Illustrative disclosures for investment funds

Guide to annual financial statements

IFRS®

December 2017

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About this guide

This guide has been produced by the KPMG International Standards Group (part of KPMG IFRG Limited).

It is intended to help entities to prepare and present financial statements by illustrating one possible format for financial statements for a fictitious investment fund. The investment fund is a tax-exempt open-ended single-fund investment company (the Fund), which does not form part of a consolidated entity or hold investments in any subsidiaries, associates or joint venture entities. Appendix I illustrates example disclosures for an investment fund that is an investment entity and measures its subsidiaries at fair value through profit or loss (FVTPL). In this guide, the Fund's redeemable shares are classified as financial liabilities and the management shares meet the definition of equity; the Fund is outside the scope of IFRS 8 *Operating Segments* (see Appendix II for example disclosures for a multiple-segment fund that falls in the scope of IFRS 8).

This hypothetical reporting entity has been applying IFRS for some time – i.e. it is not a first-time adopter of IFRS. For more information on adopting IFRS for the first time, see Chapter 6.1 in the 14th edition 2017/18 of our publication Insights into IFRS.

Impact of the major new standards

Users and regulators are showing an increasing interest in understanding the possible impact that the adoption of IFRS 9 *Financial Instruments* will have on the financial statements of financial sector entities. As a consequence, significant focus is expected on the pre-transition disclosures. Regulators have communicated their expectation that, as preparations for implementation progresses, preparers should therefore be able to provide progressively more entity-specific qualitative and quantitative information. In particular, in preparing IFRS 9-related pre-transition disclosures, funds should consider:

- the specific considerations set out in the Public Statement of European Common Enforcement Priorities issued by the European Securities and Markets Authority (ESMA) on 27 October 2017;
- the guidance in the Statement on Implementation of New Accounting Standards issued by the International Organization of Securities Commissions (IOSCO) on 15 December 2016; and
- the recommendations made by the Enhanced Disclosure Task Force (EDTF) in its Impact of Expected Credit Loss Approaches on Bank Risk Disclosures, issued on 7 December 2015.

What else is new in 2017?

Our IFRS: New standards – Are you ready? provides a summary of newly effective and forthcoming standards. The Fund has no transactions that would be affected by these new standards; therefore, these requirements are not illustrated in this guide.

Standards covered

This guide reflects standards, amendments and interpretations (broadly referred to in this guide as 'standards') that have been issued by the IASB as at 30 November 2017 and that are required to be applied by an entity with an annual reporting period beginning on 1 January 2017 ('currently effective requirements'). The early adoption of standards that are effective for annual reporting periods beginning after 1 January 2017 ('forthcoming requirements') is not illustrated.

This guide focuses on investment fund-specific issues, and therefore does not illustrate disclosures of a more general nature or disclosures relevant to activities that are not usually carried out by an investment fund – e.g. impairment, hedge accounting, employee benefits etc. For guidance on these areas, see our publication Illustrative disclosures – Guide to annual financial statements (September 2017).

In addition, IFRS and its interpretation change over time. Accordingly, this guide should not be used as a substitute for referring to the standards and other relevant interpretative guidance.

Preparers should also consider applicable legal and regulatory requirements. This guide does not consider the requirements of any particular jurisdiction.

Need for judgement

This guide is part of our suite of publications – Guides to financial statements – and specifically focuses on compliance with IFRS. Although it is not exhaustive, this guide illustrates the disclosures required by IFRS for a hypothetical investment fund, merely for illustrative purposes and, as such, largely without regard to materiality.

The preparation and presentation of financial statements require the preparer to exercise judgement – e.g. in terms of the choice of accounting policies, the ordering of notes to the financial statements, how the disclosures should be tailored to reflect the entity's specific circumstances, and the relevance of disclosures considering the needs of the users.

Materiality

Specific guidance on materiality and its application to the financial statements is included in paragraphs 29–31 of IAS 1 *Presentation of Financial Statements.*

Materiality is relevant to the presentation and disclosure of the items in the financial statements. Preparers need to consider whether the financial statements include all of the information that is relevant to understanding an entity's financial position on the reporting date and its financial performance during the reporting period.

Preparers also need to take care not to reduce the understandability of their financial statements by obscuring material information with immaterial information or by aggregating material information that is different by nature or function. Individual disclosures that are not material to the financial statements do not have to be presented – even if they are a minimum requirement of a standard. Preparers need to consider the appropriate level of disclosure based on materiality for the reporting period.

Better communication

Financial reporting is not just about technical compliance, but also effective communication. Investors continue to ask for a step-up in the quality of business reporting, so preparers should be careful not to become buried in compliance to the exclusion of relevance. In preparing their financial statements, entities need to focus on improving their communication by reporting financial information in a meaningful way and innovating their financial statement presentation and disclosure in the broader context of better business reporting. For more information, see our Better business reporting website.

References and abbreviations

References are included in the left-hand margin of this guide. Generally, the references relate only to presentation and disclosure requirements.

IAS 1.10(a)	Paragraph 10(a) of IAS 1.
[IAS 21.21]	Paragraph 21 of IAS 21. The square brackets are used only in significant accounting policies (e.g. Note 21 to the financial statements) to indicate that the paragraph relates to recognition and measurement requirements, as opposed to presentation and disclosure requirements.
Insights 5.3.10.10	Paragraph 5.3.10.10 of the 14th edition 2017/18 of our publication Insights into IFRS.
||	Major changes since the 2016 edition of this guide.

The following abbreviations are used often in this guide.

EBITDA	Earnings before interest, taxes, depreciation and amortisation
EPS	Earnings per share
FVTPL	Fair value through profit or loss
Notes	Notes to the financial statements
OCI	Other comprehensive income
OTC	Over-the-counter

[*Name of the investment fund*]

Independent auditors' report

Independent auditors' report[a]

[*Addressee*]

Opinion

We have audited the financial statements of [*name of the investment fund*] (the Fund), which comprise the statement of financial position as at 31 December 2017, the statements of comprehensive income, changes in net assets attributable to holders of redeemable shares and cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in [*jurisdiction*], and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management 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 management 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.

a. This example report for a non-listed investment fund that has no other information has been prepared based on the following International Standards on Auditing (ISAs):

- ISA 700 (Revised) *Forming an Opinion and Reporting on Financial Statements*;
- ISA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*; and
- ISA 720 (Revised) *The Auditor's Responsibilities Relating to Other Information and Related Conforming Amendments*.

The format of the example report does not reflect the legal or regulatory requirements of any particular jurisdiction.

For an illustration presenting the illustrative auditors' report for a listed entity, see our publication Illustrative disclosures – Guide to annual financial statements (September 2017).

Independent auditors' report (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial 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 management.
- Conclude on the appropriateness of management'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, then we are required to draw attention in our auditors' report to the related disclosures in the financial 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 auditors' 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 financial statements, including the disclosures, and whether the financial 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.

Report on Other Legal and Regulatory Requirements

[*Form and content of this section of the report will vary depending on the nature of our other reporting responsibilities prescribed by local law, regulation or national auditing standards.*]

KPMG
[*Auditors' address*]
[*Date*]

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[*Name of the investment fund*]

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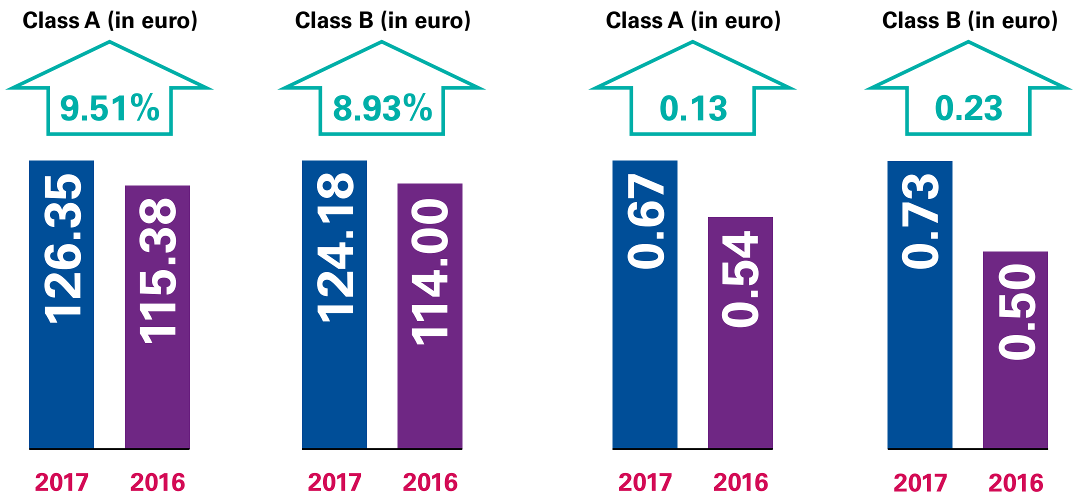
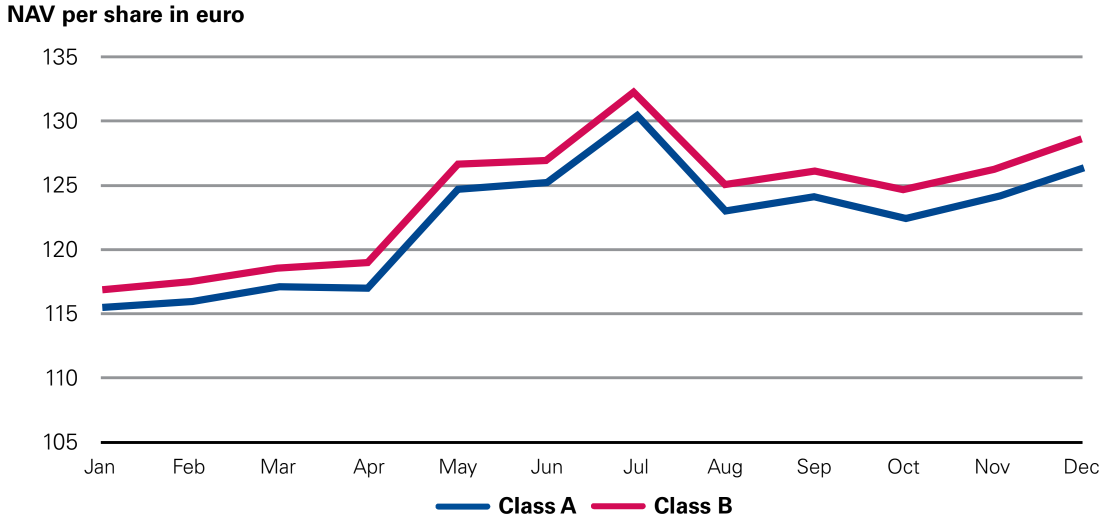
Financial highlights

Net asset value per share

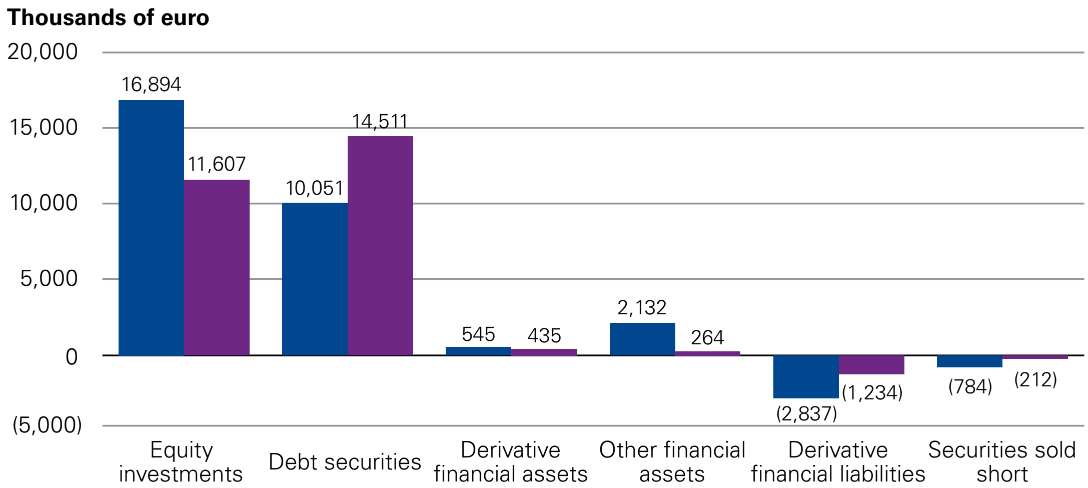
Dividends per share



Net asset value (NAV) per share, 2017



Investments at fair value



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Statement of financial position[a, b, c]

	In thousands of euro	Note	31 December 2017	31 December 2016
IAS 1.10(a), 113	**Assets**			
IAS 1.54(i)	Cash and cash equivalents		**51**	71
IAS 1.54(d)	Balances due from brokers	*12*	**4,619**	3,121
IAS 1.54(d)	Receivables from reverse sale and repurchase agreements	*5*	**4,744**	3,990
IAS 1.54(h)	Other receivables		**29**	46
IAS 1.54(d)	Non-pledged financial assets at FVTPL	*10, 11*	**26,931**	24,471
IAS 1.54(d), 39.37(a)	Pledged financial assets at FVTPL	*10, 11*	**2,691**	2,346
	Total assets		**39,065**	34,045
	Equity			
IAS 1.54(r)	Share capital	*13*	**10**	10
	Total equity		**10**	10
	Liabilities			
IAS 1.54(m)	Balances due to brokers	*12*	**143**	275
IAS 1.54(m)	Payables under sale and repurchase agreements	*5*	**2,563**	2,234
IAS 1.54(k)	Other payables		**103**	101
IAS 1.54(m)	Financial liabilities at FVTPL	*10, 11*	**3,621**	1,446
	Total liabilities (excluding net assets attributable to holders of redeemable shares)		**6,430**	4,056
IAS 1.6, 54(m), 32.IE32	**Net assets attributable to holders of redeemable shares**	*14*	**32,625**	29,979

The notes on pages 14 to 62 are an integral part of these financial statements.

IAS 1.10 — a. An entity may also use other titles – e.g. 'balance sheet' – as long as the meaning is clear and they are not misleading.

IAS 1.60–61 — b. An investment fund or a similar financial institution usually presents a statement of financial position showing assets and liabilities in their broad order of liquidity because this presentation provides reliable and more relevant information than separate current and non-current classifications.

IAS 32.IE32 — c. In this guide, the presentation of the statement of financial position follows Example 7 in IAS 32 *Financial Instruments: Presentation*.

Statement of comprehensive income[a, b, c]

IAS 1.10(b), 81A, 113

For the year ended 31 December

Reference	*In thousands of euro*	***Note***	**2017**	**2016**
	Interest income	*7*	**603**	429
IAS 18.35(b)(v)	Dividend income		**272**	229
IAS 1.35	Net foreign exchange loss		**(19)**	(16)
IFRS 7.20(a)(i)	Net gain from financial instruments at FVTPL	*8*	**3,251**	2,397
	Dividend expense on securities sold short		**(45)**	(19)
IAS 1.82(a)	**Total revenue**		**4,062**	3,020
IAS 1.99	Investment management fees	*17*	**(478)**	(447)
IAS 1.99	Custodian fees		**(102)**	(115)
IAS 1.99	Administration fees		**(66)**	(62)
IAS 1.99	Directors' fees	*17*	**(26)**	(15)
IAS 1.99	Transaction costs		**(54)**	(73)
IAS 1.99	Professional fees		**(74)**	(67)
IAS 1.99	Other operating expenses		**(8)**	(41)
	Total operating expenses		**(808)**	(820)
IAS 1.85	**Operating profit before finance costs**		**3,254**	2,200
IAS 32.40	Dividends to holders of redeemable shares	*14*	**(178)**	(91)
IFRS 7.20(b)	Interest expense		**(75)**	(62)
IAS 1.82(b)	**Total finance costs**		**(253)**	(153)
IAS 1.85	**Increase in net assets attributable to holders of redeemable shares before tax**		**3,001**	2,047
IAS 1.82(d)	Withholding tax expense	*9*	**(45)**	(39)
IAS 32.IE32	**Increase in net assets attributable to holders of redeemable shares**		**2,956**	2,008

The notes on pages 14 to 62 are an integral part of these financial statements.

IAS 32.IE32 — a. In this guide, the presentation of the statement of comprehensive income follows Example 7 in IAS 32.

IAS 33.2–3, Insights 5.3.10.10, 40–50, 90 — b. An entity with publicly traded ordinary shares, or in the process of issuing ordinary shares that are to be publicly traded, presents basic and diluted EPS in the statement of comprehensive income. The requirements to present EPS only apply to those funds whose ordinary shares are classified as equity. Nevertheless, some funds may wish to or may be required by local regulations to present EPS. If an entity voluntarily presents EPS data, then that information is calculated and presented in accordance with IAS 33 *Earnings per Share*.

IAS 1.82(a), 18.7 — c. IFRS does not specify whether revenue should be presented only as a single-line item in the statement of comprehensive income, or whether an entity may also include the individual components of revenue in the statement of comprehensive income, with a subtotal for revenue from continuing operations. Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity. In this guide, the most relevant measure of revenue is considered to be the sum of interest income, dividend income, net foreign exchange loss and net gain from financial instruments at FVTPL. However, other presentations are possible.

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Statement of changes in net assets attributable to holders of redeemable shares[a]

IAS 1.106, 113

For the year ended 31 December

In thousands of euro	*Note*	2017	2016
Balance at 1 January	*14*	**29,979**	18,461
Increase in net assets attributable to holders of redeemable shares		**2,956**	2,008
Contributions and redemptions by holders of redeemable shares:			
Issue of redeemable shares during the year		**6,668**	15,505
Redemption of redeemable shares during the year		**(6,978)**	(5,995)
Total contributions and redemptions by holders of redeemable shares		**(310)**	9,510
Balance at 31 December	*14*	**32,625**	29,979

The notes on pages 14 to 62 are an integral part of these financial statements.

IAS 1.106

a. A complete set of financial statements includes, as one of its statements, a statement of changes in equity. However, because equity in the Fund is minimal and there were no changes in equity balances, no statement of changes in equity has been presented. Instead, a statement of changes in net assets attributable to holders of redeemable shares has been presented. Although IFRS does not require presentation of this statement, it may provide users of the financial statements with relevant and useful information about the components underlying the movements in the net assets of the Fund that are attributable to the holders of redeemable shares during the year.

Statement of cash flows

IAS 1.10(d), 38–38A, 113

For the year ended 31 December

Reference	*In thousands of euro*	***Note***	**2017**	**2016**
IAS 7.10	**Cash flows from operating activities**[a]			
IAS 7.31, 33	Interest received[b]		**619**	454
IAS 7.31, 33	Interest paid[b]		**(73)**	(63)
IAS 7.31, 33	Dividends received[b]		**227**	228
IAS 7.31, 33	Dividends paid on securities sold short[b]		**(45)**	(19)
IAS 7.15	Proceeds from sale of investments[c]		**9,382**	8,271
IAS 7.15	Purchase of investments[c]		**(10,613)**	(17,713)
IAS 7.22(b)	Net non-dividend receipts/(payments) on securities sold short		**629**	(2)
IAS 7.22(b)	Net receipts/(payments) from derivative activities		**1,581**	(3)
IAS 7.22(b)	Net non-interest (payments)/receipts from sale and repurchase and reverse sale and repurchase agreements		**(428)**	299
IAS 7.14(c)	Operating expenses paid		**(808)**	(848)
	Net cash from/(used in) operating activities		**471**	(9,396)
IAS 7.10, 21	**Cash flows from financing activities**			
IAS 7.17	Proceeds from issue of redeemable shares	*14*	**6,668**	15,505
IAS 7.17	Payments on redemption of redeemable shares	*14*	**(6,978)**	(5,995)
IAS 7.34	Dividends paid to holders of redeemable shares[b]	*14*	**(178)**	(91)
	Net cash (used in)/from financing activities		**(488)**	9,419
	Net (decrease)/increase in cash and cash equivalents		**(17)**	23
	Cash and cash equivalents at 1 January		**71**	50
IAS 7.28	Effect of exchange rate fluctuations on cash and cash equivalents		**(3)**	(2)
	Cash and cash equivalents at 31 December	*22*	**51**	71

The notes on pages 14 to 62 are an integral part of these financial statements.

IAS 7.18–19 a. The Fund has elected to present cash flows from operating activities using the direct method. Alternatively, an entity may present operating cash flows using the indirect method, whereby profit or loss is adjusted for the effects of non-cash transactions. For an illustration presenting the operating cash flows using the indirect method, see our publication Illustrative disclosures – Guide to annual financial statements (September 2017).

IAS 7.33–34 b. Interest paid and interest and dividends received are usually classified as operating cash flows for a financial institution. Dividends paid may be classified as a financing cash flow because they represent a cost of obtaining financial resources. The Fund has adopted this classification for dividends paid to the holders of redeemable shares. In this guide, dividends paid on securities sold short are classified as operating cash flows because they result directly from holding short positions as part of the operating activities of the Fund.

IAS 7.16(c)–(d) c. In this guide, gross receipts from the sale of, and gross payments to acquire, investment securities have been classified as components of cash flows from operating activities because they form part of the Fund's dealing operations.

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IAS 1.10(e)

Notes to the financial statements[a]

1. Reporting entity

IAS 1.51(a)–(b), 138(a)–(b)

[*Name of the Fund*] (the Fund) is a company domiciled in [*Country X*]. The address of the Fund's registered office is at [*address*]. The Fund's shares are not traded in a public market and it does not file its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.

The Fund is an open-ended investment fund primarily involved in investing in a highly diversified portfolio of equity securities issued by companies listed on major European stock exchanges and on the New York Stock Exchange (NYSE), unlisted companies, unlisted investment funds, investment-grade corporate debt securities and derivatives, with the objective of providing shareholders with above-average returns over the medium to long term.

IAS 1.138(b)

The investment activities of the Fund are managed by XYZ Capital Limited (the investment manager) and the administration of the Fund is delegated to ABC Fund Services Limited (the administrator).

2. Basis of accounting

IAS 1.16, 112(a), 116, 10.17

These financial statements have been prepared in accordance with IFRS. They were authorised for issue by the Fund's board of directors on [*date*].

Details of the Fund's accounting policies are included in Note 21.

3. Functional and presentation currency

IAS 1.51(d)–(e)

These financial statements are presented in euro, which is the Fund's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

IAS 1.22

Functional currency' is the currency of the primary economic environment in which the Fund operates. If indicators of the primary economic environment are mixed, then management uses its judgement to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Fund's investments and transactions are denominated in euro, US dollars, sterling and Swiss francs. Investor subscriptions and redemptions are determined based on net asset value, and received and paid in euro. The expenses (including management fees, custodian fees and administration fees) are denominated and paid mostly in euro. Accordingly, management has determined that the functional currency of the Fund is euro.

4. Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

A. Judgements

IAS 1.122

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

– Note 3 – determination of functional currency; and

– Note 16 – involvement with unconsolidated structured entities.

B. Assumptions and estimation uncertainties

IAS 1.125

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the year ending 31 December 2017 is included in Note 6(D) and relates to the determination of fair value of financial instruments with significant unobservable inputs.

IAS 1.113–114 a. Notes are presented, to the extent practicable, in a systematic order and are cross-referred to/from items in the primary statements. In determining a systematic manner of presentation, an entity considers the effect on the understandability and comparability of the financial statements. The Fund has applied its judgement in presenting related information together in a manner that it considers to be most relevant to an understanding of its financial performance and financial position. The order presented is only illustrative and entities need to tailor the organisation of the notes to fit their specific circumstances.

Notes to the financial statements (continued)

IFRS 7.31

5. Financial risk review[a]

IFRS 7.34

This note presents information about the Fund's exposure to each of the financial risks. For information on the Fund's financial risk management framework, see Note 19.

IFRS 7.34

A. Credit risk, collateral provided and offsetting

IFRS 7.31

For the definition of credit risk and information on how credit risk is managed by the Fund, see Note 19(C).

i. Analysis of credit quality

The Fund's exposure to credit risk arises in respect of the following financial instruments:

- cash and cash equivalents – see below;
- balances due from brokers – see below;
- receivables from sale and repurchase agreements – see Note 5(A)(iii);
- investments in debt securities – see below; and
- derivative assets – see below and Note 5(A)(iii).

Cash and cash equivalents

IFRS 7.34(a), 36(a), (c)

The Fund's cash and cash equivalents are held mainly with XYZ Bank, which is rated AA (2016: AA) based on [*Rating Agency X*] ratings. The investment manager monitors the financial position of XYZ Bank on a quarterly basis.

Balances due from brokers

IFRS 7.36(a)

Balances due from brokers represent margin accounts, cash collateral for borrowed securities and sales transactions awaiting settlement. Credit risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used. As at the reporting date, 72% (2016: 69%) of the balances due from brokers were concentrated among three brokers (2016: four brokers) whose credit rating was AA (2016: AA). The investment manager monitors the financial position of the brokers on a quarterly basis.

IFRS 7.31, 34, Insights 7.8.320

a. The financial risk disclosures presented are only illustrative and reflect the facts and circumstances of the Fund. In particular, IFRS 7 *Financial Instruments: Disclosures* requires the disclosure of summary quantitative data about an entity's risk exposure based on information provided internally to the entity's key management personnel, although certain minimum disclosures are also required to the extent that they are not otherwise covered by the disclosures made under the 'management approach' above.

The disclosures under IFRS 7 may not be the same year-on-year because they need to reflect specific risks and uncertainties created by the conditions during the reporting period or at the reporting date.

Notes to the financial statements (continued)

5. Financial risk review (continued)

A. Credit risk, collateral provided and offsetting (continued)

i. Analysis of credit quality (continued)

Investments in debt securities

IFRS 7.34(a)

At 31 December, the Fund was invested in corporate debt securities with the following credit quality. The ratings are based on [*Rating agency X*] ratings.

In thousands of euro	**2017**	2016	**2017 %**	2016 %
Rating				
AAA/Aaa	**1,287**	5,195	**12.8**	36.0
AA/Aa	**8,352**	8,866	**83.1**	61.0
BBB/Baa	**412**	450	**4.1**	3.0
Total	**10,051**	14,511	**100.0**	100.0

Derivatives

IFRS 7.34(a)

The table below shows an analysis of derivative assets and derivative liabilities outstanding at 31 December.

	Derivative assets		Derivative liabilities	
In thousands of euro	Fair value	Notional amount	Fair value	Notional amount
2017				
Exchange-traded	**326**	**15,000**	**(1,066)**	**(16,000)**
OTC – central counterparties	**219**	**2,000**	**(1,307)**	**(22,800)**
OTC – other bilateral	**-**	**-**	**(464)**	**(5,900)**
Total	**545**	**17,000**	**(2,837)**	**(44,700)**
2016				
Exchange-traded	135	1,900	(756)	(15,000)
OTC – central counterparties	300	2,700	(372)	(4,000)
OTC – other bilateral	-	-	(106)	(1,200)
Total	435	4,600	(1,234)	(20,200)

ii. Concentration of credit risk[a]

IFRS 7.34(c)

The investment manager reviews the credit concentration of debt securities held based on counterparties and industries [*and geographic location*].

IFRS 7.B8

As at the reporting date, the Fund's debt securities exposures were concentrated in the following industries.

	2017 %	2016 %
Banks/financial services	**48.8**	54.5
Automotive manufacturing	**15.1**	12.3
Information technology	**12.5**	8.0
Pharmaceutical	**8.2**	13.1
Other	**15.4**	12.1
	100.0	100.0

There were no significant concentrations in the debt securities portfolio of credit risk to any individual issuer or group of issuers at 31 December 2017 or 31 December 2016. No individual investment exceeded 5% of the net assets attributable to the holders of redeemable shares either at 31 December 2017 or at 31 December 2016.

IFRS 7.B8, IG18–IG19

a. The identification of concentration of risk requires judgement in light of specific circumstances, and may arise from industry sectors, credit ratings, geographic distribution or a limited number of individual counterparties.

Notes to the financial statements (continued)

5. Financial risk review (continued)

A. Credit risk, collateral provided and offsetting (continued)

iii. Collateral and other credit enhancements, and their financial effect[a]

IFRS 7.36(b)

The Fund mitigates the credit risk of derivatives and reverse sale and repurchase agreements by entering into master netting agreements and holding collateral in the form of cash and marketable securities.

Derivatives

IFRS 7.13E, B50

Derivative transactions are either transacted on an exchange with central clearing counterparties (CCPs) or entered into under International Derivatives Swaps and Dealers Association (ISDA) master netting agreements In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The Fund executes a credit support annex in conjunction with the ISDA agreement, which requires the Fund and its counterparties to post collateral to mitigate counterparty credit risk. Collateral is also posted daily in respect of derivatives transacted on exchanges and with CCPs.

The amount of collateral accepted in respect of derivative assets is shown in Note 5(A)(iv).

IFRS 7.36(c)

The derivatives are entered into with bank and financial institution counterparties, which are rated AA- to AA+, based on [*Rating Agency Y*] ratings.

Sale and repurchase, and reverse sale and repurchase transactions

The Fund's sale and repurchase, and reverse sale and repurchase transactions are covered by master agreements with netting terms similar to those of ISDA master netting agreements.

The table below shows the amount of collateral accepted in respect of reverse sale and repurchase agreements and given in respect of sale and repurchase agreements. The amounts shown below reflect over-collateralisation and so differ from the amounts disclosed in Note 5(A)(iv).

	In thousands of euro	**2017**	**2016**
	Receivables from reverse sale and repurchase agreements	**4,744**	3,990
IFRS 7.15(a), 36(b)	Fair value of collateral accepted in respect of the above	**4,999**	4,190
	Payables under sale and repurchase agreements	**2,563**	2,234
IFRS 7.14(a)	Carrying amount of collateral provided in respect of the above	**2,691**	2,346

No individual trades are under-collateralised and the collateral margin on each transaction is at least 5%.

IAS 7.15

Collateral accepted includes investment-grade securities that the Fund is permitted to sell or repledge. The Fund has not recognised these securities in the statement of financial position. The Fund is obliged to return equivalent securities. At 31 December 2017, the fair value of financial assets accepted as collateral that had been sold or repledged was €154 thousand (2016: €166 thousand).

IFRS 7.14(a)

Collateral provided includes securities sold under the sale and repurchase agreements that the counterparty has the right to repledge or sell. The Fund continues to recognise these securities in the statement of financial position and presents them within pledged financial assets as at FVTPL.

IFRS 7.14(b)

These transactions are conducted under terms that are usual and customary to securities sale and repurchase transactions.

The Fund has provided the custodian with a general lien over the financial assets held in custody for the purpose of covering the exposure from providing custody services. The general lien is part of the standard contractual terms of the custody agreement.

IFRS 7.36(b), Insights 7.8.350

a. An entity discloses the financial effect of any collateral held as security and other credit enhancements. IFRS 7 does not specify how an entity should apply the term 'financial effect' in practice. In some cases, providing quantitative disclosure of the financial effect of collateral may be appropriate. However, in other cases it may be impracticable to obtain quantitative information; or, if it is available, the information may not be determined to be relevant, meaningful or reliable.

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Notes to the financial statements (continued)

5. Financial risk review (continued)

A. Credit risk, collateral provided and offsetting (continued)

iv. Offsetting financial assets and financial liabilities

IFRS 7.13A

The Fund has not offset any financial assets and financial liabilities in the statement of financial position. The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting or similar agreement that covers similar financial instruments.

IFRS 7.B40–B41

The similar agreements include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements. Similar financial instruments include derivatives, sale and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing agreements.

The ISDA and similar master netting agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Fund does not have any currently legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default of the Fund or the counterparties or other credit events.

The collateral provided in respect of the above transactions is subject to the standard industry terms of ISDA's *Credit Support Annex*. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but have to be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions on the counterparty's failure to post collateral.

IFRS 7.13C

Financial assets subject to enforceable master netting or similar agreements[a, b]

IFRS 7.13C, B46

				Related amounts not offset in the statement of financial position		
31 December 2017 *In thousands of euro*	**Gross amounts of recognised financial assets**	**Gross amounts of recognised financial liabilities offset in the statement of financial position**	**Net amounts of financial assets presented in the statement of financial position**	**Financial instruments (including non-cash collateral)**	**Cash collateral received**	**Net amount**
Type of financial assets						
Derivatives – trading assets	**545**	-	**545**	**(500)**	**(45)**	-
Reverse sale and repurchase agreements and securities borrowing	**5,567**	-	**5,567**	**(5,567)**	-	-
Total	**6,112**	-	**6,112**	**(6,067)**	**(45)**	-

IFRS 7.13C, B51–B52, Insights 7.8.150.65

a. The disclosure requirements in paragraph 13C of IFRS 7 may be grouped by type of financial instrument or transaction. Alternatively, an entity may present the disclosures in paragraph 13C(a)–(c) by type of financial instrument, and those in 13C(c)–(e) by counterparty.

IFRS 7.13C, B52–B53, Insights 7.8.150.110

b. The disclosure requirements described in paragraph 13C of IFRS 7 are minimum requirements. An entity supplements them with additional qualitative disclosures if necessary for financial statement users to evaluate the actual or potential effect of netting arrangements on its financial position. When disclosing quantitative information by counterparty, an entity considers qualitative disclosure about the types of counterparties.

Notes to the financial statements (continued)

5. Financial risk review (continued)

A. Credit risk, collateral provided and offsetting (continued)

iv. Offsetting financial assets and financial liabilities (continued)

Financial liabilities subject to enforceable master netting or similar agreements

31 December 2017 *In thousands of euro*	**Gross amounts of recognised financial liabilities**	**Gross amounts of recognised financial assets offset in the statement of financial position**	**Net amounts of financial liabilities presented in the statement of financial position**	**Related amounts not offset in the statement of financial position: Financial instruments (including non-cash collateral)**	**Related amounts not offset in the statement of financial position: Cash collateral pledged**	**Net amount**
Type of financial liabilities						
Derivatives – trading liabilities	**(2,837)**	**-**	**(2,837)**	**500**	**2,337**	**-**
Sale and repurchase agreements	**(2,563)**	**-**	**(2,563)**	**2,563**	**-**	**-**
Total	**(5,400)**	**-**	**(5,400)**	**3,063**	**2,337**	**-**

Financial assets subject to enforceable master netting or similar agreements

31 December 2016 *In thousands of euro*	**Gross amounts of recognised financial assets**	**Gross amounts of recognised financial liabilities offset in the statement of financial position**	**Net amounts of financial assets presented in the statement of financial position**	**Related amounts not offset in the statement of financial position: Financial instruments (including non-cash collateral)**	**Related amounts not offset in the statement of financial position: Cash collateral received**	**Net amount**
Type of financial assets						
Derivatives – trading assets	435	-	435	(400)	(35)	-
Reverse sale and repurchase agreements and securities borrowing	4,213	-	4,213	(4,213)	-	-
Total	4,648	-	4,648	(4,613)	(35)	-

Financial liabilities subject to enforceable master netting or similar agreements

31 December 2016 *In thousands of euro*	**Gross amounts of recognised financial liabilities**	**Gross amounts of recognised financial assets offset in the statement of financial position**	**Net amounts of financial liabilities presented in the statement of financial position**	**Related amounts not offset in the statement of financial position: Financial instruments (including non-cash collateral)**	**Related amounts not offset in the statement of financial position: Cash collateral pledged**	**Net amount**
Type of financial liabilities						
Derivatives – trading liabilities	(1,234)	-	(1,234)	400	834	-
Sale and repurchase agreements	(2,234)	-	(2,234)	2,234	-	-
Total	(3,468)	-	(3,468)	2,634	834	-

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Notes to the financial statements (continued)

5. Financial risk review (continued)

A. Credit risk, collateral provided and offsetting (continued)

iv. Offsetting financial assets and financial liabilities (continued)

IFRS 7.B42

The gross amounts of recognised financial assets and financial liabilities and their net amounts presented in the statement of financial position disclosed in the above tables have been measured in the statement of financial position on the following basis:

– derivative assets and liabilities – fair value; and

– assets and liabilities resulting from sale and repurchase agreements, reverse sale and repurchase agreements and securities borrowing – amortised cost.

IFRS 7.B46

The tables below reconcile the 'Net amounts of financial assets and financial liabilities presented in the statement of financial position', as set out above, to the line items presented in the statement of financial position.

Reconciliation to the net amounts of financial assets and financial liabilities presented in the statement of financial position

31 December 2017 *In thousands of euro*	**Net amounts**	**Line item in statement of financial position**	**Carrying amount in statement of financial position**	**Financial assets not in scope of offsetting disclosures**	***Note***
Type of financial assets					
Derivatives – trading assets	**545**	Non-pledged trading assets	**26,931**	**26,386**	*10, 11*
Reverse sale and repurchase agreements and securities borrowing	**4,744**	Receivables from reverse sale and repurchase agreements	**4,744**	**-**	*5*
	823	Due from brokers	**4,619**	**3,796**	*12*

In thousands of euro	**Net amounts**	**Line item in statement of financial position**	**Carrying amount in statement of financial position**	**Financial liabilities not in scope of offsetting disclosures**	***Note***
Type of financial liabilities					
Derivatives – trading liabilities	**(2,837)**	Financial liabilities at FVTPL	**(3,621)**	**(784)**	*10, 11*
Sale and repurchase agreements	**(2,563)**	Payables under sale and repurchase agreements	**(2,563)**	**-**	*5*

Notes to the financial statements (continued)

5. Financial risk review (continued)

A. Credit risk, collateral provided and offsetting (continued)

iv. Offsetting financial assets and financial liabilities (continued)

Reconciliation to the net amounts of financial assets and financial liabilities presented in the statement of financial position (continued)

31 December 2016 *In thousands of euro*	**Net amounts**	**Line item in statement of financial position**	**Carrying amount in statement of financial position**	**Financial assets not in scope of offsetting disclosures**	***Note***
Type of financial assets					
Derivatives – trading assets	435	Non-pledged trading assets	24,471	24,036	*10, 11*
Reverse sale and repurchase agreements and securities borrowing	3,990	Receivables from reverse sale and repurchase agreements	3,990	-	*5*
	223	Due from brokers	3,121	2,898	*12*

In thousands of euro	**Net amounts**	**Line item in statement of financial position**	**Carrying amount in statement of financial position**	**Financial liabilities not in scope of offsetting disclosures**	***Note***
Type of financial liabilities					
Derivatives – trading liabilities	(1,234)	Financial liabilities at FVTPL	(1,446)	(212)	*10, 11*
Sale and repurchase agreements	(2,234)	Payables under sale and repurchase agreements	(2,234)	-	*5*

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5. Financial risk review (continued)

IFRS 7.31

B. Liquidity risk[a, b]

IFRS 7.32

For the definition of liquidity risk and information on how liquidity risk is managed, see Note 19(D).

IFRS 7.39(a)–(b)

The following were the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments.

IFRS 7.B11

		Contractual cash flows			
31 December 2017 *In thousands of euro*	**Carrying amount**	**Total**	**Less than 7 days**	**7 days to 1 month**	**1 to 3 months**
Non-derivative liabilities					
Balances due to brokers	**(143)**	**(144)**	**(144)**	**-**	**-**
Payables under sale and repurchase agreements	**(2,563)**	**(2,755)**	**(253)**	**(1,542)**	**(960)**
Securities sold short	**(784)**	**(784)**	**(784)**	**-**	**-**
Net assets attributable to holders of redeemable shares	**(32,625)**	**(32,625)**	**(32,625)**	**-**	**-**
Derivative financial liabilities	**(2,837)**	**-**	**-**	**-**	**-**
Outflows	**-**	**(9,182)**	**(2,282)**	**(5,260)**	**(1,640)**
Inflows	**-**	**6,250**	**5,500**	**-**	**750**
	(38,952)	**(39,240)**	**(30,588)**	**(6,802)**	**(1,850)**

IFRS 7.39(b), B11A–B11D

IFRS 7.B11

		Contractual cash flows			
31 December 2016 *In thousands of euro*	**Carrying amount**	**Total**	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**
Non-derivative liabilities					
Balances due to brokers	(275)	(276)	(276)	-	-
Payables under sale and repurchase agreements	(2,234)	(2,408)	-	(2,408)	-
Securities sold short	(212)	(212)	(212)	-	-
Net assets attributable to holders of redeemable shares	(29,979)	(29,996)	(29,996)	-	-
Derivative financial liabilities	(1,234)	-	-	-	-
Outflows	-	(5,330)	(2,398)	(372)	(2,560)
Inflows	-	4,000	2,000	-	2,000
	(33,934)	(34,222)	(30,882)	(2,780)	(560)

IFRS 7.39(b), B11A–B11D

IFRS 7.B11D

a. The contractual amounts disclosed in this analysis are gross undiscounted cash flows and therefore may not agree with the carrying amounts in the statement of financial position.

IFRS 7.B11, Insights 7.8.370.70–80

b. IFRS 7 does not define contractual maturities. Therefore, it leaves open to interpretation the amounts that need to be included in the analysis for certain types of financial liabilities – i.e. derivatives and perpetual instruments. In our view, both the interest and the principal cash flows should be included in the analysis, because this best represents the liquidity risk being faced by the entity.

Because IFRS 7 does not mandate the number of time bands to be used in the analysis, the entity has applied judgement to determine an appropriate number of time bands.

Notes to the financial statements (continued)

5. Financial risk review (continued)

B. Liquidity risk (continued)

IFRS 7.39(a), B11C

The table above shows the undiscounted cash flows of the Fund's financial liabilities on the basis of their earliest possible contractual maturity. The Fund's expected cash flows on these instruments (other than net assets attributable to the holders of redeemable shares) do not vary significantly from this analysis. For net assets attributable to the holders of redeemable shares, the Fund has a contractual obligation to redeem within seven days of them being submitted for redemption. Historical experience indicates that these shares are held by the shareholders on a medium- or long-term basis. Based on average historic information, redemption levels are expected to approximate €150 thousand per week (2016: €120 thousand per week); however, actual weekly redemptions could differ significantly from this estimate.

IFRS 7.39(b), B11B, B11D

For derivative financial instruments, the inflow/(outflow) disclosed in the table represents the contractual undiscounted cash flows relating to these instruments. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash-settlement – e.g. foreign currency forward contracts and currency swaps.[a]

IFRS 7.39(c), B11E

The Fund manages its liquidity risk by investing at least 50% of its net assets in securities with an expected liquidation period within seven days. The ratio of net assets with an expected liquidation period within seven days (liquid assets) to total net assets is set out below.[b]

In thousands of euro	**2017**	**2016**
Total liquid assets	**19,826**	17,137
Liquid assets as % of total net assets	**61%**	57%

IFRS 7.B11B a. This guide assumes that disclosure of contractual maturities for all derivative financial liabilities held by the Fund is essential for an understanding of the timing of the cash flows.

IFRS 7.34(a) b. The example shown in this guide in relation to liquidity risk assumes that the primary basis for reporting to key management personnel on liquidity risk is the ratio of liquid assets (expected liquidation period within seven days) to the net assets and weekly redemption levels. However, other presentations are possible.

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Notes to the financial statements (continued)

5. Financial risk review (continued)

IFRS 7.31–32

C. Market risk[a]

IFRS 7.33

For the definition of market risk and information on the tools used by the Fund to manage the market risks, see Note 19(E).

i. Interest rate risk

Exposure

IFRS 7.34(a)

A summary of the Fund's interest rate gap position, analysed by the earlier of contractual re-pricing or maturity date, is as follows.

31 December 2017 *In thousands of euro*	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**Total**
Assets				
Cash and cash equivalents	**51**	**-**	**-**	**51**
Financial assets at FVTPL:				
Debt securities	**4,891**	**3,091**	**2,069**	**10,051**
Receivables from reverse sale and repurchase agreements	**550**	**4,194**	**-**	**4,744**
Total assets	**5,492**	**7,285**	**2,069**	**14,846**
Liabilities				
Payables under sale and repurchase agreements	**(1,286)**	**(1,277)**	**-**	**(2,563)**
Total liabilities	**(1,286)**	**(1,277)**	**-**	**(2,563)**
Effect of derivatives held for interest rate risk management	**-**	**1,100**	**(1,100)**	**-**
Total interest rate gap	**4,206**	**7,108**	**969**	**12,283**
31 December 2016				
Assets				
Cash and cash equivalents	71	-	-	71
Financial assets at FVTPL:				
Debt securities	4,987	6,422	3,102	14,511
Receivables from reverse sale and repurchase agreements	480	3,510	-	3,990
Total assets	5,538	9,932	3,102	18,572
Liabilities				
Payables under sale and repurchase agreements	(392)	(1,842)	-	(2,234)
Total liabilities	(392)	(1,842)	-	(2,234)
Effect of derivatives held for interest rate risk management	-	2,500	(2,500)	-
Total interest rate gap	5,146	10,590	602	16,338

For debt securities, the Fund aims to maintain a weighted-average days to maturity, or contractual re-pricing date, if earlier, of less than 90 days. At the reporting date, the weighted-average days to maturity, or contractual re-pricing date if earlier, was 70.3 days (2016: 79.8 days).

IFRS 7.34(a)

a. This guide assumes the following primary bases for market risk reporting to key management personnel:
- *for interest rate risk:* interest rate gap position;
- *for foreign currency risk:* analysis of concentration of positions in individual currencies; and
- *for other price risk:* analysis of portfolio by asset type and industry concentration of equity investments.

However, other presentations are possible.

Notes to the financial statements (continued)

5. Financial risk review (continued)

C. Market risk (continued)

i. Interest rate risk (continued)

Sensitivity analysis

IFRS 7.40

The sensitivity analysis reflects how net assets attributable to holders of redeemable shares would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date. [*Insert any other information on type of model, assumptions and parameters used in the sensitivity analysis.*][a, b]

IFRS 7.40, B19

Management has determined that a fluctuation in interest rates of 50 basis points is reasonably possible, considering the economic environment in which the Fund operates. The table below sets out the effect on the Fund's net assets attributable to holders of redeemable shares of a reasonably possible increase of 50 basis points in interest rates at 31 December. A reduction in interest rates of the same amount would have resulted in an equal but opposite effect to the amounts shown. The impact of such an increase or reduction has been estimated by calculating the fair value changes of the fixed-interest debt securities and other fixed-interest-bearing assets, less liabilities and derivatives. The impact is primarily from the decrease in the fair value of fixed-income securities. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Effect in thousands of euro	**2017**	**2016**
Net assets attributable to holders of redeemable shares (reduction)	**(61.4)**	(81.7)
Effect in %		
Net assets attributable to holders of redeemable shares (reduction)	**(0.19%)**	(0.27%)
Increase in net assets attributable to holders of redeemable shares (reduction)	**(2.08%)**	(4.07%)

A reduction in interest rates of the same amount would have resulted in an equal but opposite effect to the amounts shown above.

IFRS 7.40(a)

a. IFRS 7 requires the disclosure of a sensitivity analysis, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date. Because the Fund presents its statement of comprehensive income and the statement of financial position following Example 7 of IAS 32, the sensitivity analysis discloses how net assets/increase in net assets attributable to holders of redeemable shares would have been affected by reasonably possible changes in the relevant risk.

IFRS 7.41

b. This guide assumes that the Fund does not prepare a sensitivity analysis such as a value-at-risk analysis (VaR) that reflects the interdependencies between risk variables. However, an example disclosure for a fund that uses a VaR analysis is illustrated in Appendix V.

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Notes to the financial statements (continued)

5. Financial risk review (continued)

C. Market risk (continued)

ii. Currency risk

Exposure

IFRS 7.34(a)

At the reporting date, the carrying amount of the Fund's net financial assets and financial liabilities held in individual foreign currencies, expressed in euro and as a percentage of its net assets, were as follows.

	2017		2016	
Currency	Thousands of euro	% of net assets	Thousands of euro	% of net assets
USD	**7,536**	**23.1%**	4,287	14.3%
GBP	**2,023**	**6.2%**	959	3.2%
CHF	**881**	**2.7%**	779	2.6%
	10,440	**32.0%**	6,025	20.1%

Sensitivity analysis

IFRS 7.40

The table below sets out the effect on the net assets/increase in net assets attributable to holders of redeemable shares of a reasonably possible weakening of the euro against the US dollar by 5% (2016: 4%), sterling by 3% (2016: 2%) and the Swiss franc by 2% (2016: 4%) at 31 December. The analysis assumes that all other variables, in particular interest rates, remain constant.

Effect in thousands of euro (increase)	2017	2016
USD	**377**	171
GBP	**61**	19
CHF	**18**	31

Effect in % of net assets attributable to the holders of redeemable shares (increase)	2017	2016
USD	**1.2%**	0.6%
GBP	**0.2%**	0.1%
CHF	**0.1%**	0.1%

Effect in % of increase in net assets attributable to the holders of redeemable shares (increase)	2017	2016
USD	**12.8%**	9.3%
GBP	**2.1%**	1.0%
CHF	**0.6%**	1.7%

A strengthening of the euro against the above currencies would have resulted in an equal but opposite effect to the amounts shown above.

Notes to the financial statements (continued)

5. Financial risk review (continued)

C. Market risk (continued)

iii. Other price risk

Exposure

IFRS 7.34(a)

The following table sets out the concentration of the investment assets and liabilities, excluding derivatives held by the Fund as at the reporting date.

	2017 % of net assets	2016 % of net assets
Equity investments:		
Exchange-traded equity investments	**51.8%**	38.7%
Unlisted private equity investments	**1.5%**	0.9%
Unlisted open-ended investment funds	**5.0%**	-
Total equity investments	**58.3%**	39.6%
Debt securities:		
Exchange-traded debt securities	**30.8%**	48.4%
Total debt securities	**30.8%**	48.4%
Total investment assets	**89.1%**	88.0%
Securities sold short	**(2.4%)**	(0.7%)
Total investment liabilities	**(2.4%)**	(0.7%)

IFRS 7.34(c), 36(a)

The following table sets out the concentration of derivative assets and liabilities. It shows fair values and the notional amount of derivative assets and liabilities held by the Fund as at the reporting date.

In thousands of euro	2017 Fair value	2017 Notional	2016 Fair value	2016 Notional
Derivative assets				
Listed equity index options	**249**	**5,000**	29	400
Equity indices futures contracts	**54**	**7,500**	-	-
Foreign currency forward contracts	**219**	**2,000**	300	2,700
Foreign currency futures contracts	**23**	**2,500**	106	1,500
Total	**545**	**17,000**	435	4,600
Derivative liabilities				
Listed equity index options	**(1,066)**	**(16,000)**	(756)	(15,000)
Foreign currency forward contracts	**(822)**	**(10,000)**	(106)	(1,200)
Credit default swaps	**(485)**	**(12,800)**	-	-
Interest rate swaps	**(464)**	**(5,900)**	(372)	(4,000)
Total	**(2,837)**	**(44,700)**	(1,234)	(20,200)

Notes to the financial statements (continued)

5. Financial risk review (continued)

C. Market risk (continued)

iii. Other price risk (continued)

Exposure (continued)

IFRS 7.34(c), B8

The investment manager monitors the concentration of risk for equity and debt securities based on counterparties and industries [*and geographic location*]. The Fund's equity investments are concentrated in the following industries.

	2017 %	2016 %
Healthcare	**18.6**	21.2
Energy	**17.5**	15.8
Telecommunication	**16.9**	14.3
Banks/financial services	**15.9**	13.5
Information technology	**14.5**	13.2
Biotechnology	**5.6**	2.9
Automotive manufacturing	**5.1**	8.3
Pharmaceutical	**3.2**	3.1
Other	**2.7**	7.7
	100.0	100.0

There were no significant concentrations of risk to issuers at 31 December 2017 or 31 December 2016. No exposure to any individual issuer exceeded 5% of the net assets attributable to the holders of redeemable shares either at 31 December 2017 or at 31 December 2016.

Sensitivity analysis

IFRS 7.40

The table below sets out the effect on net assets attributable to holders of redeemable shares of a reasonably possible weakening in the individual equity market prices of 4% at 31 December. The estimates are made on an individual investment basis. The analysis assumes that all other variables, in particular interest and foreign currency rates, remain constant.

Effect in thousands of euro	2017	2016
Net loss from exchange-traded equity investments	**(716)**	(352)
Net gain from securities sold short	**25**	7
Effect in % of net assets attributable to the holders of redeemable shares	**2017**	**2016**
Net loss from exchange-traded equity investments	**(2.2%)**	(1.2%)
Net gain from securities sold short	**0.0%**	0.0%
Effect in % of increase in net assets attributable to the holders of redeemable shares	**2017**	**2016**
Net loss from exchange-traded equity investments	**(24.2%)**	(17.5%)
Net gain from securities sold short	**0.8%**	0.3%

A strengthening in the individual equity market prices of 4% at 31 December would have resulted in an equal but opposite effect to the amounts shown above.

All investments in listed corporate debt securities are fixed-income instruments that have maturities of six months or less. The Fund expects price fluctuations for these investments to arise principally from interest rate or credit risk. As a result, the Fund is not subject to significant other price risk on these investments.

Notes to the financial statements (continued)

6. Fair values of financial instruments

See accounting policy in Note 21(H)(iii).

A. Valuation models[a]

IFRS 13.91, 93(d)

The fair values of financial assets and financial liabilities that are traded in active markets are based on prices obtained directly from an exchange on which the instruments are traded or obtained from a broker that provides an unadjusted quoted price from an active market for identical instruments. For all other financial instruments, the Fund determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

IFRS 13.72

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- *Level 1:* Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- *Level 2:* Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- *Level 3:* Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

IFRS 13.93(d)

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity indices, EBITDA multiples and revenue multiples and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Fund uses widely recognised valuation models for determining the fair value of common and simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple OTC derivatives such as interest rate swaps. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

a. This guide provides a generic illustration of the examples of valuation models that could be used by an investment fund. Each investment fund has to disclose in more detail the specific valuation models and inputs that it uses for Level 2 and Level 3 fair value measurements.

Notes to the financial statements (continued)

6. Fair values of financial instruments (continued)

A. Valuation models (continued)

IFRS 13.93(g)

For more complex instruments, the Fund uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Fund believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Fund and the counterparty where appropriate. For measuring derivatives that might change classification from being an asset to a liability or vice versa, such as interest rate swaps, fair values include adjustment for both own credit risk and counterparty credit risk.

Model inputs and values are calibrated against historical data and published forecasts and, when possible, against current or recent observed transactions and broker quotes. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value, and management judgement is required to select the most appropriate point in the range.

i. Valuation approach for specific instruments

Corporate debt securities

Where quoted prices in an active market are available at the measurement date for an identical corporate debt security, those prices are used (Level 1 measurement). The Fund measures instruments quoted in an active market at mid price, because this price provides a reasonable approximation of the exit price.

In other cases, the fair value is estimated using the market comparison/discounted cash flow techniques. This considers (i) current or recent quoted prices for identical securities in markets that are not active and (ii) a net present value calculated using discount rates derived from quoted prices of securities with similar maturity and credit rating that are traded in active markets, adjusted by an illiquidity factor.

Listed equity securities

Listed equity securities are valued using quoted prices in an active market for an identical instrument (Level 1 measurement).

Private equity investments

The fair value of the unlisted private equity investments is determined using the market comparison technique. The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee and the expected revenue and EBITDA of the investee. The estimate is adjusted for the effect of the non-marketability of the equity securities (see Note 6D).[a]

Insights 2.4.860.10 **a.** There are a number of sources of guidance that entities can refer to in valuing unquoted equity securities, including the IASB's educational material, a practice aid issued by the American Institute of Certified Public Accountants and the valuation guidelines issued by the International Private Equity and Venture Capital Association. Although this guidance may be useful, care is required because such guidance is not necessarily consistent with IFRS 13 *Fair Value Measurement*.

Notes to the financial statements (continued)

6. Fair values of financial instruments (continued)

A. Valuation models (continued)

i. Valuation approach for specific instruments (continued)

Unlisted open-ended investment funds

The fair value of investments in the unlisted open-ended investment funds is determined either using unadjusted net asset value (Level 2 valuation) or by applying a discount to the net asset value (Level 3 valuation). The unadjusted net asset value is used when the units in a fund are redeemable at the reportable net asset value at, or approximately at, the measurement date. If this is not the case, then net asset value is used as a valuation input and an adjustment is applied for lack of marketability/restricted redemptions. This adjustment is based on management judgement after considering the period of restrictions and the nature of the underlying investments.[a]

Foreign currency forward contracts

The fair value of the foreign currency forward contracts is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.

Interest rate swaps

The fair value of the interest rate swaps is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Fund and of the counterparty (this is calculated based on credit spreads derived from current credit default swap or bond prices) and the level of collateralisation.

Credit default swaps

The fair value of credit default swaps is determined by estimating future default probabilities using market standard models. The principal input into the model is the credit curve. Credit spreads are observed directly from broker data or third party vendors. The significant model inputs are observable in the marketplace or set in the contract.

Insights 2.4.970.90 **a.** In our experience, net asset value would usually be representative of the fair value of investments in open-ended investment funds that are open to new investors and allow redemptions at net asset value.

Notes to the financial statements (continued)

6. Fair values of financial instruments (continued)

B. Valuation framework

IFRS 13.93(g), IE65

The Fund has an established control framework with respect to the measurement of fair values. This framework includes a portfolio valuation function, which is independent of front office management and reports to the board of directors, who have overall responsibility for fair value measurements. Specific controls include:

– verification of observable pricing inputs;

– re-performance of model valuations;

– a review and approval process for new models and changes to such models;

– calibration and back-testing of models against observed market transactions;

– analysis and investigation of significant daily valuation movements; and

– review of unobservable inputs and valuation adjustments.

When third party information, such as broker quotes or pricing services, is used to measure fair value, the portfolio valuation function assesses and documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified. This includes:

– verifying that the broker or pricing service is approved by the Fund for use in pricing the relevant type of financial instrument;

– understanding how the fair value has been arrived at and the extent to which it represents actual market transactions and whether it represents a quoted price in an active market for an identical instrument;

– when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and

– if a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

Notes to the financial statements (continued)

6. Fair values of financial instruments (continued)

C. Fair value hierarchy – Financial instruments measured at fair value

IFRS 13.93(b), IE60

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. All fair value measurements below are recurring.

31 December 2017

In thousands of euro	Level 1	Level 2	Level 3	Total
Non-pledged financial assets at FVTPL				
Equity investments, listed:				
Healthcare	2,574	568	-	3,142
Energy	2,274	682	-	2,956
Telecommunications	2,699	156	-	2,855
Banks/financial services	2,491	195	-	2,686
Information technology	2,420	30	-	2,450
Biotechnology	921	25	-	946
Automotive manufacturing	793	69	-	862
Pharmaceutical	518	23	-	541
Other	421	35	-	456
Total	15,111	1,783	-	16,894
Debt securities:				
Banks/financial services	362	1,852	-	2,214
Automotive manufacturing	625	893	-	1,518
Information technology	623	633	-	1,256
Pharmaceutical	524	300	-	824
Other	157	1,391	-	1,548
Total	2,291	5,069	-	7,360
Unlisted private equity investments:				
Biotechnology	-	-	500	500
Total	-	-	500	500
Unlisted open-ended investment funds:				
Multi-strategy	-	640	531	1,171
Equity long/short	-	461	-	461
Total	-	1,101	531	1,632
Derivative financial instruments:				
Listed equity index options	249	-	-	249
Equity indices futures contracts	54	-	-	54
Foreign currency forward contracts	-	219	-	219
Foreign currency futures contracts	23	-	-	23
Total	326	219	-	545
	17,728	8,172	1,031	26,931
Pledged financial assets at FVTPL				
Debt securities:				
Banks/financial services	2,691	-	-	2,691
Total	2,691	-	-	2,691

Notes to the financial statements (continued)

6. Fair values of financial instruments (continued)

C. Fair value hierarchy – Financial instruments measured at fair value (continued)

31 December 2017 *In thousands of euro*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at FVTPL				
Securities sold short:				
Banks/financial services	-	(784)	-	(784)
Total	-	(784)	-	(784)
Derivative financial instruments:				
Listed equity index options	(1,066)	-	-	(1,066)
Foreign currency forward contracts	-	(822)	-	(822)
Credit default swaps	-	(485)	-	(485)
Interest rate swaps	-	(464)	-	(464)
Total	(1,066)	(1,771)	-	(2,837)
	(1,066)	(2,555)	-	(3,621)
31 December 2016				
Non-pledged financial assets at FVTPL				
Equity investments, listed:				
Healthcare	1,941	520	-	2,461
Energy	1,738	96	-	1,834
Telecommunications	1,400	260	-	1,660
Banks/financial services	1,567	-	-	1,567
Information technology	1,532	-	-	1,532
Biotechnology	337	-	-	337
Automotive manufacturing	963	-	-	963
Pharmaceutical	286	74	-	360
Other	893	-	-	893
Total	10,657	950	-	11,607
Debt securities:				
Banks/financial services	2,577	2,985	-	5,562
Automotive manufacturing	916	869	-	1,785
Information technology	509	652	-	1,161
Pharmaceutical	1,618	283	-	1,901
Other	860	896	-	1,756
Total	6,480	5,685	-	12,165
Unlisted private equity investments:				
Other	-	-	264	264
Total	-	-	264	264
Derivative financial instruments:				
Listed equity index options	29	-	-	29
Foreign currency forward contracts	-	300	-	300
Foreign currency futures contracts	106	-	-	106
Total	135	300	-	435
	17,272	6,935	264	24,471

Notes to the financial statements (continued)

6. Fair values of financial instruments (continued)

C. Fair value hierarchy – Financial instruments measured at fair value (continued)

31 December 2016

In thousands of euro	Level 1	Level 2	Level 3	Total
Pledged financial assets at FVTPL				
Debt securities:				
Banks/financial services	2,346	-	-	2,346
Total	2,346	-	-	2,346
Financial liabilities at FVTPL				
Securities sold short:				
Banks/financial services	-	(212)	-	(212)
Total	-	(212)	-	(212)
Derivative financial instruments:				
Listed equity index options	(756)	-	-	(756)
Foreign currency forward contracts	-	(106)	-	(106)
Interest rate swaps	-	(372)	-	(372)
Total	(756)	(478)	-	(1,234)
	(756)	(690)	-	(1,446)

IFRS 13.93(c)

During the current year, due to changes in market conditions for certain debt securities, quoted prices in active markets were no longer available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities, with a carrying amount of €200 thousand, were transferred from Level 1 to Level 2 of the fair value hierarchy.

IFRS 13.93(e), IE61

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy.

	In thousands of euro	Unlisted open-ended investment funds Multi-strategy	Unlisted private equity investments Biotechnology	Total
	Balance at 1 January 2016	-	138	138
IFRS 13.93(e)(i)	Total gains or losses recognised in profit or loss	-	23	23
IFRS 13.93(e)(iii)	Purchases	-	119	119
IFRS 13.93(e)(iii)	Sales	-	(16)	(16)
IFRS 13.93(e)(iv)	Transfers into Level 3	-	-	-
IFRS 13.93(e)(iv)	Transfers out of Level 3	-	-	-
	Balance at 31 December 2016	-	264	264
IFRS 13.93(e)(i)	Total gains or losses recognised in profit or loss	**56**	**51**	**107**
IFRS 13.93(e)(iii)	Purchases	**475**	**244**	**719**
IFRS 13.93(e)(iii)	Sales	**-**	**(59)**	**(59)**
IFRS 13.93(e)(iv)	Transfers into Level 3	**-**	**-**	**-**
IFRS 13.93(e)(iv)	Transfers out of Level 3	**-**	**-**	**-**
	Balance at 31 December 2017	**531**	**500**	**1,031**

IFRS 13.93(f)

The change in unrealised gains or losses (net gain) for the period included in profit or loss relating to those assets and liabilities held at the reporting date amounted to €99 thousand (2016: €20 thousand).

These gains and losses are recognised in profit or loss as a net gain from financial instruments at FVTPL.

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Notes to the financial statements (continued)

6. Fair values of financial instruments (continued)

D. Significant unobservable inputs used in measuring fair value

IFRS 13.93(d), 93(h)(i), IE63

The table below sets out information about significant unobservable inputs used at 31 December 2017 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.[a]

Description	Fair value at 31 December 2017	Valuation technique	Significant unobservable inputs	Range of estimates (weighted-average) for unobservable input	Sensitivity to changes in significant unobservable inputs
Unlisted private equity investments	**500 (2016: 264)**	Market approach using comparable traded multiples	EBITDA multiple	7–12 (10) (2016: 7–13 (10))	The estimated fair value would increase if: – the EBITDA or revenue multiples were higher; or – the discount for lack of marketability were lower.
			Revenue multiple	1.5–2.0 (1.8) (2016: 1.4–2.1 (1.8))	
			Discount for lack of marketability	5–15% (11%) (2016: 6–15 (10))	
Unlisted open-ended investment funds	**531 (2016: nil)**	Adjusted net asset value	Discount for lack of marketability/ restricted redemptions	8–10% (9%) (2016: nil)	A significant increase in discount would result in a lower fair value.

IFRS 13.93(g), IE65(e)

Significant unobservable inputs are developed as follows.

- *EBITDA and revenue multiples:* Represent amounts that market participants would use when pricing the investments. EBITDA and revenue multiples are selected from comparable public companies based on geographic location, industry, size, target markets and other factors that management considers to be reasonable. The traded multiples for the comparable companies are determined by dividing the enterprise value of the company by its EBITDA or revenue.
- *Discount for lack of marketability for unlisted private equity investments:* Represents the discount applied to the comparable market multiples to reflect the illiquidity of the portfolio companies relative to the comparable peer group. Management determines the discount for lack of marketability based on its judgement after considering market liquidity conditions and company-specific factors such as the developmental stage of the portfolio company.
- *Discount for lack of marketability/restricted redemptions for the unlisted open-ended investment funds:* Represents the discount applied to the net asset value of the investee to reflect the restriction of redemptions. Management determines this discount based on its judgement after considering the period of restrictions and the nature of the Fund's investments.

IFRS 13.93(d), IE63, Insights 2.4.530.50

a. IFRS 13 does not specify how to summarise the information about unobservable inputs for each class of assets or liabilities (e.g. whether to include information about the range of values or a weighted average for each unobservable input used for each class). An entity should consider the level of detail that is necessary to meet the disclosure objectives. For example, if the range of values for an unobservable input that the entity uses is wide, then this may indicate that the entity should disclose both the range and the weighted average of the values, as disclosed in this guide.

Notes to the financial statements (continued)

6. Fair values of financial instruments (continued)

E. Sensitivity of fair value measurement to changes in unobservable inputs

IFRS 13.93(h)(ii)

Although management believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects on net assets attributable to holders of redeemable shares.

In thousands of euro	**Favourable**	**(Unfavourable)**
2017		
Unlisted open-ended investment funds	**48**	**(49)**
Unlisted private equity investments	**43**	**(41)**
2016		
Unlisted private equity investments	21	(20)

IFRS 13.93(h)(ii)

The favourable and unfavourable effects of using reasonably possible alternative assumptions for the valuation of unlisted private equity investments have been calculated by recalibrating the model values using unobservable inputs based on averages of the upper and lower quartiles respectively of the Fund's ranges of possible estimates. The most significant unobservable inputs are EBITDA and revenue multiples and the discount for lack of marketability. The weighted-average discount for lack of marketability used in the model at 31 December 2017 was 11% (with reasonably possible alternative assumptions of 4 and 16%) (2016: 10; 5 and 16% respectively). The EBITDA multiple used in the model at 31 December 2017 was 10 (with reasonably possible alternative assumptions of 6 and 13) (2016: 10; 6 and 14 respectively). The revenue multiple used in the model at 31 December 2017 was 1.8 (with reasonably possible alternative assumptions of 1.4 and 2.1) (2016: 1.8; 1.3 and 2.2 respectively).

The favourable and unfavourable effects of using reasonably possible alternative assumptions for the valuation of unlisted open-ended investment funds have been calculated by recalibrating the model values using unobservable inputs based on averages of the upper and lower quartiles respectively of the Fund's ranges of possible estimates. The most significant unobservable input is the discount for lack of marketability/restricted redemptions. The weighted-average discount for lack of marketability/restricted redemptions used in the model at 31 December 2017 was 9% (with reasonably possible alternative assumptions of 7 and 11%).

F. Financial instruments not measured at fair value[a]

IFRS 7.25, 29

The financial assets not measured at FVTPL include:

i. cash and cash equivalents, balances due from/to brokers and receivables/payables under sale and repurchase agreements. These are short-term financial assets and financial liabilities whose carrying amounts approximate fair value, because of their short-term nature and the high credit quality of counterparties; and
ii. net assets attributable to holders of redeemable shares. The Fund routinely redeems and issues the redeemable shares at the amount equal to the proportionate share of net assets of the Fund at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to holders of redeemable shares approximates their fair value. The shares are categorised into Level 2 of the fair value hierarchy.

IFRS 7.1(a), 25, 29, 13.93, 97

a. Paragraph 1(a) of IFRS 7 requires disclosure of the significance of financial instruments for the entity's financial position and performance. Specifically, paragraphs 25 and 29 require disclosure of the fair value of financial instruments unless the carrying amount approximates fair value. IFRS 13 requires disclosure of the fair value hierarchy for financial instruments not measured at fair value but for which fair value is disclosed. Financial institutions have to apply judgement to determine whether disclosure of the fair value of financial instruments measured at amortised cost is required to meet the objectives of IFRS 7.

In this guide, the Fund concluded that disclosure of the fair value hierarchy for cash and cash equivalents, balances due from/to brokers and receivables/payables under sale and repurchase agreements is not useful because of the short-term nature of those instruments and high credit quality of the counterparties. However, the Fund concluded that disclosure of such information for redeemable shares is useful.

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IAS 18.35(b)(iii)

7. Interest income[a]

IFRS 7.20(b)

In thousands of euro	2017	2016
Interest income on financial assets carried at amortised cost:		
Cash and cash equivalents	**2**	35
Receivables from reverse sale and repurchase agreements	**237**	211
	239	246
Interest income on financial instruments designated as at FVTPL:		
Debt securities	**364**	183
	603	429

IFRS 7.20(a)(i)

a. Presentations of interest income and interest expense other than that shown in this guide are possible. For example, an entity may present interest income and interest expense on financial instruments designated as at FVTPL within 'gain from financial instruments at FVTPL'.

Notes to the financial statements (continued)

8. Net gain from financial instruments at FVTPL[a]

IFRS 7.20(a)(i)

IFRS 7.20(a)(i)

In thousands of euro	2017	2016
Net gain from financial instruments held for trading:		
Securities sold short	**58**	57
Derivative financial instruments	**88**	(37)
	146	20
Net gain from financial assets designated as at FVTPL:		
Equity investments	**3,004**	1,536
Debt securities	**101**	841
	3,105	2,377
	3,251	2,397
Net gain from financial instruments at FVTPL:[b]		
Realised	**1,585**	1,208
Unrealised	**1,666**	1,189
	3,251	2,397

The realised gain from financial instruments at FVTPL represents the difference between the carrying amount of a financial instrument at the beginning of the reporting period, or the transaction price if it was purchased in the current reporting period, and its settlement price.

The unrealised gain represents the difference between the carrying amount of a financial instrument at the beginning of the period, or the transaction price if it was purchased in the current reporting period, and its carrying amount at the end of the reporting period.

IFRS 7.20(a)(i) **a.** In this guide, the net gain from financial instruments held for trading does not include dividends on securities sold short; and the net gain from financial instruments designated as at FVTPL does not include interest income and dividend income, because these are presented separately. However, other presentations are possible.

IFRS 13.93(f) **b.** There is no requirement under IFRS to disclose an analysis of gains and losses on financial instruments accounted for at FVTPL between realised and unrealised portions, other than for certain instruments categorised into Level 3 of the fair value hierarchy. However, this information may be useful to investors and therefore many funds include it in their financial statements.

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9. Withholding tax expense

IAS 12.80

The Fund is exempt from paying income taxes under the current system of taxation in [*insert name of the country of domicile*]. Certain dividend and interest income received by the Fund is subject to withholding tax imposed in the country of origin. During the year, the average withholding tax rate was 15% (2016:15%).

Notes to the financial statements (continued)

10. Classification of financial assets and financial liabilities

See accounting policies in Note 21(H)(ii).

IFRS 7.6, 8, 25

The table below sets out the classifications of the carrying amounts of the Fund's financial assets and financial liabilities into categories of financial instruments.

In thousands of euro	*Note*	Held for trading	Designated as at fair value	Loans and receivables	Other financial liabilities	Total
31 December 2017						
Cash and cash equivalents		**-**	**-**	**51**	**-**	**51**
Balances due from brokers	*12*	**-**	**-**	**4,619**	**-**	**4,619**
Receivables from reverse sale and repurchase agreements	*5*	**-**	**-**	**4,744**	**-**	**4,744**
Non-pledged financial assets at FVTPL	*11*	**545**	**26,386**	**-**	**-**	**26,931**
Pledged financial assets at FVTPL	*11*	**-**	**2,691**	**-**	**-**	**2,691**
		545	**29,077**	**9,414**	**-**	**39,036**
Balances due to brokers	*12*	**-**	**-**	**-**	**143**	**143**
Payables under sale and repurchase agreements	*5*	**-**	**-**	**-**	**2,563**	**2,563**
Financial liabilities at FVTPL	*11*	**3,621**	**-**	**-**	**-**	**3,621**
Net assets attributable to holders of redeemable shares	*14*	**-**	**-**	**-**	**32,625**	**32,625**
		3,621	**-**	**-**	**35,331**	**38,952**
31 December 2016						
Cash and cash equivalents		-	-	71	-	71
Balances due from brokers	*12*	-	-	3,121	-	3,121
Receivables from reverse sale and repurchase agreements	*5*	-	-	3,990	-	3,990
Non-pledged financial assets at FVTPL	*11*	435	24,036	-	-	24,471
Pledged financial assets at FVTPL	*11*	-	2,346	-	-	2,346
		435	26,382	7,182	-	33,999
Balances due to brokers	*12*	-	-	-	275	275
Payables under sale and repurchase agreements	*5*	-	-	-	2,234	2,234
Financial liabilities at FVTPL	*11*	1,446	-	-	-	1,446
Net assets attributable to holders of redeemable shares	*14*	-	-	-	29,979	29,979
		1,446	-	-	32,488	33,934

Notes to the financial statements (continued)

11. Financial assets and financial liabilities at FVTPL

See accounting policies in Note 21(H).

In thousands of euro		2017	2016
	Pledged financial assets at FVTPL		
IFRS 7.8(a)(i)	Financial assets designated as at FVTPL:		
	Debt securities	**2,691**	2,346
	Non-pledged financial assets at FVTPL		
IFRS 7.8(a)(ii)	Held-for-trading assets:		
	Derivative financial instruments:		
	Equity	**303**	29
	Foreign exchange	**242**	406
		545	435
IFRS 7.8(a)(i)	Financial assets designated as at FVTPL:		
	Debt securities – corporates	**7,360**	12,165
	Equity investments, listed	**16,894**	11,607
	Unlisted open-ended investment funds	**1,632**	-
	Unlisted private equity investments	**500**	264
		26,386	24,036
		26,931	24,471
	Financial liabilities at FVTPL		
IFRS 7.8(a)(ii)	Held-for-trading liabilities:		
	Securities sold short – equity investments	**784**	212
	Derivative financial instruments:		
	Equity	**1,066**	756
	Foreign exchange	**822**	106
	Credit	**485**	-
	Interest rate	**464**	372
		2,837	1,234
		3,621	1,446

Notes to the financial statements (continued)

12. Balances due from/to brokers

See accounting policies in Note 21(H)(ii).

IAS 7.14(a)

In thousands of euro	2017	2016
Balances due from brokers		
Margin accounts	**2,991**	2,144
Cash collateral for borrowed securities	**823**	223
Sales transactions awaiting settlement	**805**	754
	4,619	3,121
Balances due to brokers		
Purchase transactions awaiting settlement	**143**	275

Margin accounts represent cash deposits with brokers, transferred as collateral against open derivative contracts. The Fund uses brokers to transact derivative transactions, including those with central counterparties.

In accordance with the Fund's policy of trade-date accounting for regular-way sale and purchase transactions, sales/purchase transactions awaiting settlement represent amounts receivable/payable for securities sold/purchased but not yet settled as at the reporting date.

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13. Equity

IAS 1.79(a)(i)–(iii)

A. Authorised, issued and fully paid management voting shares

	Authorised		Issued and fully paid	
Number of shares	**2017**	**2016**	**2017**	**2016**
Management shares of €1 each	**1,000,000**	1,000,000	**10,000**	10,000

	Authorised		Issued and fully paid	
In thousands of euro	**2017**	**2016**	**2017**	**2016**
Management shares	**1,000**	1,000	**10**	10

The holders of management shares are entitled to receive notice of, and to vote at, general meetings of the Fund. Dividends may not be declared in respect of the management shares. The holders of these shares are only entitled to a repayment of an amount up to par value on the winding-up of the Fund and such payment is in priority to the holders of the redeemable shares. At 31 December 2017 and 2016, the management shares were held by the investment manager.

Notes to the financial statements (continued)

14. Net assets attributable to holders of redeemable shares[a]

See accounting policies in Note 21(H)(viii).

A. Redeemable shares

The analysis of movements in the number of redeemable shares and net assets attributable to holders of redeemable shares during the year was as follows.

IAS 1.79(a)(i), (iii)

i. Authorised redeemable shares

	2017			2016		
Number of shares	**Class A**	**Class B**	**Total**	**Class A**	**Class B**	**Total**
Shares of €0.01 each	**4,000,000**	**900,000**	**4,900,000**	4,000,000	900,000	4,900,000
In thousands of euro						
Shares of €0.01 each	**40**	**9**	**49**	40	9	49

IAS 1.79(a)(ii), (iv)

Issued and fully paid *Number of shares*	**Class A**	**Class B**	**Total**	**Class A**	**Class B**	**Total**
Balance at 1 January	**201,436**	**59,095**	**260,531**	116,818	56,082	172,900
Issued during the year	**52,800**	**3,400**	**56,200**	138,818	3,013	141,831
Redeemed during the year	**(53,100)**	**(4,419)**	**(57,519)**	(54,200)	-	(54,200)
Balance at 31 December	**201,136**	**58,076**	**259,212**	201,436	59,095	260,531

IAS 1.79(a)(ii), (iv)

Issued and fully paid *In thousands of euro*	**Class A**	**Class B**	**Total**	**Class A**	**Class B**	**Total**
Balance at 1 January	**23,242**	**6,737**	**29,979**	12,498	5,963	18,461
Increase in net assets attributable to holders of redeemable shares	**2,344**	**612**	**2,956**	1,563	445	2,008
Issue of shares during the year	**6,275**	**393**	**6,668**	15,176	329	15,505
Redemption of shares during the year	**(6,448)**	**(530)**	**(6,978)**	(5,995)	-	(5,995)
Balance at 31 December	**25,413**	**7,212**	**32,625**	23,242	6,737	29,979
Net asset value per share (in euro) at 31 December	**126.35**	**124.18**		115.38	114.00	

a. The Fund has minimal equity and net assets (after deducting the equity interest) accrue to the holders of redeemable shares. Accordingly, disclosures of changes during the period in the redeemable shares classified as financial liabilities, and the rights, preferences and restrictions attached to the redeemable shares, if applicable, provide users with relevant and helpful information.

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14. Net assets attributable to holders of redeemable shares (continued)

A. Redeemable shares (continued)

IAS 1.79(a)(i), (iii)

i. Authorised redeemable shares (continued)

IAS 1.79(a)(v)

The rights attaching to the redeemable shares are as follows.

- The shares may be redeemed weekly at the net asset value per share of the respective class. The net asset value per share is calculated on the following basis:
  - for assets and liabilities quoted in an active market – using mid-market prices; and
  - for other assets and liabilities – using probable realisation value estimated with care and good faith.
- Redeemable shares carry a right to receive notice of, attend and vote at general meetings.
- The holders of redeemable shares are entitled to receive all dividends declared and paid by the Fund. On winding-up, the holders are entitled to a return of capital based on the net asset value per share of their respective classes after deduction of the nominal amount of the management shares. [*Explain the differences in entitlements to net assets of Class A and Class B – e.g. management fee rate.*]

Notwithstanding the redeemable shareholders' rights to redemptions as above, the Fund has the right, as set out in its prospectus, to impose a redemption gate limit of 10% of the net assets of the Fund in any redemption period to manage redemption levels and maintain the strength of the Fund's capital base.

B. Dividends

IAS 1.107

During the year, the Fund declared and paid a dividend as follows.

	2017			2016		
	Class A	Class B	Total	Class A	Class B	Total
Interim dividend paid on [*date*]						
Dividend per share (euro)	**0.67**	**0.73**		0.54	0.50	
Dividend (thousands of euro)	**135**	**43**	**178**	63	28	91

IAS 1.137(a)

Subsequent to the reporting date, the Fund declared an additional dividend in respect of 2017, which was paid on [*insert date*] 2017, as follows.

	Class A	Class B	Total
Dividend per share (euro)	**0.28**	**0.31**	
Dividend (thousands of euro)	**57**	**18**	**75**

Notes to the financial statements (continued)

15. Transfers of financial assets[a]

See accounting policies in Notes 21(H)(vi) and (viii).

A. Transferred financial assets that are not derecognised in their entirety

i. Sale and repurchase agreements

IAS 39.29, AG51(a)–(c), IFRS 7.42D(a)–(c)

Sale and repurchase agreements are transactions in which the Fund sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. The Fund continues to recognise the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The cash consideration received is recognised as a financial asset and a financial liability is recognised for the obligation to pay the repurchase price. Because the Fund sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

IFRS 7.42D(d)–(e)

The table below sets out the carrying amounts and fair values of financial assets transferred through sale and repurchase agreements. These carrying amounts are included in the 'Pledged financial assets at FVTPL' line item in the statement of financial position.

In thousands of euro	**2017**	**2016**
Carrying amount of assets	**2,691**	2,563
Carrying amount of associated liabilities	**(2,563)**	(2,234)

Insights 7.8.420.10, 430

a. The definition of 'transfer' in IFRS 7 for the purposes of disclosures is different from the one in IAS 39 *Financial Instruments: Recognition and Measurement* for the purpose of determining whether a financial asset should be derecognised.

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16. Involvement with unconsolidated structured entities

IFRS 12.26

The Fund has concluded that the unlisted open-ended investment funds in which it invests, but that it does not consolidate, meet the definition of structured entities because:

- the voting rights in the funds are not dominant rights in deciding who controls them because they relate to administrative tasks only;
- each fund's activities are restricted by its prospectus; and
- the funds have narrow and well-defined objectives to provide investment opportunities to investors.

IFRS 12.26

The table below describes the types of structured entities that the Fund does not consolidate but in which it holds an interest.

Type of structured entity	Nature and purpose	Interest held by the Fund
Investment funds	To manage assets on behalf of third party investors and generate fees for the investment manager. These vehicles are financed through the issue of units to investors.	Investments in units issued by the funds

IFRS 12.29

The table below sets out interests held by the Fund in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the financial assets held.

IFRS 12.26

31 December 2017 *In thousands of euro*	**Number of investee funds**	**Total net assets**	**Carrying amount included in 'Non-pledged financial assets at FVTPL'**
Investment in unlisted open-ended investment funds			
Multi-strategy	**2**	**195,856**	**1,171**
Equity long/short	**1**	**480,257**	**461**
Total			**1,632**

IFRS 12.30–31

During the year, the Fund did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support.

IFRS 12.B26

The Fund can redeem units in the above investment funds once a month on a specified date.

The Fund did not hold interests in unconsolidated structured entities at 31 December 2016.

Notes to the financial statements (continued)

IAS 24.13

17. Related parties and other key contracts

A. Related parties

IAS 24.17

i. Transactions with key management personnel[a, b]

The Fund appointed XYZ Capital Limited, an investment management company incorporated in [*name of country*], to implement the investment strategy as specified in the prospectus. Under the investment management agreement, the investment manager receives a management fee at an annual rate of 1.5% of the net asset value attributable to holders of redeemable shares as defined in the prospectus. The investment management fees incurred during the year amounted to €478 thousand (2016: €447 thousand). Included in other payables at 31 December 2017 were investment management fees payable of €49 thousand (2016: €47 thousand). The investment management contract can be terminated by the Fund at any time.

At 31 December 2017, 20,000 Class A redeemable shares (2016: 20,000 Class A redeemable shares) and all Class B redeemable shares (2016: all Class B redeemable shares) were held by employees of the investment manager.

At 31 December 2017, all management shares were held by the investment manager (2016: all management shares).

The total directors' fees paid for the year were €26 thousand (2016: €15 thousand). This amount has been fully settled during the year. The listing of the members of the board of directors is shown on page [*state page number*] of the annual report.

The directors did not hold any shares in the Fund during the reporting period or at the reporting date.

B. Other key contracts

i. Administrator[c]

The Fund appointed ABC Fund Services Limited, a fund administration company incorporated in [*name of country*], to provide administrative services including financial accounting services to the Fund. Under the fund administration agreement, the administrator receives an administration fee at an annual rate of 0.22% of the net asset value attributable to holders of redeemable shares on each valuation day as defined in the prospectus. The administration fees paid during the year amounted to €66 thousand (2016: €62 thousand). Included in other payables at 31 December 2017 were administration fees payable of €6 thousand (2016: €6 thousand). The fund administration agreement can be terminated by the Fund at any time.

IAS 10.21–22(a)

18. Subsequent events

[*Disclose subsequent events, if there were any.*]

IAS 24.9, Insights 5.5.40.10, 60

a. Key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of the entity – directly or indirectly. The definition of key management personnel includes directors (both executive and non-executive). In our view, the term also includes directors of any of the entity's parents to the extent that they have authority and responsibility for planning, directing and controlling the entity's activities. In our view, an entity's parent includes the immediate, intermediate and ultimate parent.

In our view, the definition of key management personnel in IAS 24 *Related Party Disclosures* specifies a role and is not limited to a person. In our experience, the authority and responsibility for planning, directing and controlling the activities of an entity in some cases is assigned to an entity rather than to a person. For example, a bank or company may act as an investment manager for an investment fund and in doing so assume the roles and responsibilities of key management personnel. We believe that an entity that assumes the role of key management personnel should be considered a related party of the reporting entity.

Insights 5.5.110.20

b. In our view, materiality considerations cannot be used to override the explicit requirements of IAS 24 for the disclosure of elements of key management personnel compensation. We believe that the nature of key management personnel compensation always makes it qualitatively material.

c. In this guide, the administrator is not a related party. However, details of the terms of the contract with the administrator have been disclosed by virtue of the administrator being a key service provider to the Fund. In some instances, the administrator may be a related party of the Fund and this should be disclosed accordingly.

Notes to the financial statements (continued)

IFRS 7.31

19. Financial risk management

A. Exposure

IFRS 7.31–32

The Fund has exposure to the following risks from financial instruments:

- credit risk;
- liquidity risk;
- market risks; and
- operational risk.

IFRS 7.33

This note presents information about the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

B. Risk management framework

IFRS 7.31

The Fund maintains positions in a variety of derivative and non-derivative financial instruments in accordance with its investment management strategy. [*Insert description of the Fund's investment strategy as outlined in the Fund's prospectus.*] The Fund's investment portfolio comprises listed and unlisted equity and debt securities, derivative financial instruments and investments in unlisted investment funds.

The Fund's investment manager has been given discretionary authority to manage the assets in line with the Fund's investment objectives. Compliance with the target asset allocations and the composition of the portfolio are monitored by the board of directors on a [*daily/weekly/monthly*] basis. In instances where the portfolio has diverged from target asset allocations, the Fund's investment manager is obliged to take actions to rebalance the portfolio in line with the established targets, within prescribed time limits.

IFRS 7.33

C. Credit risk

IFRS 7.33(a)

'Credit risk' is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from debt securities held, and also from derivative financial assets, cash and cash equivalents, balances due from brokers and receivables from reverse sale and repurchase agreements. For risk management reporting purposes, the Fund considers and aggregates all elements of credit risk exposure (such as individual obligor default risk, country risk and sector risk).

IFRS 7.33(b)

The Fund's policy over credit risk is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the credit standards set out in the Fund's prospectus and by taking collateral. [*Insert specific risk management policies and investment guidelines relating to credit risk as outlined in the Fund's prospectus.*]

IFRS 7.33(b)

Credit risk is monitored on a [*daily/weekly/monthly*] basis by the investment manager in accordance with the policies and procedures in place. [*Insert specific risk management procedures. This should include how the risk is managed and measured.*] The Fund's credit risk is monitored on a [*monthly/quarterly/other*] basis by the board of directors. If the credit risk is not in accordance with the investment policy or guidelines of the Fund, then the investment manager is obliged to rebalance the portfolio within [*state number of days*] days of each determination that the portfolio is not in compliance with the stated investment parameters.

IFRS 7.33(a)

The Fund's activities may give rise to settlement risk. 'Settlement risk' is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

IFRS 7.33(b)

For the majority of transactions, the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval and limit monitoring processes described below.

Notes to the financial statements (continued)

19. Financial risk management (continued)

IFRS 7.33

D. Liquidity risk

IFRS 7.33(a)

'Liquidity risk' is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

IFRS 7.33(b)

The Fund's policy and the investment manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including estimated redemptions of shares, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's prospectus provides for the weekly [*monthly/daily/quarterly*] creation and cancellation of shares and it is therefore exposed to the liquidity risk of meeting shareholder redemptions at each redemption date [*at any time*].

The Fund's financial assets include unlisted equity investments, which are generally illiquid. In addition, the Fund holds investments in unlisted open-ended investment funds, which may be subject to redemption restrictions such as side pockets or redemption gates. As a result, the Fund may not be able to liquidate some of its investments in these instruments in due time to meet its liquidity requirements.

The Fund's investments in listed securities are considered to be readily realisable because they are traded on major European stock exchanges and on the NYSE.

IFRS 7.33(b), 39(c), B11E

The Fund's liquidity risk is managed on a daily basis by the investment manager in accordance with the policies and procedures in place. [*Insert specific risk management policies and investment guidelines relating to liquidity risk as outlined in the Fund's prospectus, as well as the risk management procedures. This should include how the risk is managed and measured.*]

The Fund's overall liquidity risk is monitored on a weekly [*monthly/quarterly/other*] basis by the board of directors. The Fund's redemption policy only allows for weekly redemptions.

The board of directors is empowered to impose a redemption gate should redemption levels exceed 10% of the net asset value of the Fund in any redemption period.

IFRS 7.B11F(a)

In addition, the Fund maintains lines of credit of €300 thousand that it can access to meet liquidity needs. If the line of credit is drawn, then interest would be payable at the rate of Euribor plus 160 basis points (2016: Euribor plus 150 basis points). The Fund has no restrictions on the use of this facility.

IFRS 7.33

E. Market risk

IFRS 7.33(a)

'Market risk' is the risk that changes in market prices – such as interest rates, foreign exchange rates, equity prices and credit spreads – will affect the Fund's income or the fair value of its holdings of financial instruments.

IFRS 7.33(b)

The Fund's strategy for the management of market risk is driven by the Fund's investment objective. [*Insert description of the investment objective as outlined in the Fund's prospectus.*]

The Fund's market risk is managed on a daily basis by the investment manager in accordance with the policies and procedures in place. [*Insert specific risk management policies and investment guidelines relating to market risk as outlined in the Fund's prospectus. This should include how the risk is managed and measured.*] The Fund's market positions are monitored on a [*weekly/monthly/quarterly/other*] basis by the board of directors.

The Fund uses derivatives to manage its exposure to foreign currency, interest rate and other price risks. The instruments used include interest rate swaps, foreign currency forward contracts, futures and options. The Fund does not apply hedge accounting.

Notes to the financial statements (continued)

19. Financial risk management (continued)

E. Market risk (continued)

i. Interest rate risk

IFRS 7.33(b)

The Fund is exposed to the risk that the fair value or future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. In respect of the Fund's interest-bearing financial instruments, the Fund's policy is to transact in financial instruments that mature or re-price in the short term – i.e. no longer than 12 months. Accordingly, the Fund is subject to limited exposure to fair value or cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates.

IFRS 7.33(b)

To manage interest rate risk, the Fund aims to maintain a weighted-average days to maturity, or contractual re-pricing date if that is earlier, for debt securities of less than 90 days. [*Insert specific risk management policies and investment guidelines relating to interest rate risk as outlined in the Fund's prospectus.*]

IFRS 7.33(b)

The internal procedures require the investment manager to manage interest rate risk on a daily basis in accordance with the policies and procedures in place. [*Insert specific risk management procedures. This should include how the risk is managed and measured.*] The Fund's interest rate risk is monitored on a [*weekly/monthly/quarterly/other*] basis by the board of directors. If the interest rate risk is not in accordance with the investment policy or guidelines of the Fund, then the investment manager is required to rebalance the portfolio within [*state number of days*] days of each determination of such occurrence.

ii. Currency risk

IFRS 7.33(b)

The Fund invests in financial instruments and enters into transactions that are denominated in currencies other than its functional currency, primarily in US dollars (USD), sterling (GBP) and Swiss francs (CHF). Consequently, the Fund is exposed to risk that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the fair value or future cash flows of the Fund's financial assets or financial liabilities denominated in currencies other than the euro.

IFRS 7.33(b)

The Fund's policy with respect to managing its currency risk is to limit its total foreign currency exposure to less than 50% of the Fund's net assets, with no individual foreign currency exposure being greater than 25% of the net assets. *[Insert specific risk management policies and investment guidelines relating to currency risk as outlined in the Fund's prospectus.]*

The Fund's currency risk is managed on a daily basis by the investment manager in accordance with the policies and procedures in place. [*Insert specific risk management procedures carried out by the investment manager on currency risk. This should include how the risk is managed and measured.*] The Fund's currency positions and exposures are monitored on a [*weekly/monthly/quarterly/other*] basis by the board of directors.

iii. Other price risk

IFRS 7.33(b)

'Other price risk' is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer or factors affecting all instruments traded in the market.

IFRS 7.33(b)

Price risk is managed by the investment manager by diversifying the portfolio and economically hedging using derivative financial instruments such as options or futures contracts. [*Disclose any additional investment strategies adopted by the Fund and management with respect to its policies on managing price risk.*]

The Fund's policy for the concentration of its investment portfolio profile is as follows.

Equity investments listed on European stock exchanges and on the NYSE	Up to 80% of net assets.
Unlisted equity investments	Up to 15% of net assets.
Unlisted open-ended investment funds	Up to 15% of net assets.
Listed corporate debt securities	Up to 40% of net assets.
Equity investments sold short	Up to 30% of net assets.

Notes to the financial statements (continued)

19. Financial risk management (continued)

E. Market risk (continued)

iii. Other price risk (continued)

IFRS 7.33(b)

The internal procedures require the investment manager to manage price risk on a daily basis. [*Insert specific risk management procedures. This should include how risk is managed and measured.*] The Fund's procedures require price risk to be monitored on a [*weekly/monthly/quarterly/other*] basis by the board of directors.

If the price risk is not in accordance with the investment policy or guidelines of the Fund, then the investment manager is required to rebalance the portfolio within [*state number of days*] days of each determination of such occurrence.

IFRS 7.BC65

F. Operational risk[a]

'Operational risk' is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities with financial instruments, either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour.

The Fund's objective is to manage operational risk so as to balance the limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- documentation of controls and procedures;
- requirements for:
  - appropriate segregation of duties between various functions, roles and responsibilities;
  - reconciliation and monitoring of transactions; and
  - periodic assessment of operational risk faced;
- the adequacy of controls and procedures to address the risks identified;
- compliance with regulatory and other legal requirements;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance if this is effective.

The directors' assessment of the adequacy of the controls and processes in place at the service providers with respect to operational risk is carried out via regular [*or ad hoc*] discussions with the service providers and a review of the service providers' Service Organisation Controls (SOC) 1 reports on internal controls, if any are available.

Substantially all of the assets of the Fund are held by [*insert the name of the custodian*]. The bankruptcy or insolvency of the Fund's custodian may cause the Fund's rights with respect to the securities held by the custodian to be limited. The investment manager monitors the credit ratings and capital adequacy of its custodian on a [*monthly/quarterly/other*] basis, and reviews the findings documented in the SOC 1 report on the internal controls annually.

a. Operational risk is not a financial risk, and is not specifically required to be disclosed by IFRS 7. However, operational risk in a financial institution is commonly managed and reported internally in a formal framework similar to financial risks, and may be a factor in capital allocation and regulation.

Notes to the financial statements (continued)

19. Financial risk management (continued)

IAS 1.134–135(a)(ii)

G. Capital management[a]

The Fund is required by the [*title of legislation or regulation*] to maintain authorised and paid-up capital at a minimum amount of €10 thousand in the form of management shares [*explain the reason for issuing the shares, if it is different from the above*]. The holders of management shares are entitled to a repayment of up to par value only on the winding-up of the Fund in priority to redeemable shares. The Fund is not subject to other externally imposed capital requirements.

The redeemable shares issued by the Fund provide an investor with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets at each redemption date and are classified as liabilities. For a description of the terms of the redeemable shares issued by the Fund, see Note 14. The Fund's objectives in managing the redeemable shares are to ensure a stable base to maximise returns to all investors, and to manage liquidity risk arising from redemptions. The Fund's management of the liquidity risk arising from redeemable shares is discussed in Note 19(D).

a. The example disclosure presented in this guide illustrates a possible disclosure for an entity with minimal equity and with net assets attributable to the holders of redeemable shares. However, other presentations are possible.

The example disclosures are not designed to comply with any particular regulatory framework and assume that the Fund has no externally imposed capital requirements other than the requirement to issue non-redeemable management shares at inception of the Fund. Other funds may have additional externally imposed requirements imposed by a jurisdiction's regulators; if this arises, then disclosure of these externally imposed requirements is required.

Notes to the financial statements (continued)

IAS 1.117(a)

20. Basis of measurement

A. Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the following material items.

Items	Measurement basis
Derivative financial instruments	Fair value
Non-derivative financial instruments at FVTPL	Fair value

Notes to the financial statements (continued)

IFRS 7.21, IAS 1.112(a), 116, 117(b), 119, 121

21. Significant accounting policies[a]

The Fund has consistently applied the following accounting policies to all periods presented in these financial statements.

A. Foreign currency

[IAS 21.21] Transactions in foreign currencies are translated into euro at the spot exchange rate at the dates of the transactions.

[IAS 21.23] Monetary assets and liabilities denominated in foreign currencies are translated into euro at the spot exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are also translated into euro at the spot exchange rate at the reporting date.

Foreign currency differences arising on translation are recognised in profit or loss as net foreign exchange losses, except for those arising on financial instruments at FVTPL, which are recognised as a component of net gain from financial instruments at FVTPL.

IFRS 7.B5(e)

B. Interest

[IAS 18.30(a), 35(b)(iii)]
[IAS 39.9]

Interest income and expense, including interest income from non-derivative financial assets at FVTPL, are recognised in profit or loss, using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, when appropriate, a shorter period) to the carrying amount of the financial instrument on initial recognition. When calculating the effective interest rate, the Fund estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Interest received or receivable, and interest paid or payable, are recognised in profit or loss as interest income and interest expense, respectively.

IFRS 7.B5(e)

C. Dividend income and dividend expense

[IAS 18.30(c)]
[IAS 18.35(b)(v)]

Dividend income is recognised in profit or loss on the date on which the right to receive payment is established. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which the shareholders approve the payment of a dividend. Dividend income from equity securities designated as at FVTPL is recognised in profit or loss in a separate line item.

[IAS 18.30(c)] The Fund incurs expenses on short positions in equity securities equal to the dividends due on these securities. Such dividend expense is recognised in profit or loss as operating expense when the shareholders' right to receive payment is established.

a. The example accounting policies illustrated reflect the circumstances of the Fund on which these financial statements are based, by describing only the specific policies that are relevant to an understanding of the Fund's financial statements. These example accounting policies should not be relied on for a complete understanding of IFRS and should not be used as a substitute for referring to the standards and interpretations themselves. To help you identify the underlying requirements in IFRS, references to the recognition and measurement requirements in the IFRSs that are relevant for a particular accounting policy have been included and indicated by square brackets – e.g. *[IAS 21.21]*.

Notes to the financial statements (continued)

21. Significant accounting policies (continued)

IAS 32.IE32–IE33

D. Dividends to holders of redeemable shares

Dividends payable to holders of redeemable shares are recognised in profit or loss as finance costs. [*Provide more detail to reflect the circumstances of the particular fund.*]

IFRS 7.B5(e)

E. Net gain from financial instruments at FVTPL

Net gain from financial instruments at FVTPL includes all realised and unrealised fair value changes and foreign exchange differences, but excludes interest and dividend income, and dividend expense on securities sold short.

Net realised gain from financial instruments at FVTPL is calculated using the average cost method.

IFRS 7.21

F. Fees and commission expenses

Fees and commission expenses are recognised in profit or loss as the related services are received.

G. Tax

[IAS 12.2]

Under the current system of taxation in [*insert name of the country of domicile*], the Fund is exempt from paying income taxes. The Fund has received an undertaking from [*insert name of the relevant government body*] of [*insert name of the country of domicile*] exempting it from tax for a period of [*insert number of years*] years up to [*insert year of expiry*].

However, some dividend and interest income received by the Fund is subject to withholding tax imposed in certain countries of origin. Income that is subject to such tax is recognised gross of the taxes and the corresponding withholding tax is recognised as tax expense.[a]

The Fund has determined that interest and penalties related to income taxes do not meet the definition of an income tax. They are therefore accounted for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.[b]

IFRS 7.21

H. Financial assets and financial liabilities

i. Recognition and initial measurement

IFRS 7.B5(c)

[IAS 39.14, AG53–AG56]

Financial assets and financial liabilities at FVTPL are initially recognised on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date on which they are originated.

Financial assets and financial liabilities at FVTPL are initially recognised at fair value, with transaction costs recognised in profit or loss. Financial assets or financial liabilities not at FVTPL are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue.

[IAS 12.2], Insights 3.13.770.40

a. In our view, withholding taxes attributable to investment income (e.g. dividends received) should be recognised as part of income tax expense, with the investment income recognised on a gross basis. This is because neither IAS 18 *Revenue* nor IAS 12 *Income Taxes* provides any mechanism for income tax paid to be offset against the underlying income.

[IFRIC Update 09-17]

b. Interest and penalties related to income taxes are not explicitly included in the scope of IAS 12. The IFRS Interpretations Committee discussed the accounting for interest and penalties related to income taxes and noted that an entity first considers whether interest or a penalty itself is an income tax. If so, then it applies IAS 12. If the entity does not apply IAS 12, then it applies IAS 37 to that amount. The Committee also noted that this is not an accounting policy choice.

In our view, an entity should apply judgement, based on the specific facts and circumstances, including the substance of the tax legislation and the process of negotiation with the tax authorities in a specific jurisdiction, to determine if an interest or a penalty related to a particular income tax treatment, in its nature:

- is a separately identifiable financing charge or an operating expense, and therefore is not an *income tax*; or
- forms part of the tax treatment and therefore itself is an *income tax*.

Notes to the financial statements (continued)

21. Significant accounting policies (continued)

H. Financial assets and financial liabilities (continued)

[IAS 39.9, 45]

ii. Classification

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

[IAS 39.45(a)] Financial assets at FVTPL:

– *Held for trading:* derivative financial instruments.

– *Designated as at FVTPL:* debt securities and equity investments.

Financial assets at amortised cost:

[IAS 39.45(c), 46(a)]

– *Loans and receivables:* cash and cash equivalents, balances due from brokers and receivables from reverse sale and repurchase agreements.

Financial liabilities at FVTPL:

[IAS 39.47(a)]

– *Held for trading:* securities sold short and derivative financial instruments.

[IAS 39.47] Financial liabilities at amortised cost:

– *Other liabilities:* balances due to brokers, payables under sale and repurchase agreements and redeemable shares.

[IAS 39.9, AG15] A financial instrument is classified as held for trading if:

– it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

– on initial recognition, it is part of a portfolio that is managed together and for which there is evidence of a recent pattern of short-term profit taking; or

– it is a derivative, other than a designated and effective hedging instrument.

[IAS 39.9], IFRS 7.B5(a)] The Fund designates all debt and equity investments at FVTPL on initial recognition because it manages these securities on a fair value basis in accordance with its documented investment strategy. Internal reporting and performance measurement of these securities are on a fair value basis.

[IAS 39.45(c), 46(a)] A non-derivative financial asset with fixed or determinable payments may be classified as a loan and receivable unless it is quoted in an active market or is an asset for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

For a reconciliation of line items in the statement of financial position to the categories of financial instruments, as defined by IAS 39, see Note 10.

[IFRS 13.9]

iii. Fair value measurement

[IFRS 13.9, 24, 42] 'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

[IFRS 13.79, A] When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis. The Fund measures instruments quoted in an active market at a mid price, because this price provides a reasonable approximation of the exit price.

[IFRS 13.61–62] If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Notes to the financial statements (continued)

21. Significant accounting policies (continued)

H. Financial assets and financial liabilities (continued)

iii. Fair value measurement (continued)

[IFRS 13.95]

The Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

[IAS 39.9]

iv. Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

v. Impairment

IFRS 7.B5(f), [IAS 39.58–59]

Financial assets not classified at FVTPL are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset or a group of financial assets is 'impaired' if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset(s) and that loss event(s) had an impact on the estimated future cash flows of that asset(s) that can be estimated reliably.

IFRS 7.B5(d), [IAS 39.59]

Objective evidence that financial assets are impaired includes significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of the amount due on terms that the Fund would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, disappearance of an active market for a security or adverse changes in the payment status of the borrower.

[IAS 39.63, 65]

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. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

vi. Derecognition

[IAS 39.17–20]

The Fund derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest in such transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability.

The Fund enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all of the risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all of the risks and rewards include sale and repurchase transactions.

[IAS 39.39]

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Notes to the financial statements (continued)

21. Significant accounting policies (continued)

H. Financial assets and financial liabilities (continued)

vii. Offsetting

[IAS 32.42]

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

[IAS 1.32–35]

Income and expenses are presented on a net basis for gains and losses from financial instruments at FVTPL and foreign exchange gains and losses.

viii. Specific instruments

[IAS 7.46]

Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Fund in the management of short-term commitments, other than cash collateral provided in respect of derivatives and securities borrowing transactions.

[IAS 39.AG51(a)–AG51(c)]

Receivables and payables under sale and repurchase agreements and securities borrowed

When the Fund purchases a financial asset and simultaneously enters into an agreement to resell the same or a substantially similar asset at a fixed price on a future date (reverse sale and repurchase agreement), the arrangement is accounted for as a loan and receivable, and recognised in the statement of financial position as a receivable from a reverse sale and repurchase agreement, and the underlying asset is not recognised in the Fund's financial statements.

When the Fund sells a financial asset and simultaneously enters into an agreement to repurchase the same or a similar asset at a fixed price on a future date (sale and repurchase agreement), the arrangement is accounted for as a borrowing and is recognised in the statement of financial position as a payable under a sale and repurchase agreement, and the underlying asset is reclassified in the Fund's statement of financial position.

Securities borrowed by the Fund are not recognised in the statement of financial position. If the Fund subsequently sells the borrowed securities, then the arrangement is accounted for as a short sold position, recognised in the statement of financial position as a financial liability at FVTPL, classified as held-for-trading and measured at FVTPL. Cash collateral for borrowed securities is included within balances due from brokers.

Receivables from reverse sale and repurchase agreements and payables under sale and repurchase agreements are subsequently measured at amortised cost.

[IAS 32 AG13, AG27(a)–AG27(b)]

Redeemable shares

The redeemable shares are classified as financial liabilities and are measured at the present value of the redemption amounts.

Notes to the financial statements (continued)

22. Standards issued but not yet effective[a]

IAS 8.30–31

A number of new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Fund has not early applied these new or amended standards in preparing these financial statements. The one new standard potentially relevant to the Fund is IFRS 9 *Financial Instruments*, which is discussed below.

A. IFRS 9 *Financial Instruments*

The Fund is required to adopt IFRS 9 *Financial Instruments* from 1 January 2018. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement.* It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Classification of financial assets and financial liabilities

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

The standard includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and FVTPL. It eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

Based on the Fund's assessment, this standard is not expected to have a material impact on the classification of financial assets and financial liabilities of the Fund. This is because:

- the financial instruments classified as held-for-trading under IAS 39 (derivatives) will continue to be classified as such under IFRS 9;
- financial instruments currently measured at FVTPL under IAS 39 are designated into this category because they are managed on a fair value basis in accordance with a documented investment strategy. Accordingly, these financial instruments will be mandatorily measured at FVTPL under IFRS 9; and
- financial instruments currently measured at amortised cost are: cash balances and receivables from reverse sale and repurchase agreements. These instruments meet the solely payments of principal and interest (SPPI) criterion and are held in a held-to-collect business model. Accordingly, they will continue to be measured at amortised cost under IFRS 9.

IAS 1.31

a. The Fund has not included all new standards or amendments to IFRSs, because they will have a minimal effect on its financial statements.

Notes to the financial statements (continued)

22. Standards issued but not yet effective (continued)

A. IFRS 9 *Financial Instruments (continued)*

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments.

Under IFRS 9, loss allowances will be measured on either of the following bases:

– *12-month ECLs:* these are ECLs that result from possible default events within the 12 months after the reporting date; and

– *lifetime ECLs:* these are ECLs that result from all possible default events over the expected life of a financial instrument.

Based on the Fund's assessment, changes to the impairment model are not expected to have a material impact on the financial assets of the Fund. This is because:

– the majority of the financial assets are measured at FVTPL and the impairment requirements do not apply to such instruments; and

– the financial assets at amortised cost are short-term (i.e. no longer than 12 months), of high credit quality and/or highly collateralised. Accordingly, the ECLs on such assets are expected to be small.

Hedge accounting

The Fund does not apply hedge accounting; therefore, IFRS 9 hedge accounting-related changes do not have an impact on the financial statements of the Fund.

Disclosures

IFRS 9 will require extensive new disclosures, in particular about credit risk and ECLs. The Fund has completed an analysis to identify data gaps against current processes and is designing the system and controls changes that it believes will be necessary to capture the required data.

Transition

[IFRS 9.7.2.15] Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

– The Fund will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will be recognised in retained earnings and reserves as at 1 January 2018.

– The following assessments have to be made by the Fund on the basis of the facts and circumstances that exist at the date of initial application.

  - The determination of the business model within which a financial asset is held.

  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

Appendix I

Example disclosures for an investment fund that is an investment entity and measures its subsidiaries at FVTPL

Statement of financial position[a]

Reference	In thousands of euro	31 December 2017	31 December 2016
IAS 1.10(a), 113			
	Assets		
IAS 1.54(i)	Cash and cash equivalents	**37**	45
IAS 1.54(d)	Financial assets at FVTPL	**32,635**	29,989
	Total assets	**32,672**	30,034
	Equity		
IAS 1.54(r)	Share capital	**10**	10
	Total equity	**10**	10
	Liabilities		
IAS 1.54(k)	Other payables	**159**	128
	Total liabilities (excluding net assets attributable to holders of redeemable shares)	**159**	128
IAS 1.6, 54(m), 32.IE32	**Net assets attributable to holders of redeemable shares**	**32,503**	29,896

Insights 5.6

a. This Appendix illustrates one possible format of disclosure for a Feeder Fund that is a sole investor in the Master Fund and was formed together with the Master Fund to meet legal and tax requirements. The Feeder Fund is an investment entity and measures its subsidiaries at FVTPL. The illustrated extracts from the Feeder Fund's financial statements assume the same fact pattern as in the main body of this guide. The Feeder Fund is the sole investor in the Master Fund (the Fund in the main body of this guide) and holds the underlying investments through the Master Fund. This Appendix also assumes that the Feeder Fund meets the definition of an investment entity (see further analysis in Note 4).

This Appendix focuses on changes to the following components of the financial statements:

- statement of financial position and statement of comprehensive income;
- description of the reporting entity;
- description of significant judgements;
- disclosure of financial risks;
- disclosure of fair value of financial instruments;
- description of subsidiaries;
- changes in accounting policies; and
- significant accounting policies.

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Statement of comprehensive income

IAS 1.10(b), 81(a), 113

For the year ended 31 December

Reference	*In thousands of euro*	2017	2016
IFRS 7.20(a), IAS 1.35	Net gain from financial instruments at FVTPL	**3,434**	2,455
IAS 1.82(a)	**Total revenue**	**3,434**	2,455
IAS 1.99	Investment management fees	**(478)**	(447)
IAS 1.99	Administration fees	**(32)**	(30)
IAS 1.99	Directors' fees	**(7)**	(5)
	Total operating expenses	**(517)**	(482)
IAS 1.6, 32.IE32	**Increase in net assets attributable to holders of redeemable shares**	**2,917**	1,973

Extracts of notes to the financial statements

1. Reporting entity (extract)

IAS 1.138(a)–(b)

[*Name of Fund*] (the Feeder Fund) is a company domiciled in [*Country X*]. The address of the Feeder Fund's registered office is at [*address*]. The Feeder Fund invests substantially all of its assets in [*Name of Fund*] (the Master Fund), an open-ended investment fund that has the same investment objectives as the Feeder Fund. As at 31 December 2017, the Feeder Fund owned 100% of the Master Fund (2016: 100%). The Master Fund and the Feeder Fund are collectively referred to as 'the master-feeder structure'. See also Note [*xx*].

IAS 27.16(a)

These separate financial statements of the Feeder Fund are its only financial statements.

4. Use of judgements and estimates (extract)

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

A. Judgements[a]

IAS 1.122

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements are included in Note 21[*s*] – 'Subsidiaries – Whether the Feeder Fund meets the definition of an investment entity'.

IFRS 10.28, 12.9A, Insights 5.6.130.20

a. An entity discloses any significant judgements and assumptions made in determining that it meets the definition of an investment entity.

The absence of one or more of the typical characteristics of an investment entity described in IFRS 10 *Consolidated Financial Statements* does not immediately disqualify an entity from being classified as an investment entity. However, the entity is required to disclose its reasons for concluding that it is nevertheless an investment entity if one or more of these characteristics are not met.

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Extracts of notes to the financial statements (continued)

IFRS 7.31

5. Financial risk review (extract)[a]

IFRS 7.34

This note presents information about the Feeder Fund's exposure to risks from financial instruments.

Approximately all of the Feeder Fund's assets are invested in the shares of the Master Fund. The rights attaching to the shares of the Master Fund are as follows:

- redeemable shares may be redeemed weekly at the net asset value per share of the respective class;
- the shares carry a right to receive notice of, attend and vote at general meetings;
- the shares carry an entitlement to receive all dividends declared and paid by the Master Fund; and
- on winding-up, the Feeder Fund is entitled to a return of capital based on the net asset value per share.

Notwithstanding the Feeder Fund's right to redemptions as above, the Master Fund has the right, as set out in its prospectus, to impose a redemption gate limit of 10% of the net assets of the Master Fund in any redemption period to manage redemption levels and maintain the strength of the Master Fund's capital base.

The Master Fund is an open-ended investment fund primarily involved in investing in a highly diversified portfolio of equity securities issued by companies listed on major European stock exchanges and on the NYSE, unlisted companies, unlisted investment funds, investment-grade debt securities and derivatives, with the objective of providing shareholders with above-average returns over the medium to long term.

[*Consider what risk information should be disclosed. In our fact pattern, this may be the following information on the investments of the Master Fund:*

- *analysis of credit quality;*
- *concentration of risk;*
- *a summarised interest gap analysis; and*
- *foreign currency risk.*

For example disclosures, see *Note 5* *in the main body of this guide.*]

IFRS 7.34, 36

A. Credit risk

For the definition of credit risk and information on how credit risk is managed by the Feeder Fund, see Note [*xx*].

IFRS 7.36(a)

The Feeder Fund's exposure to credit risk arises in respect of cash and cash equivalents. These are held mainly with XYZ Bank, which is rated AA (2016: AA) based on [*Rating Agency X*] ratings. The investment manager monitors the financial position of XYZ Bank on a quarterly basis.

[The Feeder Fund invests substantially all of its assets in the Master Fund together with which it is managed as an integrated structure. The management of the Feeder Fund decides that the objectives of IFRS 7 are met by providing disclosures on the credit risk of the underlying investments held by the Master Fund. For examples of credit risk disclosures, see *Note 5A in the main body of this guide (see page 15)**.]*

IFRS 7.3, 34(a)

a. Investment entities apply the disclosure requirements in IFRS 7 to investees that are measured at FVTPL under the exemption in paragraph 4 of IFRS 10. Investment entities need to consider how they will comply with the disclosure requirements in IFRS 7 relating to those investments to enable users of their financial statements to understand the nature and extent of risks arising from financial instruments. Disclosures under IFRS 7 are made in respect of financial instruments held by an entity, which in the context of the fact pattern in this guide are shares held by the Feeder Fund in the Master Fund. However, entities also need to consider what information is required by IFRS 7 in order to ensure fair presentation based on the specific facts and circumstances. Factors to take into account may include:

- how the entity views and manages risk;
- the nature of summary quantitative data reported internally to key management;
- concentrations of risk; and
- sensitivities to reasonably possible changes in risk variables.

Extracts of notes to the financial statements (continued)

IFRS 7.31

5. Financial risk review (extract) (continued)

IFRS 7.39

B. Liquidity risk

For the definition of liquidity risk and information on how liquidity risk is managed, see Note [*xx*].

IFRS 7.34(a)

The terms of the redeemable shares issued by the Feeder Fund match the terms of the shares held by the Feeder Fund in the Master Fund. This ensures that the Feeder Fund can at all times meet its redemption obligation arising from the redeemable shares issued.

IFRS 7.39(a)–(b)

The following were the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

IFRS 7.B11

31 December 2017 *In thousands of euro*	**Carrying amount**	**Gross nominal outflow**	**Less than 1 month**
Non-derivative liabilities			
Other payables	**(159)**	**(159)**	**(159)**
Net assets attributable to holders of redeemable shares	**(32,503)**	**(32,503)**	**(32,503)**
	(32,662)	**(32,662)**	**(32,662)**
31 December 2016			
Non-derivative liabilities			
Other payables	(128)	(128)	(128)
Net assets attributable to holders of redeemable shares	(29,896)	(29,896)	(29,896)
	(30,024)	(30,024)	(30,024)

IFRS 7.39(a), B11C

The table above shows the undiscounted cash flows of the Feeder Fund's financial liabilities on the basis of their earliest possible contractual maturities. The Feeder Fund's cash flows on redeemable shares are expected to vary significantly from this analysis. The Feeder Fund has a contractual obligation to redeem such shares at the attributable net asset value on a weekly basis at the option of the respective shareholder. Historical experience indicates that these shares are held by the shareholders on a medium- or long-term basis. Based on average historical information, redemption levels are expected to approximate €150 thousand per week (2016: €120 thousand per week); however, actual redemptions could differ significantly from this estimate.

[*The Feeder Fund's assets consist principally of its investments in the Master Fund, and both funds are managed together to ensure that cash flows from the underlying assets of the Master Fund match the redemption obligations of the Master Fund – and ultimately of the Feeder Fund. The management of the Feeder Fund decides that the objectives of IFRS 7 are met by providing disclosures on the liquidity risk of both the Master Fund and the Feeder Fund. For examples of the liquidity risk disclosures, see* *Note 5B in the main body of this guide (see page 22)*.]

IFRS 7.31–32

C. Market risk

i. Interest rate risk

IFRS 7.34(a)

[*The Feeder Fund invests substantially all of its assets in the Master Fund together with which it is managed as an integrated structure. The management of the Feeder Fund decides that the objectives of IFRS 7 are met by providing disclosures on the interest rate risk of the underlying investments held by the Master Fund. For examples of interest rate risk disclosures, see* *Note 5C in the main body of this guide (see page 24)*.]

ii. Currency risk

IFRS 7.34(a)

All assets and liabilities of the Feeder Fund are denominated in euro and so do not lead to a currency mismatch.

[*The Feeder Fund invests substantially all of its assets in the Master Fund together with which it is managed as an integrated structure. The management of the Feeder Fund decides that the objectives of IFRS 7 are met by providing disclosures on currency risk of the underlying investments held by the Master Fund. For examples of currency risk disclosures, see* *Note 5C in the main body of this guide (see page 26)*.]

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IFRS 7.31

5. Financial risk review (extract) (continued)

IFRS 7.31–32

C. Market risk (continued)

iii. Other price risk

Other price risk arises in respect of the Feeder Fund's investment in the shares issued by the Master Fund. The fair value of the investment at 31 December 2017 was €32,635 thousand (2016: €29,989 thousand).

IFRS 7.40

The table below sets out the effect on the net assets attributable to holders of redeemable shares and on the increase in net assets attributable to holders of redeemable shares of a reasonably possible weakening in the prices of the shares in the Master Fund of 4% at 31 December.

Effect in thousands of euro	**2017**	**2016**
Decrease in net gain from financial instruments at FVTPL	**(1,305)**	(1,200)

Effect in % on:	**2017**	**2016**
Net assets attributable to holders of redeemable shares	**(4.0%)**	(4.0%)
Increase in net assets attributable to holders of redeemable shares	**(44.1%)**	(59.8%)

A strengthening in the price of the shares of the Master Fund of 4% at 31 December would have resulted in an equal but opposite effect to the amounts shown above.

[*The pricing of the shares held by the Feeder Fund in the Master Fund is based on the net asset value of the Master Fund. The management of the Feeder Fund decides that the objectives of IFRS 7 are met by providing disclosures on the price risk of the underlying investments held by the Master Fund. For examples of price risk disclosures, see Note 5C in the main body of this guide (see page 27).*]

Extracts of notes to the financial statements (continued)

6. Fair values of financial instruments (extract)

A. Valuation models

IFRS 13.91

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or broker price quotations. For all other financial instruments, the Feeder Fund determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

IFRS 13.72

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

– *Level 1:* Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

– *Level 2:* Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).

– *Level 3:* Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and whose unobservable inputs have a significant effect on the instrument's valuation.

IFRS 13.93(d)

The only financial assets of the Feeder Fund that are measured at fair value are the shares that it holds in the Master Fund. The fair value of the shares is based on the latest available redemption price of each share, multiplied by the number of shares held, and adjusted to reflect the impact of fair value changes of the underlying investments of the Master Fund between the latest redemption date and the reporting date. The adjustments are consistent with the calculations performed by the Master Fund to arrive at the redemption price of its shares.

C. Fair value hierarchy – Financial instruments measured at fair value

As at 31 December 2017 and 31 December 2016, the fair value measurement of shares held by the Feeder Fund in the Master Fund is categorised into Level 2.

[*The Feeder Fund invests substantially all of its assets in the 100% share of the Master Fund together with which it is managed as an integrated structure. The management of the Feeder Fund decides that the objectives of IFRS 7 are met by providing disclosures on the potential variability of fair value estimates of its direct investments in the Master Fund. Accordingly, the Feeder Fund discloses information on the categorisation of the underlying investments of the Master Fund into levels of the fair value hierarchy. For examples of fair value hierarchy disclosures, see Note 6C in the main body of this guide (see page 33).*][a]

IFRS 7.7

a. The Feeder Fund discloses the categorisation of the underlying investments of the Master Fund into levels of the fair value hierarchy if this information is relevant to meeting the objective of IFRS 7 to enable users of the financial statements to evaluate the significance of the financial instruments held by the Feeder Fund on its financial position.

Extracts of notes to the financial statements (continued)

6. Fair values of financial instruments (extract) (continued)

F. Financial instruments not measured at fair value[a]

IFRS 7.25, 29

The financial assets not measured at FVTPL include:

i. cash and cash equivalents, other payables. These are short-term financial assets and financial liabilities whose carrying amounts approximate fair value, because of their short-term nature and the high credit quality of counterparties; and
ii. net assets attributable to holders of redeemable shares. The Feeder Fund routinely redeems and issues the redeemable shares at the amount equal to the proportionate share of net assets of the Feeder Fund at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to holders of redeemable shares approximates their fair value. The shares are categorised into Level 2 of the fair value hierarchy.

IFRS 7.1(a), 25, 29, 13.93, 97

a. Paragraph 1(a) of IFRS 7 requires disclosure of the significance of financial instruments for the entity's financial position and performance. Specifically, paragraphs 25 and 29 require disclosure of the fair value of financial instruments unless the carrying amount approximates fair value. IFRS 13 requires disclosure of the fair value hierarchy for financial instruments not measured at fair value but for which fair value is disclosed. Financial institutions have to apply judgement to determine whether disclosure of the fair value of financial instruments measured at amortised cost is required to meet the objectives of IFRS 7.

In this guide, the Feeder Fund concluded that disclosure of the fair value hierarchy for cash and cash equivalents and other payables is not useful because of the short-term nature of those instruments and high credit quality of the counterparties. However, the Feeder Fund concluded that disclosure of such information for redeemable shares is useful.

Extracts of notes to the financial statements (continued)

xx. Subsidiaries (extract)

A. Investment in the Master Fund

IFRS 12.10(a)(i), 19B(a),(c)

The Feeder Fund controls its subsidiary, the Master Fund, through a holding of 100% (2016: 100%) of its redeemable shares. For the description of rights attaching to these shares, see Note 5. The master-feeder structure was formed to meet legal and tax requirements.

IFRS 12.19C

The Master Fund is domiciled in [*Country X*] and has no subsidiaries.

IFRS 12.19D(b)

The Feeder Fund has no commitments or intention to provide financial or other support to the Master Fund. No financial or other support was provided without a contractual obligation to do so during the reporting period.

IFRS 12.19D(a)

At 31 December 2017, there were no significant restrictions on the ability of the Master Fund to transfer funds to the Feeder Fund in the form of redemption of the shares held by the Feeder Fund.

22. Significant accounting policies (extract)

xx. Subsidiaries

IFRS 12.19A

'Subsidiaries' are investees controlled by the Feeder Fund. The Feeder Fund 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Feeder Fund is an investment entity and measures investments in its subsidiaries at FVTPL. In determining whether the Feeder Fund meets the definition of an investment entity, management considered the master-feeder structure as a whole. In particular, when assessing the existence of investment exit strategies and whether the Feeder Fund has more than one investment, management took into consideration the fact that the Master Fund was formed in connection with the Feeder Fund in order to hold investments on behalf of the Feeder Fund.

Management concluded that the Feeder Fund and the Master Fund each meet the definition of an investment entity. Consequently, management concluded that the Feeder Fund should not consolidate the Master Fund.

Appendix II

Example disclosures for segment reporting – Multiple-segment fund[a, b, c, d]

Extracts of notes to the financial statements

22. Significant accounting policies (extract)

x. Segment reporting

IFRS 8.25

Segment results that are reported to the board of directors include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly audit, directors' and legal fees and other operating expenses.

X. Operating segments

IFRS 8.20–22

The Fund has two sub-portfolios, the equity sub-portfolio and the debt sub-portfolio, which are its reportable segments. Each sub-portfolio is managed separately because they entail different investment objectives and strategies and contain investments in different products.

The following summary describes the operations of each reportable segment.

Reportable segments[e]	Operations
Equity sub-portfolio	Investing in a diversified portfolio of equity securities issued by European and NYSE listed and European unlisted companies to achieve capital appreciation
Debt sub-portfolio	Investing in the US and European debt market within the parameters set out in the Fund's prospectus to achieve the highest possible yield

The board of directors reviews the internal management reports of each sub-portfolio at least quarterly.

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a. This Appendix provides examples of the disclosures required for a multiple-segment fund that falls in the scope of IFRS 8.

IFRS 8.2–3

b. An entity is required to present segment information if its securities are publicly traded, or if it is in the process of issuing equity or debt securities in public securities markets. Other entities may choose to present segment information, but they should not describe information as 'segment information' unless it fully complies with IFRS 8.

IAS 33.2–3, Insights 5.3.560

c. An investment fund that falls in the scope of IFRS 8 can also be in the scope of IAS 33. This guide does not illustrate these disclosures. For an illustrative example of EPS disclosures, see our publication Illustrative disclosures – Guide to annual financial statements (September 2017).

IFRS 8.IN13, 27–28

d. Operating segment disclosures are consistent with the information reviewed by the chief operating decision maker (CODM) and will vary from one entity to another, and may not be in accordance with IFRS.

To help understand the segment information presented, an entity discloses information about the measurement basis adopted, such as the nature and effects of any differences between the measurements used in reporting segment information and those used in the entity's financial statements, the nature and effect of any asymmetrical allocations to reportable segments and reconciliations of segment information to the corresponding IFRS amounts in the financial statements.

The Fund's internal measures are consistent with IFRS. Therefore, no reconciliation and explanation of different measurement basis is required.

IFRS 8.12, 22(aa)

e. When two or more operating segments are aggregated into a single operating segment, the judgements made by management in applying the aggregation criteria are disclosed. This includes a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

Extracts of notes to the financial statements (continued)

X. Operating segments (continued)

IFRS 8.20, 27(a)

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the board of directors. Segment profit is used to measure performance because management believes that this information is the most relevant in evaluating the results relative to similar entities. There are no transactions between reportable segments.

IFRS 8.20, 27(b)

Segment information is measured on the same basis as that used in the preparation of the Fund's financial statements.

x. Information about reportable segments[a]

	2017 *In thousands of euro*	**Equity sub-portfolio**	**Debt sub-portfolio**	**Total**
IFRS 8.23(a)	External revenues:			
IFRS 8.23(c)	Interest income	**39**	**564**	**603**
IFRS 8.23(f)	Dividend income	**272**	**-**	**272**
IFRS 8.23(f)	Net foreign exchange loss	**(15)**	**(4)**	**(19)**
IFRS 8.23(b), (f)	Net gain from financial instruments at FVTPL	**3,122**	**134**	**3,251**
IFRS 8.23(f)	Dividend expense	**(45)**	**-**	**(45)**
IFRS 8.32	Total segment revenue	**3,373**	**694**	**4,062**
	Segment expenses:			
IFRS 8.23(f)	Investment management fees	**(349)**	**(129)**	**(478)**
IFRS 8.23(f)	Custodian fees	**(88)**	**(14)**	**(102)**
IFRS 8.23(f)	Administration fees	**(51)**	**(15)**	**(66)**
IFRS 8.23(f)	Transaction costs	**(48)**	**(6)**	**(54)**
	Interest expense	**(75)**	**-**	**(75)**
IFRS 8.23(h)	Withholding tax expense	**(45)**	**-**	**(45)**
	Total segment expenses	**(656)**	**(164)**	**(820)**
IFRS 8.21(b)	Segment profit	**2,717**	**530**	**3,242**
IFRS 8.21(b)	Segment assets	**28,164**	**10,901**	**39,065**
IFRS 8.21(b)	Segment liabilities, excluding net assets attributable to holders of redeemable shares	**5,379**	**1,004**	**6,383**
IFRS 8.21(b)	Segment net assets attributable to holders of redeemable shares	**22,785**	**9,897**	**32,682**

a. The Fund has disclosed these amounts for each reportable segment because they are regularly provided to the CODM.

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Extracts of notes to the financial statements (continued)

X. Operating segments (continued)

x. Information about reportable segments (continued)[a]

	2016 *In thousands of euro*	Equity sub-portfolio	Debt sub-portfolio	Total
IFRS 8.23(a)	External revenues:			
IFRS 8.23(c)	Interest income	38	391	429
IFRS 8.23(f)	Dividend income	229	-	229
IFRS 8.23(f)	Net foreign exchange loss	(10)	(6)	(16)
IFRS 8.23(b), (f)	Net gain from financial instruments at FVTPL	1,592	805	2,397
IFRS 8.23(f)	Dividend expense	(19)	-	(19)
IFRS 8.32	Total segment revenue	1,830	1,190	3,020
	Segment expenses:			
IFRS 8.23(f)	Investment management fees	(316)	(131)	(447)
IFRS 8.23(f)	Custodian fees	(56)	(59)	(115)
IFRS 8.23(f)	Administration fees	(41)	(21)	(62)
IFRS 8.23(f)	Transaction costs	(59)	(14)	(73)
IFRS 8.23(d)	Interest expense	(62)	-	(62)
IFRS 8.23(h)	Withholding tax expense	(39)	-	(39)
	Total segment expenses	(511)	(225)	(736)
IFRS 8.21(b)	Segment profit	1,257	965	2,222
IFRS 8.21(b)	Segment assets	18,892	15,153	34,045
IFRS 8.21(b)	Segment liabilities, excluding net assets attributable to holders of redeemable shares	2,736	1,271	4,007
IFRS 8.21(b)	Segment net assets attributable to holders of redeemable shares	16,156	13,882	30,038

x. Reconciliations of reportable segment revenues, profit or loss and liabilities[b]

IFRS 8.28(a)

Revenues

All segment revenues are from external sources. There were no inter-segment transactions between the reportable segments during the year.

IFRS 8.28(b)

Profit or loss

In thousands of euro	2017	2016
Segment profit	**3,242**	2,222
Unallocated amounts:		
Professional fees and other operating expenses	**(108)**	(123)
Dividends to holders of redeemable shares	**(178)**	(91)
Increase in net assets attributable to holders of redeemable shares	**2,956**	2,008

a. The Fund has disclosed these amounts for each reportable segment because they are regularly provided to the CODM.

IFRS 8.27–28

b. To help users understand the segment information presented, an entity discloses information about the measurement basis adopted, such as the nature and effects of any differences between the measurements used in reporting segment information and those used in the entity's financial statements, the nature and effect of any asymmetrical allocations to reportable segments and reconciliations of segment information to the corresponding IFRS amounts in the financial statements.

Extracts of notes to the financial statements (continued)

X. Operating segments (continued)

x. Reconciliations of reportable segment revenues, profit or loss and assets and liabilities (continued)

IFRS 8.28(d)

Liabilities (excluding net assets attributable to holders of redeemable shares)

In thousands of euro	2017	2016
Total liabilities for reportable segments	**6,383**	4,007
Other unallocated amounts:		
Accrued professional fees and other operating expenses	**47**	49
Total liabilities (excluding net assets attributable to holders of redeemable shares)	**6,430**	4,056

IFRS 8.31

x. Geographic information

In presenting information on the basis of geography, segment revenue is based on the domicile countries of the investees and counterparties to derivative transactions.[a]

In thousands of euro	US	UK	Germany	Other Europe	Total
2017	**995**	**1,127**	**975**	**1,010**	**4,107**
2016	722	893	698	726	3,039

IFRS 8.33(a)

IFRS 8.33(b)

The Fund did not hold any non-current assets during the year (2016: nil).

IFRS 8.34

x. Major customers

The Fund regards the holders of redeemable shares as customers, because it relies on their funding for continuing operations and meeting its objectives. The Fund's shareholding structure is not exposed to a significant shareholder concentration, other than shares held by employees of the investment manager, who hold all of the Class B shares issued. The Fund's largest holder of redeemable shares excluding shares held by employees of the investment manager as at 31 December 2017 represented 2.32% (2016: 1.89%) of the Fund's net asset value attributable to holders of redeemable shares.

Insights 5.2.220.20 a. In our view, entity-wide disclosures by region (e.g. Europe or Asia) do not meet the requirement to disclose information by individual foreign country (e.g. France, the Netherlands or Singapore) when it is material.

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Appendix III

Example disclosures of an open-ended fund with puttable instruments classified as equity[a, b]

Statement of financial position

IAS 1.10(a), 113

As at 31 December

	In thousands of euro	*Note*	2017	2016
	Assets			
IAS 1.54(i)	Cash and cash equivalents		**51**	71
IAS 1.54(d)	Balances due from brokers	*12*	**4,619**	3,121
IAS 1.54(d)	Receivables from reverse sale and repurchase agreements	*5*	**4,744**	3,990
IAS 1.54(h)	Other receivables		**29**	46
IAS 1.54(d)	Non-pledged financial assets at FVTPL	*10, 11*	**26,931**	24,471
IAS 1.54(d), 39.37(a)	Pledged financial assets at FVTPL	*10, 11*	**2,691**	2,346
	Total assets		**39,065**	34,045
	Equity			
IAS 1.54(r)	Share capital		**59**	59
IAS 1.54(r)	Share premium		**25,141**	25,451
IAS 1.54(r)	Retained earnings		**7,435**	4,479
	Total equity		**32,635**	29,989
	Liabilities			
IAS 1.54(m)	Balances due to brokers	*12*	**143**	275
IAS 1.54(m)	Payables under sale and repurchase agreements	*5*	**2,563**	2,234
IAS 1.54(k)	Other payables		**103**	101
IAS 1.54(m)	Financial liabilities at FVTPL	*10*	**3,621**	1,446
	Total liabilities		**6,430**	4,056
	Total equity and liabilities		**39,065**	34,045

IAS 32.15

a. This Appendix provides an example of the presentation and disclosures required for an open-ended fund whose redeemable shares are classified as equity under IAS 32. For the purposes of this Appendix, it is assumed that the redeemable shares meet all of the conditions for equity classification under paragraphs 16A and 16B of IAS 32.

However, the terms and conditions of the instruments issued by a fund would require careful analysis to determine whether the issued puttable instruments should be classified as equity. For example, in many cases the presence of another equity instrument – e.g. management shares – may prevent this classification.

This example illustrates the key changes to the financial statements resulting from the classification of redeemable shares as equity. In addition, consequential changes would be required to other parts of the financial statements that discuss the redeemable shares in the context of a liability treatment – e.g. references to redeemable shares in the risk management section because the redeemable shares classified as equity are excluded from the scope of IFRS 7.

Insights 7.3.160.10–20

b. In certain jurisdictions, a collective investment scheme may be structured as an umbrella fund that operates one or more sub-funds, whereby investors purchase instruments that entitle the holder to a share of the net assets of a particular sub-fund. The umbrella fund and sub-funds together form a legal entity, although the assets and the obligations of individual funds are fully or partially segregated.

If the umbrella fund presents separate financial statements that include the assets and liabilities of the sub-funds, which together with the umbrella fund form a single legal entity, then the sub-fund instruments are assessed for equity classification in those financial statements from the perspective of the umbrella fund as a whole. Therefore, these instruments cannot qualify for equity classification under the conditions for puttable instruments and instruments that oblige the entity on liquidation. This is because they could not meet the 'pro rata share of the entity's net assets on liquidation' test and, if they are puttable instruments, the 'identical features' test.

Statement of comprehensive income[a]

IAS 1.10(b), 81(a)

For the year ended 31 December

In thousands of euro		***Note***	**2017**	**2016**
	Interest income	*7*	**603**	429
IAS 18.35(b)(v)	Dividend income		**272**	229
IAS 1.35	Net foreign exchange loss		**(19)**	(16)
IFRS 7.20(a)	Net gain from financial instruments at FVTPL	*8*	**3,251**	2,397
	Dividend expense on securities sold short		**(45)**	(19)
IAS 1.82(a)	**Total revenue**		**4,062**	3,020
IAS 1.99	Investment management fees		**(478)**	(447)
IAS 1.99	Custodian fees		**(102)**	(115)
IAS 1.99	Administration fees		**(66)**	(62)
IAS 1.99	Directors' fees		**(26)**	(15)
IAS 1.99	Transaction costs		**(54)**	(73)
IAS 1.99	Audit and legal fees		**(74)**	(67)
IAS 1.99	Other operating expenses		**(8)**	(41)
	Total operating expenses		**(808)**	(820)
IFRS 7.20(b)	Interest expense		**(75)**	(62)
	Total finance costs		**(75)**	(62)
IAS 1.85	**Profit before tax**		**3,179**	2,138
IAS 1.82(d)	Withholding tax expense	*9*	**(45)**	(39)
	Profit for the period		**3,134**	2,099

IAS 33.2–3, 5, Insights 5.3.40.60

a. An entity with publicly traded ordinary shares or potential ordinary shares, or that is in the process of issuing ordinary shares or potential ordinary shares that are to be publicly traded, presents basic and diluted EPS in the statement of comprehensive income. The requirement to present EPS only applies to those funds whose ordinary shares are classified as equity.

In our view, puttable instruments that qualify for equity classification instead of financial liability classification under IAS 32 are not ordinary shares for the purposes of IAS 33. We believe that it is not appropriate to apply by analogy the limited-scope exemption under IAS 32 for EPS calculation purposes. Accordingly, we believe that EPS presentation is not required for, or as a result of the existence of, such instruments.

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Statement of changes in equity[a, b]

In thousands of euro	Management share capital	Redeemable share capital	Share premium	Retained earnings	Total
Balance at 1 January 2016	10	48	15,942	2,471	18,471
Total comprehensive income for the year					
IAS 1.106(d)(i) Profit or loss	-	-	-	2,099	2,099
Transactions with owners, recognised directly in equity					
IAS 1.106(d)(iii) Contributions, redemptions and distributions to shareholders:					
Issue of shares	-	1	15,504	-	15,505
Redemption of shares	-	-	(5,995)	-	(5,995)
Dividends paid to shareholders	-	-	-	(91)	(91)
Total transactions with owners	-	1	9,509	(91)	9,419
Balance at 31 December 2016	10	49	25,451	4,479	29,989
Total comprehensive income for the year					
IAS 1.106(d)(i) Profit or loss	**-**	**-**	**-**	**3,134**	**3,134**
Transactions with owners, recognised directly in equity					
IAS 1.106(d)(iii) Contributions, redemptions and distributions to shareholders:					
Issue of shares	**-**	**1**	**6,667**	**-**	**6,668**
Redemption of shares	**-**	**(1)**	**(6,977)**	**-**	**(6,978)**
Dividends paid to shareholders	**-**	**-**	**-**	**(178)**	**(178)**
Total transactions with owners	**-**	**-**	**(310)**	**(178)**	**(488)**
Balance at 31 December 2017	**10**	**49**	**25,141**	**7,435**	**32,635**

IAS 32.33, Insights 7.3.480

a. IFRS does not mandate a specific method for presenting treasury shares within equity. However, local laws may prescribe the allocation method. Therefore, an entity needs to take into account its legal environment when choosing how to present its own shares within equity.

In this example, we have selected the following presentation:

- the par value of treasury shares purchased is debited to share capital;
- the par value of treasury shares sold or re-issued is credited to share capital; and
- any premium or discount to par value is shown as an adjustment to share premium.

IAS 1.80

b. If an entity without share capital – e.g. a partnership or trust – discloses information equivalent to that required for companies with the share capital, then it discloses movements during the period in each category of equity interest, and the rights, preferences and restrictions attaching to each category of equity interest.

Extracts of notes to the financial statements

5. Financial risk management (extract)

x. Capital management

IAS 1.134

IAS 1.136A(a)

At 31 December 2017, the Fund had €32,625 thousand (2016: €29,979 thousand) of redeemable share capital classified as equity.

IAS 1.136A(b)

The Fund's objectives in managing the redeemable share capital are to ensure a stable and strong base to maximise returns to all investors, and to manage liquidity risk arising from redemptions.

The Fund uses the following tools in the management of share redemptions:

- regular monitoring of the level of daily subscriptions and redemptions; and
- the right to impose a redemption gate limit of 10% of the net assets of the Fund in any redemption period.

IAS 1.136A(c)–(d)

Based on historical information over the past 12 months, weekly redemption levels are expected to approximate €150 thousand and the average weekly level of redemptions net of new subscriptions is expected to approximate €26 thousand. However, the actual level of redemptions may differ significantly from historical experience.

IAS 1.136A(b)

There were no changes in the policies and procedures during the year with respect to the Fund's approach to its redeemable share capital management.

IAS 1.135(a)(ii)

The Fund is required by the [*title of legislation or regulation*] to maintain authorised and paid-up capital at a minimum amount of €10 thousand in the form of management shares [*explain the reason for issuing the shares, if it is different from above*]. The holders of management shares are entitled to a repayment of up to par value only on the winding-up of the Fund in priority to redeemable shares. The Fund is not subject to other externally imposed capital requirements.

Extracts of notes to the financial statements (continued)

22. Significant accounting policies (extract)

IFRS 7.21

x. Share capital

i. Redeemable shares

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Fund has two classes of redeemable shares in issue: Class A and Class B. Both are the most subordinate classes of financial instruments issued by the Fund and, on liquidation of the Fund, they entitle the holders to the residual net assets, after repayment of the nominal amount of equity shares. They rank *pari passu* in all respects and have identical terms and conditions. The redeemable shares provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets at each weekly [*daily/monthly/quarterly*] redemption date and also in the event of the Fund's liquidation.

IAS 32.16A–16B

A puttable financial instrument that includes a contractual obligation for the Fund to repurchase or redeem that instrument for cash or another financial asset is classified as equity if it meets all of the following conditions:

- it entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

The Fund's redeemable shares meet these conditions and are classified as equity.

Incremental costs directly attributable to the issue or redemption of redeemable shares are recognised directly in equity as a deduction from the proceeds or part of the acquisition cost.

ii. Repurchase of redeemable shares

When redeemable shares recognised as equity are redeemed, the par value of the shares is presented as a deduction from share capital. Any premium or discount to par value is recognised as an adjustment to share premium or, if share premium is insufficient, as an adjustment to retained earnings.

Appendix IV

Example disclosure of schedule of investments - Unaudited[a]

For the year ended 31 December 2017

The Fund chose to present the schedule of investments because it may be useful supplementary information for users of the financial statements.

In thousands of euro		Fair value 2017	Percentage of net assets 2017
Assets			
Derivative financial instruments			
Listed equity index options		249	0.8%
Foreign currency forward contracts		219	0.6%
Equity indices futures contracts		54	0.2%
Foreign currency futures contracts		23	0.1%
Total derivative financial instruments		**545**	**1.7%**
Equity investments, listed			
NYSE and European exchange-traded equity investments:			
44,000 shares in	*[name of entity]*	1,200	3.7%
25,000 shares in	*[name of entity]*	1,170	3.6%
25,000 shares in	*[name of entity]*	1,162	3.6%
17,000 shares in	*[name of entity]*	1,146	3.5%
18,000 shares in	*[name of entity]*	1,103	3.4%
31,000 shares in	*[name of entity]*	1,092	3.3%
28,000 shares in	*[name of entity]*	1,092	3.3%
40,000 shares in	*[name of entity]*	1,033	3.2%
38,000 shares in	*[name of entity]*	1,003	3.1%
32,000 shares in	*[name of entity]*	996	3.1%
21,000 shares in	*[name of entity]*	990	3.0%
30,000 shares in	*[name of entity]*	951	2.9%
15,000 shares in	*[name of entity]*	936	2.9%
33,000 shares in	*[name of entity]*	836	2.6%
10,000 shares in	*[name of entity]*	760	2.3%
45,000 shares in	*[name of entity]*	722	2.2%
23,000 shares in	*[name of entity]*	702	2.1%
Total equity investments, listed		**16,894**	**51.8%**
Unlisted open-ended investment funds:			
25,615 units	*[name of entity]*	640	2.0%
29,493 units	*[name of entity]*	531	1.6%
23,046 units	*[name of entity]*	461	1.4%
Total unlisted open-ended investment funds		**1,632**	**5.0%**
Unlisted private equity investments:			
80,000 shares in	*[name of entity]*	300	0.9%
50,000 shares in	*[name of entity]*	200	0.6%
Total unlisted private equity investments		**500**	**1.5%**

IAS 1.9–10

a. A schedule of investments is not a required statement under IFRS. However, entities may provide such a schedule on a voluntary basis within or outside the financial statements. For example, if a fund is listed on a stock exchange, then it may be required to include a schedule of investments within the audited financial statements to comply with the listing requirements of the exchange.

A schedule of investments, when it is included within the audited financial statements, is presented in the notes.

This guide assumes that a schedule of investments is not required to be included within the audited financial statements. Reports and statements presented outside the financial statements are outside the scope of IFRS.

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For the year ended 31 December 2017

In thousands of euro	Fair value 2017	Percentage of net assets 2017
Assets (continued)		
NYSE and European exchange-traded debt securities		
[*name of entity*] 4.9% 15/03/2017	1,091	3.4%
[*name of entity*] 3.8% 10/04/2017	1,046	3.2%
[*name of entity*] 3.3% 26/10/2017	1,023	3.1%
[*name of entity*] 3.4% 10/03/2017	1,012	3.1%
[*name of entity*] 3.2% 26/03/2017	988	3.0%
[*name of entity*] 2.8% 5/01/2017	982	3.0%
[*name of entity*] 3.0% 10/01/2017	826	2.5%
[*name of entity*] 2.8% 15/01/2017	806	2.5%
[*name of entity*] 2.9% 31/01/2017	796	2.5%
[*name of entity*] 3.0% 6/01/2017	750	2.3%
[*name of entity*] 2.9% 10/01/2017	731	2.2%
Total debt securities (pledged and non-pledged)	10,051	30.8%
Total derivative financial instruments and debt and equity investments	29,622	90.8%
Liabilities		
Derivative financial instruments		
Listed equity index options	(1,066)	(3.3%)
Foreign currency forward contracts	(822)	(2.5%)
Credit default swaps	(485)	(1.5%)
Interest rate swaps	(464)	(1.4%)
Total derivative financial instruments	(2,837)	(8.7%)
Securities sold short		
NYSE and European exchange-traded equity investments:		
5,000 shares in [*name of entity*]	(50)	(0.1%)
17,000 shares in [*name of entity*]	(66)	(0.2%)
9,000 shares in [*name of entity*]	(88)	(0.3%)
23,000 shares in [*name of entity*]	(128)	(0.4%)
20,000 shares in [*name of entity*]	(183)	(0.6%)
26,000 shares in [*name of entity*]	(269)	(0.8%)
Total securities sold short	(784)	(2.4%)
Total derivative financial instruments and securities sold short	(3,621)	(11.1%)
Total net investments (assets less liabilities)	26,001	79.7%
Cash and cash equivalents	51	0.2%
Other assets in excess of other liabilities and equity	6,573	20.1%
Total net assets	32,625	100.0%

The table below reconciles the information presented in the schedules of investments to the amounts reported in the statement of financial position.

Total derivative financial instruments and debt and equity investments as per the schedule of investments	29,622
Included in the statement of financial position as follows:	
Non-pledged financial assets at FVTPL	26,931
Pledged financial assets at FVTPL	2,691
	29,622
Total derivative financial instruments and securities sold short as per the schedule of investments	(3,621)
Included in the statement of financial position as follows:	
Financial liabilities at FVTPL	(3,621)
	(3,621)

Appendix V

Example disclosures of exposure to market risk – Value-at-risk analysis[a]

Value-at-risk analysis

IFRS 7.41

The principal tool used to measure and control the market risk exposure of the Fund is a VaR analysis. The VaR of the Fund's portfolio is the estimated loss that may arise on the portfolio over a specified period of time (holding period) from an adverse market movement within a specified probability (confidence level). The VaR model used by the Fund is based on a 99% confidence level and assumes a 10-day holding period. The VaR model used is based mainly on historical simulation. Taking account of market data from the previous two years and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements.

[*Insert any other information on type of model, assumptions and parameters used in the VaR calculation and any limitations to the method.*]

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following.

- A 10-day holding period assumes that it is possible to hedge or dispose of positions within that period. This may not be the case for certain highly illiquid assets or in situations in which there is severe general market illiquidity.
- A 99% confidence level does not reflect losses that may occur beyond this level, meaning that within the model used there is a 1% probability that losses could exceed the VaR.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- The VaR measure is dependent on the Fund's position and the volatility of market prices.
- The VaR of an unchanged position reduces if market price volatility declines, and vice versa.

The Fund uses VaR limits for total market risk and specific foreign exchange, interest rate, equity, credit spread and other price risks. VaR limits are allocated to trading portfolios.

The overall structure of VaR limits is subject to review and approval by the board of directors. VaR is measured weekly. Weekly reports of use of VaR limits are submitted to [*insert name*] and regular summaries are submitted to the board of directors.

During 2017, higher levels of market volatility persisted across all asset classes. Uncertainty over the levels of borrowing by governments in the major economies and concerns over the performance of sovereign debt in the [*Region Z*] substantially increased market volatility. The largest impact resulted from the general widening of credit spreads. The Fund sought to mitigate the market and credit risk by diversifying away from exposures to countries with the highest uncertainty and volatility and through increased diversification of its investment portfolio.

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a. This Appendix sets out an example of disclosures of the sensitivity analysis for market risk using a VaR methodology. If an entity presents information on this basis, then it discloses:
   - an explanation of the method used in preparing such a sensitivity analysis and the main parameters and assumptions underlying the data provided; and
   - an explanation of the objective of the method used and of limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved.

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APPENDICES

Value-at-risk analysis (continued)

A summary of the VaR position of the Fund's portfolios at 31 December and during the period is as follows.

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2017 *In thousands of euro*	**At 31 December**	**Average**	**Maximum**	**Minimum**
Foreign currency risk	**12.04**	**10.04**	**15.06**	**7.97**
Interest rate risk	**27.41**	**22.05**	**39.48**	**17.53**
Credit spread risk	**19.07**	**16.97**	**19.52**	**15.66**
Other price risk	**3.28**	**3.01**	**4.02**	**2.42**
Covariance	**(2.76)**	**(3.08)**	**-**	**-**
Overall	**59.04**	**48.99**	**78.08**	**43.58**
2016				
Foreign currency risk	9.28	8.40	12.05	4.64
Interest rate risk	20.43	18.05	26.52	13.72
Credit spread risk	6.08	5.11	8.83	3.50
Other price risk	3.32	2.89	4.56	2.07
Covariance	(2.24)	(2.08)	-	-
Overall	36.87	32.37	51.96	23.93

The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks. In addition, the Fund uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios, such as periods of prolonged market illiquidity, on the Fund's overall position.

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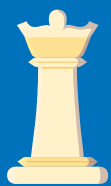

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Acknowledgements

We would like to acknowledge the efforts of the principal contributors to this publication, who include:

Rodrigo Bauce

Ewa Bialkowska

Arina Tomiste

kpmg.com/ifrs

Publication name: *Guide to annual financial statements – Illustrative disclosures for investment funds*

Publication number: 135203

Publication date: December 2017