | 53.664.877,95 | 109,78% | 52.653.925,05 | 109,86% |

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 | 0,0022 | 0,0462 | -0,0031 | - |
| Annual gross return on investments | 10,98% | 10,49% | -0,26% | - |
| Annual net return on investments | 9,57% | 8,93% | -2,06% | - |
| Standard deviation of change in value of investment unit | 0,47% | 2,10% | 0,16% | - |



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 | 0,0025 | 0,0025 | 0,0025 | 0,0025 |
| Average gross return on investments | 7,62% | 7,62% | 7,62% | 7,62% |
| Average net return on investments | 5,53% | 5,53% | 5,53% | 5,53% |
| Standard deviation of change in value of investment unit | 7,82% | 7,82% | 7,82% | 7,82% |

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

| | Over the current period | | Over the last period | |
|--|-------------------------|--------|----------------------|--------|
| | Date | Value | Date | Value |
| | | EUR | | EUR |
| Minimum fixed value of investment unit | 2015.04.30 | 1,1900 | 2014.01.01 | 1,0443 |
| Maximum fixed value of investment unit | 2015.05.31 | 1,2031 | 2014.05.31 | 1,0921 |

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

VI. FINANCIAL STATEMENTS OF THE COLLECTIVE INVESTMENT UNDERTAKING

18. Financial 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: | 52.653.925,05 | 53.664.877,95 |
| Cash and cash equivalents | 316.999,43 | 450.318,19 |
| Deposits | 0,00 | 0,00 |
| Investments: | 52.336.925,62 | 53.214.559,76 |
| Government and Central Bank securities | 0,00 | 0,00 |
| Bonds | 38.195.161,15 | 38.263.513,00 |
| Equities | 14.141.764,47 | 14.951.046,76 |
| 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: | 52.653.925,05 | 53.664.877,95 |
| Liabilities: | 4.727.847,14 | 4.782.764,24 |
| Liabilities for investments | 0,00 | 0,00 |
| Amounts to Management Company and Depository | 170.497,43 | 172.009,34 |
| Other amounts and liabilities | 4.557.349,71 | 4.610.754,90 |
| Net assets: | 47.926.077,91 | 48.882.113,71 |



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 | 48.882.113,71 | 32.769.257,70 | 0,00 |
| INCREASE: | 1.522.587,74 | 12.093.143,03 | 27.572.523,95 |
| Distributed fund units | 0,00 | 9.859.999,94 | 27.332.966,41 |
| Interest received | 1.522.587,72 | 1.302.188,07 | 239.493,99 |
| Operating income | 0,00 | 0,00 | 0,00 |
| Realized profit from investments | 0,00 | 0,00 | 0,00 |
| Increase of investment value | 0,00 | 930.955,02 | 0,00 |
| Increase of asset value due to FX | 0,02 | 0,00 | 0,00 |
| Other income | 0,00 | 0,00 | 63,55 |
| DECREASE: | 2.478.623,54 | 389.297,80 | 322.614,07 |
| Redeemed fund units | 1.050.000,00 | 0,00 | 0,00 |
| Dividends | 0,00 | 0,00 | 0,00 |
| Interest | 0,00 | 0,00 | 0,00 |
| Management expenses | 314.776,35 | 271.226,59 | 72.561,37 |
| Realized loss from investments | 0,00 | 0,00 | 0,00 |
| Decrease in value of investments | 922.080,77 | 0,00 | 127.772,92 |
| Decrease of asset value due to FX | 0,00 | 0,00 | 0,00 |
| Other expenditure | 191.766,42 | 118.071,21 | 122.279,78 |
| NET ASSETS AT THE END OF THE PERIOD | 47.926.077,91 | 44.473.102,93 | 27.249.909,88 |
| ACCOUNTING OF UNIT VALUE | 1,2008 | 1,0905 | 0,9964 |
| ACCOUNTING AMOUNT OF UNITS | 39.910.397,1929 | 40.783.142,6006 | 27.348.769,4547 |



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

| | EUR |
|--|--------------|
| INCOME | 600.506,97 |
| Interest income | 1.522.587,72 |
| 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: | -922.080,77 |
| Equities | -922.080,77 |
| 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: | 0,02 |
| Rental income | 0,00 |
| Profit from foreign currency exchange | 0,02 |
| Other | 0,00 |
| EXPENSES | 506.542,77 |
| Operating expenses: | 365.107,99 |
| Management expenses | 314.776,35 |
| Depository expenses | 24.134,72 |
| Payments to brokers | 0,00 |
| Audit expenses | 1.221,80 |
| Other payments and expenditure | 24.975,12 |
| Other expenses: | 141.434,78 |
| Interest expense | 141.434,78 |
| Expenses related to managed real estate | 0,00 |
| Loss from foreign currency exchange | 0,00 |
| Other | 0,00 |
| Net income | 93.964,20 |
| Payments (dividends) to the owners of fund units | 0,00 |
| Reinvested income | 0,00 |



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

-

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

RESOLUTION VALUATIONS, UAB

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

Valuation of Resolution Valuations, UAB:

EUR 137.660.000

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.

-

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.

-

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:

-

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 | Borrowing purpose | Creditor | % of NAV |
|--------|--------------|----------|------------|----------------|----------|-------------------|-----------------|----------|
| 1 | 500.000,00 | EUR | 2014.12.23 | 2016.02.28 | 6,00% | | Privatus asmuo | 1,04% |
| 2 | 734.780,00 | EUR | 2014.12.23 | 2017.12.31 | 6,00% | | Juridinis asmuo | 1,53% |
| 3 | 2.300.000,00 | EUR | 2014.12.23 | 2017.12.31 | 6,00% | | Juridinis asmuo | 4,80% |
| 4 | 500.000,00 | EUR | 2014.12.23 | 2016.02.28 | 6,00% | | Privatus asmuo | 1,04% |
| 5 | 500.000,00 | EUR | 2015.03.26 | 2016.03.31 | 3,00% | | UAB "Citycon" | 1,04% |
| Total: | 4.534.780,00 | | | | | | | 9,46% |

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

| No | Amount | Currency | Lending date | Repayment term | Interest | Loan purpose | Debitor | % of NAV |
|--------|--------|----------|--------------|----------------|----------|--------------|---------|----------|
| | - | | | | | | | - |
| Total: | - | | | | | | | - |



IX. 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:

Chief Accountant: **Eladijus Kirijanovas**
The name of the company: **M-FINANCE, UAB**
Telephone no.: **+370 5 265 3377**