KPMG

cutting through complexity

IFRS

Guide to annual financial statements – Illustrative disclosures for investment funds

December 2013

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From compliance to communication: What's your story?

2013 sees a number of new and revised IFRSs, some of which contain significant new disclosures. This publication, together with the disclosure checklist in our *Guide to financial statements* suite, sets out and illustrates many of the potential disclosure requirements for investment funds under IFRS.

Although understanding the potential disclosure requirements is an important first step towards preparing your financial statements, there has been a growing recognition that good financial statements – and corporate reports in general – have to go beyond mere compliance to better communicate an entity's performance and development. This might entail the use of plain language, the removal of immaterial disclosures and, most significantly, a better integration of financial statement disclosures with other components of the annual report to tell a single coherent story about the investment fund's business model, strategy, risks and performance.

This is no easy task and cannot be achieved simply by complying with every disclosure listed in IFRS. Every investment fund has a unique story to tell, and its financial statements should also be unique if they are to communicate that story effectively.

This publication will act as a starting point as you begin your journey, by helping you to understand the presentation requirements of IFRS. But you will still have a lot of thinking to do. After all, only you know your story. Now you need to decide the best way to tell it.

What's new?

This new *Guide to annual financial statements – Illustrative disclosures for investment funds* (previously *Illustrative financial statements: Investment funds*) takes account of the impact of the following new or revised IFRSs, which are effective for the first time for an annual reporting period ending on 31 December 2013:

- *Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)* (2011);
- IFRS 12 *Disclosure of Interests in Other Entities;* and
- IFRS 13 *Fair Value Measurement.*

Appendix I illustrates example disclosures for the early adoption of *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)* (2012), which is effective for annual periods beginning on or after 1 January 2014.

In addition, a number of other IFRSs and amendments to IFRSs are effective for the first time as of 1 January 2013 – e.g. IFRS 10 *Consolidated Financial Statements*. However, these changes had no impact on the illustrative disclosures in this guide. Appendix I in our publication Guide to annual financial statements – Illustrative disclosures (September 2013) and our publication In the Headlines – IFRS: New standards provide a list of IFRSs that are effective for the first time for annual reporting periods beginning on 1 January 2013, and those that are available for early adoption in the period. The latter publication also includes the sources of relevant KPMG guidance on these other IFRSs and amendments.

Major changes since the previous edition of this publication are highlighted by a double line running down the left margin of the text in this guide.

About this guide

This guide has been produced by the KPMG International Standards Group (part of KPMG IFRG Limited) and the views expressed herein are those of the KPMG International Standards Group.

It helps you prepare financial statements for investment funds or similar financial institutions in accordance with IFRS. This guide illustrates one possible format for financial statements based on a fictitious tax-exempt open-ended single-fund investment company, which does not form part of a consolidated entity or hold investments in any subsidiaries, associates or joint venture entities. The investment fund's redeemable shares are classified as financial liabilities and the management shares meet the definition of equity; the investment fund is outside the scope of IFRS 8 *Operating Segments* (see Appendix III for example disclosures for a multiple-segment fund that falls in the scope of IFRS 8). The investment fund is not a first-time adopter of IFRS.

This guide focuses on disclosure requirements that are specific to funds' activities. For other disclosures that might be relevant, please see our publications Guide to annual financial statements – Illustrative disclosures (September 2013) and Guide to annual financial statements: Illustrative disclosures for banks (December 2013).

Standards covered

This guide reflects IFRSs in issue at 31 December 2013 that are required to be applied by an entity with an annual period beginning *on* 1 January 2013 ('currently effective' requirements). With the exception of *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)* (October 2012) (see Appendix I) and IFRS 9 *Financial Instruments* (2010) (see Appendix II), the early adoption of IFRSs that are effective for annual periods beginning after 1 January 2013 ('forthcoming' requirements) has not been illustrated in this guide.

Need for judgement

Although we aim to illustrate a realistic set of annual financial statements for an investment fund or a similar financial institution, the examples included in this guide are based on the particular circumstances of the example entity.

Form and content of financial statements

As far as the overall presentation requirements of IFRS are concerned, IAS 1 *Presentation of Financial Statements* sets out the overall requirements for the presentation of financial statements, including their content and structure. Other IFRSs – e.g. IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and IAS 7 *Statement of Cash Flows* – also contain requirements related to presentation. The decisions that an entity has to make about the form and content of its financial statements include the following.

Statement of financial position	• Does a presentation of assets and liabilities based on a current/non-current distinction provide information that is reliable and more relevant? • Should the amounts of each of the categories of financial assets and financial liabilities under IAS 39 *Financial Instruments: Recognition and Measurement* be presented in the statement or in the notes?
Statement of comprehensive income	• Should items of comprehensive income be presented in a single statement or in two statements? • Should an analysis of expenses by nature or by function be presented in the statement or in the notes? • Should fee income and expense arising from trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions be disclosed in the statement of comprehensive income or in the notes?
Statement of cash flows	• Should the cash flow from operating activities be presented using the direct method or indirect method? • Should interest and dividend cash flows be presented as operating, investing or financing activities?
Presentation currency	• What should the presentation currency be?

Notes to the financial statements	• To what extent is it necessary or desirable to vary the order of specific items within the notes? • Should disclosures in respect of the nature and extent of risks arising from financial instruments be presented in the financial statements or incorporated by cross-reference to another statement?

Choice of accounting policies

The accounting policies appropriate for an entity depend on the facts and circumstances of that entity, including the accounting policy choices that an entity makes, and may differ from the disclosures presented in this guide. In particular, the accounting policies illustrated should not be relied on for a complete understanding of the requirements of IFRS and should not be used as a substitute for referring to the standards and interpretations themselves. The recognition and measurement requirements of IFRS are discussed in the 10th edition 2013/14 of our publication *Insights into IFRS* (find out more at kpmg.com/ifrs).

If the financial statements are prepared on the basis of national accounting standards that are modified or adapted from IFRS, then the International Organization of Securities Commissions (IOSCO) recommends disclosure of the reporting framework accounting policies, a statement explaining whether the financial statements comply with IFRS and in what regard the standards and the reporting framework used differ from IFRS.

In extremely rare circumstances, if management concludes that compliance with a requirement of an IFRS would be so misleading that it would conflict with the objective of financial statements set out in the *Conceptual Framework for Financial Reporting*, then an entity may depart from the requirement if the relevant regulatory framework requires or otherwise does not prohibit such a departure. Extensive disclosures are required in these circumstances.

Illustrative examples

This guide is not intended to be seen as a complete and exhaustive summary of all disclosure requirements under IFRS. In addition, the example disclosures presented are intended to explain the relevant disclosure requirements and, therefore, may be more detailed than is necessary. Individual entities should tailor the disclosures to reflect their specific circumstances, including the materiality of the items concerned.

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 interpretations themselves.

Reporting date

A number of terms are used, either in IFRS or in practice, to describe the end of an entity's financial year, including 'reporting date', 'end of the reporting period', 'statement of financial position date', 'year end' and 'financial year end'. Generally, these terms are used interchangeably and have the same meaning. Throughout this guide, we refer to the 'reporting date'.

The annual reporting date may change only in exceptional circumstances. If the annual reporting date does change, then the financial statements for that period will cover either more or less than 12 months. In this case, the entity discloses the reason for the change and the fact that the information is not fully comparable.

First-time adopters of IFRS

This guide assumes that the example investment fund is not a first-time adopter of IFRS. IFRS 1 *First-time Adoption of International Financial Reporting Standards* applies to an entity's first financial statements prepared in accordance with IFRS and requires extensive disclosures explaining how the transition from previous GAAP to IFRS affects the reported financial position, financial performance and cash flows of an entity.

For more information, see Chapter 6.1 in the 10th edition 2013/14 of our publication *Insights into IFRS* and the related guidance in our *Guide to financial statements* suite.

Legal or regulatory requirements

When preparing financial statements in accordance with IFRS, an entity should have regard to applicable legal and regulatory requirements. This guide does not consider the requirements of any particular jurisdiction.

This guide illustrates only the financial statements component of a corporate report and the independent auditors' report on the financial statements. However, a corporate report will typically include at least some additional commentary from management, either in accordance with local laws and regulations or listing requirements or at the election of the entity, and, more specifically for funds, an investment manager's report and/or trustee's report.

Generally, local laws and regulations determine the extent of reporting by directors in addition to the presentation of financial statements. IFRS does not contain any requirements for management commentary. However, IAS 1 encourages entities to present, outside the financial statements, a financial review by management. The review describes and explains the main features of the entity's financial performance and financial position, and the principal uncertainties that it faces.

Such a report may include a review of:

- the main factors and influences determining financial performance, including:
  - changes in the environment in which the entity operates;
  - the entity's response to those changes and their effects; and
  - the entity's policy for investment to maintain and enhance financial performance;
- the entity's sources of funding; and
- the entity's resources not recognised in the statement of financial position in accordance with IFRS.

The IASB has also published guidance in the form of an IFRS practice statement *Management Commentary* that helps entities provide useful management commentary for financial statements prepared in accordance with IFRS.

References and abbreviations

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

IAS 1.82(a)	Paragraph 82(a) of IAS 1
IAS 36R.126	Paragraph 126 of IAS 36 (2013)
Insights 2.3.60.10	Paragraph 2.3.60.10 of the 10th edition 2013/14 of our publication Insights into IFRS
||	Major changes since the previous 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
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*]

We have audited the accompanying financial statements of [*name of the investment fund*] (the 'Fund'), which comprise the statement of financial position as at 31 December 2013, 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, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG
[*Date of report*]
[*Address*]

a. This example report has been prepared based on International Standard on Auditing 700 *Forming an Opinion and Reporting on Financial Statements*. Its format does not reflect the legal requirements of any particular jurisdiction.

[*Name of the investment fund*]

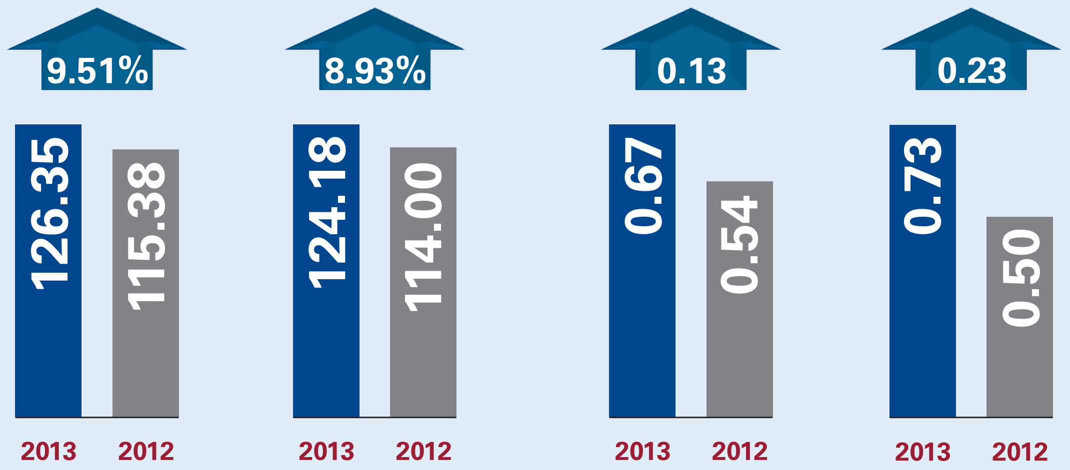
Financial statements

31 December 2013

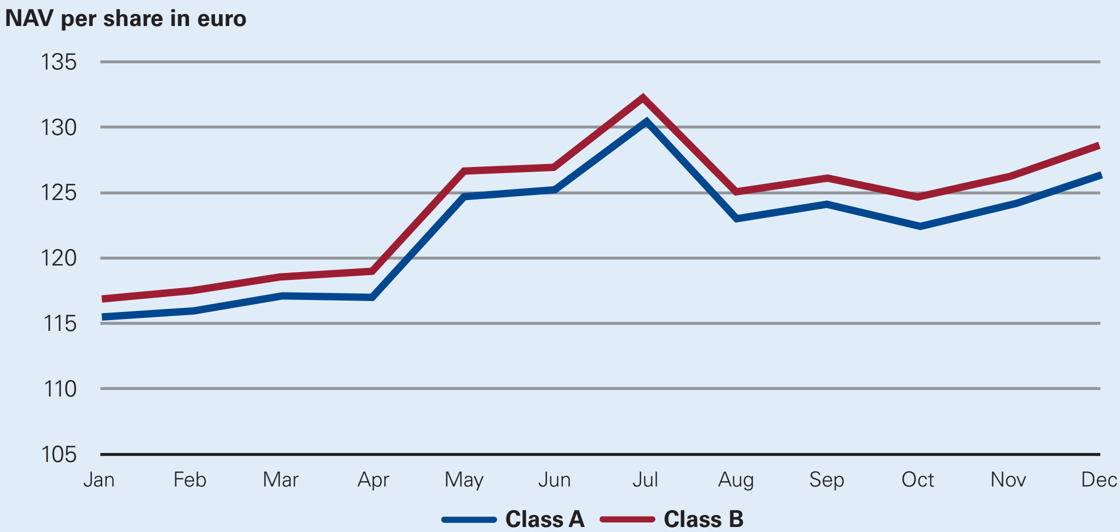
Financial highlights

Net asset value per share

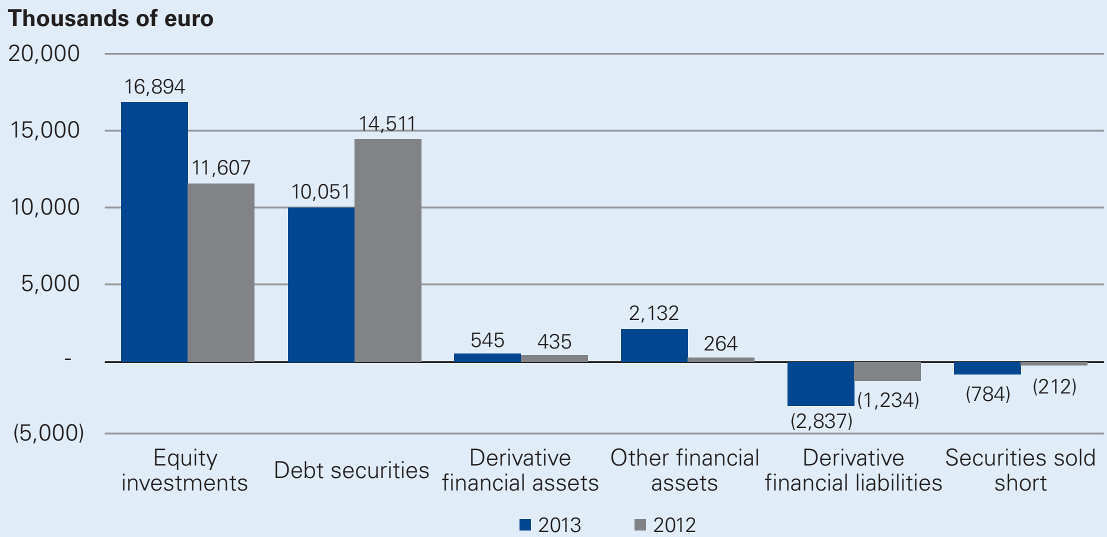
Dividends per share



Net asset value (NAV) per share, 2013



Investments at fair value



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Statement of financial position[a, b, c, d]

Reference	*In thousands of euro*	*Note*	31 December 2013	31 December 2012
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 fair value through profit or loss	*10, 11*	**26,931**	24,471
IAS 1.54(d), 39.37(a)	Pledged financial assets at fair value through profit or loss	*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 fair value through profit or loss	*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
	Represented by:[c]			
	Net assets attributable to holders of redeemable shares (valued in accordance with prospectus)		**32,625**	29,996
	Adjustment from mid-market prices to bid/ask-market prices	*14*	**-**	(17)
			32,625	29,979

The notes on pages 16 to 65 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, 63, Insights 3.1.10.20	**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.
	c.	Refer to Note 14(c) for explanation of the reconciliation between net assets attributable to holders of redeemable shares and adjustment from mid-market prices to bid/ask-market prices.
IAS 32.E32	**d.**	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

	In thousands of euro	Note	2013	2012
	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 fair value through profit or loss	8	**3,251**	2,397
IAS 1.82(a)	**Total revenue**		**4,107**	3,039
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)
IFRS 7.20(b)	Interest expense		**(75)**	(62)
	Dividend expense on securities sold short		**(45)**	(19)
IAS 1.99	Other operating expenses		**(8)**	(41)
	Total operating expenses		**(928)**	(901)
IAS 1.85	**Operating profit before finance costs**		**3,179**	2,138
IAS 32.40	Dividends to holders of redeemable shares	14	**(178)**	(91)
IAS 1.82(b)	**Total finance costs**		**(178)**	(91)
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 16 to 65 are an integral part of these financial statements.

IAS 32.E32 — a. In this guide, the presentation of the statement of comprehensive income follows Example 7 in IAS 32.

IAS 33.2–3, Insights 5.3.370 — b. An entity with publicly traded ordinary shares, or in the process of issuing ordinary shares that are to be publicly traded, should present basic and diluted earnings per share (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 data should be calculated and presented in accordance with IAS 33 *Earnings per Share*.

IAS 1.82(a) — 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. 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 fair value through profit or loss. 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*	2013	2012
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 16 to 65 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[a]

IAS 1.10(d), 113

For the year ended 31 December

	In thousands of euro	*Note*	2013	2012
IAS 7.10	**Cash flows from operating activities**			
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		**51**	71

The notes on pages 16 to 65 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 Guide to annual financial statements – Illustrative disclosures, September 2013.

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.

Notes to the financial statements

1. Reporting entity

IAS 1. 51(a)–(b)

IAS 1.138(a)–(b)

[*Name of 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 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), 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, including the change during the year, are included in Notes 21 and 22, respectively.

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.

Notes to the financial statements (continued)

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

(i) Determination of functional currency

IAS 1.122

'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 majority of the Fund's investments and transactions are denominated in euro. Investor subscriptions and redemptions are also received and paid in euro. Accordingly, management has determined that the functional currency of the Fund is euro.

(ii) Involvement with unconsolidated structured entities

IFRS 12.26

The Fund has concluded that 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 as 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.

(b) Assumptions and estimation uncertainties

(i) Measurement of fair values

IAS 1.125

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2014 is included in Note 6(d) and relates to the determination of fair value of financial instruments with significant unobservable inputs.

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

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.

Cash and cash equivalents

IFRS 7.36(a)

The Fund's cash and cash equivalents are held mainly with XYZ Bank, which is rated AA (2012: 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% (2012: 69%) of the balances due from brokers were concentrated among three brokers (2012: four brokers) whose credit rating was AA (2012: AA). The investment manager monitors the financial position of the brokers on a quarterly basis.

IFRS 7.34, Insights 7.8.340

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 (continued)

(i) Analysis of credit quality (continued)

Investments in debt securities

IFRS 7.34(a)

At 31 December, the Fund was invested in debt securities with the following credit quality.

In thousands of euro	2013	2012	2013 %	2012 %
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

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
2013				
Exchange-traded	**326**	**15,000**	**(1,066)**	**(16,000)**
OTC – central counterparties	**-**	**-**	**(464)**	**(5,900)**
OTC – other bilateral	**219**	**2,000**	**(1,307)**	**(22,800)**
Total	**545**	**17,000**	**(2,837)**	**(44,700)**
2012				
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.

	2013 %	2012 %
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 2013 or 31 December 2012. No individual investment exceeded 5% of the net assets attributable to the holders of redeemable shares either at 31 December 2013 or at 31 December 2012.

IFRS 7.B8, IG18–IG19

a. The identification of concentrations of risk requires judgement taking into account the circumstances of the entity. For example, concentrations of credit risk may arise from industry sectors, credit rating or other measures of credit quality, geographic distribution or a limited number of individual counterparties. Therefore, the disclosure of risk concentrations includes a description of the shared characteristics.

Notes to the financial statements (continued)

5. Financial risk review (continued)

(a) Credit risk (continued)

IFRS 7.36(b)

(iii) Collateral held and other credit enhancements, and their financial effect[a]

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, or entered into under International Derivatives Swaps and Dealers Association (ISDA) master netting agreements. Under ISDA master netting agreements 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 due or payable in settlement of all transactions.

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

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	**2013**	**2012**
	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 2013, the fair value of financial assets accepted as collateral that had been sold or repledged was €154 thousand (2012: €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 fair value through profit or loss.

IFRS 7.14(b)

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

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.

Notes to the financial statements (continued)

5. Financial risk review (continued)

(a) Credit risk (continued)

(iv) Offsetting financial assets and financial liabilities

IFRS 7.13A

None of the financial assets and financial liabilities is offset 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 arrangement 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 arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Fund or the counterparties. In addition, the Fund and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The Fund receives and gives collateral in the form of cash and marketable securities in respect of the following transactions:

- derivatives;
- sale and repurchase, and reverse sale and repurchase agreements; and
- securities borrowing.

Such collateral 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 arrangements and similar agreements

31 December 2013

				Related amounts not offset in the statement of financial position		
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 borrowings	**5,567**	**-**	**5,567**	**(5,567)**	**-**	**-**
Total	**6,112**	**-**	**6,112**	**(6,067)**	**(45)**	**-**

Notes to the financial statements (continued)

5. Financial risk review (continued)

(a) Credit risk (continued)

(iv) Offsetting financial assets and financial liabilities (continued)

Financial liabilities subject to enforceable master netting arrangements and similar agreements

31 December 2013

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 arrangements and similar agreements

31 December 2012

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 borrowings	4,213	-	4,213	(4,213)	-	-
Total	4,648	-	4,648	(4,613)	(35)	-

Financial liabilities subject to enforceable master netting arrangements and similar agreements

31 December 2012

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	-

Notes to the financial statements (continued)

5. Financial risk review (continued)

(a) Credit risk (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 2013

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 fair value through profit or loss	**(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 (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 2012

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 fair value through profit or loss	(1,446)	(212)	*10, 11*
Sale and repurchase agreements	(2,234)	Payables under sale and repurchase agreements	(2,234)	-	*5*

5. Financial risk review (continued)

IFRS 7.39

(b) Liquidity risk[a, b]

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

In thousands of euro	Carrying amount	Gross nominal in(out)flow	Less than 7 days	7 days to 1 month	1 to 3 months
31 December 2013					
Non-derivative liabilities					
Balances due to brokers	**(143)**	**(143)**	**(143)**	**-**	**-**
Payables under sale and repurchase agreements	**(2,563)**	**(2,755)**	**(253)**	**(1,542)**	**(960)**
Other payables	**(103)**	**(103)**	**(103)**	**-**	**-**
Securities sold short	**(784)**	**(784)**	**(784)**	**-**	**-**
Net assets attributable to holders of redeemable shares	**(32,625)**	**(32,625)**	**(32,625)**	**-**	**-**
Derivative liabilities (IFRS 7.B11B)	**(2,837)**	**-**	**-**	**-**	**-**
Outflows	**-**	**(9,182)**	**(2,282)**	**(5,260)**	**(1,640)**
Inflows	**-**	**6,250**	**5,500**	**-**	**750**
	(39,055)	**(39,342)**	**(30,690)**	**(6,802)**	**(1,850)**

IFRS 7.B11

In thousands of euro	Carrying amount	Gross nominal in(out)flow	Less than 1 month	1 to 3 months	3 months to 1 year
31 December 2012					
Non-derivative liabilities					
Balances due to brokers	(275)	(275)	(275)	-	-
Payables under sale and repurchase agreements	(2,234)	(2,408)	-	(2,408)	-
Other payables	(101)	(101)	(101)	-	-
Securities sold short	(212)	(212)	(212)	-	-
Net assets attributable to holders of redeemable shares	(29,979)	(29,996)	(29,996)	-	-
Derivative liabilities (IFRS 7.B11B)	(1,234)	-	-	-	-
Outflows	-	(5,330)	(2,398)	(372)	(2,560)
Inflows	-	4,000	2,000	-	2,000
	(34,035)	(34,322)	(30,982)	(2,780)	(560)

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. It therefore 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 (2012: €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 gross nominal 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. forward exchange 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	**2013**	**2012**
Total liquid assets	**19,826**	17,137
Liquid assets as % of total net assets	**61%**	57%

IFRS 7.B11B **a.** In this guide, it is assumed 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.

IFRS 7.31–32

IFRS 7.34(a)

Notes to the financial statements (continued)

5. Financial risk review (continued)

(c) Market risk[a]

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

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

In thousands of euro	Less than 1 month	1 to 3 months	3 months to 1 year	Total
31 December 2013				
Assets				
Cash and cash equivalents	**51**	**-**	**-**	**51**
Financial assets at fair value through profit or loss:				
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 2012				
Assets				
Cash and cash equivalents	71	-	-	71
Financial assets at fair value through profit or loss:				
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 (2012: 79.8 days).

IFRS 7.34(a)

a. In this guide, the following primary bases for market risk reporting to key management personnel are assumed:

- *for interest rate risk:* interest rate gap position;
- *for foreign exchange 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 or reduction of 50 basis points in interest rates at 31 December. The impact of such an increase or reduction has been estimated by calculating the fair value changes of the fixed-interest debt securities, 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 (decrease)	**2013**	**2012**
Net assets attributable to holders of redeemable shares	**(61.4)**	(81.7)
Effect in % (decrease)		
Net assets attributable to holders of redeemable shares	**(0.19%)**	(0.27%)
Increase in net assets attributable to holders of redeemable shares	**(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 attributable to holders of redeemable shares would have been affected by reasonably possible changes in the relevant risk.

IFRS 7.41 b. In this guide, it is assumed 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, we have illustrated in Appendix VI an example disclosure for a fund that uses a VaR analysis.

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 value 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.

	2013		2012	
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 attributable to holders of redeemable shares of a reasonably possible weakening of the euro against the US dollar by 5% (2012: 4%), sterling by 3% (2012: 2%) and the Swiss franc by 2% (2012: 4%) at 31 December. The analysis assumes that all other variables, in particular interest rates, remain constant.

Effect in thousands of euro (increase)	2013	2012
USD	**377**	171
GBP	**61**	19
CHF	**18**	31
Effect in % of net assets attributable to the holders of redeemable shares (increase)	**2013**	**2012**
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)	**2013**	**2012**
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.

	2013 % of net assets	2012 % of net assets
Equity investments:		
Exchange-traded equity investments	**51.8%**	38.7%
Unlisted private equity investments	**1.5%**	-
Unlisted open-ended investment funds	**5.0%**	0.9%
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	2013 Fair value	2013 Notional	2012 Fair value	2012 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 derivative assets	**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 derivative liabilities	**(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 market 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.

	2013 %	2012 %
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 2013 or 31 December 2012. No exposure to any individual issuer exceeded 5% of the net assets attributable to the holders of redeemable shares either at 31 December 2013 or 31 December 2012.

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	2013	2012
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	**2013**	**2012**
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	**2013**	**2012**
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.

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6. Fair values of financial instruments

See accounting policy in Note 22(h)(iii).

(a) Valuation models[a]

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 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 and equity index prices 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 more 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.

(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, then the portfolio valuation function assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. 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;
- 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.

In thousands of euro	Level 1	Level 2	Level 3	Total
31 December 2013				
Non-pledged financial assets at fair value through profit or loss				
Equity investments, listed				
Healthcare	2,574	568	-	3,142
Energy	2,274	682	-	2,956
Telecommunication	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 fair value through profit or loss				
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)

In thousands of euro	Level 1	Level 2	Level 3	Total
31 December 2013				
Financial liabilities at fair value through profit or loss				
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 2012				
Financial assets				
Equity investments, listed	10,657	950	-	11,607
Debt securities	8,826	5,685	-	14,511
Unlisted private equity investments	-	-	264	264
Derivative financial instruments	135	300	-	435
	19,618	6,935	264	26,817
Financial liabilities				
Securities sold short	-	(212)	-	(212)
Derivative financial instruments	(756)	(478)	-	(1,234)
	(756)	(690)	-	(1,446)

Notes to the financial statements (continued)

6. Fair values of financial instruments (continued)

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

IFRS 13.93(c)

During 2013, debt securities with a carrying amount of €200 thousand were transferred from Level 1 to Level 2 because public price quotations in an active market for these instruments were no longer available. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs.

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.

		Unlisted open-ended investment funds	**Unlisted private equity investments**	
	In thousands of euro	**Multi-strategy**	**Biotech-nology**	**Total**
	Balance at 1 January 2012	-	138	138
IFRS 7.27B(c)(i)	Total gains or losses recognised in profit or loss	-	23	23
IFRS 7.27B(c)(iii)	Purchases	-	119	119
IFRS 7.27B(c)(iii)	Sales	-	(16)	(16)
IFRS 7.27B(c)(iv)	Transfers into Level 3	-	-	-
IFRS 7.27B(c)(iv)	Transfers out of Level 3	-	-	-
	Balance at 31 December 2012	-	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 2013	**531**	**500**	**1,031**
IFRS 13.93(f)	Change in unrealised gains or losses for the period included in profit or loss for financial assets and financial liabilities held at the reporting date	**56**	**42**	**98**

These gains and losses are recognised in profit or loss as net gain from financial instruments at fair value through profit or loss.

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 2013 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.[a]

Description	Fair value at 31 December 2013	Valuation technique	Unobservable input	Range (weighted average)	Sensitivity to changes in significant unobservable inputs
Unlisted private equity investments	**500**	Market approach using comparable traded multiples	EBITDA multiple Revenue multiple Discount for lack of marketability	7–12 (10) 1.5–2.0 (1.8) 5–15% (11%)	The estimated fair value would increase if: • the EBITDA and revenue multiples were higher; or • the discount for lack of marketability were lower. Generally, a change in the annual revenue growth rate is accompanied by a directionally similar change in the EBITDA margin.
Unlisted open-ended investment funds	**531**	Adjusted net asset value	Discount for lack of marketability/ restricted redemptions	8–10% (9%)	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 and further discounted for considerations such as the lack of marketability and other differences between the comparable peer group and specific company.
- *Discount for lack of marketability:* 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.

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6. Fair values of financial instruments (continued)

(e) Effects of unobservable input on fair value measurement

IFRS 13.93(h)(ii)

Although the Fund 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)
2013		
Unlisted open-ended investment funds	**48**	**(49)**
Unlisted private equity investments	**43**	**(41)**
2012		
Unlisted private equity investments	21	(20)

IFRS 7.27B(e)

IFRS 7.27B(e), 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 2013 was 11% (with reasonably possible alternative assumptions of 5 and 15%) (2012: 10%; 6% and 15% respectively). The EBITDA multiple used in the model at 31 December 2013 was 10 (with reasonably possible alternative assumptions of 7 and 12) (2012: 10; 7 and 13 respectively). The revenue multiple used in the model at 31 December 2013 was 1.8 (with reasonably possible alternative assumptions of 1.5 and 2.0) (2012: 1.8; 1.4 and 2.1 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 2013 was 9% (with reasonably possible alternative assumptions of 8 and 10%).

(f) Financial instruments not measured at fair value

IFRS 7.25, 29

The financial instruments not measured at fair value through profit or loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

IFRS 13.97

The following table sets out the fair values of financial instruments not measured at fair value and analyses it by the level in the fair value hierarchy into which each fair value measurement is categorised.

In thousands of euro	Level 1	Level 2	Level 3	Total
31 December 2013				
Financial assets				
Cash and cash equivalents	**-**	**51**	**-**	**51**
Balances due from brokers	**-**	**4,619**	**-**	**4,619**
Receivables from reverse sale and repurchase agreements	**-**	**4,744**	**-**	**4,744**
Other receivables	**-**	**29**	**-**	**29**
	-	**9,443**	**-**	**9,443**
Financial liabilities				
Balances due to brokers	**-**	**143**	**-**	**143**
Payables under sale and repurchase agreements	**-**	**103**	**-**	**103**
Net assets attributable to holders of redeemable shares	**-**	**32,625**	**-**	**32,625**
	-	**32,871**	**-**	**32,871**

Notes to the financial statements (continued)

IAS 18.35(b)(iii)

7. Interest income[a]

IFRS 7.20(b)

In thousands of euro	2013	2012
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 fair value through profit or loss:		
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 at fair value through profit or loss within 'gain from financial instruments at fair value through profit or loss'.

Notes to the financial statements (continued)

8. Net gain from financial instruments at fair value through profit or loss[a]

In thousands of euro		**2013**	**2012**
IFRS 7.20(a)(i)	Net gain from financial instruments held for trading:		
	Securities sold short	**58**	57
	Derivative financial instruments	**88**	(37)
		146	20
IFRS 7.20(a)(i)	Net gain from financial assets designated as at fair value through profit or loss:		
	Equity investments	**3,004**	1,536
	Debt securities	**101**	841
		3,105	2,377
		3,251	2,397
	Net gain from financial instruments at fair value through profit or loss:[b]		
	Realised	**1,585**	1,208
	Unrealised	**1,666**	1,189
		3,251	2,397

The realised gain from financial instruments at fair value through profit or loss 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 sale or 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 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 fair value through profit or loss does not include interest income and dividend income, as these are presented separately. However, other presentations are possible.

b. There is no requirement under IFRS to disclose an analysis of gains and losses on financial instruments accounted for at fair value through profit or loss between realised and unrealised portions. However, this information may be useful to investors and therefore many funds include it in their financial statements.

Notes to the financial statements (continued)

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% (2012:15%).

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10. Classification of financial assets and financial liabilities

See accounting policies in Note 22(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 2013						
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**
Other receivables		**-**	**-**	**29**	**-**	**29**
Non-pledged financial assets at fair value through profit or loss	*11*	**545**	**26,386**	**-**	**-**	**26,931**
Pledged financial assets at fair value through profit or loss	*11*	**-**	**2,691**	**-**	**-**	**2,691**
		545	**29,077**	**9,443**	**-**	**39,065**
Balances due to brokers	*12*	**-**	**-**	**-**	**143**	**143**
Payables under sale and repurchase agreements	*5*	**-**	**-**	**-**	**2,563**	**2,563**
Other payables		**-**	**-**	**-**	**103**	**103**
Financial liabilities at fair value through profit or loss	*11*	**3,621**	**-**	**-**	**-**	**3,621**
Net assets attributable to holders of redeemable shares	*14*	**-**	**-**	**-**	**32,625**	**32,625**
		3,621	**-**	**-**	**35,434**	**39,055**
31 December 2012						
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
Other receivables		-	-	46	-	46
Non-pledged financial assets at fair value through profit or loss	*11*	435	24,036	-	-	24,471
Pledged financial assets at fair value through profit or loss	*11*	-	2,346	-	-	2,346
		435	26,382	7,228	-	34,045
Balances due to brokers	*12*	-	-	-	275	275
Payables under sale and repurchase agreements	*5*	-	-	-	2,234	2,234
Other payables		-	-	-	101	101
Financial liabilities at fair value through profit or loss	*11*	1,446	-	-	-	1,446
Net assets attributable to holders of redeemable shares	*14*	-	-	-	29,979	29,979
		1,446	-	-	32,589	34,035

Notes to the financial statements (continued)

11. Financial assets and financial liabilities at fair value through profit or loss

See accounting policies in Note 22(h).

	In thousands of euro	2013	2012
	Pledged financial assets at fair value through profit or loss		
IFRS 7.8(a)(i)	Financial assets designated as at fair value through profit or loss:		
	Debt securities	**2,691**	2,346
	Non-pledged financial assets at fair value through profit or loss		
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 fair value through profit or loss:		
	Debt securities	**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 fair value through profit or loss		
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 22(h)(ii).

IAS 7.14(a)

In thousands of euro	2013	2012
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.

Notes to the financial statements (continued)

13. Equity

IAS 1.79(a)(i)–(iii)

Authorised, issued and fully paid management voting shares

	Authorised		Issued and fully paid	
Number of shares	**2013**	**2012**	**2013**	**2012**
Management shares of €1 each	**1,000,000**	1,000,000	**10,000**	10,000

	Authorised		Issued and fully paid	
In thousands of euro	**2013**	**2012**	**2013**	**2012**
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 December 2013 and 2012, 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 22(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)

Authorised redeemable shares

	2013			2012		
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
Issued and fully paid (*IAS 1.79(a)(ii), (iv)*)						
Number of shares						
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
Issued and fully paid (*IAS 1.79(a)(ii), (iv)*)						
In thousands of euro						
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)	**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.

Notes to the financial statements (continued)

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

(a) 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.

	2013			2012		
	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 2013, which was paid on [*insert date*] 2014, as follows.

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

(c) Reconciliation of net assets and net asset value per share

The Fund adopted IFRS 13 with effect from 1 January 2013. Under IFRS 13, the Fund uses mid-market pricing to determine the fair values of financial assets and financial liabilities quoted in an active market.

In 2012, under IAS 39, the Fund valued financial assets quoted in an active market at bid prices and financial liabilities quoted in an active market at ask prices. This created a presentation issue because, in accordance with the Fund's prospectus, the redemption amounts of the redeemable shares are calculated using the net assets of the Fund computed at the mid-market prices of the underlying financial instruments.

Notes to the financial statements (continued)

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

(c) Reconciliation of net assets and net asset value per share (continued)[a, b]

The table below shows a reconciliation for 2012 of the net assets and net asset value per share between the amounts computed as per the Fund's prospectus and the amounts computed in accordance with IFRS. No such reconciliation is required following the adoption of IFRS 13 because mid-market prices are used to value financial assets and financial liabilities quoted in an active market and so no reconciliation amount arises.

	2013			2012		
In thousands of euro	Class A	Class B	Total	Class A	Class B	Total
Net assets as per prospectus	**25,413**	**7,212**	**32,625**	23,255	6,741	29,996
Adjustment from mid-prices to bid/ask-prices	**-**	**-**	**-**	(13)	(4)	(17)
Net assets in accordance with IFRS	**25,413**	**7,212**	**32,625**	23,242	6,737	29,979
In euro						
Net asset value per share as per prospectus	**126.35**	**124.18**		115.45	114.07	
Adjustment from mid-prices to bid/ask-prices	**-**	**-**		(0.07)	(0.07)	
Net asset value per share in accordance with IFRS	**126.35**	**124.18**		115.38	114.00	

a. There is no requirement under IFRS to disclose a reconciliation of net assets and net assets per share as presented in the financial statements, to net assets and net assets per share calculated in accordance with the Fund's prospectus. However, this information may be useful to investors and therefore funds may wish to disclose it voluntarily.

Insights 2.4.980

Under IAS 39, the best measure of the fair value of a financial asset or financial liability was a quoted price in an active market. The quoted price for an asset held is usually the current bid price and for a liability held is the asking price. However, in accordance with the Fund's prospectus, the redemption amounts of the redeemable shares are calculated using the mid-market prices of the Fund's underlying investments/securities sold short.

Owing to the differences in the measurement bases of the Fund's underlying investments/securities sold short and the redemption amounts of the redeemable shares, a mismatch resulted in the statement of financial position in 2012, giving rise to a presentation issue. In our view, one solution may be to present the net assets attributable to holders of redeemable shares in a two-line format. The first line would be the amount of the net assets attributable to holders of redeemable shares measured in accordance with the prospectus, which reflects the actual redemption amount at which the redeemable shares would be redeemed at the reporting date, and the next line would include an adjustment for the difference between this and the amount recognised in the statement of financial position. This reflects the fact that for a fund with no equity all recognised income and expense is attributed to holders of redeemable shares, which also means that if all the shares are redeemed, then a dilution levy of this amount would be required. The treatment in a fund with no equity was applied in these illustrative financial statements in 2012 to a fund with minimal equity because equity holders are entitled to a minimal fixed monetary amount on liquidation and the remaining net assets are attributed to holders of redeemable shares.

b. There could be circumstances in which the measurement bases in IFRS 13 and the prospectus are different and the mismatch will cause the above presentation issue. For example, this could be the case when the prospectus requires valuation based on mid-market prices of financial instruments held by a fund but the fund does not use mid-market prices to determine fair value in accordance with IFRS 13 – e.g. because such prices are not representative of fair value.

Notes to the financial statements (continued)

15. Transfers of financial assets[a]

See accounting policy in Note 22(h)(vi) and (viii).

(a) Transferred financial assets that are not derecognised in their entirety

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 agreement. These carrying amounts are included in the 'Pledged financial assets at fair value through profit or loss' line item in the statement of financial position.

In thousands of euro	**2013**	**2012**
Carrying amount of assets	**2,691**	2,563
Carrying amount of associated liabilities	**(2,563)**	(2,234)

Insights 7.8.400.70–80

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

Notes to the financial statements (continued)

16. Involvement with unconsolidated structured entities

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.

31 December 2013

In thousands of euro	Number of investee funds	Total net assets	Carrying amount included in "Non-pledged financial assets at fair value through profit or loss"
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.

Notes to the financial statements (continued)

IAS 24.13

17. Related parties and other key contracts

(a) Related parties

IAS 24.17

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 on each valuation day as defined in the prospectus. The investment management fees incurred during the year amounted to €478 thousand (2012: €447 thousand). Included in other payables at 31 December 2013 were investment management fees payable of €49 thousand (2012: €47 thousand). The investment management contract can be terminated by the Fund at any time.

At 31 December 2013, 20,000 Class A redeemable shares (2012: 20,000 Class A redeemable shares) and all Class B redeemable shares (2012: all Class B redeemable shares) were held by employees of the investment manager.

At 31 December 2013, all management shares were held by the investment manager (2012: all management shares).

The total directors' fees paid for the year were €26 thousand (2012: €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 as at the reporting date.

(b) Other key contracts

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 (2012: €62 thousand). Included in other payables at 31 December 2013 were administration fees payable of €6 thousand (2012: €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 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.

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.

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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 consolidates 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 (2012: 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 (not relating to changes in the obligor's/issuer's credit standing) 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, forward contracts, futures and options. The Fund does not apply hedge accounting.

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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 that portion of the Fund's financial assets or financial liabilities that is 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 market 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 market 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)

(f) Operational risk (continued)

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.

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 disclosures of these externally imposed requirements are required.

Notes to the financial statements (continued)

IAS 1.117(a)

20. Basis of measurement

Basis of measurement

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

Items	Measurement basis
Derivative financial instruments	Fair value
Non-derivative financial instruments at fair value through profit or loss	Fair value

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21. Changes in accounting policies[a]

Except for the changes below, the Fund has consistently applied the accounting policies as set out in Note 22 to all periods presented in these financial statements.

IAS 8.28(a)

The Fund has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

(a) IFRS 13 *Fair Value Measurement*;

(b) *Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)* (2011); and

(c) IFRS 12 *Disclosure of Interests in Other Entities*.

IAS 8.28(b)–(d)

The nature and the effect of the changes are explained below.

(a) Fair value measurement

In accordance with the transitional provisions of IFRS 13, the Fund has applied the new definition of fair value, as set out in Note 22(h)(iii), prospectively.

IFRS 13.70–71

As a result, the Fund has changed the valuation approach for financial assets and financial liabilities measured at fair value for which a quoted price in an active market is available. Management concluded that mid-market prices for such instruments are representative of fair value and generally to use mid-market prices for such instruments. In 2012, such financial assets were measured at bid price and such financial liabilities at asking price. The change in accounting policy did not have a significant impact on the measurement of the Fund's assets and liabilities. The resulting aggregate adjustment to net assets attributable to holders of redeemable shares at 1 January 2013 amounted to an increase of €17 thousand.

The Fund has included new disclosures in the financial statements, which are required under IFRS 13. These new disclosure requirements are not included in the comparative information. However, to the extent that disclosures were required by other standards before the effective date of IFRS 13, the Fund has provided the relevant comparative disclosures under those standards.

(b) Offsetting financial assets and financial liabilities

As a result of the amendment to IFRS 7, the Fund has expanded disclosures about offsetting financial assets and financial liabilities (see Note 5(a)(iv)).

(c) Involvement with unconsolidated structured entities

IFRS 12.24–25

As a result of application of IFRS 12, the Fund has made disclosures about its involvement with unconsolidated structured entities (see Note 15). The disclosures related to its involvement with unconsolidated structured entities are not included in the comparative information.

IAS 8.28–29

a. The description of the nature and effect of the changes in accounting policies presented is only an example, and may not be representative of the nature and effect of the changes for specific entities.

Some changes as a result of other IFRSs effective from 2013, such as *Improvements to IFRSs 2009–2011 Cycle*, or IFRS 10 *Consolidated Financial Statements* (2011), are assumed to be immaterial.

Notes to the financial statements (continued)

IFRS 7.21, IAS 1.112(a), 117(a)–(b)

22. Significant accounting policies

Except for the changes explained in Note 21, the Fund has consistently applied the following accounting policies to all periods presented in these financial statements.

(a) Foreign currency

IAS 21.21, 23(a)

Transactions in foreign currencies are translated into euro at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into euro at the exchange rate at that date.

IAS 21.23(b)

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into euro at the exchange rate at the date on which the fair value was determined.

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

IFRS 7.B5(e)

(b) Interest

IAS 18.35(b)(iii)

Interest income and expense, including interest income from non-derivative financial assets at fair value through profit or loss, 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. 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

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 fair value through profit or loss 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.

Notes to the financial statements (continued)

22. Significant accounting policies (continued)

IFRS 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 fair value through profit or loss

Net gain from financial instruments at fair value through profit or loss 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 fair value through profit or loss is calculated using the average cost method.[a]

IFRS 7.21

(f) Fees and commission expenses

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

(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.

IFRS 7.21

(h) Financial assets and financial liabilities

(i) Recognition and initial measurement

IFRS 7.B5(c)

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

Insights 7.5.290.50–60

a. In our view, an entity may apply any reasonable cost allocation method to determine the cost of financial assets sold that are part of a homogeneous portfolio – e.g. average cost or first-in, first-out. The selected method should be applied consistently.

Notes to the financial statements (continued)

22. Significant accounting policies (continued)

(h) Financial assets and financial liabilities (continued)

(ii) Classification

IAS 39.9

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

Financial assets at fair value through profit or loss:

- *Held for trading:* derivative financial instruments.
- *Designated as at fair value through profit or loss:* debt securities and equity investments.

Financial assets at amortised cost:

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

Financial liabilities at fair value through profit or loss:

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

Financial liabilities at amortised cost:

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

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 7.21, B5(a)

The Fund designates all debt and equity investments at fair value through profit or loss 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.

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

Policy applicable from 1 January 2013

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 ongoing basis. The Fund measures instruments quoted in an active market at a mid 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)

22. Significant accounting policies (continued)

(h) Financial assets and financial liabilities (continued)

(iii) Fair value measurement (continued)

Policy applicable from 1 January 2013 (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.

Policy applicable before 1 January 2013

'Fair value' is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

IAS 39.48A

When available, then the Fund measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as 'active' if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Fund establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if they are available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Fund, incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Fund calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

Assets and long positions are measured at a bid price; liabilities and securities sold short are measured at an asking price.

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 at 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)

A financial asset not classified at fair value through profit or loss is 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, or adverse changes in the payment status of the borrowers.

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.

Notes to the financial statements (continued)

22. Significant accounting policies (continued)

(h) Financial assets and financial liabilities (continued)

(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.

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

(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 legal right to offset the amounts and it intends either to settle 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 fair value through profit or loss and foreign exchange gains and losses.

(viii) Specific instruments

Cash and cash equivalents

IAS 7.45–46

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of three months or less from the acquisition date 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.

Receivables and payables under sale and repurchase agreements and securities borrowed

IAS 39.AG51(a)–(c)

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 continues to be recognised in the Fund's financial statements.

Notes to the financial statements (continued)

22. Significant accounting policies (continued)

(h) Financial assets and financial liabilities (continued)

(viii) Specific instruments (continued)

Receivables and payables under sale and repurchase agreements and securities borrowed (continued)

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 fair value through profit or loss, classified as held-for-trading and measured at fair value through profit or loss. 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.

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)

IAS 8.30–31

23. New standards and interpretations not yet adopted[a]

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. Those that may be relevant to the Fund are set out below. The Fund does not plan to adopt these standards early.

(a) IFRS 9 *Financial Instruments* (2013), IFRS 9 *Financial Instruments* (2010) and IFRS 9 *Financial Instruments* (2009) (together, IFRS 9)[b]

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets.

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables. For an investment in an equity instrument that is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in OCI. No amount recognised in OCI would ever be reclassified to profit or loss at a later date. However, dividends on such investments would be recognised in profit or loss, rather than OCI, unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in OCI would be measured at fair value, with changes in fair value recognised in profit or loss.

The standard requires derivatives embedded in contracts with a host that is a financial asset in the scope of the standard not to be separated; instead, the hybrid financial instrument is assessed in its entirety for whether it should be measured at amortised cost or fair value.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in OCI rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with risk management.

The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalised. However, application of IFRS 9 is permitted.

Based on the initial assessment, the standard is not expected to have a material impact on the Fund.

(b) *Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)*

The amendments to IAS 32 clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is considered to be equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Early application is permitted.

Based on the initial assessment, the standard is not expected to have a material impact on the Fund.

IAS 1.31

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

b. See Appendix II for example disclosures on the early adoption of IFRS 9.

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Appendix I

Example disclosures for investment funds that early adopt *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)* (2012)

Statement of financial position[a]

IAS 1.10(a), 113

	In thousands of euro	31 December 2013	31 December 2012 (restated)	1 January 2012 (restated)
	Assets			
IAS 1.54(i)	Cash and cash equivalents	**37**	45	52
IAS 1.54(d)	Financial assets at fair value through profit or loss	**32,635**	29,989	13,029
	Total assets	**32,672**	30,034	13,081
	Equity			
IAS 1.54(r)	Share capital	**10**	10	10
	Total equity	**10**	10	10
	Liabilities			
IAS 1.54(k)	Other payables	**159**	128	48
	Total liabilities (excluding net assets attributable to holders of redeemable shares)	**159**	128	48
IAS 1.6, 54(m), 32.IE32	Net assets attributable to holders of redeemable shares	**32,503**	29,896	13,023

a. This Appendix illustrates one possible format of disclosure for a fund that early adopts Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (the amendments). It assumes the same fact pattern as in the main body of this guide except that the underlying investments are made by the Master Fund and the Feeder Fund is the sole investor in the Master Fund. It also assumes that the Feeder Fund meets the definition of an investment entity (see further analysis in Note 4).

This Appendix focuses on the following key changes to the financial statements resulting from early adoption of the amendments:

- 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;
- changes in accounting policies; and
- description of subsidiaries.

This Appendix does not illustrate all consequential changes.

For more information on the requirements of the amendments, see our publication First Impressions: Consolidation relief for investment funds (November 2012).

Statement of comprehensive income

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

For the year ended 31 December

Reference	In thousands of euro	2013	2012 (restated)
IFRS 7.20(a), IAS 1.35	Net gain from financial instruments at fair value through profit or loss	**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

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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 2013, the Feeder Fund owned 100% of the Master Fund (2012: 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)

(a) Judgements[a]

IAS 1.122

Management concluded that activities arising from contracts between the Master Fund (which itself meets the definition of an investment entity) and third party service providers (e.g. for custodial and administrative services) do not represent separate substantial activities of the Master Fund. Consequently, management concluded that the Feeder Fund should not consolidate the Master Fund.[b]

IFRS 10.28, 12.9A, Insights 5.6A.120.20

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

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

IFRS 10.27, 31–32, B85C–B85E, BC240

b. In its November 2013 meeting, the IFRS Interpretations Committee considered the accounting by an investment entity for an investment entity subsidiary that also provides investment-related services. The issue is whether such a subsidiary should be measured at fair value (because it meets the definition of an investment entity) or consolidated (because it provides investment-related services). The Committee decided to add this issue to its agenda and will consider a proposed amendment to IFRS 10 at a future meeting.

While this issue remains under discussion, an investment fund needs to exercise judgement in determining whether services provided by a subsidiary that itself meets the definition of an investment entity (the Master Fund in this guide) constitute investment-related services that would require its parent (the Feeder Fund in this guide) to consolidate it.

Extracts of notes to the financial statements (continued)

IFRS 7.31

5. Financial risk review (extract)[a, b]

IFRS 7.34

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

Approximately all of 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 New York Stock Exchange (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, please 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 (2012: AA) based on rating agency [*x*] ratings. The investment manager monitors the financial position of XYZ Bank on a quarterly basis.

[*Disclose information on the underlying investments of the Master Fund is that deemed relevant to meeting the objectives of IFRS 7.*]

IFRS 7.3

a. Investment entities apply the disclosure requirements in IFRS 7 to investees that are measured at fair value through profit or loss 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. 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 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.

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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

In thousands of euro	Carrying amount	Gross nominal outflow	Less than 1 month
31 December 2013			
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 2012			
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 expected cash flows on redeemable shares 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 (2012: €120 thousand per week); however, actual redemptions could differ significantly from this estimate.

IFRS 7.31–32

(c) Market risk

(i) Interest rate risk

IFRS 7.34(a)

[*Disclose information on the underlying investments of the Master Fund that is deemed relevant to meeting the objectives of IFRS 7.*]

(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.

[*Disclose information on the underlying investments of the Master Fund that is deemed relevant to meeting the objectives of IFRS 7.*]

(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 2013 was €32,635 thousand (2012 (restated): €29,989 thousand).

Extracts of notes to the financial statements (continued)

IFRS 7.31

5. Financial risk review (extract) (continued)

IFRS 7.31–32

(c) Market risk

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	**2013**	**2012**
Decrease in net gain from financial instruments at fair value through profit or loss	**(1,305)**	(1,200)

Effect in % on:	**2013**	**2012**
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 individual equity market prices of 4% at 31 December would have resulted in an equal but opposite effect to the amounts shown above.

[*Disclose information on the underlying investments of the Master Fund that is deemed relevant to meeting the objectives of IFRS 7.*]

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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 the 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 2013 and 31 December 2012, the fair value measurement of shares held by the Feeder Fund in the Master Fund is categorised into Level 2.

(f) Financial instruments not measured at fair value

The following table sets out the categorisation into levels of the fair value hierarchy, as at 31 December 2013, of financial instruments not measured at fair value. The carrying amount of such instruments approximates their fair value.

In thousands of euro	Level 1	Level 2	Level 3	Total
31 December 2013				
Financial assets				
Cash and cash equivalents	-	37	-	37
	-	37	-	37
Financial liabilities				
Other payables	-	(159)	-	(159)
Net assets attributable to holders of redeemable shares	-	(32,503)	-	(32,503)
	-	(32,662)	-	(32,662)

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% (2012: 100%) of its redeemable shares. For the description of rights attaching to these shares, see Note 5. The Master Fund and the Feeder Fund were formed for specific regulatory, legal and tax purposes and together form a master-feeder structure.

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 2013, 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.

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Extracts of notes to the financial statements (continued)

21. Changes in accounting policies (extract)

IAS 8.28

The Feeder Fund has early adopted *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)* (2012) (the amendments) with a date of initial application of 1 January 2013.

Management concluded that the Feeder Fund meets the definition of an investment entity (see Note 22(xx)). As a result, the Feeder Fund has changed its accounting policy on accounting for its investment in the Master Fund, to measure it at fair value through profit or loss. Before adoption of the amendments, the Feeder Fund consolidated the Master Fund.

IAS 8.28(b), (d)

In accordance with the transitional provisions of the amendments, the Feeder Fund has applied the new accounting policy retrospectively and restated the comparative information.

IAS 8.28(f)

The change in accounting policy resulted in no adjustment to the net assets attributable to holders of redeemable shares.[a] The table below presents, in respect of the period immediately preceding the date of initial application, the resulting changes for each financial statement line item affected. The transitional provisions of the amendments do not require disclosure of similar information in respect of the current period.

Statement of financial position

In thousands of euro	31 December 2012 As previously reported	Adjustments	31 December 2012 As restated
Assets			
Cash and cash equivalents	116	(71)	45
Balances due from brokers	3,121	(3,121)	-
Receivables from reverse sale and repurchase agreements	3,990	(3,990)	-
Other receivables	46	(46)	-
Non-pledged financial assets at fair value through profit or loss	24,471	5,518	29,989
Pledged financial assets at fair value through profit or loss	2,346	(2,346)	-
Total assets	34,090	(4,056)	30,034
Equity			
Share capital	10	-	10
Total equity	10	-	10
Liabilities			
Balances due to brokers	275	(275)	-
Payables under sale and repurchase agreements	2,234	(2,234)	-
Other payables	229	(101)	128
Financial liabilities at fair value through profit or loss	1,446	(1,446)	-
Total liabilities (excluding net assets attributable to holders of redeemable shares)	4,184	(4,056)	128
Net assets attributable to holders of redeemable shares	29,896	-	29,896

a. We have assumed that the change in accounting policy has resulted in no adjustment to the net assets attributable to holders of redeemable shares. This could be the case if the fair value of the shares held by the Feeder Fund in the Master Fund equals the previous carrying amount of the Feeder Fund's investment in the Master Fund. However, it is possible for these two amounts to be different and so the change in accounting policy could result in an adjustment to the net assets attributable to holders of redeemable shares.

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Extracts of notes to the financial statements (continued)

IAS 8.28

21. Changes in accounting policies (extract) (continued)

Statement of comprehensive income

For the year ended 31 December *In thousands of euro*	2012 As previously reported	Adjustments	2012 As restated
Interest income	429	(429)	-
Dividend income	229	(229)	-
Net foreign exchange loss	(16)	16	-
Net gain from financial instruments at fair value through profit or loss	2,397	58	2,455
Total revenue	3,039	(584)	2,455
Investment management fees	(447)	-	(447)
Custodian fees	(145)	145	-
Administration fees	(62)	32	(30)
Directors' fees	(20)	15	(5)
Transaction costs	(73)	73	-
Professional fees	(67)	67	-
Interest expense	(62)	62	-
Dividend expense on securities sold short	(19)	19	-
Other operating expenses	(41)	41	-
Total operating expenses	(936)	454	(482)
Operating profit before finance costs	2,103	(130)	1,973
Dividends to holders of redeemable shares	(91)	91	-
Total finance costs	(91)	91	-
Increase in net assets attributable to holders of redeemable shares	2,012	(39)	1,973
Withholding tax expense	(39)	39	-
Increase in net assets attributable to holders of redeemable shares	1,973	-	1,973

22. Significant accounting policies

(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 fair value through profit or loss (see Note 21). 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.

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Appendix II

Example disclosures for investment funds that early adopt IFRS 9 (2010)[a, b]

Extracts of notes to the financial statements

10. Classification of financial assets and financial liabilities

IFRS 7.6, 8, 25

The table below provides a reconciliation of the line items in the Fund's statement of financial position to the categories of financial instruments.

In thousands of euro	*Note*	Fair value through profit or loss – mandatory	Amortised cost	Total carrying amount
31 December 2013				
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
Other receivables		-	29	29
Non-pledged financial assets at fair value through profit or loss	11	26,931	-	26,931
Pledged financial assets at fair value through profit or loss	11	2,691	-	2,691
		29,622	9,443	39,065
Balances due to brokers	12	-	143	143
Payables under sale and repurchase agreements	5	-	2,563	2,563
Other payables		-	103	103
Financial liabilities at fair value through profit or loss	11	3,621	-	3,621
Net assets attributable to holders of redeemable shares	14	-	32,625	32,625
		3,621	35,434	39,055

IFRS 9.7.1.1

a. The chapters of IFRS 9 released by 31 December 2013 were issued in three parts:

- IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets (issued in November 2009); and
- IFRS 9 (2010) introduces additions relating to financial liabilities (issued in October 2010); and
- IFRS 9 (2013) introduces new requirements for hedge accounting (issued on 19 November 2013).

In addition, a limited amendment to the transitional provisions of IFRS 9 was issued in December 2011.

As the Fund does not apply hedge accounting this guide illustrates the early adoption of IFRS 9 (2010).

IFRS 9.7.1.1, 7.2.2, 7.3.2, IG.IE6,

Insights 7A.490.20

b. This Appendix illustrates one possible format for the potential disclosures required in financial statements for the early adoption of IFRS 9 (2010). The example assumes the same fact pattern as in the main guide.

Unless otherwise noted, all paragraph references in this Appendix refer to IFRS 9 (2010), as amended by *Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)* (December 2011).

The Fund had not already applied IFRS 9 (2009), and is therefore required to apply all of the requirements of IFRS 9 (2009) and (2010) at the same time. An entity may elect to apply IFRS 9 (2009) instead of applying IFRS 9 (2010). In particular, in our view for an entity that sequentially adopts IFRS 9 (2009) then IFRS 9 (2010), it is possible to have two different dates of initial application, one for IFRS 9 (2009) and one for IFRS 9 (2010).

Extracts of notes to the financial statements (continued)

10. Classification of financial assets and financial liabilities (continued)

In thousands of euro	*Note*	Trading	Designated as at fair value	Loans and receivables	Other liabilities	Total carrying amount
31 December 2012						
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
Other receivables		-	-	46	-	46
Non-pledged financial assets at fair value through profit or loss	*11*	435	24,036	-	-	24,471
Pledged financial assets at fair value through profit or loss	*11*	-	2,346	-	-	2,346
		435	26,382	7,228	-	34,045
Balances due to brokers	*12*	-	-	-	275	275
Payables under sale and repurchase agreements	*5*	-	-	-	2,234	2,234
Other payables		-	-	-	101	101
Financial liabilities at fair value through profit or loss	*11*	1,446	-	-	-	1,446
Net assets attributable to holders of redeemable shares	*14*	-	-	-	29,979	29,979
		1,446	-	-	32,589	34,035

IFRS 7.12B There were no reclassifications of financial assets during 2013 (2012: nil).

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Extracts of notes to the financial statements (continued)

21. Change in accounting policy

(xx) Financial instruments

IAS 8.28

The Fund has adopted IFRS 9 (2010) with a date of initial application of 1 January 2013.

IAS 8.28(e)

As a result, the Fund has classified its financial assets as subsequently measured at either amortised cost or fair value, depending on its business model for managing those financial assets and the assets' contractual cash flow characteristics (see Note 22(h)(ii)).

In accordance with the transitional provisions of IFRS 9 (2010), the Fund has not restated prior periods but has classified the financial assets that the Fund held at 1 January 2013 retrospectively based on the facts and circumstances of the business model in which the assets were held at the date of initial application.

IFRS 7.44U–V

The adoption of IFRS 9 had no impact on the measurement basis of the financial assets and financial liabilities and had no impact on the line items presented in the statement of financial position.

The adoption of IFRS 9 had no impact on the statement of comprehensive income or statement of changes in net assets attributable to holders of redeemable shares because the measurement basis for financial assets and financial liabilities remained the same. For more information and details on the new classification, see Note 10.

IFRS 7.44I

The following table summarises the classification and measurement changes to the Fund's financial assets on 1 January 2013.

In thousands of euro	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Debt and equity investments	Designated as at fair value through profit or loss	Fair value through profit or loss	26,382	26,382
Derivative financial assets	Held-for-trading	Fair value through profit or loss	435	435
Balances due from brokers, receivables from reverse sale and repurchase agreements and other receivables	Loans and receivables	Amortised cost	7,157	7,157
Cash and cash equivalents	Loans and receivables	Amortised cost	71	71
Derivative financial liabilities, securities sold short	Held-for-trading	Held-for-trading	1,446	1,446
Balances due to brokers, payables under sale and repurchase agreements and other payables, net assets attributable to holders of redeemable shares	Other liabilities	Other liabilities	32,589	32,589

IFRS 7.44I(c), T

Financial assets of €26,382 thousand previously designated as at fair value through profit loss now meet the criteria for mandatory measurement at fair value through profit or loss because they are actively managed to realise fair value changes. The classification of other financial instruments is not affected by the adoption of IFRS 9.

Extracts of notes to the financial statements (continued)

IAS 1.112(a), IFRS 7.21

22. Significant accounting policies

(h) Financial assets and financial liabilities

(ii) Classification

Policy applicable from 1 January 2013

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

IFRS 9.4.1

Financial assets:

- *Measured at fair value through profit or loss:* derivative financial instruments, debt securities and equity investments.
- *Measured at amortised cost:* cash and cash equivalents, balances due from brokers, receivables from reverse sale and repurchase agreements and other receivables.

IFRS 9.4.2

Financial liabilities:

- *Measured at fair value through profit or loss:* securities sold short and derivative financial instruments.
- *Measured at amortised cost:* balances due to brokers, payables under sale and repurchase agreements, redeemable shares and other payables.

IFRS 9.5.2

A financial asset is classified as measured at amortised cost if: it is held within a business model with an objective to hold assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

Financial assets other than those classified as financial assets measured at amortised cost are classified as measured at fair value, with all changes in fair value recognised in profit or loss.

IFRS 9 4.2.2, BA.7

A financial liability is classified at fair value through profit or loss if it is:

- held for trading; or
- at initial recognition, designated as measured at fair value through profit or loss.

For a reconciliation of line items in the statement of financial position to the categories of financial instruments, as defined by IFRS 9, see Note 10.

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Extracts of notes to the financial statements (continued)

22. Significant accounting policies (continued)

(h) Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Policy applicable before 1 January 2013

IAS 39.9

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

Financial assets at fair value through profit or loss:

- *Held for trading:* derivative financial instruments.
- *Designated as at fair value through profit or loss:* debt securities and equity investments.

Financial assets at amortised cost:

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

Financial liabilities at fair value through profit or loss:

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

Financial liabilities at amortised cost:

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

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 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 7.21, B5(a)

The Fund designates all debt and equity investments at fair value through profit or loss 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.

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 it 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.

Appendix III

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

Extracts of notes to the financial statements

22. Significant accounting policies

(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 reportable segments, being the equity sub-portfolio and the debt sub-portfolio. Each sub-portfolio is managed separately because they entail different investment objectives and strategies and contain investments in different products.

For each sub-portfolio, the board of directors reviews internal management reports on a quarterly basis. The objectives and principal investment products of the respective reportable segments are as follows.

Segment	Investment objectives and principal investment products
Equity sub-portfolio	To achieve capital appreciation through investing in a diversified portfolio of equity securities issued by European and NYSE listed and European unlisted companies.
Debt sub-portfolio	To achieve the highest possible yield from investments in the US and European debt market within the parameters set out in the Fund's prospectus.

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 8.27(b)

Segment information is measured on the same basis as that used in the preparation of the Fund's financial statements, with the exception of the valuation of financial assets during the year ended 31 December 2012. For the purpose of segment reporting, financial instruments are measured in accordance with the method set out in the Fund's prospectus, this being at the mid-price of the securities as at the valuation day. For the purpose of financial reporting during the year ended 31 December 2012, financial instruments were measured in accordance with the principles set out in IAS 39, this being at bid prices for financial assets and ask prices for financial liabilities.

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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 5.3.370

c. An investment fund that falls in the scope of IFRS 8 can be also in the scope of IAS 33 *Earnings per Share*. This guide does not illustrate these disclosures. For an illustrative example of EPS disclosures, see our publications Guide to annual financial statements – Illustrative disclosures (September 2013) and Guide to annual financial statements – Illustrative disclosures for banks (December 2013).

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Extracts of notes to the financial statements (continued)

X. Operating segments (continued)

(x) Information about operating segments

	In thousands of euro	Equity sub-portfolio	Debt sub-portfolio	Total
	2013			
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 fair value through profit or loss	**3,122**	**134**	**3,251**
IFRS 8.32	Total segment revenue	**3,418**	**694**	**4,107**
	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)**
IFRS 8.23(d)	Interest expense	**(75)**	**-**	**(75)**
IFRS 8.23(f)	Dividend expense	**(45)**	**-**	**(45)**
IFRS 8.23(h)	Withholding tax expense	**(45)**	**-**	**(45)**
	Total segment expenses	**(701)**	**(164)**	**(865)**
IFRS 8.21(b)	Reportable segment profit	**2,717**	**530**	**3,242**
IFRS 8.21(b)	Reportable segment assets	**28,164**	**10,901**	**39,065**
IFRS 8.21(b)	Reportable segment liabilities, excluding net assets attributable to holders of redeemable shares	**5,379**	**1,004**	**6,383**
	2012			
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 fair value through profit or loss	1,596	805	2,401
IFRS 8.32	Total segment revenue	1,853	1,190	3,043

Extracts of notes to the financial statements (continued)

X. Operating segments (continued)

(x) Information about operating segments (continued)

Reference	*In thousands of euro*	Equity sub-portfolio	Debt sub-portfolio	Total
	2012 (continued)			
	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(f)	Dividend expense	(19)	-	(19)
IFRS 8.23(h)	Withholding tax expense	(39)	-	(39)
	Total segment expenses	(592)	(225)	(817)
IFRS 8.21(b)	Reportable segment profit	1,261	965	2,226
IFRS 8.21(b)	Reportable segment assets	18,909	15,153	34,062
IFRS 8.21(b)	Reportable segment liabilities, excluding net assets attributable to holders of redeemable shares	2,736	1,271	4,007

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

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.

In thousands of euro	2013	2012
Reportable segment revenue	**4,107**	3,043
Adjustment from mid-market prices to bid/ask-market prices	**-**	(4)
Total net revenue	**4,107**	3,039

IFRS 8.28(b)

Profit or loss

In thousands of euro	2013	2012
Reportable segment profit	**3,242**	2,226
Unallocated amounts:		
Professional fees and other operating expenses	**(108)**	(123)
Dividends to holders of redeemable shares	**(178)**	(91)
Adjustment from mid-market prices to bid/ask-market prices	**-**	(4)
Change in net assets attributable to holders of redeemable shares	**2,956**	2,008

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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(c)

Assets

In thousands of euro	2013	2012
Total assets for reportable segments	**39,065**	34,062
Adjustment from mid-market prices to bid/ask-market prices	**-**	(17)
Total assets	**39,065**	34,045

IFRS 8.28(d)

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

In thousands of euro	2013	2012
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 and segment assets are based on the domicile countries of the investees and counterparties to derivative transactions.

In thousands of euro	[*Country of domicile*]	US	UK	Germany	Other Europe	Total
2013						
External revenues (*IFRS 8.33(a)*)						
Total revenue	**50**	**945**	**1,127**	**975**	**1,015**	**4,112**
2012						
External revenues (*IFRS 8.33(a)*)						
Total revenue	23	699	893	698	726	3,039

IFRS 8.33(b)

The Fund did not hold any non-current assets during the year (2012: 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 2013 represented 2.32% (2012: 1.89%) of the Fund's net asset value attributable to holders of redeemable shares.

Appendix IV

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

Statement of financial position

			As at 31 December	
	In thousands of euro	***Note***	**2013**	**2012**
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 fair value through profit or loss	*10, 11*	**26,931**	24,471
IAS 1.54(d), 39.37(a)	Pledged financial assets at fair value through profit or loss	*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 fair value through profit or loss	*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. the management shares – may prevent such 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.

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 should be 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]

For the year ended 31 December

Reference	*In thousands of euro*	Note	2013	2012
IAS 1.10(b), 81(a)				
	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 fair value through profit or loss	*8*	**3,251**	2,397
IAS 1.82(a)	**Total revenue**		**4,107**	3,039
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)
IFRS 7.20(b)	Interest expense		**(75)**	(62)
	Dividend expense on securities sold short		**(45)**	(19)
IAS 1.99	Other operating expenses		**(8)**	(41)
	Total operating expenses		**(928)**	(901)
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 5.3.10.80

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, in our view the EPS presentation is not required for, or as a result of the existence of, such instruments.

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 2012	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 2012	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 2013	**10**	**49**	**25,141**	**7,435**	**32,635**

IAS 32.33, Insights 7.3.480

a. If an entity re-acquires its own equity instruments, then those instruments (treasury shares) are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments. Consideration paid or received is recognised directly in equity.

IFRS does not mandate a specific method for presenting treasury shares within equity. Laws may prescribe the allocation method. Therefore, an entity should 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 other entities, 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.

5. Financial risk management

IAS 1.134

(x) Capital management

IAS 1.136A(a)

At 31 December 2013, the Fund had €32,625 thousand (2012: €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 utilises 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.

Notes to the financial statements (continued)

22. Significant accounting policies

IFRS 7.21

(x) Share capital

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.

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 V

Example disclosures of schedule of investments – Unaudited[a]

Notes to the financial statements

For the year ended 31 December 2013

In thousands of euro		Fair value 2013	Percentage of net assets 2013
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:			
190,000 shares in	[*name of entity*]	**500**	**1.5%**
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 is based on the assumption 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. If a fund presents its schedule of investments outside the financial statements, then it should provide sufficient information within the financial statements on the nature and amounts of the investments to meet the requirements of IFRS 7.

Notes to the financial statements (continued)

For the year ended 31 December 2013

In thousands of euro	Fair value 2013	Percentage of net assets 2013
Assets (continued)		
NYSE and European exchange-traded debt securities		
[*name of entity*] 4.9% 15/03/2012	**1,091**	**3.4%**
[*name of entity*] 3.8% 10/04/2012	**1,046**	**3.2%**
[*name of entity*] 3.3% 26/10/2012	**1,023**	**3.1%**
[*name of entity*] 3.4% 10/03/2012	**1,012**	**3.1%**
[*name of entity*] 3.2% 26/03/2012	**988**	**3.0%**
[*name of entity*] 2.8% 5/01/2012	**982**	**3.0%**
[*name of entity*] 3.0% 10/01/2012	**826**	**2.5%**
[*name of entity*] 2.8% 15/01/2012	**806**	**2.5%**
[*name of entity*] 2.9% 31/01/2012	**796**	**2.5%**
[*name of entity*] 3.0% 6/01/2012	**750**	**2.3%**
[*name of entity*] 2.9% 10/01/2012	**731**	**2.2%**
Total debt securities	**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%**

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Appendix VI

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 2013, 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 eurozone 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.

IFRS 7.41

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.

Value-at-risk analysis (continued)

IFRS 7.41

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

In thousands of euro	At 31 December	Average	Maximum	Minimum
2013				
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**
2012				
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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