Illustrative disclosures for investment funds

Guide to annual financial statements

IFRS® Standards

December 2021

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About this guide

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

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

- IFRS 8 *Operating Segments* – see Appendix II for example disclosures for a multiple-segment fund that falls in the scope of IFRS 8; and
- IAS 33 *Earnings per Share*; see our Guide to annual financial statements – Illustrative disclosures (September 2021) for example disclosures of earnings per share.

This hypothetical reporting entity has been applying the Standards for some time – i.e. it is not a first-time adopter. For more information on first-time adoption, see Chapter 6.1 in the 18th Edition 2021/22 of our publication Insights into IFRS.

What's new in 2021?

Our newly effective standards web tool provides a comprehensive list of all of the new standards, distinguishing between those that are effective for an entity with an annual period beginning on 1 January 2021 and those with a later effective date.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (the Phase 2 amendments) issued in August 2020 are effective from 1 January 2021. Because the Fund early adopted the Phase 2 amendments in 2020, it has no transactions that would be affected by standards newly effective in 2021 or its accounting policies are already consistent with the new requirements.

See Appendix VI for a new statement of cash flows prepared using the indirect method.

Standards covered

This guide is based on standards, amendments and interpretations (broadly referred to in this guide as 'standards') that have been issued as at 30 November 2021 and that are required to be applied by an entity with an annual reporting period beginning on 1 January 2021 ('currently effective requirements'). The early adoption of standards that are effective for annual periods beginning after 1 January 2021 ('forthcoming requirements') has not been illustrated.

IAS 1.7, Preface 5

a. 'IFRS® Standards' is the term used to indicate the whole body of authoritative literature, and includes:
- IFRS® Standards issued by the International Accounting Standards Board (the Board);
- IAS® Standards issued by the International Accounting Standards Committee (IASC, the Board's predecessor), or revisions thereof issued by the Board;
- interpretations of IFRS Standards and IAS Standards developed by the IFRS Interpretations Committee (IFRIC® Interpretations) and approved for issue by the Board; and
- interpretations of IAS Standards developed by the Standing Interpretations Committee (SIC® Interpretations) and approved for issue by the Board or IASC.

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This guide focuses on investment fund-specific issues, and therefore does not illustrate disclosures of a more general nature or disclosures not relevant to our hypothetical fund – e.g. lease accounting, hedge accounting, employee benefits etc. For guidance on these areas, see our Guide to annual financial statements – Illustrative disclosures (September 2021) and Guide to annual financial statements – Illustrative disclosures for banks (December 2021).

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

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

Climate change and financial reporting

All entities are facing climate-related risks and opportunities and are making strategic decisions in response – including around their transition to a low-carbon economy. These climate-related risks and strategic decisions could impact their financial statements – and KPIs. For examples of the potential climate change impact on the financial statements, see our Guide to annual financial statements – Illustrative disclosures (September 2021) and Guide to annual financial statements – Illustrative disclosures for banks (December 2021).

Our Climate change financial reporting resource centre provides FAQs to help entities identify the potential financial statement impacts for their business.

Need for judgement

This guide is part of our suite of guides to financial statements and specifically focuses on compliance with IFRS Standards. Although it is not exhaustive, this guide illustrates the disclosures required for a hypothetical reporting entity, merely for illustrative purposes and, as such, largely without regard to materiality. The information contained herein is of a general nature and is not intended to address the circumstances of any particular investment fund.

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

Materiality

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

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

Specific guidance on materiality and its application to the financial statements is included in paragraphs 29–31 of IAS 1 *Presentation of Financial Statements.* Preparers may also consider Practice Statement 2 *Making Materiality Judgements*, which provides guidance and examples on applying materiality in the preparation of financial statements.

Remember the bigger picture

Financial reporting is not just about technical compliance, but also effective communication. Investors continue to ask for a step-up in the quality of business reporting, so preparers should be careful not to become buried in compliance to the exclusion of relevance. In preparing their financial statements, entities need to focus on improving their communication by reporting financial information in a meaningful way.

Entities may also consider innovating their financial statement presentation and disclosure in the broader context of better business reporting. For more information, see our Better business reporting website.

What's not illustrated

This guide does not illustrate the following.

- **Potential impacts of COVID-19** on the annual financial statements of the Fund.

  The COVID-19 coronavirus pandemic continues to impact entities in different ways depending on the industry and economic environment in which they operate. Whereas some governments are starting to ease restrictions, others continue to enforce lockdown measures. Either way, for many entities the impact of the pandemic will continue to affect the measurement and recognition of their assets and liabilities, income and expenses. Also, due to continued liquidity pressures, some entities may face going concern difficulties. Investors and regulators continue to pay specific attention to this topic.

  Our COVID-19 supplement (September 2020) provides additional illustrative disclosures that entities may need to provide on accounting issues arising from the COVID-19 pandemic.

  In addition, we note throughout this guide additional disclosures that a fund may consider in relation to the impact of COVID-19 in areas that are likely to be most affected. However, this list is not exhaustive, and a fund may have other areas of disclosures that may be impacted.

  Also see our COVID-19 financial reporting resource centre for additional guidance on the financial reporting impact of the coronavirus pandemic.

- **Potential impacts of the UK's exit from the EU (Brexit)** on the annual financial statements of the Fund.

  The UK left the EU on 31 January 2020, with an implementation period that ended on 31 December 2020. Some UK and EU entities have made changes to the way they do business as a result – and some details of the new relationships are still being ironed out.

  To the extent that an entity has any potential exposure to the risks associated with Brexit, it should assess the impact of those risks on its annual financial statements and provide relevant entity-specific disclosures.

- **Disclosure requirements that are not in the scope of IFRS Standards** and are driven by legislation, such as the Alternative Investment Fund Managers Directive (AIFMD), company laws or listing rules.

References and abbreviations

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

IAS 1.10(a)	Paragraph 10(a) of IAS 1.
[IAS 21.21]	Paragraph 21 of IAS 21 *The Effects of Changes in Foreign Exchange Rates*. The square brackets are used principally in significant accounting policies (e.g. Note 21 to the financial statements) to indicate that the paragraph relates to recognition and measurement requirements, as opposed to presentation and disclosure requirements.
Insights 5.3.10.10	Paragraph 5.3.10.10 of the 18th Edition 2021/22 of our publication Insights into IFRS
||	Major changes since the 2020 edition of this guide.

Grey boxes note additional disclosures that a fund may consider in relation to the impact of COVID-19.

COVID-19 considerations

The following abbreviations are used often in this guide.

EBITDA	Earnings before interest, taxes, depreciation and amortisation
ECL	Expected credit loss
EPS	Earnings per share
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
Notes	Notes to the financial statements
OCI	Other comprehensive income
OTC	Over-the-counter
SPPI	Solely payments of principal and interest

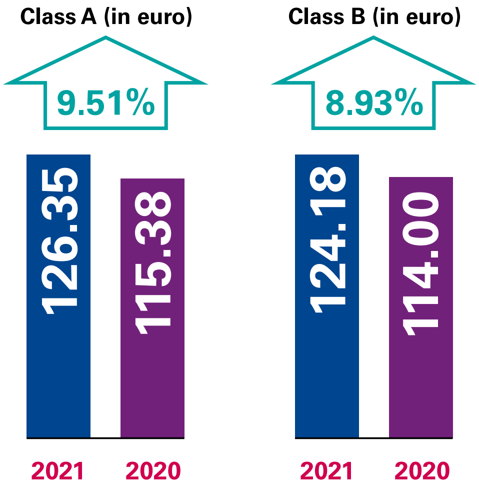
[*Name of the investment fund*]

Financial statements

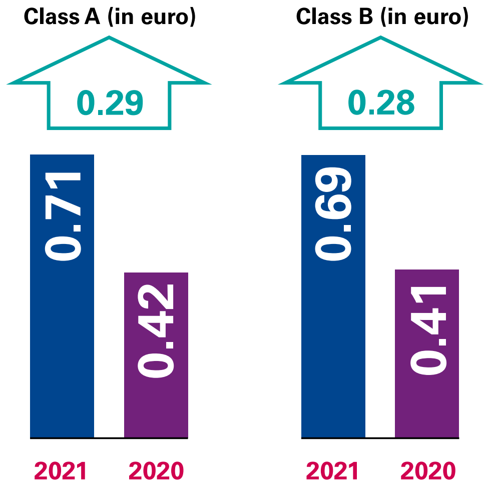
31 December 2021

Financial highlights

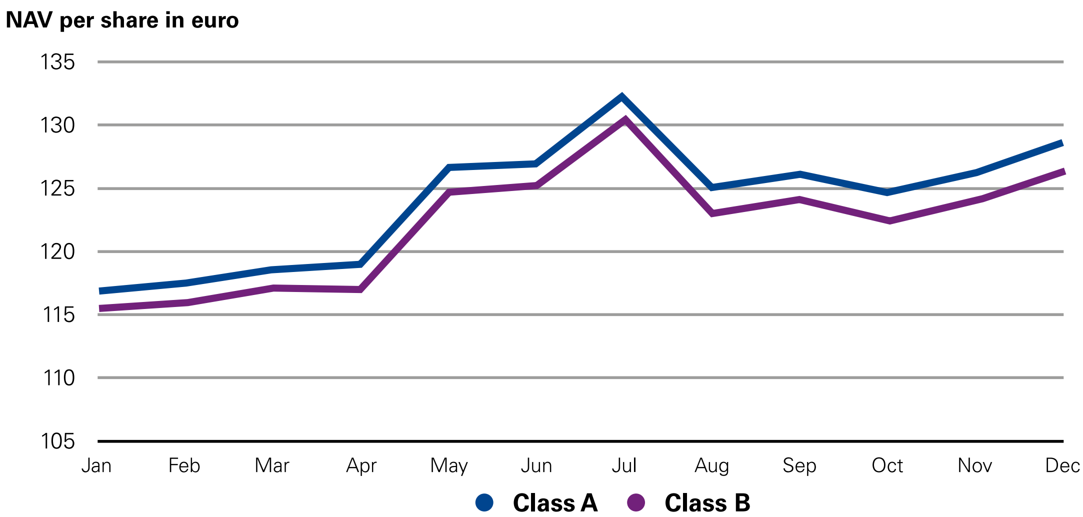
Net asset value per share



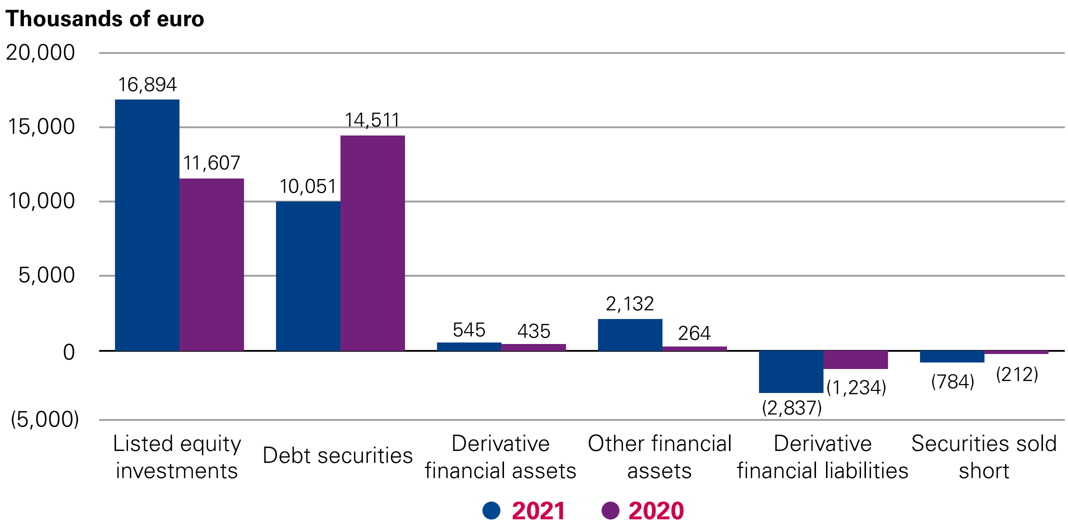
Distributions per share



Net asset value (NAV) per share 2021



Investments at fair value



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Statement of financial position[a, b, c]

	Reference	In thousands of euro	Note	31 December 2021	31 December 2020
	IAS 1.10(a), 10(ea)–(f), 29, 38–38A, 54–55, 113	**Assets**			
	IAS 1.54(i)	Cash and cash equivalents		**51**	70
	IAS 1.54(d)	Balances due from brokers	13	**4,619**	3,121
	IAS 1.54(d)	Receivables from reverse sale and repurchase agreements	6	**4,744**	3,990
	IAS 1.55	Other receivables		**29**	46
	IAS 1.54(d)	Non-pledged financial assets at FVTPL	11, 12	**26,931**	24,471
	IFRS 9.B3.2.16(a), IAS 1.54(d)	Pledged financial assets at FVTPL	11, 12	**2,691**	2,346
		Total assets		**39,065**	34,044
		Equity			
	IAS 1.54(r)	Share capital	14	**10**	10
		Total equity		**10**	10
		Liabilities			
	IAS 1.54(m)	Balances due to brokers	13	**143**	275
	IAS 1.54(m)	Payables under sale and repurchase agreements	6	**2,563**	2,234
	IAS 1.54(k)	Other payables		**103**	101
	IAS 1.54(m)	Financial liabilities at FVTPL	11, 12	**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**	15	**32,625**	29,978

The notes on pages 12 to 69 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 the title is not misleading.

IAS 1.60–61, 63, Insights 3.1.10 **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/non-current classifications. For each asset and liability line item that combines amounts expected to be recovered or settled within:

- no more than 12 months after the reporting date; and
- more than 12 months after the reporting date,

an entity discloses in the notes the amount expected to be recovered or settled after more than 12 months.

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

Statement of comprehensive income[a, b, c]

IAS 1.10(b), 10A, 29, 38–38A, 81A, 113

For the year ended 31 December

Standard	*In thousands of euro*	*Note*	2021	2020
IFRS 7.20(b), IAS 1.82(a)	Interest income calculated using the effective interest method[d]	*8*	**149**	161
IAS 1.35, 21.52(a)	Net foreign exchange loss		**(19)**	(16)
IFRS 7.20(a)(i)	Net income from financial instruments at FVTPL	*9*	**3,932**	2,875
IAS 1.82(a)	**Total revenue[e]**		**4,062**	3,020
IAS 1.99	Investment management fees	*18*	**(478)**	(447)
IAS 1.99	Custodian fees		**(102)**	(115)
IAS 1.99	Administration fees	*18*	**(66)**	(62)
IAS 1.99	Directors' fees	*18*	**(26)**	(15)
IAS 1.99	Transaction costs		**(54)**	(73)
IAS 1.99	Professional fees		**(73)**	(67)
IAS 1.99	Other operating expenses		**(8)**	(41)
	Total operating expenses		**(807)**	(820)
IAS 1.85	**Operating profit before finance costs**		**3,255**	2,200
IAS 32.IE32	Distributions to holders of redeemable shares	*15*	**(178)**	(91)
IFRS 7.20(b)	Interest expense	*8*	**(75)**	(62)
IAS 1.82(b)	**Total finance costs**		**(253)**	(153)
IAS 1.85	**Increase in net assets attributable to holders of redeemable shares before tax**		**3,002**	2,047
IAS 1.82(d)	Withholding tax expense	*10*	**(45)**	(39)
IAS 1.6, 32.IE32	**Increase in net assets attributable to holders of redeemable shares, net of tax**		**2,957**	2,008

The notes on pages 12 to 69 are an integral part of these financial statements.

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

IAS 33.2–3, Insights 5.3.10.10, 40–50, 90 **b.** Basic and diluted EPS are presented in the statement of profit or loss and OCI by entities whose ordinary shares/ potential ordinary shares are traded in a public market – i.e. a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets – or that file, or are in the process of filing, their financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of ordinary shares in a public market. The requirements to present EPS only apply to those funds whose ordinary shares are classified as equity. Nevertheless, some funds may wish to or may be required by local regulations to present EPS. If an entity voluntarily presents EPS data, then that information is calculated and presented in accordance with IAS 33 *Earnings per Share*.

IAS 1.82 **c.** IAS 1 requires the separate presentation of specific line items in the statement of profit or loss. The Fund has not presented certain line items because during the reporting period it did not have events or transactions to be reflected in those line items.

IAS 1.82(a), Insights 7.10.70. 15–20 **d.** The IFRS Interpretations Committee discussed the application of the requirement to present separately a line item for interest revenue calculated using the effective interest method and noted that it applies only to those financial assets that are subsequently measured at amortised cost or FVOCI (subject to the effect of any qualifying hedging relationship applying the hedge accounting requirements).

However, the Committee did not consider whether an entity could present other interest amounts in another revenue line in the statement of profit or loss and OCI. It appears that an entity may present interest income from other financial assets in another revenue line if it arises in the course of the entity's ordinary activities.

The Fund presents interest income on financial assets that are subsequently measured at amortised cost as part of revenue because it arises in the course of the Fund's ordinary activities.

e. For this Fund, the most relevant measure of revenue is considered to be the sum of interest revenue calculated using the effective interest method, net foreign exchange loss and net income from financial instruments at FVTPL. However, other presentations are possible.

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

IAS 1.106, 113

For the year ended 31 December

In thousands of euro	***Note***	**2021**	**2020**
Balance at 1 January brought forward	*15*	**29,978**	18,460
Increase in net assets attributable to holders of redeemable shares		**2,957**	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	*15*	**32,625**	29,978

The notes on pages 12 to 69 are an integral part of these financial statements.

IAS 1.6, 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 the Standards do 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 reporting period.

Statement of cash flows[a]

IAS 1.10(d), 29, 38–38A, 113

For the year ended 31 December

In thousands of euro		***Note***	**2021**	**2020**
IAS 7.10	**Cash flows from operating activities**[b]			
IAS 7.31, 33	Interest received[c]		**619**	454
IAS 7.31, 33	Interest paid[c]		**(73)**	(63)
IAS 7.31, 33	Dividends received[c]		**228**	228
IAS 7.31, 33	Dividends paid on securities sold short[c]		**(45)**	(19)
IAS 7.15	Proceeds from sale of investments[d]		**9,382**	8,271
IAS 7.15	Purchase of investments[d]		**(10,614)**	(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		**(431)**	299
IAS 7.14(c)	Operating expenses paid		**(805)**	(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	*15*	**6,668**	15,505
IAS 7.17	Payments on redemption of redeemable shares	*15*	**(6,978)**	(5,995)
IAS 7.34	Distributions paid to holders of redeemable shares[c]	*15*	**(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		**70**	49
IAS 7.28	Effect of exchange rate fluctuations on cash and cash equivalents		**(2)**	(2)
	Cash and cash equivalents at 31 December		**51**	70

The notes on pages 12 to 69 are an integral part of these financial statements.

IAS 7.44A

a. Paragraph 44A of IAS 7 *Statement of Cash Flows* requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Because the Fund's financing activities consist of the issue and redemption of the redeemable shares, this requirement is met by the reconciliation of opening to closing balance of the redeemable shares provided in the statement of changes in net assets attributable to holders of redeemable shares and in Note 15(A). However, in other fact patterns additional disclosures may be appropriate to meet the requirements of paragraph 44A of IAS 7.

IAS 7.18–19

b. 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 (see Appendix VI), whereby profit or loss is adjusted for the effects of non-cash transactions.

IAS 7.33–34

c. Interest paid and interest and dividends received are usually classified as operating cash flows for a financial institution. Distributions 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 distributions 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 7.11, 14, 16(c)–(d)

d. 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 are primarily derived from the principal revenue-producing activities of the Fund as they form part of the Fund's asset management operations.

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IAS 1.10(e)

Notes to the financial statements[a]

1. Reporting entity

IAS 1.51(a)–(b), 138(a)–(b)

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

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

IAS 1.138(b)

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

2. Basis of accounting

IAS 1.16, 112(a), 116, 10.17

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

Details of the Fund's accounting policies are included in Note 22.

3. Functional and presentation currency

IAS 1.51(d)–(e)

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

IAS 1.122

'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 Fund's investments and transactions are denominated in euro, US dollars, sterling and Swiss francs. Investor subscriptions and redemptions are determined based on net asset value and received and paid in euro. The expenses (including management fees, custodian fees and administration fees) are denominated and paid mostly in euro. Accordingly, management has determined that the functional currency of the Fund is euro.

IAS 1.113–114

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

Notes to the financial statements (continued)

4. Use of judgements and estimates[a]

COVID-19 considerations

Paragraph 125 of IAS 1 requires disclosure about the assumptions that a company makes about the future and other sources of estimation uncertainty at the reporting date that have a significant risk of resulting in a material adjustment within the next financial year. COVID-19 is likely to significantly impact such assumptions. For example, it may result in increased estimation uncertainty and changes to estimation techniques and assumptions for measuring the fair value of financial assets or financial liabilities.

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

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

A. Judgements

IAS 1.122

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

– Note 3: determination of functional currency; and

– Note 17: involvement with unconsolidated structured entities.

B. Assumptions and estimation uncertainties

IAS 1.125

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in Note 7(D) and relates to the determination of fair value of financial instruments with significant unobservable inputs.

a. The UK left the EU on 31 January 2020, with an implementation period that ended on 31 December 2020. Some UK and EU entities have made changes to the way they do business as a result – and some details of the new relationships are still being ironed out. To the extent that an entity has any exposure to the changes and any remaining uncertainties associated with Brexit, it needs to assess the impact of those on its financial reporting and provide an update of relevant entity-specific disclosures. Such disclosures are not illustrated in this guide.

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Notes to the financial statements (continued)

IAS 8.28

5. Changes in significant accounting policies[a, b]

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (the Phase 2 amendments) became effective on 1 January 2021. As a result of its decision to early adopt the Phase 2 amendments from 1 January 2020, the Fund's accounting policies are already consistent with the new requirements.

The Fund has no other transactions that are affected by newly effective standards.

IAS 8.28 — a. The description of the nature and effects of the changes in accounting policies presented is only an example that reflects the business of the Fund and may not be representative of the nature and effects of the changes for other entities. It is given for illustrative purposes largely without regard to materiality.

IAS 1.38 — b. Comparative information is generally required in respect of the preceding period for all amounts reported in the current period's financial statements and, if it is relevant to understanding the current period's financial statements, also for narrative and descriptive information. However, when entities adopt new accounting standards without restating comparative information, the disclosure requirements of the new standards do not normally apply to the comparative period because the comparative information reflects the requirements of the superseded standards.

Notes to the financial statements (continued)

IFRS 7.31

6. 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 20.

IFRS 7.31, 33

A. Credit risk, collateral provided and offsetting

COVID-19 considerations

IFRS 7 *Financial Instruments: Disclosures* requires disclosure of the nature and extent of risks arising from financial instruments and how the company manages those risks. A fund may have introduced changes to the way it does business, which may in turn impact the credit risk that arises from the transactions that it enters into and the way it manages those risks. For example, it may have changed the composition of its financial instrument investment portfolio to reduce the concentration of investments in certain industries significantly impacted by the pandemic.

Therefore, the fund may need to explain the significant impacts of the COVID-19 outbreak on the credit risks arising from its financial instruments and how it manages those risks. It will need to use judgement to determine the specific disclosures that are both relevant to its business and necessary to meet these disclosure objectives. The types of analysis disclosed previously may need to be adjusted or supplemented to clearly convey the impacts arising from COVID-19 – e.g. the quantitative sensitivity disclosures.

IFRS 7.31

For the definition of credit risk and information on how credit risk is managed by the Fund, see Note 20(C).

i. Credit quality analysis

IFRS 7.31, 33

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;
- other receivables;
- receivables from sale and repurchase agreements: see below and Note 6(A)(iii);
- investments in debt securities: see below; and
- derivative assets: see below and Note 6(A)(iii).

IFRS 7.34

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 exposures based on information provided internally to an 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.

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Notes to the financial statements (continued)

6. Financial risk review (continued)

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

i. Credit quality analysis (continued)

IFRS 7.33(a)–(b), 34(a), 35B(a), 35F(a), 35G(a)–(b), 35M

Cash and cash equivalents

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

IFRS 7.33(a)–(b), 34(a), 35B(a), 35F(a), 35G(a)–(b), 35M

Balances due from brokers

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% (2020: 69%) of the balances due from brokers were concentrated among three brokers (2020: four brokers) whose credit rating was AA (2020: AA). The investment manager monitors the financial position of the brokers on a quarterly basis.

IFRS 7.33(a)–(b), 34(a), 35B(a), 35F(a), 35G(a)–(b), 35M

Receivables from reverse sale and repurchase agreements

Credit risk relating to receivables from reverse sale and repurchase agreements is considered small due to the amount and quality of collateral (see Note 6(A)(iii)) and the high credit quality of the counterparties used. As at the reporting date, 100% (2020: 100%) of receivables from reverse sale and repurchase agreements were concentrated among two counterparties (2020: one counterparty) whose credit ratings were A (2020: A-).

IFRS 7.34(a)

Investments in debt securities

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

In thousands of euro	**2021**	2020	**2021 %**	2020 %
Rating				
AAA/Aaa	**1,287**	5,195	**12.8**	35.8
AA/Aa	**8,352**	8,866	**83.1**	61.1
BBB/Baa	**412**	450	**4.1**	3.1
Total	**10,051**	14,511	**100.0**	100.0

IFRS 7.34(a)

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
2021				
Exchange-traded	**326**	**15,000**	**(1,066)**	**(16,000)**
OTC – central counterparties	**219**	**2,000**	**(1,307)**	**(22,800)**
OTC – other bilateral	**-**	**-**	**(464)**	**(5,900)**
Total	**545**	**17,000**	**(2,837)**	**(44,700)**
2020				
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)

Notes to the financial statements (continued)

6. Financial risk review (continued)

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

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.

	2021 %	2020 %
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 2021 or 31 December 2020. No individual investment exceeded 5% of the net assets attributable to the holders of redeemable shares either at 31 December 2021 or at 31 December 2020.

IFRS 7.36(b)

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

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

Derivatives

IFRS 7.13E, B50

Derivative transactions are transacted on exchanges, with central clearing counterparties (CCPs) or entered into under International Swaps and Derivatives Association (ISDA) master agreements. In general, under these agreements, in certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement with the counterparty are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions with the counterparty.

The Fund executes a credit support annex in conjunction with the ISDA master agreement, which requires the Fund and its counterparties to post collateral to mitigate counterparty credit risk. Margin is also posted daily in respect of derivatives transacted on exchanges and with CCPs. Certain derivatives are 'settled-to-market' daily, whereby the daily variation margin is a partial settlement of the outstanding derivative positions and the fair values of the derivatives are reduced accordingly.

The amount of collateral accepted in respect of derivative assets is shown in Note 6(A)(v).

IFRS 7.33(a)–(b), 34(a)

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

IFRS 7.B8, IG18–IG19

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

IFRS 7.36(b), Insights 7.10.630.30

b. For financial instruments in the scope of IFRS 9 *Financial Instruments* but to which the impairment requirements of the standard do not apply, an entity discloses the financial effect of any collateral held as security and other credit enhancements. IFRS 7 does not specify how an entity should apply the term 'financial effect' in practice. In some cases, providing quantitative disclosure of the financial effect of collateral may be appropriate. However, in other cases it may be impracticable to obtain quantitative information; or, if it is available, the information may not be determined to be relevant, meaningful or reliable.

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Notes to the financial statements (continued)

6. Financial risk review (continued)

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

iii. Collateral and other credit enhancements, and their financial effect (continued)

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 6(A)(v).

	In thousands of euro	**2021**	**2020**
IFRS 7.15(a), 36(b)	Receivables from reverse sale and repurchase agreements	**4,744**	3,990
	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%.

IFRS 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 2021, the fair value of financial assets accepted as collateral that had been sold or repledged was €154 thousand (2020: €166 thousand).

IFRS 7.14(a) Collateral provided includes securities sold under the sale and repurchase agreements that the counterparty has the right to repledge or sell. The Fund continues to recognise these securities in the statement of financial position and presents them within pledged financial assets as at FVTPL.

IFRS 7.14(b) These transactions are conducted under terms that are usual and customary for securities sale and repurchase transactions.

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

Notes to the financial statements (continued)

6. Financial risk review (continued)

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

iv. Amounts arising from ECL[a]

Impairment on cash and cash equivalents, balances due from brokers and receivables from reverse sale and repurchase agreements has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Fund considers that these exposures have low credit risk based on the external credit ratings of the counterparties.

The Fund monitors changes in credit risk on these exposures by tracking published external credit ratings of the counterparties. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in the published ratings, the Fund supplements this by reviewing changes in bond yields, where available, and credit default swap (CDS) prices together with available press and regulatory information about counterparties.

12-month and lifetime probabilities of default are based on historical data supplied by [*Rating Agency X*] for each credit rating and are recalibrated based on current CDS prices. Loss given default parameters generally reflect an assumed recovery rate of 40%. However, if the asset were credit-impaired, then the estimate of loss would be based on a specific assessment of expected cash shortfalls and on the original effective interest rate.

IFRS 7.35H

The amount of impairment allowance on cash and cash equivalents, balances due from brokers and receivables from reverse sale and repurchase agreements at 31 December 2021 is €1 thousand (2020: €1 thousand).

IFRS 7.13B, 13E, B50

v. Offsetting financial assets and financial liabilities

IFRS 7.13A

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

IFRS 7.B40–B41

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

IFRS 7.13E, B50, IAS 32.AG3E

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

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

a. The description of how the Fund calculates ECLs is only an example that reflects the particular circumstances of the Fund – i.e. the limited exposure to credit risk on financial assets that the Fund measures at amortised cost. Depending on the facts and circumstances, much more detail may be required. For a more comprehensive illustration of disclosures of amounts arising from ECLs, see our Guide to annual financial statements – Illustrative disclosures for banks (December 2021).

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Notes to the financial statements (continued)

6. Financial risk review (continued)

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

v. Offsetting financial assets and financial liabilities (continued)

IFRS 7.13C

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

IFRS 7.13C, B46

In thousands of euro	*Note*	Gross amounts recognised
31 December 2021		
Types of financial assets		
Derivative financial assets	*12*	**545**
Receivables from reverse sale and repurchase agreements		**4,744**
Total		**5,289**
Types of financial liabilities		
Derivative financial liabilities	*12*	**(2,837)**
Payables under sale and repurchase agreements		**(2,563)**
Total		**(5,400)**
31 December 2020		
Types of financial assets		
Derivative financial assets	*12*	435
Receivables from reverse sale and repurchase agreements		3,990
Total		4,425
Types of financial liabilities		
Derivative financial liabilities	*12*	(1,234)
Payables under sale and repurchase agreements		(2,234)
Total		(3,468)

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.

		Related amounts not offset in the statement of financial position		
Gross amounts recognised offset in the statement of financial position	**Net amounts of financial instruments presented in the statement of financial position**	**Financial instruments (including non-cash collateral)**	**Cash collateral pledged**	**Net amount**
-	**545**	**(500)**	**(45)**	**-**
-	**4,744**	**(4,744)**	**-**	**-**
-	**5,289**	**(5,244)**	**(45)**	**-**
-	**(2,837)**	**500**	**2,337**	**-**
-	**(2,563)**	**2,563**	**-**	**-**
-	**(5,400)**	**3,063**	**2,337**	**-**
-	435	(400)	(35)	-
-	3,990	(3,990)	-	-
-	4,425	(4,390)	(35)	-
-	(1,234)	400	834	-
-	(2,234)	2,234	-	-
-	(3,468)	2,634	834	-

IFRS 7.13C, B51–B52, Insights 7.10.250.70

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

IFRS 7.13C, B52–B53, Insights 7.10.250.120

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

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Notes to the financial statements (continued)

6. Financial risk review (continued)

B. Liquidity risk

COVID-19 considerations

IFRS 7 requires disclosure of quantitative data about liquidity risk arising from financial instruments. A fund needs to explain how it is managing this risk, including any changes from the previous period and any concentrations of liquidity risk. Disclosures addressing the IFRS 7 requirements may need to be expanded, with added focus on the fund's response to the impact of COVID-19.

IFRS 7.32

For the definition of liquidity risk and information on how liquidity risk is managed, see Note 20(D).

IFRS 7.39(a)

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments.[a, b, c]

		Contractual cash flows			
31 December 2021 *In thousands of euro*	**Carrying amount**	**Total**	**Less than 7 days**	**7 days to 1 month**	**1 to 3 months**
Non-derivative liabilities					
Balances due to brokers	**(143)**	**(144)**	**(144)**	**-**	**-**
Payables under sale and repurchase agreements	**(2,563)**	**(2,575)**	**(253)**	**(1,362)**	**(960)**
Securities sold short[d]	**(784)**	**(784)**	**(784)**	**-**	**-**
Net assets attributable to holders of redeemable shares	**(32,625)**	**(32,625)**	**(32,625)**	**-**	**-**
Derivative financial liabilities[e]	**(2,837)**	**-**	**-**	**-**	**-**
Outflows	**-**	**(9,182)**	**(2,282)**	**(5,260)**	**(1,640)**
Inflows	**-**	**6,250**	**5,500**	**-**	**750**
	(38,952)	**(39,060)**	**(30,588)**	**(6,622)**	**(1,850)**

IFRS 7.39(a), B11A–B11D (non-derivative liabilities); *IFRS 7.39(b), B11A–B11D* (derivative financial liabilities)

		Contractual cash flows			
31 December 2020 *In thousands of euro*	**Carrying amount**	**Total**	**Less than 7 days**	**7 days to 1 month**	**1 to 3 months**
Non-derivative liabilities					
Balances due to brokers	(275)	(276)	(276)	-	-
Payables under sale and repurchase agreements	(2,234)	(2,242)	-	(2,242)	-
Securities sold short[d]	(212)	(212)	(212)	-	-
Net assets attributable to holders of redeemable shares	(29,978)	(29,978)	(29,978)	-	-
Derivative financial liabilities[e]	(1,234)	-	-	-	-
Outflows	-	(5,330)	(2,398)	(372)	(2,560)
Inflows	-	4,000	2,000	-	2,000
	(33,933)	(34,038)	(30,864)	(2,614)	(560)

IFRS 7.39(a), B11A–B11D

IFRS 7.B11D a. The contractual amounts disclosed in this analysis are gross undiscounted cash flows and therefore may not agree with the carrying amounts in the statement of financial position.

IFRS 7.39, B11, Insights 7.10.650.80 b. The Fund has disclosed a contractual maturity analysis for its financial liabilities, which is the minimum disclosure under IFRS 7 in respect of liquidity risk. Because IFRS 7 does not mandate the number of time bands to be used in the analysis, the Fund has applied judgement to determine an appropriate number of time bands.

Insights 7.10.650.70 c. The Fund has included both the interest and principal cash flows in the analysis. In our view, this best represents the liquidity risk being faced by the Fund.

Insights 7.10.650.110 d. When the amount payable is not fixed, the amount to be disclosed is determined with reference to conditions existing at the reporting date. For example, for a floating-rate bond with interest payments indexed to three-month Euribor, in our view the amount to be disclosed should be based on forward rates rather than spot rates prevailing at the reporting date because the spot interest rates do not represent the level of the index based on which the cash flows will be payable. The forward interest rates better describe the level of the index in accordance with the conditions existing at the reporting date.

Insights 7.10.650.30 e. In our view, the maturity analysis should include all derivative financial liabilities, but contractual maturities only are required for those essential for an understanding of the timing of the cash flows.

Notes to the financial statements (continued)

6. 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 historical information, redemption levels are expected to approximate €150 thousand per week (2020: €120 thousand per week); however, actual weekly redemptions could differ significantly from this estimate.

IFRS 7.39(b), B11B, B11D

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

IFRS 7.39(c), B11E

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

In thousands of euro	**2021**	**2020**
Total liquid assets	**19,826**	17,137
Liquid assets as % of total net assets	**61%**	57%

IFRS 7.B11B

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

IFRS 7.34(a)

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

Notes to the financial statements (continued)

6. Financial risk review (continued)

C. Market risk[a]

COVID-19 considerations

IFRS 7 requires disclosure of quantitative data about market risk arising from financial instruments. A fund needs to explain how it is managing this risk, including any changes from the previous period and any concentrations of market risk. Disclosures addressing the IFRS 7 requirements may need to be expanded, with added focus on the fund's response to the impact of COVID-19. For example, a fund might have adjusted possible ranges or changed methods and assumptions used in its sensitivity analysis.

IFRS 7.33

For the definition of market risk and information on the tools used by the Fund to manage the market risks, see Note 20(E).

i. Interest rate risk

Exposure to interest rate risk

IFRS 7.34(a)

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

In thousands of euro	Less than 1 month	1 to 3 months	3 months to 1 year	Total
31 December 2021				
Assets				
Cash and cash equivalents	**51**	**-**	**-**	**51**
Receivables from reverse sale and repurchase agreements	**550**	**4,194**	**-**	**4,744**
Financial assets at FVTPL:				
Debt securities	**4,891**	**3,091**	**2,069**	**10,051**
Total interest-bearing assets	**5,492**	**7,285**	**2,069**	**14,846**
Liabilities				
Payables under sale and repurchase agreements	**(1,286)**	**(1,277)**	**-**	**(2,563)**
Total interest-bearing 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 2020				
Assets				
Cash and cash equivalents	70	-	-	70
Receivables from reverse sale and repurchase agreements	480	3,510	-	3,990
Financial assets at FVTPL:				
Debt securities	4,987	6,422	3,102	14,511
Total interest-bearing assets	5,537	9,932	3,102	18,571
Liabilities				
Payables under sale and repurchase agreements	(392)	(1,842)	-	(2,234)
Total interest-bearing liabilities	(392)	(1,842)	-	(2,234)
Effect of derivatives held for interest rate risk management	-	2,500	(2,500)	-
Total interest rate gap	5,145	10,590	602	16,337

IFRS 7.34(a)

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

However, other presentations are possible.

Notes to the financial statements (continued)

6. Financial risk review (continued)

C. Market risk (continued)

i. Interest rate risk (continued)

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 (2020: 79.8 days).

Sensitivity analysis

IFRS 7.40

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

IFRS 7.40, B19

Management has determined that a fluctuation in interest rates of 50 basis points is reasonably possible, considering the economic environment in which the Fund operates. The table below sets out the effect on the Fund's net assets attributable to holders of redeemable shares of a reasonably possible increase of 50 basis points in interest rates at 31 December. The impact of such an increase has been estimated by calculating the fair value changes of the fixed-interest debt securities and other fixed-interest-bearing assets, less liabilities and derivatives held at 31 December. 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	**2021**	**2020**
Net assets attributable to holders of redeemable shares (reduction)	**(61.4)**	(81.7)
Effect in %		
Net assets attributable to holders of redeemable shares (reduction)	**(0.19%)**	(0.27%)
Increase in net assets attributable to holders of redeemable shares (reduction)	**(2.08%)**	(4.07%)

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

IFRS 7.40(a) a. IFRS 7 requires the disclosure of a sensitivity analysis, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date. Because the Fund presents its statement of comprehensive income and the statement of financial position following Example 7 of IAS 32, the sensitivity analysis discloses how net assets/increase in net assets attributable to holders of redeemable shares would have been affected by reasonably possible changes in the relevant risk.

IFRS 7.41 b. This guide assumes that the Fund does not prepare a sensitivity analysis such as a value-at-risk analysis (VaR) that reflects the interdependencies between risk variables. However, an example disclosure for a fund that uses a VaR analysis is illustrated in Appendix V.

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Notes to the financial statements (continued)

6. Financial risk review (continued)

C. Market risk (continued)

i. Interest rate risk (continued)

Interest rate benchmark reform[a]

IFRS 7.24I, J

A fundamental reform of major interest rate benchmarks has been taking place globally. The reform aimed to replace some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Fund's exposure to IBOR reform is through its investments in derivatives that are being replaced or reformed as part of this market-wide initiative. The derivatives are interest rate swaps that are governed by the International Swaps and Derivatives Association's (ISDA) 2006 definitions and are held as part of the Fund's investment strategy.

IFRS 7.24J(a)

The main risks to which the Fund has been exposed as a result of IBOR reform are operational resulting from, for example, bilateral negotiations with brokers and other counterparties, the updating of systems that use IBOR curves and the revision of operational controls related to the reform. Financial risk is predominantly limited to interest rate risk.

The risk management committee of the Fund's investment manager monitors and manages the Fund's transition to alternative rates. The committee evaluates the extent to which derivative contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with brokers and other counterparties. The committee reports to the Fund's board of directors quarterly and collaborates with other service providers, such as the Fund's administrator, as needed. It provides periodic reports to the Fund's investment manager and board of directors on interest rate risk and risks arising from IBOR reform.

IFRS 7.24I(b)

As at 31 December 2021, the IBOR reform in respect of currencies to which the Fund has exposure has been largely completed. The table below sets out the IBOR rates that the Fund had exposure to, the new benchmark rates to which these exposures have or are being transitioned and the status of the transition.

			Status as at 31 December	
Currency	**Benchmark before reform**	**Benchmark after reform**	**2021**	**2020**
GBP	GBP LIBOR	SONIA	Completed	In progress
USD	USD LIBOR	SOFR	In progress (see below)	In progress
EURO	EONIA	€STR	Completed	In progress

a. For a more comprehensive example of disclosures relating to IBOR reform, see our Guide to annual financial statements – Illustrative disclosures for banks (December 2021).

Notes to the financial statements (continued)

6. Financial risk review (continued)

C. Market risk (continued)

i. Interest rate risk (continued)

Interest rate benchmark reform (continued)

In March 2021, the ICE Benchmark Administration (IBA), the FCA-regulated and authorised administrator of LIBOR, announced that after 31 December 2021 LIBOR settings for sterling, euro and the one-week and two-month US dollar settings will either cease to be provided or no longer be representative. The remaining US dollar settings will either cease to be provided or no longer be representative after 30 June 2023. Accordingly, at 31 December 2021 certain derivative contracts of the Fund remain referenced to the unreformed US dollar IBOR benchmark.

The Fund has been monitoring the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that contain an appropriate fallback clause. The Fund considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

Notes to the financial statements (continued)

6. Financial risk review (continued)

C. Market risk (continued)

i. Interest rate risk (continued)

Interest rate benchmark reform (continued)

IFRS 7.24I(b), 24J(b)

The following table shows the total amounts of unreformed interest rate swap contracts and those that include appropriate fallback language at 1 January 2020, 31 December 2020 and 31 December 2021. The amounts shown are notional amounts.[a]

	GBP LIBOR		USD LIBOR		EONIA	
Amount in thousands of euro	Total amount of unreformed contracts	Amount with appropriate fallback clause	Total amount of unreformed contracts	Amount with appropriate fallback clause	Total amount of unreformed contracts	Amount with appropriate fallback clause
Derivative financial liabilities mandatorily measured at FVTPL – Interest rate swaps						
31 December 2021	**-**	**NA**	**550**	**550**	**-**	**NA**
31 December 2020	1,800	630	1,120	560	720	482
1 January 2020	2,143	-	1,101	-	-	-

ii. Currency risk

IFRS 7.34(a)

Exposure to currency risk

At the reporting date, the net open positions in individual foreign currencies, expressed in euro and as a percentage of the Fund's net assets, were as follows.

	2021		2020	
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%

The above amounts are based on the currency of denomination for debt securities and on the currency of the primary trading market for equities. They include notional amounts for foreign exchange derivatives.

a. IFRS 7 requires companies to disclose quantitative information about financial instruments that have yet to transition to an alternative benchmark rate as at the reporting date, showing separately non-derivative financial assets, non-derivative financial liabilities and derivatives. The standard is not specific about what quantitative information should be disclosed. The Fund has presented the amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of contracts with appropriate fallback clauses at the start and the end of the year. The Fund considers that this would be an appropriate quantitative disclosure about the progress of the Fund in completing the transition to alternative benchmark rates. However, other presentations are possible.

Notes to the financial statements (continued)

6. Financial risk review (continued)

C. Market risk (continued)

ii. Currency risk (continued)

Exposure to currency risk (continued)

Sensitivity analysis

IFRS 7.40

The table below sets out the effect on the net assets and increase in net assets attributable to holders of redeemable shares of a reasonably possible weakening of the euro against the US dollar by 5% (2020: 4%), sterling by 3% (2020: 2%) and the Swiss franc by 2% (2020: 4%) at 31 December. The analysis assumes that all other variables, in particular interest rates, remain constant.

Effect in thousands of euro (increase)	**2021**	**2020**
USD	**377**	171
GBP	**61**	19
CHF	**18**	31

Effect in % on net assets attributable to the holders of redeemable shares (increase)	**2021**	**2020**
USD	**1.2%**	0.6%
GBP	**0.2%**	0.1%
CHF	**0.1%**	0.1%

Effect in % on increase in net assets attributable to the holders of redeemable shares (increase)	**2021**	**2020**
USD	**12.7%**	8.5%
GBP	**2.1%**	0.9%
CHF	**0.6%**	1.5%

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

Exposure to other market price risk

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.

	2021 % of net assets	**2020 % of net assets**
Equity investments:		
Exchange-traded equity investments	**51.8%**	38.7%
Unlisted private equity investments	**1.5%**	0.9%
Unlisted open-ended investment funds	**5.0%**	-
Total equity investments	**58.3%**	39.6%
Debt securities:		
Exchange-traded debt securities	**30.8%**	48.4%
Total debt securities	**30.8%**	48.4%
Total investment assets	**89.1%**	88.0%
Securities sold short	**(2.4%)**	(0.7%)
Total investment liabilities	**(2.4%)**	(0.7%)

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Notes to the financial statements (continued)

6. Financial risk review (continued)

C. Market risk (continued)

iii. Other market price risk

Exposure to other market price risk (continued)

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	2021 Fair value	2021 Notional	2020 Fair value	2020 Notional
Derivative assets				
Listed equity index options	**249**	**5,000**	29	400
Equity indices futures contracts	**54**	**7,500**	-	-
Foreign currency forward contracts	**219**	**2,000**	300	2,700
Foreign currency futures contracts	**23**	**2,500**	106	1,500
Total	**545**	**17,000**	435	4,600
Derivative liabilities				
Listed equity index options	**(1,066)**	**(16,000)**	(756)	(15,000)
Foreign currency forward contracts	**(822)**	**(10,000)**	(106)	(1,200)
Credit default swaps	**(485)**	**(12,800)**	-	-
Interest rate swaps	**(464)**	**(5,900)**	(372)	(4,000)
Total	**(2,837)**	**(44,700)**	(1,234)	(20,200)

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.

	2021 %	2020 %
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 2021 or 31 December 2020. No exposure to any individual issuer exceeded 5% of the net assets attributable to the holders of redeemable shares either at 31 December 2021 or at 31 December 2020.

Notes to the financial statements (continued)

6. Financial risk review (continued)

C. Market risk (continued)

iii. Other market price risk (continued)

Exposure to other market price risk (continued)

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 include all exposures to equity price risks – i.e. long and short positions in physical securities as well as derivatives. The estimates are made on an individual security basis. The analysis assumes that all other variables, in particular interest and foreign currency rates, remain constant

Effect in thousands of euro	**2021**	**2020**
Net loss from equity exposures	**(801)**	(363)
Effect in % on net assets attributable to the holders of redeemable shares	**2021**	**2020**
Net loss from equity exposures	**(2.5%)**	(1.2%)
Effect in % on increase in net assets attributable to the holders of redeemable shares	**2021**	**2020**
Net loss from equity exposures	**(27.0%)**	(18.0%)

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 market price risk on these investments.

IFRS 7.40

The table below sets out the effect on net assets attributable to holders of redeemable shares of a reasonably possible weakening of 1% in the current credit spreads associated with the Fund's credit default swaps at 31 December. The estimates are made on an individual instrument basis. The analysis assumes that all other variables remain constant.

Effect in thousands of euro	**2021**	**2020**
Net loss from credit default swap investments	**(145)**	-
Effect in % on net assets attributable to the holders of redeemable shares	**2021**	**2020**
Net loss from credit default swap investments	**(0.5%)**	-
Effect in % on increase in net assets attributable to the holders of redeemable shares	**2021**	**2020**
Net loss from credit default swap investments	**(4.9%)**	-

A strengthening in the credit spreads associated with the Fund's credit default swaps of 1% at 31 December would have resulted in an equal but opposite effect to the amounts shown above.

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Notes to the financial statements (continued)

7. Fair values of financial instruments

COVID-19 considerations

The COVID-19 coronavirus pandemic has significantly affected financial markets and may impact valuation techniques used by funds and classification of financial instruments in the fair value hierarchy.

IFRS 13.93(e)(iv), 93(h), IAS 1.125, 129

Given the impact of the increase in economic uncertainty on forecasting cash flows and other unobservable inputs used in valuation techniques (e.g. certain risk-adjusted discount rates), funds may need to provide additional sensitivity disclosures – together with disclosure of the key assumptions and judgements made by management – to enable users to understand how fair value has been determined. These disclosures are required under both IFRS 13 *Fair Value Measurement* and IAS 1 *Presentation of Financial Statements*. IFRS 13 also contains specific disclosure requirements when amounts are transferred into Level 3 of the fair value hierarchy, including sensitivity disclosures.

Insights 2.4.950

A fund may have investments in another fund and measure its fair value on the basis of net asset value (NAV). Determining NAV may be difficult due to increased market volatility and decreased liquidity. In certain cases, significant judgement may need to be applied in determining whether NAV is representative of fair value.

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

A. Valuation techniques[a]

IFRS 13.91, 93(d)

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

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

IFRS 13.72

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

- *Level 1:* Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- *Level 2:* Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are not considered 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.

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.

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)

7. Fair values of financial instruments (continued)

A. Valuation techniques (continued)

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 premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity indices, EBITDA multiples and revenue multiples and expected price volatilities and correlations.

The Fund uses widely recognised valuation models for determining the fair value of common and simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices or 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.

IFRS 13.93(g)

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

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

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

i. Valuation techniques for specific instruments

Corporate debt securities

IFRS 13.71

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

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

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Notes to the financial statements (continued)

7. Fair values of financial instruments (continued)

A. Valuation techniques (continued)

i. Valuation techniques for specific instruments (continued)

Listed equity securities

Listed equity securities for which quoted prices in an active market for an identical instrument are available are valued using those prices (Level 1 measurement). Other listed equities are valued based on brokers' quotes for the identical security that are executable and that reflect actual current market transactions (Level 2 measurement).

Unlisted private equity investments

The fair value of the unlisted private equity investments is determined applying the market comparison technique using comparable trading multiples for revenue and EBITDA. The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee and the expected revenue and EBITDA of the investee. The estimate is adjusted for the effect of the non-marketability of the equity securities and for the net debt of the investee (see Note 7(D)).[a]

Unlisted open-ended investment funds

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

Foreign currency forward contracts

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

Interest rate swaps

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

Credit default swaps

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

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

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

Notes to the financial statements (continued)

7. Fair values of financial instruments (continued)

B. Valuation framework

IFRS 13.93(g), IE65

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

– verification of observable pricing inputs;

– re-performance of model valuations;

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

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

– analysis and investigation of significant daily valuation movements; and

– review of unobservable inputs and valuation adjustments.

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

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

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

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

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

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Notes to the financial statements (continued)

7. Fair values of financial instruments (continued)

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

IFRS 13.93(b), IE60

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

31 December 2021 *In thousands of euro*	**Level 1**	**Level 2**	**Level 3**	**Total**
Non-pledged financial assets at FVTPL				
Equity investments, listed:				
Healthcare	2,574	568	-	3,142
Energy	2,274	682	-	2,956
Telecommunications	2,699	156	-	2,855
Banks/financial services	2,491	195	-	2,686
Information technology	2,420	30	-	2,450
Biotechnology	921	25	-	946
Automotive manufacturing	793	69	-	862
Pharmaceutical	518	23	-	541
Other	421	35	-	456
Total	15,111	1,783	-	16,894
Debt securities:				
Banks/financial services	362	1,852	-	2,214
Automotive manufacturing	625	893	-	1,518
Information technology	623	633	-	1,256
Pharmaceutical	524	300	-	824
Other	157	1,391	-	1,548
Total	2,291	5,069	-	7,360
Unlisted private equity investments:				
Biotechnology	-	-	500	500
Total	-	-	500	500
Unlisted open-ended investment funds:				
Multi-strategy	-	640	531	1,171
Equity long/short	-	461	-	461
Total	-	1,101	531	1,632
Derivative financial instruments:				
Listed equity index options	249	-	-	249
Equity indices futures contracts	54	-	-	54
Foreign currency forward contracts	-	219	-	219
Foreign currency futures contracts	23	-	-	23
Total	326	219	-	545
	17,728	8,172	1,031	26,931
Pledged financial assets at FVTPL				
Debt securities:				
Banks/financial services	2,691	-	-	2,691
Total	2,691	-	-	2,691

Notes to the financial statements (continued)

7. Fair values of financial instruments (continued)

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

31 December 2021 *In thousands of euro*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at FVTPL				
Securities sold short:				
Banks/financial services	**-**	**(784)**	**-**	**(784)**
Total	**-**	**(784)**	**-**	**(784)**
Derivative financial instruments:				
Listed equity index options	**(1,066)**	**-**	**-**	**(1,066)**
Foreign currency forward contracts	**-**	**(822)**	**-**	**(822)**
Credit default swaps	**-**	**(485)**	**-**	**(485)**
Interest rate swaps	**-**	**(464)**	**-**	**(464)**
Total	**(1,066)**	**(1,771)**	**-**	**(2,837)**
	(1,066)	**(2,555)**	**-**	**(3,621)**
31 December 2020				
Non-pledged financial assets at FVTPL				
Equity investments, listed:				
Healthcare	1,941	520	-	2,461
Energy	1,738	96	-	1,834
Telecommunications	1,400	260	-	1,660
Banks/financial services	1,567	-	-	1,567
Information technology	1,532	-	-	1,532
Biotechnology	337	-	-	337
Automotive manufacturing	963	-	-	963
Pharmaceutical	286	74	-	360
Other	893	-	-	893
Total	10,657	950	-	11,607
Debt securities:				
Banks/financial services	2,577	2,985	-	5,562
Automotive manufacturing	916	869	-	1,785
Information technology	509	652	-	1,161
Pharmaceutical	1,618	283	-	1,901
Other	860	896	-	1,756
Total	6,480	5,685	-	12,165
Unlisted private equity investments:				
Biotechnology	-	-	264	264
Total	-	-	264	264
Derivative financial instruments:				
Listed equity index options	29	-	-	29
Foreign currency forward contracts	-	300	-	300
Foreign currency futures contracts	106	-	-	106
Total	135	300	-	435
	17,272	6,935	264	24,471

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Notes to the financial statements (continued)

7. Fair values of financial instruments (continued)

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

31 December 2020

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

IFRS 13.93(c)

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

IFRS 13.93(e), IE61

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

		Unlisted open-ended investment funds	Unlisted private equity investments	
	In thousands of euro	Multi-strategy	Biotechnology	Total
	Balance at 1 January 2020	-	138	138
IFRS 13.93(e)(i)	Total gains or losses recognised in profit or loss	-	23	23
IFRS 13.93(e)(iii)	Purchases	-	119	119
IFRS 13.93(e)(iii)	Sales	-	(16)	(16)
IFRS 13.93(e)(iv)	Transfers into Level 3	-	-	-
IFRS 13.93(e)(iv)	Transfers out of Level 3	-	-	-
	Balance at 31 December 2020	-	264	264
	Balance at 1 January 2021	**-**	**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 2021	**531**	**500**	**1,031**

IFRS 13.93(f)

The change in unrealised gains or losses (net gain) for the period included in profit or loss relating to those assets and liabilities held at the reporting date amounted to €99 thousand (2020: €20 thousand).

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

Notes to the financial statements (continued)

7. 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 2021 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.[a]

Description	Fair value at 31 December 2021	Valuation technique	Significant unobservable inputs	Range (weighted-average) for unobservable input	Sensitivity to changes in significant unobservable inputs
Unlisted private equity investments	**500** (2020: 264)	Market approach using comparable trading multiples	EBITDA multiple Revenue multiple Discount for lack of marketability	7–12 (10) (2020: 7–13 (10)) 1.5–2.0 (1.8) (2020: 1.4–2.1 (1.8)) 5–15% (11%) (2020: 6–15 (10))	The estimated fair value would increase if: – the EBITDA or revenue multiples were higher; or – the discount for lack of marketability were lower.
Unlisted open-ended investment funds	**531** (2020: nil)	Adjusted net asset value	Discount for lack of marketability/ restrictions on redemption	8–10% (9%) (2020: nil)	A significant increase in discount would result in a lower fair value.

IFRS 13.93(g), IE65(e)

Significant unobservable inputs are developed as follows.

- *EBITDA and revenue multiples:* Represent amounts that market participants would use when pricing the investments. EBITDA and revenue multiples are selected from comparable public companies based on geographic location, industry, size, target markets and other factors that management considers to be appropriate. The traded multiples for the comparable companies are determined by dividing the enterprise value of the company by its EBITDA or revenue.
- *Discount for lack of marketability for unlisted private equity investments:* Represents the discount applied to the comparable market multiples to reflect the illiquidity of the portfolio companies relative to the comparable peer group. Management determines the discount for lack of marketability based on its judgement after considering market liquidity conditions and company-specific factors such as the developmental stage of the portfolio company.
- *Discount for lack of marketability/restrictions on redemption 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 considers the level of detail that is necessary to meet the disclosure objectives. For example, if the range of values for an unobservable input that the entity uses is wide, then this may indicate that the entity should disclose both the range and the weighted average of the values, as disclosed in this guide.

Notes to the financial statements (continued)

7. Fair values of financial instruments (continued)

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

IFRS 13.93(h)(ii)

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

In thousands of euro	**Favourable**	**(Unfavourable)**
2021		
Unlisted open-ended investment funds	**48**	**(49)**
Unlisted private equity investments	**43**	**(41)**
2020		
Unlisted private equity investments	21	(20)

IFRS 13.93(h)(ii)

The favourable and unfavourable effects of using reasonably possible alternative assumptions for the valuation of unlisted private equity investments have been calculated by recalibrating the model values using unobservable inputs based on averages of the upper and lower quartiles respectively of the Fund's ranges of possible estimates. The most significant unobservable inputs are EBITDA and revenue multiples and the discount for lack of marketability. The actual assumptions used and the reasonably possible alternatives at 31 December 2021 were as follows.

– The weighted-average actual discount for lack of marketability was 11% (with reasonably possible alternative assumptions of 6 and 17%) (2020: 10; 5 and 16% respectively).

– The weighted-average actual EBITDA multiple was 10 (with reasonably possible alternative assumptions of 6 and 13) (2020: 10; 8 and 13 respectively).

– The weighted-average actual revenue multiple was 1.8 (with reasonably possible alternative assumptions of 1.4 and 2.1) (2020: 1.8; 1.3 and 2.0 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/restrictions on redemptions. The weighted-average discount for lack of marketability/restricted redemptions used in the model at 31 December 2021 to calculate the valuation of open-ended investment funds under reasonably possible alternative assumptions was 9% (with reasonably possible alternative assumptions of 7 and 11%).

Notes to the financial statements (continued)

7. Fair values of financial instruments (continued)

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

IFRS 7.25, 29

The financial instruments not measured at FVTPL include:

i. cash and cash equivalents, balances due from/to brokers and receivables/payables under sale and repurchase agreements. These are short-term financial assets and financial liabilities whose carrying amounts approximate fair value, because of their short-term nature and the high credit quality of counterparties; and

ii. net assets attributable to holders of redeemable shares. The Fund routinely redeems and issues the redeemable shares at the amount equal to the proportionate share of net assets of the Fund at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to holders of redeemable shares approximates their fair value. The shares are categorised into Level 2 of the fair value hierarchy.

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

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

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

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Notes to the financial statements (continued)

8. Interest income and expense[a, b]

IFRS 7.20(b)

In thousands of euro	2021	2020
Interest income calculated using the effective interest method on financial assets carried at amortised cost:		
Cash and cash equivalents	**2**	35
Balances due from brokers	**5**	6
Receivables from reverse sale and repurchase agreements	**114**	120
Negative interest on balances due to brokers	**7**	-
Negative interest on payables under sale and repurchase agreements	**21**	-
	149	161
Interest expense calculated using the effective interest method on financial liabilities carried at amortised cost:		
Payables under sale and repurchase agreements	**(52)**	(62)
Negative interest on cash and cash equivalents	**(1)**	-
Negative interest on balances due from brokers	**(4)**	-
Negative interest on receivables from reverse sale and repurchase agreements	**(18)**	-
	(75)	(62)

IFRS 7.20(b), IAS 1.97, Insights 7.10.60.10, 60, 65.40

a. Under IFRS 7, an entity is required to disclose the total interest income (calculated using the effective interest method) for financial assets that are measured at amortised cost or at FVOCI – showing these amounts separately.

For financial assets and financial liabilities at FVTPL, there is no need to distinguish between the fair value changes and interest and dividend income or expense. If interest on non-derivative instruments measured at FVTPL is presented separately, then it is measured using the effective interest rate method or a similar basis, excluding transaction costs. Because transaction costs directly attributable to the acquisition of a financial instrument classified as at FVTPL are not included in its initial measurement but are instead expensed as they are incurred, they are not included in calculating an effective interest rate for the instrument.

In this guide, the net income from financial instruments measured at FVTPL includes the related interest income and expense, dividend income and foreign exchange gains and losses. However, other presentations are possible.

Insights 7.10.70.30

b. The IFRS Interpretations Committee discussed the accounting implications of the economic phenomenon of negative effective interest rates on the presentation of income and expenses in profit or loss. The Committee noted that interest resulting from a negative effective interest rate on a financial asset reflects a gross outflow (instead of a gross inflow) of economic benefits; consequently, it did not meet the definition of interest revenue under IFRS Standards at that time and should not be presented as such. Instead, it noted that negative interest arising from financial assets should be presented in an appropriate expense classification, accompanied by additional information as required by IAS 1. IFRS 9 does not define revenue or income. However, income continues to be defined in the *Conceptual Framework for Financial Reporting* and IFRS 15 *Revenue from Contracts with Customers*, and negative interest arising from financial assets does not meet those definitions because it represents a decrease (instead of an increase) in assets that results in a decrease in equity.

Notes to the financial statements (continued)

9. Net income from financial instruments at FVTPL

	In thousands of euro	2021	2020
IFRS 7.20(a)(i)	Financial liabilities held for trading – securities sold short	**58**	57
IFRS 7.20(a)(i)	Derivative financial instruments	**88**	(37)
		146	20
IFRS 7.20(a)(i)	Non-derivative financial assets mandatorily measured at FVTPL:		
	Equity investments	**3,231**	1,746
	Debt securities	**555**	1,109
		3,786	2,855
		3,932	2,875
	Net income from financial instruments at FVTPL:[a]		
	Realised	**2,266**	1,686
	Unrealised	**1,666**	1,189
		3,932	2,875

The realised gain from financial instruments at FVTPL represents the difference between the carrying amount of a financial instrument at the beginning of the reporting period, or the transaction price if it was purchased in the current reporting period, and the consideration received on disposal. It also includes interest and dividends paid or received in cash.

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

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

Notes to the financial statements (continued)

10. Withholding tax expense[a]

IAS 12.79–80

The Fund is exempt from paying income taxes under the current system of taxation in [*insert name of the country of domicile*]. However, dividend income of €228 thousand (2020: €180 thousand) and interest income of €71 thousand (2020: €82 thousand) received by the Fund [*insert names of countries and types of securities*] is subject to withholding tax imposed in the country of origin. During the year ended 31 December 2021, the average statutory withholding tax rate was 18% (2020: 18%).

IAS 1.122, 125, 129, 12.88, IFRIC 23.A4, A5

Under a tax treaty signed by [*Country X*] and [*Country Y*] in 2020, the Fund is able to partially reclaim withholding tax on dividend and interest income from investments in [*Country Y*]. The treaty does not include detailed criteria for eligibility to claim a tax refund. Tax authorities in [*Country X*] and [*Country Y*] are developing the eligibility criteria, but they have not been finalised at the date of preparing these financial statements. The Fund estimated the amount of withholding tax recoverable from [*Country Y*] for the 2021 and 2020 tax periods based on the information available and the tax advice received at the respective reporting dates. The amount of tax recoverable from [*Country Y*] for 2021 of €9 thousand and 2020 of €8 thousand is included in other receivables at 31 December 2021. As a result of the treaty, the effective withholding tax rate was 15% (2020: 15%).

Due to the uncertainty involved, there is a possibility that the outcome of the tax refund claim is significantly different from the amount currently recognised. Although management has used a single best estimate of the tax amount expected to be received, it is anticipated that the reasonably possible outcome for 2021 sits within a range between €5 thousand and €12 thousand and for 2020 within a range between €4 thousand and €11 thousand.

a. The Fund is tax-exempt and is only subject to withholding tax on certain dividend and interest income in some countries. If a fund is subject to income tax, including withholding taxes, then it is required to provide specific disclosures under IAS 12 *Income Taxes*, IFRIC 23 *Uncertainty over Income Tax Treatments* and IAS 1.

Notes to the financial statements (continued)

11. Classification of financial assets and financial liabilities

See accounting policies in Note 22(H)(ii).

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.

IFRS 7.6, 8

In thousands of euro	*Note*	Financial assets mandatorily at FVTPL	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
31 December 2021					
Cash and cash equivalents		**-**	**51**	**-**	**51**
Balances due from brokers	*13*	**-**	**4,619**	**-**	**4,619**
Receivables from reverse sale and repurchase agreements	*6*	**-**	**4,744**	**-**	**4,744**
Non-pledged financial assets at FVTPL	*12*	**26,931**	**-**	**-**	**26,931**
Pledged financial assets at FVTPL	*12*	**2,691**	**-**	**-**	**2,691**
		29,622	**9,414**	**-**	**39,036**
Balances due to brokers	*13*	**-**	**-**	**143**	**143**
Payables under sale and repurchase agreements	*6*	**-**	**-**	**2,563**	**2,563**
Other payables		**-**	**-**	**103**	**103**
Financial liabilities at FVTPL	*12*	**3,621**	**-**	**-**	**3,621**
Net assets attributable to holders of redeemable shares	*15*	**-**	**-**	**32,625**	**32,625**
		3,621	**-**	**35,434**	**39,055**

In thousands of euro	*Note*	Financial assets mandatorily at FVTPL	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
31 December 2020					
Cash and cash equivalents		-	70	-	70
Balances due from brokers	*13*	-	3,121	-	3,121
Receivables from reverse sale and repurchase agreements	*6*	-	3,990	-	3,990
Non-pledged financial assets at FVTPL	*12*	24,471	-	-	24,471
Pledged financial assets at FVTPL	*12*	2,346	-	-	2,346
		26,817	7,181	-	33,998
Balances due to brokers	*13*	-	-	275	275
Payables under sale and repurchase agreements	*6*	-	-	2,234	2,234
Other payables		-	-	101	101
Financial liabilities at FVTPL	*12*	1,446	-	-	1,446
Net assets attributable to holders of redeemable shares	*15*	-	-	29,978	29,978
		1,446	-	32,588	34,034

Notes to the financial statements (continued)

12. Financial assets and financial liabilities at FVTPL

See accounting policies in Note 22(H).

	In thousands of euro	2021	2020
	Financial assets mandatorily measured at FVTPL:		
	Pledged financial assets		
IFRS 7.8(a)	Debt securities	**2,691**	2,346
		2,691	2,346
	Non-pledged financial assets		
IFRS 7.8(a)	*Derivatives:*		
	Equity	**303**	29
	Foreign exchange	**242**	406
		545	435
IFRS 7.8(a)	*Non-derivative financial assets*		
	Debt securities – corporates	**7,360**	12,165
	Equity investments, listed	**16,894**	11,607
	Unlisted open-ended investment funds	**1,632**	-
	Unlisted private equity investments	**500**	264
		26,386	24,036
		26,931	24,471
	Financial liabilities at FVTPL		
IFRS 7.8(e)	Held-for-trading liabilities:		
	Securities sold short – equity investments	**784**	212
	Derivatives:		
	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)

13. Balances due from/to brokers

See accounting policies in Note 22(H)(ii).

IAS 7.14(a)

In thousands of euro	2021	2020
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)

14. Equity

IAS 1.79(a)(i)–(iii)

A. Authorised, issued and fully paid management voting shares

	Authorised		Issued and fully paid	
Number of shares	**2021**	**2020**	**2021**	**2020**
Management shares of €1 each	**1,000,000**	1,000,000	**10,000**	10,000

	Authorised		Issued and fully paid	
In thousands of euro	**2021**	**2020**	**2021**	**2020**
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. Distributions may not be declared in respect of the management shares. The holders of these shares are only entitled to a repayment of an amount up to par value on the winding-up of the Fund and such payment is in priority to the holders of the redeemable shares. At 31 December 2021 and 2020, the management shares were held by the investment manager.

Notes to the financial statements (continued)

15. 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)

i. Redeemable shares

Authorised

	2021			2020		
Number of shares	Class A	Class B	Total	Class A	Class B	Total
Shares of €0.01 each	**4,000,000**	**900,000**	**4,900,000**	4,000,000	900,000	4,900,000
In thousands of euro						
Shares of €0.01 each	**40**	**9**	**49**	40	9	49

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

Issued and fully paid

Number of shares	Class A 2021	Class B 2021	Total 2021	Class A 2020	Class B 2020	Total 2020
Balance at 1 January	**201,436**	**59,095**	**260,531**	116,818	56,082	172,900
Issued during the year	**52,800**	**3,400**	**56,200**	138,818	3,013	141,831
Redeemed during the year	**(53,100)**	**(4,419)**	**(57,519)**	(54,200)	-	(54,200)
Balance at 31 December	**201,136**	**58,076**	**259,212**	201,436	59,095	260,531

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

Issued and fully paid

IAS 7.44D

In thousands of euro	Class A 2021	Class B 2021	Total 2021	Class A 2020	Class B 2020	Total 2020
Balance at 1 January brought forward	**23,241**	**6,737**	**29,978**	12,497	5,963	18,460
Increase in net assets attributable to holders of redeemable shares	**2,345**	**612**	**2,957**	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**	23,241	6,737	29,978
Net asset value per share (in euro) at 31 December	**126.35**	**124.18**		115.38	114.00	

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

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Notes to the financial statements (continued)

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

A. Redeemable shares (continued)

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

IAS 1.79(a)(v)

i. Redeemable shares (continued)

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 in accordance with IFRS Standards.
- 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 distributions 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 (see Note 20(D)) to manage redemption levels and maintain the strength of the Fund's capital base.

B. Distributions

IAS 1.107

During the year, the Fund recognised and paid distributions as follows.

	2021			2020		
	Class A	Class B	Total	Class A	Class B	Total
Distribution per share (euro)	**0.71**	**0.69**		0.42	0.41	
Distribution (thousands of euro)	**139**	**39**	**178**	67	24	91

IAS 1.137(a), IAS 10.13

Subsequent to the reporting date, the Fund declared an additional distribution in respect of 2021, which was paid on [*insert date*] 2022, as follows.

	Class A	Class B	Total
Distribution per share (euro)	**0.29**	**0.28**	
Distribution (thousands of euro)	**58**	**16**	**74**

Notes to the financial statements (continued)

16. Transfers of financial assets

See accounting policies in Notes 22(H)(vi) and (viii).

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

i. Sale and repurchase agreements

IFRS 7.42D(a)–(c), [IFRS 9.3.2.15, B3.2.16(a)–B3.2.16(c)]

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

IFRS 7.42D(d)–(e)

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

In thousands of euro	**2021**	**2020**
Carrying amount of assets	**2,691**	2,346
Carrying amount of associated liabilities	**(2,563)**	(2,234)

Notes to the financial statements (continued)

17. Involvement with unconsolidated structured entities

IFRS 12.26

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

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

IFRS 12.26

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

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

IFRS 12.29

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

IFRS 12.26

31 December 2021 *In thousands of euro*	**Number of investee funds**	**Total net assets**	**Carrying amount included in 'non-pledged financial assets at FVTPL'**
Investment in unlisted open-ended investment funds			
Multi-strategy	**2**	**195,856**	**1,171**
Equity long/short	**1**	**480,257**	**461**
Total			**1,632**

IFRS 12.30–31

During the year ended 31 December 2021, 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.

IFRS 12.25

The Fund did not hold interests in unconsolidated structured entities at 31 December 2020.

Notes to the financial statements (continued)

IAS 24.13

18. Related parties and other key contracts

A. Related parties

IAS 24.17

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

The Fund appointed XYZ Capital Limited, an investment management company incorporated in [*name of country*], to implement the investment strategy as specified in the prospectus. Under the investment management agreement, the investment manager receives a management fee at an annual rate of 1.5% of the net asset value attributable to holders of redeemable shares as defined in the prospectus. The investment management fees incurred during the year ended 31 December 2021 amounted to €478 thousand (2020: €447 thousand). Included in other payables at 31 December 2021 were investment management fees payable of €49 thousand (2020: €47 thousand). The investment management contract can be terminated by the Fund at any time.

At 31 December 2021, 20,000 Class A redeemable shares (2020: 20,000 Class A redeemable shares) and all Class B redeemable shares (2020: all Class B redeemable shares) were held by employees of the investment manager.

At 31 December 2021, all management shares were held by the investment manager (2020: all management shares).

The total directors' fees paid for the year ended 31 December 2021 were €26 thousand (2020: €15 thousand). This amount has been fully settled during the year ended 31 December 2021. The listing of the members of the board of directors is shown on page [*state page number*] of the annual report.

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

B. Other key contracts

i. Administrator[c]

The Fund appointed ABC Fund Services Limited, a fund administration company incorporated in [*name of country*], to provide administrative services including financial accounting services to the Fund. Under the fund administration agreement, the administrator receives an administration fee at an annual rate of 0.22% of the net asset value attributable to holders of redeemable shares on each valuation day as defined in the prospectus. The administration fees paid during the year ended 31 December 2021 amounted to €66 thousand (2020: €62 thousand). Included in other payables at 31 December 2021 were administration fees payable of €6 thousand (2020: €6 thousand). The fund administration agreement can be terminated by the Fund at any time.

IAS 24.9, Insights 5.5.40.10, 60

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

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

Insights 5.5.110.20

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

Insights 5.5.120.70

c. Where a mutual fund appoints an administrator to provide management services, in our view the fund should disclose the following as a minimum: information about the services provided by the administrator – including the terms and conditions of the management agreement; the amount of the management fee paid to the administrator during the period; how the fee is calculated; and any fees outstanding at the reporting date.

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IAS 10.21–22(a)

19. Subsequent events

COVID-19 considerations

IAS 10.21

IAS 10 provides guidance on adjusting and non-adjusting post-balance sheet events. With fast-changing economic conditions, funds will have to carefully consider whether certain events occurring after the reporting date are material non-adjusting events that need to be disclosed in the financial statements. For each material category of non-adjusting event after the reporting date, a fund discloses:

– the nature of the event; and

– an estimate of its financial effect, or a statement that such an estimate cannot be made.

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

IFRS 7.31

20. Financial risk management

COVID-19 considerations

IFRS 7 requires disclosure of risks arising from financial instruments and how the company manages those risks. A fund may have introduced changes to the way it does business, which in turn impact the risk that arises from the transactions it enters into and the way it manages those risks. Therefore, a fund needs to explain the significant impact of the COVID-19 outbreak on the risks arising from financial instruments and how it manages those risks. It will need to use judgement to determine the specific disclosures that are both relevant to its business and necessary to meet these disclosure objectives.

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.

Notes to the financial statements (continued)

IFRS 7.31

20. Financial risk management (continued)

B. Risk management framework

IFRS 7.31

The Fund invests in 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 7.31, 33

C. Credit risk

IFRS 7.33(a)

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

IFRS 7.33(b)

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

IFRS 7.33(b)

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

IFRS 7.33(a)

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

IFRS 7.33(b)

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

Notes to the financial statements (continued)

20. Financial risk management (continued)

IFRS 7.33

D. Liquidity risk

IFRS 7.31, 33

'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, known as the subscription or redemption period, 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 €STR plus 160 basis points (2020: EONIA plus 150 basis points). The Fund has no restrictions on the use of this facility.

IFRS 7.33

E. Market risk

IFRS 7.33

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

IFRS 7.33(b)

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

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

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

Notes to the financial statements (continued)

20. Financial risk management (continued)

E. Market risk (continued)

IFRS 7.34(a)

i. Interest rate risk

IFRS 7.21C, 22A(b)–(c), 22B

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 (see also Note 6(C)(i) for the discussion of interest rate benchmark reform).

IFRS 7.33(b)

ii. Currency risk

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 functional currency relative to foreign currencies may change in a manner that has an adverse effect on the fair value or future cash flows of the Fund's financial assets or financial liabilities denominated in currencies other than the euro.

IFRS 7.33(b)

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

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

IFRS 7.33(b)

iii. Other market price risk

'Other market 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 or 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.

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Notes to the financial statements (continued)

20. 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)

20. Financial risk management (continued)

IAS 1.134–135(a)(ii)

G. Capital management[a]

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

The redeemable shares issued by the Fund provide an investor with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets at each redemption date and are classified as liabilities. For a description of the terms of the redeemable shares issued by the Fund, see Note 15. 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 20(D).

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

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

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Notes to the financial statements (continued)

IAS 1.117(a)

21. Basis of measurement

A. Basis of measurement

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

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

Notes to the financial statements (continued)

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

22. Significant accounting policies[a]

The Fund has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise (see also Note 5).

A. Foreign currency

[IAS 21.21]

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

[IAS 21.23]

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

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

IFRS 7.B5(e)

[IFRS 9.5.4.1–5.4.2, A]

B. Interest

Interest income and expense presented in the statement of comprehensive income comprise interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

The 'effective interest rate' is calculated on initial recognition of a financial instrument as the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Any negative interest on financial assets measured at amortised cost is presented in the statement of comprehensive income in 'interest expense'. Any negative interest on financial liabilities measured at amortised cost is presented in 'interest income calculated using the effective interest rate method'.

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

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Notes to the financial statements (continued)

22. Significant accounting policies (continued)

C. Dividend income and dividend expense

[IFRS 9.5.7.1A], IFRS 7.21, B5(e), IAS 18.30(c)

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 at FVTPL is recognised in profit or loss within 'net income from financial instruments at FVTPL'.

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 within 'net income from financial instruments at FVTPL' when the shareholders' right to receive payment is established.

[IAS 32.IE32–IE33]

D. Distributions to holders of redeemable shares[a]

Distributions 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 7.20(a)(i), B5(e)

E. Net income from financial instruments at FVTPL

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

IFRS 7.21

F. Fees and commission expenses

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

G. Income tax[b]

[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.

The amount of tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to withholding taxes, if any.[c]

The Fund has determined that interest and penalties related to income taxes do not meet the definition of an income tax. They are therefore accounted for under IAS 37.[d]

Insights 7.10.70.37 **a.** There is no guidance in IFRS Standards on what is included in finance income and finance costs and the Fund has disclosed as part of its accounting policy which items constitute finance costs.

[IAS 12] **b.** The Fund is tax-exempt and is only subject to withholding tax on some dividend and interest income. Funds that are subject to taxation apply IAS 12 and provide all relevant disclosures, including accounting policies.

[IAS 12.2], Insights 3.13.800.40 **c.** In our view, withholding taxes attributable to investment income (e.g. dividends received) should be recognised as part of income tax expense, with the investment income recognised on a gross basis. This is because neither IFRS 9 nor IAS 12 provides any mechanism for income tax paid to be offset against the underlying income.

Insights 3.13.45.10–20 **d.** Interest and penalties related to income taxes are not explicitly included in the scope of IAS 12. The IFRS Interpretations Committee discussed the accounting for interest and penalties related to income taxes and noted that an entity first considers whether interest or a penalty itself is an income tax. If so, then it applies IAS 12. If the entity does not apply IAS 12, then it applies IAS 37 to that amount. The Committee also noted that this is not an accounting policy choice – i.e. an entity needs to apply judgement based on the specific facts and circumstances.

Notes to the financial statements (continued)

22. Significant accounting policies (continued)

IFRS 7.21

H. Financial assets and financial liabilities[a]

i. Recognition and initial measurement

[IFRS 9.3.1.1–3.1.2, B3.1.3–B3.1.6]

The Fund initially recognises regular-way transactions in financial assets and financial liabilities at FVTPL 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.

[IFRS 9.5.1.1]

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

ii. Classification and subsequent measurement

Classification of financial assets

[IFRS 9.4.1.1]

On initial recognition, the Fund classifies financial assets as measured at amortised cost or FVTPL.

[IFRS 9.4.1.2]

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are SPPI.

[IFRS 9.4.1.4]

All other financial assets of the Fund are measured at FVTPL.

Business model assessment[b]

[IFRS 9.B4.1.2]

In making an assessment of the objective of the business model in which a financial asset is held, the Fund considers all of the relevant information about how the business is managed, including:

[IFRS 9.B4.1.2B–B4.1.2C, B4.1.4A, B4.1.5]

– the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

– how the performance of the portfolio is evaluated and reported to the Fund's management;

– the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

– how the investment manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

– the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Fund's continuing recognition of the assets.[c]

a. The Fund has disclosed accounting policies that are applicable to its activities and the financial instruments that it holds. Therefore, these accounting policies do not contain a full description of the requirements of IFRS 9 relating to classification of financial assets and financial liabilities. For a more comprehensive description, see our Guide to annual financial statements – Illustrative disclosures (September 2021) and Guide to annual financial statements – Illustrative disclosures for banks (December 2021).

IFRS 9.B4.1.1–B4.1.2, Insights 7.4.70.30

b. The objective of the entity's business model is not based on management's intentions with respect to an individual instrument, but rather is determined at a higher level of aggregation. The assessment needs to reflect the way that an entity manages its business or businesses. A single reporting entity may have more than one business model for managing its financial instruments.

Insights 7.4.110.15

c. An entity may hold a portfolio of financial assets for which its objective includes selling some of those financial assets to third parties in transactions that do not qualify for derecognition of the sold assets. In our view, whether such a portfolio is considered consistent with the held-to-collect business model depends on the circumstances.

Notes to the financial statements (continued)

22. Significant accounting policies (continued)

H. Financial assets and financial liabilities (continued)

ii. Classification and subsequent measurement (continued)

Classification of financial assets (continued)

Business model assessment (continued)

The Fund has determined that it has two business models.

[IFRS 9.B4.1.2C]

- *Held-to-collect business model:* this includes cash and cash equivalents, balances due from brokers and receivables from reverse sale and repurchase agreements. These financial assets are held to collect contractual cash flow.

[IFRS 9.B4.1.5–B4.1.6]

- *Other business model:* this includes debt securities, equity investments, investments in unlisted open-ended investment funds, unlisted private equities and derivatives. These financial assets are managed and their performance is evaluated, on a fair value basis, with frequent sales taking place.

Assessment whether contractual cash flows are SPPI

[IFRS 9.4.1.3, B4.1.7A–B4.1.7B, B4.1.9A–B4.1.9E]

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Fund considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse features); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

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 11.

Reclassifications

[IFRS 9.4.4.1, 5.6.1]

Financial assets are not reclassified subsequent to their initial recognition unless the Fund were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

Notes to the financial statements (continued)

22. Significant accounting policies (continued)

H. Financial assets and financial liabilities (continued)

ii. Classification and subsequent measurement (continued)

Subsequent measurement of financial assets

[IFRS 9.5.7.1]	**Financial assets at FVTPL**	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income and expense and foreign exchange gains and losses, are recognised in profit or loss in 'net income from financial instruments at FVTPL' in the statement of comprehensive income. Debt securities, equity investments, investments in unlisted open-ended investment funds, unlisted private equities and derivative financial instruments are included in this category.
[IFRS 9.5.7.2]	**Financial assets at amortised cost**	These assets are subsequently measured at amortised cost using the effective interest method. Interest income is recognised in 'interest income calculated using the effective interest method', foreign exchange gains and losses are recognised in 'net foreign exchange loss' and impairment is recognised in 'impairment losses on financial instruments' in the statement of comprehensive income. Any gain or loss on derecognition is also recognised in profit or loss. Cash and cash equivalents, balances due from brokers and receivables from reverse sale and repurchase agreements are included in this category.

Financial liabilities – Classification, subsequent measurement and gains and losses

[IFRS 9.5.7.1] Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains or losses, including any interest, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

[IFRS 9.5.7.1] Financial liabilities at FVTPL:

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

[IFRS 9.B4.3.7, B4.3.8(g)] Financial liabilities at amortised cost:

– This includes balances due to brokers, payables under sale and repurchase agreements and redeemable shares.

[IFRS 13.9] *iii. Fair value measurement*

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

[IFRS 13.71, 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, because this price provides a reasonable approximation of the exit price.

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

[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.

Notes to the financial statements (continued)

22. Significant accounting policies (continued)

H. Financial assets and financial liabilities (continued)

iv. Amortised cost measurement

[IFRS 9.A]

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

v. Impairment

[IFRS 9.2, 5.5.1]

The Fund recognises loss allowances for ECLs on financial assets measured at amortised cost.

[IFRS 9.5.5.3, 5.5.5, 5.5.11, 5.5.15–5.5.16]

The Fund measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

The Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

IFRS 7.35F(b), B8A

The Fund considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

IFRS 7.35F(a)(i), [IFRS 9.5.5.10, B5.5.22–B5.5.24, A]

The Fund considers a financial asset to have low credit risk when the credit rating of the counterparty is equivalent to the globally understood definition of 'investment grade'. The Fund considers this to be Baa3 or higher per [*Rating Agency X*] or BBB- or higher per [*Rating Agency Y*].

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

[IFRS 9.5.5.19, B5.5.38]

The maximum period considered when estimating ECLs is the maximum contractual period over which the Fund is exposed to credit risk.

[IFRS 9.5.5.17, A, B5.5.28–B5.5.30, B5.5.33]

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Notes to the financial statements (continued)

22. Significant accounting policies (continued)

H. Financial assets and financial liabilities (continued)

v. Impairment (continued)

IFRS 7.35F(d), 35G(a)(iii), [IFRS 9.A]

Credit-impaired financial assets

At each reporting date, the Fund assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

– significant financial difficulty of the borrower or issuer;

– a breach of contract such as a default or being more than 90 days past due; or

– it is probable that the borrower will enter bankruptcy or other financial reorganisation.

[IFRS 9.5.5.1–5.5.2]

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

IFRS 7.35F(e), [IFRS 9.5.4.4]

The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

vi. Derecognition

[IFRS 9.3.2.3–3.2.6]

The Fund derecognises regular-way sales of financial assets using trade date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or the Fund 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.

[IFRS 9.3.2.6(b)]

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.

[IFRS 9.3.3.1–3.3.2]

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

[IFRS 9.3.3.3]

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

The Fund derecognises a derivative only when it meets the derecognition criteria for both financial assets and financial liabilities. Where the payment or receipt of variation margin represents settlement of a derivative, the derivative, or the settled portion, is derecognised.

Notes to the financial statements (continued)

22. Significant accounting policies (continued)

H. Financial assets and financial liabilities (continued)

vii. Offsetting

[IAS 32.42]

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

[IAS 1.32–35]

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

viii. Specific instruments

[IAS 7.46]

Cash and cash equivalents

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

[IFRS 9.3.2.6]

Receivables and payables under sale and repurchase agreements and securities borrowed

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

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

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

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

[IAS 32.AG13, AG27(a)–(b)] [IFRS 9.B4.3.7, B4.3.8(g)]

Redeemable shares

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

Notes to the financial statements (continued)

23. Standards issued but not yet effective

IAS 8.30–31

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Fund has not early adopted the new or amended standards in preparing these financial statements, other than the Phase 2 amendments (see Note 5).

The following new and amended standards and interpretations are not expected to have a significant impact on the Fund's financial statements.[a]

- *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).*
- *COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16).*[b]
- *Annual Improvements to IFRS Standards 2018–2020.*
- *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).*
- *Reference to the Conceptual Framework (Amendments to IFRS 3).*
- *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*[c].
- IFRS 17 *Insurance Contracts* and amendments to IFRS 17 *Insurance Contracts.*
- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).*
- *Definition of Accounting Estimates (Amendments to IAS 8).*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).*

a. Although new or amended standards that will have no or no material effect on the financial statements need not be provided, the Fund has included all new or amended standards and their possible impact on the consolidated financial statements for illustrative purposes only.

b. For further information, see our web article and Leases – Rent concessions (May 2021).

c. The amendments to IAS 1, as issued in January 2020 (2020 amendments), are subject to future developments. Certain application issues resulting from the 2020 amendments have been raised with the IFRS Interpretations Committee, which referred them to the Board. In June 2021, the Board tentatively decided to propose further amendments to IAS 1 and to defer the effective date of the 2020 amendments to no earlier than 1 January 2024. The Board published the exposure draft *Non-current Liabilities with Covenants* on 19 November 2021. For further information, see our web article.

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Appendix I

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

Statement of financial position[a]

IAS 1.10(a), 10(ea)–(f), 29, 38–38A, 54–55, 113

In thousands of euro	Reference	**31 December 2021**	**31 December 2020**
Assets			
Cash and cash equivalents	*IAS 1.54(i)*	**37**	45
Financial assets at FVTPL	*IAS 1.54(d)*	**32,635**	29,989
Total assets		**32,672**	30,034
Equity			
Share capital	*IAS 1.54(r)*	**10**	10
Total equity		**10**	10
Liabilities			
Other payables	*IAS 1.54(k)*	**159**	128
Total liabilities (excluding net assets attributable to holders of redeemable shares)		**159**	128
Net assets attributable to holders of redeemable shares	*IAS 1.6, 54(m), 32.IE32*	**32,503**	29,896

The notes on pages 12 to 69 are an integral part of these financial statements.

Insights 5.6

a. This Appendix illustrates one possible format of disclosure for a Feeder Fund that is a sole investor in the Master Fund and was formed together with the Master Fund to meet legal and tax requirements. The Feeder Fund is an investment entity and measures its subsidiaries at FVTPL. The illustrated extracts from the Feeder Fund's financial statements assume the same fact pattern as in the main body of this guide. The Feeder Fund is the sole investor in the Master Fund (the Fund in the main body of this guide) and holds the underlying investments through the Master Fund. This Appendix also assumes that the Feeder Fund meets the definition of an investment entity (see further analysis in Note 5).

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

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

Statement of comprehensive income

IAS 1.10(b), 10A, 29, 38, 38A, 81A, 113

For the year ended 31 December

Reference	*In thousands of euro*	2021	2020
IFRS 7.20(a)(i), IAS 1.35	Net income from financial instruments at FVTPL	**3,434**	2,455
IAS 1.82(a)	**Total revenue**	**3,434**	2,455
IAS 1.99	Investment management fees	**(478)**	(447)
IAS 1.99	Administration fees	**(32)**	(30)
IAS 1.99	Directors' fees	**(7)**	(5)
	Total operating expenses	**(517)**	(482)
IAS 1.6, 32.IE32	**Increase in net assets attributable to holders of redeemable shares**	**2,917**	1,973

The notes on pages 12 to 69 are an integral part of these financial statements.

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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 [*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 2021, the Feeder Fund owned 100% of the Master Fund (2020: 100%). The Master Fund and the Feeder Fund are collectively referred to as 'the master-feeder structure'. See also Note [*xx*].

IAS 27.16(a)

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

4. Use of judgements and estimates (extract)

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

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

A. Judgements[a]

IAS 1.122

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in Note 23[*xx*] – 'Subsidiaries – whether the Feeder Fund meets the definition of an investment entity'.

IFRS 10.28, 12.9A

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

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

Extracts of notes to the financial statements (continued)

IFRS 7.31

6. Financial risk review (extract)[a]

IFRS 7.34

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

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

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

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

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

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

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

For example disclosures, see *Note 6 in the main body of this guide*.]

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 7.33(a)–(b), 34(a), 35B(a), 35F(a), 35G(a)–(b), 35M

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 (2020: AA) based on [*Rating Agency X*] ratings. The investment manager monitors the financial position of XYZ Bank on a quarterly basis.

The Feeder Fund monitors changes in credit risk of XYZ Bank by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Feeder Fund supplements this by reviewing changes in CDS prices (where they are available), together with available press and regulatory information.

IFRS 7.3, 34(a)

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

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

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Extracts of notes to the financial statements (continued)

6. Financial risk review (extract) (continued)

IFRS 7.31

A. Credit risk (continued)

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Feeder Fund considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. 12-month probabilities of default are based on historical data supplied by [*Rating Agency X*] for each credit rating and are recalibrated based on current CDS prices and other information. Loss given default parameters generally reflect an assumed recovery rate of 40%.

IFRS 7.35H, 42P

The Fund recognised an impairment allowance of approximately €0 thousand (2020: €0 thousand).

[The Feeder Fund invests substantially all of its assets in the Master Fund together with which it is managed as an integrated structure. The management of the Feeder Fund decides that the objectives of IFRS 7 are met by providing disclosures on the credit risk of the underlying investments held by the Master Fund. For examples of credit risk disclosures, see Note 6(A) in the main body of this guide (see page 15).]

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 is intended to ensure 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 2021			
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 2020			
Non-derivative liabilities			
Other payables	(128)	(128)	(128)
Net assets attributable to holders of redeemable shares	(29,896)	(29,896)	(29,896)
	(30,024)	(30,024)	(30,024)

IFRS 7.39(a), B11C

The table above shows the undiscounted cash flows of the Feeder Fund's financial liabilities on the basis of their earliest possible contractual maturities. The Feeder Fund's cash flows on redeemable shares are expected to vary significantly from this analysis. The Feeder Fund has a contractual obligation to redeem such shares at the attributable net asset value on a weekly basis at the option of the respective shareholder. Historical experience indicates that these shares are held by the shareholders on a medium- or long-term basis. Based on average historical information, redemption levels are expected to approximate €150 thousand per week (2020: €120 thousand per week); however, actual redemptions could differ significantly from this estimate.

[*The Feeder Fund's assets consist principally of its investments in the Master Fund, and both funds are managed together to ensure that cash flows from the underlying assets of the Master Fund match the redemption obligations of the Master Fund – and ultimately of the Feeder Fund. The management of the Feeder Fund decides that the objectives of IFRS 7 are met by providing disclosures on the liquidity risk of both the Master Fund and the Feeder Fund. For examples of the liquidity risk disclosures, see Note 6(B) in the main body of this guide (see page 22).*]

Extracts of notes to the financial statements (continued)

IFRS 7.31

6. Financial risk review (extract) (continued)

IFRS 7.31–32

C. Market risk

i. Interest rate risk

IFRS 7.34(a)

[*The Feeder Fund invests substantially all of its assets in the Master Fund together with which it is managed as an integrated structure. The management of the Feeder Fund decides that the objectives of IFRS 7 are met by providing disclosures on the interest rate risk of the underlying investments held by the Master Fund. For examples of interest rate risk disclosures, see Note 6(C) in the main body of this guide (see page 24).*]

ii. Currency risk

IFRS 7.34(a)

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

[*The Feeder Fund invests substantially all of its assets in the Master Fund together with which it is managed as an integrated structure. The management of the Feeder Fund decides that the objectives of IFRS 7 are met by providing disclosures on currency risk of the underlying investments held by the Master Fund. For examples of currency risk disclosures, see Note 6(C) in the main body of this guide (see page 28).*]

iii. Other market price risk

Other market 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 2021 was €32,635 thousand (2020: €29,989 thousand).

IFRS 7.40

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

Effect in thousands of euro	**2021**	**2020**
Decrease in net gain from financial instruments at FVTPL	**(1,305)**	(1,200)
Effect in % on:	**2021**	**2020**
Net assets attributable to holders of redeemable shares (reduction)	**(4.0%)**	(4.0%)
Increase in net assets attributable to holders of redeemable shares (reduction)	**(44.7%)**	(60.8%)

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

[*The pricing of the shares held by the Feeder Fund in the Master Fund is based on the net asset value of the Master Fund. The management of the Feeder Fund decides that the objectives of IFRS 7 are met by providing disclosures on the price risk of the underlying investments held by the Master Fund. For examples of market price risk disclosures, see Note 6(C) in the main body of this guide (see page 30).*]

Extracts of notes to the financial statements (continued)

7. Fair values of financial instruments (extract)

A. Valuation models

IFRS 13.91

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

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

IFRS 13.72

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

- *Level 1:* Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- *Level 2:* Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3:* Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and whose unobservable inputs have a significant effect on the instrument's valuation.

IFRS 13.93(d)

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

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

As at 31 December 2021 and 31 December 2020, the fair value measurement of shares held by the Feeder Fund in the Master Fund is categorised into Level 2.

IFRS 7.7

[*The Feeder Fund invests substantially all of its assets in the 100% share of the Master Fund together with which it is managed as an integrated structure. The management of the Feeder Fund decides that the objectives of IFRS 7 are met by providing disclosures on the potential variability of fair value estimates of its direct investments in the Master Fund. Accordingly, the Feeder Fund discloses information on the categorisation of the underlying investments of the Master Fund into levels of the fair value hierarchy. For examples of fair value hierarchy disclosures, see* Note 7(C) *in the main body of this guide (see page 36).*][a]

IFRS 13.91–92, 7.7, 31, IAS 1.31

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

There is no specific minimum requirement to provide disclosures under IFRS 13 for the underlying investments of the Master Fund.

A Feeder Fund needs to consider what disclosures in its financial statements are required to meet the disclosure objectives of IFRS 13 and of IFRS 7. The objectives are to enable users of the Feeder Fund's financial statements to understand the valuation techniques and inputs used to develop fair value measurements in those financial statements and to evaluate the significance of the financial instruments held by the Feeder Fund and the nature and extent of the related risks.

Extracts of notes to the financial statements (continued)

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

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

IFRS 7.25, 29

The financial assets not measured at FVTPL include:

i. cash and cash equivalents, other payables. These are short-term financial assets and financial liabilities whose carrying amounts approximate fair value, because of their short-term nature and the high credit quality of counterparties; and

ii. net assets attributable to holders of redeemable shares. The Feeder Fund routinely redeems and issues the redeemable shares at the amount equal to the proportionate share of net assets of the Feeder Fund at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to holders of redeemable shares approximates their fair value. The shares are categorised into Level 2 of the fair value hierarchy.

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

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

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

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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% (2020: 100%) of its redeemable shares. For the description of rights attaching to these shares, see Note 6. The master-feeder structure was formed to meet legal and tax requirements.

IFRS 12.19C

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

IFRS 12.19D(b)

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

IFRS 12.19D(a)

At 31 December 2021, 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.

23. Significant accounting policies (extract)

xx. Subsidiaries

IFRS 12.19A

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

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

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

Appendix II

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

Extracts of notes to the financial statements

23. Significant accounting policies (extract)

x. Segment reporting

IFRS 8.25

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

X. Operating segments

IFRS 8.20–22

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

The following summary describes the operations of each reportable segment.

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

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

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

IFRS 8.2–3

b. An entity is required to present segment information if its debt or equity instruments are publicly traded, or if it files, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market. Other entities may choose to present segment information, but they should not describe information as 'segment information' unless it fully complies with IFRS 8.

IAS 33.2–3, Insights 5.3.560

c. An investment fund that falls in the scope of IFRS 8 can also be in the scope of IAS 33. This guide does not illustrate these disclosures. For an illustrative example of EPS disclosures, see our Guide to annual financial statements – Illustrative disclosures (September 2021).

IFRS 8.IN13, 27–28

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

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

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

IFRS 8.12, 22(aa)

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

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Extracts of notes to the financial statements (continued)

X. Operating segments (continued)

IFRS 8.20, 27(a)

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

IFRS 8.20, 27(b)

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

x. Information about reportable segments[a, b]

	2021 *In thousands of euro*	**Equity sub-portfolio**	**Debt sub-portfolio**	**Total**
IFRS 8.23(a)	External revenues:			
IFRS 8.23(c)	Interest income calculated using the effective interest method	39	110	149
IFRS 8.23(f)	Net foreign exchange loss	(15)	(4)	(19)
IFRS 8.23(f)	Net income from financial instruments at FVTPL	3,349	583	3,932
IFRS 8.32	Total segment revenue	3,373	689	4,062
	Segment expenses:			
IFRS 8.23(f)	Investment management fees	(349)	(129)	(478)
IFRS 8.23(f)	Custodian fees	(88)	(14)	(102)
IFRS 8.23(f)	Administration fees	(51)	(15)	(66)
IFRS 8.23(f)	Transaction costs	(48)	(6)	(54)
IFRS 8.23(d)	Interest expense	(75)	-	(75)
IFRS 8.23(h)	Withholding tax expense	(45)	-	(45)
	Total segment expenses	(656)	(164)	(820)
IFRS 8.21(b)	Segment profit	2,717	525	3,242
IFRS 8.21(b)	Segment assets	28,164	10,901	39,065
IFRS 8.21(b)	Segment liabilities, excluding net assets attributable to holders of redeemable shares	(5,379)	(1,004)	(6,383)
IFRS 8.21(b)	Segment net assets attributable to holders of redeemable shares	22,785	9,897	32,682

IFRS 8.23 a. The Fund has disclosed these amounts for each reportable segment because they are regularly provided to the CODM.

IAS 1.82 b. IAS 1 requires the separate presentation of specific line items in the statement of profit or loss. The Fund has not presented certain line items because during the reporting period it did not have events or transactions to be reflected in those line items.

Extracts of notes to the financial statements (continued)

X. Operating segments (continued)

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

	2020 *In thousands of euro*	**Equity sub-portfolio**	**Debt sub-portfolio**	**Total**
IFRS 8.23(a)	External revenues:			
IFRS 8.23(c)	Interest income calculated using the effective interest method	38	123	161
IFRS 8.23(f)	Net foreign exchange loss	(10)	(6)	(16)
IFRS 8.23(f)	Net income from financial instruments at FVTPL	1,802	1,073	2,875
IFRS 8.32	Total segment revenue	1,830	1,190	3,020
	Segment expenses:			
IFRS 8.23(f)	Investment management fees	(316)	(131)	(447)
IFRS 8.23(f)	Custodian fees	(56)	(59)	(115)
IFRS 8.23(f)	Administration fees	(41)	(21)	(62)
IFRS 8.23(f)	Transaction costs	(59)	(14)	(73)
IFRS 8.23(d)	Interest expense	(62)	-	(62)
IFRS 8.23(h)	Withholding tax expense	(39)	-	(39)
	Total segment expenses	(573)	(225)	(798)
IFRS 8.21(b)	Segment profit	1,257	965	2,222
IFRS 8.21(b)	Segment assets	18,891	15,153	34,044
IFRS 8.21(b)	Segment liabilities, excluding net assets attributable to holders of redeemable shares	(2,736)	(1,271)	(4,007)
IFRS 8.21(b)	Segment net assets attributable to holders of redeemable shares	16,155	13,882	30,037

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

IFRS 8.28(a)

Revenues

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

IFRS 8.28(b)

Profit or loss

In thousands of euro	**2021**	**2020**
Segment profit	**3,242**	2,222
Unallocated amounts:		
Professional fees and other operating expenses	**(107)**	(123)
Distributions to holders of redeemable shares	**(178)**	(91)
Increase in net assets attributable to holders of redeemable shares	**2,957**	2,008

a. The Fund has disclosed these amounts for each reportable segment because they are regularly provided to the CODM. For this Fund, revenue is represented by the line item 'total operating income/(loss)'.

IFRS 8.27–28 b. To help users understand the segment information presented, an entity discloses information about the measurements adopted – e.g. the nature and effects of any differences between the measurements used in reporting segment information and those used in the entity's financial statements, the nature and effect of any asymmetrical allocations to reportable segments and reconciliations of segment information to the corresponding amounts reported in the financial statements.

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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 liabilities (continued)

IFRS 8.28(d)

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

In thousands of euro	2021	2020
Total liabilities for reportable segments	**6,383**	4,007
Other unallocated amounts:		
Accrued professional fees and other operating expenses	**47**	49
Total liabilities (excluding net assets attributable to holders of redeemable shares)	**6,430**	4,056

IFRS 8.31

x. Geographic information

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

In thousands of euro	US	UK	Germany	Other Europe	Total
2021	**995**	**1,127**	**975**	**965**	**4,062**
2020	722	893	698	707	3,020

IFRS 8.33(a)

IFRS 8.33(b)

The Fund did not hold any non-current assets other than financial instruments during the year ended 31 December 2021 (2020: 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 2021 represented 2.32% (2020: 1.89%) of the Fund's net asset value attributable to holders of redeemable shares.

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

Appendix III

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

Statement of financial position

IAS 1.10(a), 10(ea) – (f), 29, 38, 38A, 54-55, 113

Reference	*In thousands of euro*	*Note*	31 December 2021	31 December 2020
	Assets			
IAS 1.54(i)	Cash and cash equivalents		**51**	70
IAS 1.54(d)	Balances due from brokers	*13*	**4,619**	3,121
IAS 1.54(d)	Receivables from reverse sale and repurchase agreements	*6*	**4,744**	3,990
IAS 1.55	Other receivables		**29**	46
IAS 1.54(d)	Non-pledged financial assets at FVTPL	*11, 12*	**26,931**	24,471
IFRS 9.B3.2.16(a), IAS 1.54(d), 39.37(a)	Pledged financial assets at FVTPL	*11, 12*	**2,691**	2,346
	Total assets		**39,065**	34,044
	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**	4,478
	Total equity		**32,635**	29,988
	Liabilities			
IAS 1.54(m)	Balances due to brokers	*13*	**143**	275
IAS 1.54(m)	Payables under sale and repurchase agreements	*6*	**2,563**	2,234
IAS 1.54(k)	Other payables		**103**	101
IAS 1.54(m)	Financial liabilities at FVTPL	*11*	**3,621**	1,446
	Total liabilities		**6,430**	4,056
	Total equity and liabilities		**39,065**	34,044

The notes on pages 12 to 69 are an integral part of these financial statements.

[IAS 32.15]

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

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

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

Insights 7.3.190.10–20

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

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

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Statement of comprehensive income[a, b]

IAS 1.10(b), 10A, 29, 38, 38A, 81A, 113

For the year ended 31 December

Reference	*In thousands of euro*	***Note***	**2021**	**2020**
IFRS 7.20(b), IAS 1.82(a)	Interest income calculated using the effective interest method	*8*	**149**	161
IAS 1.35, 21.52(a)	Net foreign exchange loss		**(19)**	(16)
IFRS 7.20(a)(i)	Net income from financial instruments at FVTPL	*9*	**3,932**	2,875
IAS 1.82(a)	**Total revenue**		**4,062**	3,020
IAS 1.99	Investment management fees	*18*	**(478)**	(447)
IAS 1.99	Custodian fees		**(102)**	(115)
IAS 1.99	Administration fees	*18*	**(66)**	(62)
IAS 1.99	Directors' fees	*18*	**(26)**	(15)
IAS 1.99	Transaction costs		**(54)**	(73)
IAS 1.99	Professional fees		**(73)**	(67)
IAS 1.99	Other operating expenses		**(8)**	(41)
	Total operating expenses		**(807)**	(820)
IFRS 7.20(b)	Interest expense	*8*	**(75)**	(62)
	Total finance costs		**(75)**	(62)
IAS 1.85	**Profit before tax**		**3,180**	2,138
IAS 1.82(d)	Withholding tax expense	*10*	**(45)**	(39)
	Profit for the period		**3,135**	2,099

The notes on pages 12 to 69 are an integral part of these financial statements.

IAS 33.2–3, 5, Insights 5.3.10.10, 40–50, 90, 40.60

a. Basic and diluted EPS are presented in the statement of profit or loss and OCI by entities whose ordinary shares or potential ordinary shares are traded in a public market – i.e. a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets – or that file, or are in the process of filing, their financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of ordinary shares in a public market.

The requirements to present EPS only apply to those funds whose ordinary shares are classified as equity. Nevertheless, some funds may wish to or may be required by local regulations to present EPS. If an entity voluntarily presents EPS data, then that information is calculated and presented in accordance with IAS 33.

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

IAS 1.82

b. IAS 1 requires the separate presentation of specific line items in the statement of profit or loss. The Fund has not presented certain line items because during the reporting period it did not have events or transactions to be reflected in those line items.

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 2020	10	48	15,942	2,470	18,470
	Total comprehensive income for the year					
IAS 1.106(d)(i)	Profit for the period	-	-	-	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)
	Distributions paid to shareholders	-	-	-	(91)	(91)
	Total transactions with owners	-	1	9,509	(91)	9,419
	Balance at 31 December 2020	10	49	25,451	4,478	29,988
	Balance at 1 January 2021	**10**	**49**	**25,451**	**4,478**	**29,988**
	Total comprehensive income for the year					
IAS 1.106(d)(i)	Profit for the period	**-**	**-**	**-**	**3,135**	**3,135**
	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)**
	Distributions paid to shareholders	**-**	**-**	**-**	**(178)**	**(178)**
	Total transactions with owners	**-**	**-**	**(310)**	**(178)**	**(488)**
	Balance at 31 December 2021	**10**	**49**	**25,141**	**7,435**	**32,635**

The notes on pages 12 to 69 are an integral part of these financial statements.

[IAS 32.33], Insights 7.3.560.10

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

In this example, we have selected the following presentation:

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

IAS 1.80

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

Extracts of notes to the financial statements

6. Financial risk management (extract)

x. Capital management

IAS 1.134

IAS 1.136A(a) At 31 December 2021, the Fund had €32,625 thousand (2020: €29,978 thousand) of redeemable share capital classified as equity.

IAS 1.136A(b) The Fund's objectives in managing the redeemable share capital are to ensure a stable and strong base to maximise returns to all investors, and to manage liquidity risk arising from redemptions.

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

– regular monitoring of the level of daily subscriptions and redemptions; and

– the right to impose a redemption gate limit of 10% of the net assets of the Fund in any redemption period.

IAS 1.136A(c)–(d) Based on historical information over the past 12 months, weekly redemption levels are expected to approximate €150 thousand and the average weekly level of redemptions net of new subscriptions is expected to approximate €26 thousand. However, the actual level of redemptions may differ significantly from historical experience.

IAS 1.136A(b) There were no changes in the policies and procedures during the year ended 31 December 2021 with respect to the Fund's approach to its redeemable share capital management.

IAS 1.135(a)(ii) The Fund is required by the [*title of legislation or regulation*] to maintain authorised and paid-up capital at a minimum amount of €10 thousand in the form of management shares [*explain the reason for issuing the shares, if it is different from above*]. The holders of management shares are entitled to a repayment of up to par value only on the winding-up of the Fund in priority to redeemable shares. The Fund is not subject to other externally imposed capital requirements.

Extracts of notes to the financial statements (continued)

23. Significant accounting policies (extract)

x. Share capital

i. Redeemable shares

[IAS 32.15]

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.

[IAS 32.37]

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

ii. Repurchase of redeemable shares

[IAS 32.33]

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.

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Example disclosure of schedule of investments – Unaudited[a]

For the year ended 31 December 2021

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

In thousands of euro		Fair value 2021	Percentage of net assets 2021
Assets			
Derivative financial instruments			
Listed equity index options		249	0.8%
Foreign currency forward contracts		219	0.6%
Equity indices futures contracts		54	0.2%
Foreign currency futures contracts		23	0.1%
Total derivative financial instruments		545	1.7%
Equity investments, listed			
NYSE and European exchange-traded equity investments:			
44,000 shares in	[*name of entity*]	1,200	3.7%
25,000 shares in	[*name of entity*]	1,170	3.6%
25,000 shares in	[*name of entity*]	1,162	3.6%
17,000 shares in	[*name of entity*]	1,146	3.5%
18,000 shares in	[*name of entity*]	1,103	3.4%
31,000 shares in	[*name of entity*]	1,092	3.3%
28,000 shares in	[*name of entity*]	1,092	3.3%
40,000 shares in	[*name of entity*]	1,033	3.2%
38,000 shares in	[*name of entity*]	1,003	3.1%
32,000 shares in	[*name of entity*]	996	3.1%
21,000 shares in	[*name of entity*]	990	3.0%
30,000 shares in	[*name of entity*]	951	2.9%
15,000 shares in	[*name of entity*]	936	2.9%
33,000 shares in	[*name of entity*]	836	2.6%
10,000 shares in	[*name of entity*]	760	2.3%
45,000 shares in	[*name of entity*]	722	2.2%
23,000 shares in	[*name of entity*]	702	2.1%
Total equity investments, listed		16,894	51.8%
Unlisted open-ended investment funds:			
25,615 units	[*name of entity*]	640	2.0%
29,493 units	[*name of entity*]	531	1.6%
23,046 units	[*name of entity*]	461	1.4%
Total unlisted open-ended investment funds		1,632	5.0%
Unlisted private equity investments:			
80,000 shares in	[*name of entity*]	300	0.9%
50,000 shares in	[*name of entity*]	200	0.6%
Total unlisted private equity investments		500	1.5%

IAS 1.9–10

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

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

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

For the year ended 31 December 2021

In thousands of euro	Fair value 2021	Percentage of net assets 2021
Assets (continued)		
NYSE and European exchange-traded debt securities		
[*name of entity*] 4.9% 15/03/2021	1,091	3.4%
[*name of entity*] 3.8% 10/04/2021	1,046	3.2%
[*name of entity*] 3.3% 26/10/2021	1,023	3.1%
[*name of entity*] 3.4% 10/03/2021	1,012	3.1%
[*name of entity*] 3.2% 26/03/2021	988	3.0%
[*name of entity*] 2.8% 5/01/2021	982	3.0%
[*name of entity*] 3.0% 10/01/2021	826	2.5%
[*name of entity*] 2.8% 15/01/2021	806	2.5%
[*name of entity*] 2.9% 31/01/2021	796	2.5%
[*name of entity*] 3.0% 6/01/2021	750	2.3%
[*name of entity*] 2.9% 10/01/2021	731	2.2%
Total debt securities (pledged and non-pledged)	10,051	30.8%
Total derivative financial instruments and debt and equity investments	29,622	90.8%
Liabilities		
Derivative financial instruments		
Listed equity index options	(1,066)	(3.3%)
Foreign currency forward contracts	(822)	(2.5%)
Credit default swaps	(485)	(1.5%)
Interest rate swaps	(464)	(1.4%)
Total derivative financial instruments	(2,837)	(8.7%)
Securities sold short		
NYSE and European exchange-traded equity investments:		
5,000 shares in [*name of entity*]	(50)	(0.1%)
17,000 shares in [*name of entity*]	(66)	(0.2%)
9,000 shares in [*name of entity*]	(88)	(0.3%)
23,000 shares in [*name of entity*]	(128)	(0.4%)
20,000 shares in [*name of entity*]	(183)	(0.6%)
26,000 shares in [*name of entity*]	(269)	(0.8%)
Total securities sold short	(784)	(2.4%)
Total derivative financial instruments and securities sold short	(3,621)	(11.1%)
Total net investments (assets less liabilities)	26,001	79.7%
Cash and cash equivalents	51	0.2%
Other assets in excess of other liabilities and equity	6,573	20.1%
Total net assets	32,625	100.0%

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

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

The notes on pages 12 to 69 are an integral part of these financial statements.

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Appendix V

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

Value-at-risk analysis

IFRS 7.41

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

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

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

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

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

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

During 2021, 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 [*Region Z*] substantially increased market volatility. The largest impact resulted from the general widening of credit spreads. The Fund sought to mitigate the market and credit risk by diversifying away from exposures to countries with the highest uncertainty and volatility and through increased diversification of its investment portfolio.

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)

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

IFRS 7.41

In thousands of euro	**At 31 December**	**Average**	**Maximum**	**Minimum**
2021				
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 market price risk	**3.28**	**3.01**	**4.02**	**2.42**
Covariance	**(2.76)**	**(3.08)**	**-**	**-**
Overall	**59.04**	**48.99**	**78.08**	**43.58**
2020				
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 market 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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Appendix VI

Statement of cash flows - Indirect method

Statement of cash flows

IAS 1.10(d), 29, 38–38A, 113

For the year ended 31 December

Reference	*In thousands of euro*	*Note*	2021	2020
IAS 7.18(b)	**Cash flows from operating activities**			
	Increase in net assets attributable to holders of redeemable shares, net of tax		**2,957**	2,008
	Adjustments for:			
	Interest income calculated using the effective interest method	*8*	**(149)**	(161)
	Net foreign exchange loss		**19**	16
	Net income from financial instruments at FVTPL	*9*	**(3,932)**	(2,875)
	Distributions to holders of redeemable shares	*15*	**178**	91
	Interest expense	*8*	**75**	62
			(852)	(859)
	Changes in:			
	Balances due from (to) brokers		**(1,630)**	(496)
	Sale and repurchase agreements and reverse sale and repurchase agreements		**(425)**	295
	Financial assets at FVTPL		**420**	(8,946)
	Other receivables		**17**	43
	Financial liabilities at FVTPL		**2,210**	(27)
	Other payables		**2**	(6)
IAS 7.31, 33	Interest received		**619**	454
IAS 7.31, 33	Interest paid		**(73)**	(63)
IAS 7.31, 33	Dividends received		**228**	228
IAS 7.31, 33	Dividends paid on securities sold short		**(45)**	(19)
IAS 7.10	**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	*15*	**6,668**	15,505
IAS 7.17	Payments on redemption of redeemable shares	*15*	**(6,978)**	(5,995)
IAS 7.31, 34	Distributions paid to holders of redeemable shares	*15*	**(178)**	(91)
IAS 7.10	**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		**70**	49
IAS 7.28	Effect of exchange rate fluctuations on cash and cash equivalents		**(2)**	(2)
	Cash and cash equivalents at 31 December		**51**	70

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