

**Mashreq Global High Income Portfolio – Sub Fund  
Dubai - United Arab Emirates**

**Report and financial statements  
For the year ended 31 December 2019**

## **Mashreq Global High Income Portfolio – Sub Fund**

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## **Mashreq Global High Income Portfolio – Sub Fund**

### **Director(s)**

Executive (as Fund Manager):  
Mashreq Capital (DIFC) Ltd  
Al Fattan Currency House  
Tower 2, Office number 2803, Level 28  
DIFC  
PO Box 1250  
Dubai  
United Arab Emirates

### **Fund Manager & Investment Manager**

Mashreq Capital (DIFC) Ltd  
Al Fattan Currency House  
Tower 2, Office number 2803, Level 28  
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PO Box 1250  
Dubai  
United Arab Emirates

### **Fund Administrator, Registrar and Transfer Agent**

Apex Fund Services (Dubai) Limited  
Gate Village, building 5  
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DIFC  
PO Box 506534  
Dubai  
United Arab Emirates

### **Custodian**

First Abu Dhabi Bank  
FAB Building  
Khalifa Business Park, Al Qurm District  
PO Box 6316  
Abu Dhabi  
United Arab Emirates

### **Registered Auditor**

Deloitte & Touche (M.E.)  
Emaar Square 3  
Level 6, Downtown  
Sheikh Zayed Road,  
PO Box 4254  
Dubai  
United Arab Emirates

### **Investment Oversight Committee**

Sharon Ditchburn, Ece Briscoe, Lotte Nielsen  
Al Saqr Business Tower  
Office 1102  
Sheikh Zayed Road  
P.O. 72401  
Dubai  
United Arab Emirates

### **Legal Advisors**

Herbert Smith Freehills LLP  
Gate Village 7  
Level 4  
DIFC  
PO Box 506631  
Dubai  
United Arab Emirates

## **Mashreq Global High Income Portfolio – Sub Fund**

### **Director’s Report**

The Director presents the report and financial statements of Mashreq Global High Income Portfolio (the “Fund”) for the year ended 31 December 2019.

#### **Principal Activity**

The principal investment objective of the Mashreq Global High Income Portfolio is to deliver current high income by investing in a broad range of globally diversified investment funds (“Underlying Fund(s)”). The Underlying Funds will invest in the asset classes of equity, fixed income and alternative strategies and will be geographically diversified.

#### **Review of Business**

The results of the operations for the year ended 31 December 2019 of the Fund are summarised in these financial statements.

#### **Changes in Directors**

None.

#### **Auditors**

Deloitte & Touche (M.E.) are eligible to be re-appointed as auditors of the Fund for the year ended 31 December 2019 and have expressed their willingness to be re-appointed.

On behalf of the Director



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**Director**  
**27 April 2020**

## INDEPENDENT AUDITOR'S REPORT

**The Shareholders**  
**Mashreq Global High Income Portfolio – Sub Fund**  
**Dubai**  
**United Arab Emirates**

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of **Mashreq Global High Income Portfolio – Sub Fund, Dubai –United Arab Emirates** (the “Fund”), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to holders of redeemable shares and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects of, the financial position of the Fund as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Fund's financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Information

Management is responsible for the other information. The other information comprises the Director's Report which we obtained prior to the date of this auditors' report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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## **Independent Auditor's Report to The Shareholders of Mashreq Global High Income Portfolio – Sub Fund (continued)**

### **Responsibilities of Administrator and Fund Manager for the Financial Statements**

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

In preparing the financial statements, Administrator is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Fund Manager is responsible for overseeing the Fund's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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**Independent Auditor's Report to The Shareholders of  
Mashreq Global High Income Portfolio – Sub Fund (continued)**

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

We communicate with the Fund Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on Other Legal and Regulatory Requirements**

Further, as required by the DFSA Collective Investment Rules (CIR) 9.4.6.(c), we report that:

- a) The financial statements have been properly prepared in accordance with the financial reporting standards adopted by the Fund in accordance with the Collective Investment Rules in the Rulebook and the Constitution;
- b) The Fund has maintained proper books of account in accordance with IFRS;
- c) We have obtained all the information and explanations we consider necessary for the purpose of our audit; and
- d) Information given in the Director's Report is consistent with the financial statements.

**Deloitte & Touche (M.E.)**

Julie Kassab  
27 April 2020  
Dubai  
United Arab Emirates


**Statement of financial position**  
**As at 31 December 2019**

	Notes	2019 USD	2018 USD
<b>ASSETS</b>			
Cash and cash equivalents	5	<b>510,490</b>	10,627,582
Investments in mutual funds at fair value through profit or loss (FVTPL)	6	<b>40,558,571</b>	58,999,100
Due from broker		<b>1,175,597</b>	-
Other receivables		<b>72,189</b>	139,941
<b>Total assets</b>		<b><u>42,316,847</u></b>	<u>69,766,623</u>
<b>LIABILITIES</b>			
Due to related party	7	<b>147,219</b>	228,906
Accrued charges	8	<b>1,639,205</b>	59,294
<b>Total liabilities</b>		<b><u>1,786,424</u></b>	<u>288,200</u>
<b>Net assets attributable to holders of redeemable shares</b>		<b><u>40,530,423</u></b>	<u>69,478,423</u>
<b>Net assets value per redeemable share</b>	9	<b><u>93.94</u></b>	<u>88.41</u>




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 Director




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 Director



**Statement of profit or loss and other comprehensive income  
For the year ended 31 December 2019**

		<b>For the year ended 31 December 2019 USD</b>	For the period from 4 September 2017 (Date of Commencement) to 31 December 2018 USD
	Notes		
<b>Investment income/(loss)</b>			
Realised loss on sales of investments		(716,098)	(5,228,643)
Unrealised gain/(loss) on change in fair value of investments	6	6,290,192	(3,911,051)
Dividends income		2,092,919	3,497,402
<b>Net investment income/(loss)</b>		<b>7,667,013</b>	<b>(5,642,292)</b>
<b>Operating expenses</b>			
Management fees	10(a)	(751,967)	(866,316)
Administration fees	10(b)	(67,120)	(70,974)
Custodian fees	10(c)	(29,409)	(26,181)
Oversight fees	10(d)	(21,689)	(21,833)
Professional fees		(39,317)	(37,451)
Organisation expenses		(100)	(45,223)
Legal fee		(8,803)	(14,770)
Other expenses		(10,158)	(10,799)
<b>Total operating expenses</b>		<b>(928,563)</b>	<b>(1,093,547)</b>
<b>Profit/(loss) for the year/period</b>		<b>6,738,450</b>	<b>(6,735,839)</b>
Other comprehensive income for the year/period		-	-
<b>Total comprehensive income/(loss) for the year/period</b>		<b>6,738,450</b>	<b>(6,735,839)</b>

The accompanying notes form an integral part of these financial statements.

**Statement of changes in net assets attributable to holders of redeemable shares  
For the year ended 31 December 2019**

	Note	<b>For the year ended 31 December 2019 USD</b>	For the period from 4 September 2017 (Date of Commencement) to 31 December 2018 USD
Net assets attributable to redeemable shares at beginning of the year/period		<b>69,478,423</b>	-
Total comprehensive income/(loss) for the year/period		<b>6,738,450</b>	(6,735,839)
Capital contribution during the year/period	9	<b>50,000</b>	84,140,981
Capital redemption during the year/period	9	<b>(32,962,407)</b>	(5,059,433)
Distribution during the year/period		<b>(2,774,043)</b>	(2,867,286)
<b>Net assets attributable to holders of redeemable shares at end of the year/period</b>		<b>40,530,423</b>	69,478,423

**Statement of cash flows**  
**For the year ended 31 December 2019**

	<b>For the year ended 31 December 2019 USD</b>	For the period from 4 September 2017 (Date of Commencement) to 31 December 2018 USD
<b>Cash flow from operating activities</b>		
Profit/(loss) for the year/period	<b>6,738,450</b>	(6,735,839)
<b>Adjustments for:</b>		
Realised loss on sales of investments	<b>716,098</b>	5,228,643
Unrealised (gain)/loss on change in fair value of investments	<b>(6,290,192)</b>	3,911,051
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>1,164,356</b>	2,403,855
Purchase of investments in mutual funds at FVTPL	<b>(89,501,000)</b>	(172,160,702)
Proceeds from disposal of investments mutual funds at FVTPL	<b>113,515,623</b>	104,021,908
Increase in due from broker	<b>(1,175,597)</b>	-
Decrease/(increase) in other receivables	<b>67,752</b>	(139,941)
(Decrease)/increase in due to related party	<b>(81,687)</b>	228,906
Increase in accrued charges	<b>1,579,911</b>	59,294
<b>Net cash generated from/(used in) operating activities</b>	<b>25,569,358</b>	(65,586,680)
<b>Cash flow from financing activities</b>		
Proceeds from issuance of redeemable shares	<b>50,000</b>	84,140,981
Redemption of redeemable shares	<b>(32,962,407)</b>	(5,059,433)
Distribution during the year/period	<b>(2,774,043)</b>	(2,867,286)
<b>Net cash (used in)/generated from financing activities</b>	<b>(35,686,450)</b>	76,214,262
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(10,117,092)</b>	10,627,582
Cash and cash equivalents at the beginning of the year/period	<b>10,627,582</b>	-
<b>Cash and cash equivalents at the end of the year/period (Note 5)</b>	<b>510,490</b>	10,627,582

The accompanying notes form an integral part of these financial statements.

**Notes to the financial statements  
For the year ended 31 December 2019****1. General information**

Mashreq Global High Income portfolio is a "Fund" (as defined in the CIR) of Mashreq Capital Funds (OEIC) PLC (the "Fund") which is an Umbrella Fund and is a Dubai Financial Services Authority (DFSA) Public Domestic Fund and was registered with the DFSA on 5<sup>th</sup> September 2017. The umbrella Fund is an open-ended investment company established in the DIFC on 4<sup>th</sup> September 2017 under the DIFC Companies Law No. 2 of 2009.

The principal investment objective of the Fund is to deliver current high income by investing in a broad range of globally diversified investment funds ("Underlying Fund(s)"). The Underlying Funds will invest in the asset classes of equity, fixed income and alternative strategies and will be geographically diversified. The Fund seeks to outperform one or more benchmarks over a full market cycle. The Benchmark(s) can be described as MSCI All Countries World High Dividend Yield Index (50%); Bloomberg Barclays Multiverse Index (50%). The MSCI All Countries World High Dividend Yield Index includes large- and mid-cap stock across 23 developed markets and 23 emerging markets countries and is designed to reflect the performance of equities with high dividend income and dividend yields that are both sustainable and persistent. The Bloomberg Barclays Multiverse Index provides a broad-based measure of the global fixed-income bond market. The index comprises investment grade sovereigns, corporates, high yield and emerging market debt.

The Fund commenced operations on 01 October 2017. The registered office of the Fund is Al Fattan Currency House, Tower 2, P.O. Box 1250, Dubai, United Arab Emirates.

The Fund is managed by Mashreq Capital (DIFC) Limited, Dubai (the "Fund Manager" or the "Investment Manager") a company incorporated in the United Arab Emirates.

The Fund's administrator, registrar and transfer agent is Apex Fund Services (Dubai) Limited.

The duration of the Fund shall be unlimited and shall continue until terminated in accordance with the provisions of prospectus and the Articles of Association of the Umbrella Fund.

**2. Application of new and revised International Financial Reporting Standards ("IFRS")****2.1 New and amended IFRS Standards that are effective for the current year**

The following new and revised IFRSs, which became effective for annual year beginning on or after January 2019.

*IFRS 16 - Leases*

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

An assessment has been performed on the effects of applying the new standard on the Fund's financial statements and given the Fund does not transact in leases, no material impacts have been identified.

**Notes to the financial statements****For the year ended 31 December 2019** (continued)**2. Application of new and revised International Financial Reporting Standards (“IFRS”)**  
(continued)**2.1 New and amended IFRS Standards that are effective for the current year** (continued)*IFRIC 23 - Uncertainty over Income Tax Treatments*

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 and IAS 1. Additionally, if the fund is subject to income taxes in the scope of IAS 12, including withholding taxes, then the fund should consider if there are any uncertain tax treatments. IFRIC 23 Uncertainty over Income Tax Treatments is effective from 1 January 2019; earlier application is permitted.

The Board of Directors does not expect that IFRIC 23 will have a material impact on the financial statements.

**2.2 New and revised IFRS in issue but not yet effective**

The Fund has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

<u><b>New and revised IFRSs</b></u>	<u><b>Effective for annual periods beginning on or after</b></u>
Amendment to IFRS 3 <i>Business Combinations</i> relating to definition of a business	1 January 2020
Amendments to IAS 1 and IAS 8 relating to definition of material	1 January 2020
Amendments to References to the <i>Conceptual Framework</i> in IFRS Standards - amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework	1 January 2020
IFRS 17 Insurance Contracts	1 January 2023
IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023.	
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Fund’s financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Fund in the period of initial application.

**Notes to the financial statements**  
**For the year ended 31 December 2019** (continued)**3. Significant accounting policies****Statement of compliance**

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The principal accounting policies adopted are set out below.

**Basis of preparation**

The financial statements have been prepared on a historical cost basis except for investments held at fair value through profit or loss for the purpose of trading which are carried at fair value.

**Revenue recognition***Dividend income*

Dividend income is recognised in the statement of profit or loss and other comprehensive income when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividend income from equity securities designated at FVTPL is recognised in the “Dividend income” line in the statement of profit or loss and other comprehensive income.

**Net gain/loss from financial assets at FVTPL**

Net gain or loss from financial assets at FVTPL includes all realised and unrealised fair value changes and foreign exchange differences recognised in the statement of profit or loss and other comprehensive income, but excludes interest and dividend income.

**Foreign currency transactions**

The financial statements of the Fund are presented in the currency of the primary economic environment in which the Fund operates (its functional currency). For the purpose of the financial statements, the results and financial position of Fund are expressed in United States Dollars, which is the functional currency of the Fund and the presentation currency for the financial statements.

In preparing the financial statements of the Fund, transactions in currencies other than the Fund's functional currency (foreign currencies) are recorded at the prevailing spot exchange rates on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the prevailing spot exchange rates at the end of the reporting year. Gains and losses arising from foreign currency transactions are included in the statement of profit or loss and other comprehensive income.

**Financial instruments**

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair

**Notes to the financial statements**

**For the year ended 31 December 2019** (continued)

value through profit or loss are recognised immediately in the statement of profit or loss and other comprehensive income.

**Notes to the financial statements**  
**For the year ended 31 December 2019** (continued)

**3. Significant accounting policies** (continued)

**Financial instruments** (continued)

*Financial assets*

The Fund's financial assets include bank balances, investments in mutual funds at fair value through profit and loss (FVTPL), and other receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*Impairment of financial assets*

The Fund always recognises lifetime ECL for other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Fund's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial assets other than financial assets at fair value through profit or loss (FVTPL), the Fund recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Fund measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Fund compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

For financial guarantee contracts, the date that the Fund becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Fund considers the changes in the risk that the specified debtor will default on the contract.

The Fund regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.



**Notes to the financial statements**  
**For the year ended 31 December 2019** (continued)

**3. Significant accounting policies** (continued)

**Financial instruments** (continued)

*Financial assets* (continued)

*Impairment of financial assets* (continued)

(i) Significant increase in credit risk (continued)

The Fund assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (1) The financial instrument has a low risk of default,
- (2) The borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

(ii) Definition of default

The Fund analyses data collected and generate estimates of probability of default (“PD”) of exposures with the passage of time. This analysis includes the identification for any changes in default rates and changes in key macro-economic factors across various geographies of the Fund.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event (see (ii) above);
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Fund writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

**Notes to the financial statements**  
**For the year ended 31 December 2019** (continued)

**3. Significant accounting policies** (continued)

**Financial instruments** (continued)

*Financial assets* (continued)

*Impairment of financial assets* (continued)

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Fund's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Fund in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at the original effective interest rate.

*Cash and cash equivalent*

Cash and cash equivalent consist of cash at bank, which are free of any encumbrances.

*Due from broker*

Amounts due from brokers represent receivables for securities sold that have been contracted for but not yet settled by the end of the year. Trades are recorded on trade date, and normally settled within T+2 basis.

*Other receivables*

Other receivables including dividend receivables that are not quoted in an active market. Other receivables are measured at amortised cost using the effective interest method, less any impairment. Profit is recognised by applying the effective interest rate, except for short-term receivables when the recognition of profit would be immaterial.

*Derecognition of financial assets*

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset.

*Financial liabilities*

Financial liabilities comprise of accrued charges and due to related party. These are measured at cash equivalent value which is a historical cost. Financial liabilities arising from redeemable shares issued by

**Notes to the financial statements**

**For the year ended 31 December 2019** (continued)

the Fund are carried at the redemption amount representing the investor's right to a residual interest in the Fund's assets.

**Notes to the financial statements**  
**For the year ended 31 December 2019** (continued)

**3. Significant accounting policies** (continued)

**Provisions**

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that the Fund will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of net assets date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**4. Critical judgments and estimates**

The preparation of the financial statements in compliance with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**5. Cash and cash equivalents**

	<b>2019</b>	2018
	<b>USD</b>	USD
Cash at banks:		
Current accounts	<b>510,490</b>	10,627,582

**6. Investments at fair value through profit or loss (FVTPL)**

Movement of investments is as follows:

	<b>2019</b>	2018
	<b>USD</b>	USD
At beginning of year/period	<b>58,999,100</b>	-
Purchase of investments	<b>89,501,000</b>	172,160,702
Disposal of investments	<b>(114,231,721)</b>	(109,250,551)
Unrealised gain/(loss) on fund investment	<b>6,290,192</b>	(3,911,051)
At end of year/period	<b>40,558,571</b>	58,999,100

**Notes to the financial statements**  
**For the year ended 31 December 2019** (continued)

**7. Related party balances and transactions**

The Fund enters into transactions with other companies and entities that fall within the definition of a related party as contained in International Accounting Standard 24 *Related Party Disclosures*. Related parties mean companies and entities under common ownership and/or common management and control, their shareholders, key management personnel. The Fund Manager decides on the terms and conditions of the transactions and services received from/rendered to related parties as well as on other charges.

At the reporting date, due from related parties balances were as follows:

	<b>2019</b> <b>USD</b>	2018 USD
Cash at bank (Note 5)	<b>510,490</b>	10,627,582
Due to related party balances were as follows:		
Mashreq Capital (DIFC) Limited	<b>147,219</b>	228,906

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

The nature of significant related party transactions and the amounts involved were as follows:

	<b>For the</b> <b>year ended 31</b> <b>December</b> <b>2019</b> <b>USD</b>	For the period from 4 September 2017 (Date of Commencement) to 31 December 2018 USD
Management fees (Note 10)	<b>751,967</b>	866,316
Oversight fees (Note 10)	<b>21,689</b>	21,833

**8. Accrued charges**

	<b>31 December</b> <b>2019</b> <b>USD</b>	31 December 2018 USD
Administration fee	<b>5,961</b>	4,065
Custodian fee	<b>2,553</b>	5,141
Redemption payable	<b>1,580,691</b>	-
Other	<b>50,000</b>	50,088
	<b>1,639,205</b>	59,294

**Notes to the financial statements**  
**For the year ended 31 December 2019** (continued)

**9. Net assets value and redeemable shares**

The Fund has an authorised share capital of USD 3,000,000 comprising:

- 100,000,000 Class “GHI A” Shares with a nominal par value of one Cent (USD 0.01) per Share;
- 100,000,000 Class “GHI B” Shares with a nominal par value of one Cent (USD 0.01) per Share;
- 100,000,000 Class “GHI C” Shares with a nominal par value of one Cent (USD 0.01) per Share;

All non-equity share capital issued by the Fund provides the investor with the right to require redemption for cash at the value proportionate to the investor’s share in the Fund’s net assets value at the redemption date.

Class ‘GHI A’, ‘GHI B’ and Class ‘GHI C’ Shares (the “Redeemable shares”) carry the exclusive right to participate in the profits of the fund and in any surplus assets on a winding up but have no voting rights.

Movement in redeemable shares of the Fund during the year ended 31 December 2019 was as follows:

	Class GHI A USD	Class GHI B USD	Class GHI C USD	Total USD
Balance as at beginning	50,466	524,190	211,176	785,832
Redeemable shares issued	-	-	534	534
Shares redeemed during the year	(34,094)	(194,278)	(126,524)	(354,896)
<b>Balance as at 31 December 2019</b>	<b>16,372</b>	<b>329,912</b>	<b>85,186</b>	<b>431,470</b>
<b>Net assets attributable to holders of redeemable shares as of 31 December 2019</b>	<b>1,674,808</b>	<b>30,646,585</b>	<b>8,209,030</b>	<b>40,530,423</b>
<b>Net asset value per redeemable class of share as of 31 December 2019</b>	<b>102.30</b>	<b>92.89</b>	<b>96.36</b>	<b>93.94</b>
	Class GHI A USD	Class GHI B USD	Class GHI C USD	Total USD
Balance as at beginning	-	-	-	-
Redeemable shares issued	55,469	569,088	213,823	838,380
Shares redeemed during the period	(5,003)	(44,898)	(2,647)	(52,548)
Balance as at 31 December 2018	50,466	524,190	211,176	785,832
Net assets attributable to holders of redeemable shares as of 31 December 2018	4,622,064	45,740,520	19,115,839	69,478,423
Net asset value per redeemable class of share as of 31 December 2018	91.59	87.26	90.52	88.41

**Notes to the financial statements**  
**For the year ended 31 December 2019** (continued)

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**Notes to the financial statements**  
**For the year ended 31 December 2019** (continued)

**9. Net assets value and redeemable shares** (continued)

During the year capital contribution increased by USD 0.05 million due to issuance of 534 redeemable shares (period ended 31 December 2018: capital contribution increased by USD 84.1 million due to issuance of 838,380 redeemable shares). Capital redemption during the year increased by USD 33 million due to redemption of 354,896 redeemable shares (period ended 31 December 2018: capital redemption increased by USD 5 million due to redemption of 52,548 redeemable shares). During the year, the Fund made a distribution of USD 2.8 million (Period ended 2018: USD 2.9 million).

**10. Fees**

**a) Management Fee**

The Fund Manager is entitled to a management fee equal to 1.20% per annum of the Net Asset Value per Share Class in respect of the Class "GHI A" Shares, the Class "GHI B" Shares and the Class "GHI C" Shares (calculated before payment of accrued fees) to be accrued on a daily basis and payable quarterly in arrears.

**b) Administration and Registrar and Transfer Agent Fee**

The Fund Administrator, Registrar and Transfer Agent will receive from the assets attributable to the Fund an administration fee calculated in accordance with the provisions of the Prospectus.

**c) Custodian Fee**

The Custodian will receive from the Fund a fee for providing custody services in respect of not more than 0.50% of the Net Asset Value of the Fund per annum subject to a minimum fee of USD 30,000 per annum. The Custodian fee shall accrue monthly as at each month end and be payable monthly in arrears.

**d) Investment Oversight Committee Fee**

The Investment Oversight Committee will receive an oversight fee of USD 22,000 per annum paid quarterly in advance.

**11. Risk management**

The Fund Manager manages the capital to ensure that the Fund will be able to continue as a going concern while maximising the return to holders of redeemable shares through the implementation of the investment strategy of the Fund. The Fund Manager appointed an Investment Oversight Committee which meets on regular basis to review the investments strategy of the Fund and supervise the Fund Manager.

**12. Financial instruments**

**(a) Financial risk management objectives**

The Fund Manager provides services to the Fund, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Fund through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market price risk, credit risk, profit rate risk and liquidity risk.



**Notes to the financial statements**  
**For the year ended 31 December 2019** (continued)

**12. Financial instruments** (continued)

*(b) Market price risk*

Market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. All trading financial instruments are recognised at fair value, all changes in market conditions directly affect profit and loss. Market price risk is mitigated by the Fund Manager by constructing a diversified portfolio of instruments traded in various markets. The investments of the Fund are subject to normal market fluctuations and the risks inherent in investment in income instruments. The price of financial instruments can go down as well as up and investors may not realise their initial investment on the redemption of their shares.

Fair value of financial instruments

The fair value of financial assets with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

The Fund is mainly exposed to the fair value risk on its investments in mutual funds at fair value through profit or loss (FVTPL).

The following table details the Fund's sensitivity to a 10% increase and decrease in the fair value of Mutual Funds. 10% is the sensitivity rate used when reporting fair value risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. A number below indicates an increase in profit and distributable earnings where the investment in Mutual Funds value strengthens by 10%. For a 10% weakening of Mutual Fund's investment, there would be an equal and opposite impact on the profit and distributable earnings, and the balances below will be negative.

	<b>31 December 2019 USD</b>	31 December 2018 USD
Decrease/Increase in net assets attributable to shareholders	<b>4,055,857</b>	5,899,910

Foreign exchange rate risk

The Fund's assets may be invested in securities and other investments that are denominated in currencies other than United States Dollars. Accordingly, the value of an investment may be affected favourably or unfavourably by fluctuations in exchange rates. In addition, prospective Subscribers whose assets and liabilities are primarily denominated in currencies other than the United States Dollar should take into account the potential risk of loss arising from fluctuations in the rate of exchange between the United States Dollar and such other currency.

*(c) Credit risk*

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Fund.

All transactions in securities are settled/paid for upon delivery using approved counterparties trading as principals via a clearing system. Management considers that there is effectively no "counterparty credit risk" since on a purchase, payment is made versus delivery of the securities. If either party fail to meet their obligation, the trade will fail to settle and neither cash nor securities will be delivered leaving only the risk that the market has moved in the meantime and the trade cannot be replicated at the original price (counterparty market risk).

**Notes to the financial statements**  
**For the year ended 31 December 2019** (continued)

**12. Financial instruments** (continued)

(c) *Credit risk* (continued)

As at 31 December 2019 and 2018, the Fund's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Fund due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Fund arises from:

- the carrying amount of the respective recognised financial assets as stated in the statement of financial position; and
- the maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

In order to minimise credit risk, the Fund has tasked its Fund Manager to develop and maintain the Fund's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the Fund Manager uses other publicly available financial information and the Fund's own trading records to rate its major debtors. The Fund's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Fund's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Watch list	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Fund has no realistic prospect of recovery	Amount is written off

The tables below detail the credit quality of the Fund's financial assets, contract assets and financial guarantee contracts, as well as the Fund's maximum exposure to credit risk by credit risk rating grades.

31 December 2019	External credit ratings	Internal credit ratings	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
Due from broker	BBB-	N/A	12-month ECL	1,175,597	-	1,175,597
Other receivables	N/A	Performing	Lifetime ECL	72,189	-	72,189
Cash and cash equivalents	Aa3	N/A	12-month ECL	510,490	-	510,490

**Notes to the financial statements**  
**For the year ended 31 December 2019** (continued)

**12. Financial instruments** (continued)

(c) *Credit risk* (continued)

31 December 2018	External credit ratings	Internal credit ratings	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
Other receivables	N/A	Performing	Lifetime ECL	139,941	-	139,941
Cash and cash equivalents	A3	N/A	12-month ECL	10,627,582	-	10,627,582

The Fund always measures the loss allowance for other receivables at an amount equal to lifetime ECL using the simplified approach. The expected credit losses on other receivables are estimated using a provision matrix by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position, adjusted for factors that are specific to the counterparty, general economic conditions of the industry in which the counterparty operates and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Fund has performed their assessment of the expected credit loss and have concluded that the impact is immaterial.

(d) *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rate will affect the value of the financial instruments. The Fund is not exposed to interest rate risk on its investments in Mutual Fund. In respect of the financial assets, the Fund returns are based on a benchmark and hence vary according to the market conditions.

(e) *Categories of financial instruments*

	<b>31 December 2019 USD</b>	31 December 2018 USD
<b><i>Financial assets</i></b>		
<u><i>At fair value</i></u>		
Fund Investments	<b>40,558,571</b>	58,999,100
<u><i>At amortised cost</i></u>		
Cash and cash equivalents	<b>510,490</b>	10,627,582
Due from broker	<b>1,175,597</b>	-
Other receivables	<b>72,189</b>	139,941
	<b>42,316,847</b>	69,766,623

**Notes to the financial statements**  
**For the year ended 31 December 2019** (continued)

**12. Financial instruments** (continued)

(e) *Categories of financial instruments* (continued)

	<b>31 December 2019 USD</b>	31 December 2018 USD
<i>Financial liabilities</i>		
<i>At amortised cost</i>		
Due to related party	147,219	228,906
Accrued charges	1,639,205	59,294
	<u>1,786,424</u>	<u>288,200</u>

(f) *Fair value of financial instruments*

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Fund takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

*Fair value of the Fund's financial assets that are measured at fair value on recurring basis*

Some of the Fund's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined:

	<b>Level 1 USD</b>	<b>Level 2 USD</b>	<b>Level 3 USD</b>	<b>Total USD</b>
<b>31 December 2019</b>				
<i>Financial assets</i>				
- Investments in mutual funds at FVTPL	40,558,571	-	-	40,558,571
	<u>40,558,571</u>	<u>-</u>	<u>-</u>	<u>40,558,571</u>
<b>31 December 2018</b>				
<i>Financial assets</i>				
- Investments in mutual funds at FVTPL	58,999,100	-	-	58,999,100
	<u>58,999,100</u>	<u>-</u>	<u>-</u>	<u>58,999,100</u>

**Notes to the financial statements**  
**For the year ended 31 December 2019** (continued)

**12. Financial instruments** (continued)

*(f) fair value of financial instrument* (continued)

There were no transfers between Level 1 and 2 during the year.

The carrying value of financial instrument at amortised cost approximate their fair value.

*(g) Foreign currency risk management*

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in United States Dollar or United Arab Emirates Dirham to which the United States Dollar is fixed.

*(h) Liquidity risk*

Ultimate responsibility for liquidity risk management rests with the Fund Manager, which has built an appropriate liquidity risk management framework for the management of the Fund's short, medium and long-term funding and liquidity management requirements.

The Fund manages liquidity risk by maintaining adequate liquidity and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The majority of the Fund Property contain daily-dealing mutual funds. However, up to 25% of the Fund Property of the Fund is invested in weekly-dealing Underlying Funds, 15% in monthly-dealing Underlying Funds and 5% in quarterly-dealing Underlying Funds.

The following tables detail the Fund's remaining contractual maturity for its total assets and liabilities (excluding the net assets attributable to shareholders):

	<b>Less than 1 year USD</b>	<b>More than 1 year USD</b>	<b>Total USD</b>
<b>31 December 2019</b>			
<b>Total assets</b>	<b>1,758,276</b>	<b>40,558,571</b>	<b>42,316,847</b>
<b>Total liabilities (excluding the net assets attributable to shareholders)</b>	<b>1,786,424</b>	<b>-</b>	<b>1,786,424</b>
	Less than 1 year USD	More than 1 year USD	Total USD
<b>31 December 2018</b>			
<b>Total assets</b>	<b>10,767,523</b>	<b>58,999,100</b>	<b>69,766,623</b>
<b>Total liabilities (excluding the net assets attributable to shareholders)</b>	<b>288,200</b>	<b>-</b>	<b>288,200</b>

**Notes to the financial statements**  
**For the year ended 31 December 2019** (continued)**13. Comparatives**

These financial statements cover the second financial year end of the Fund with 12 months of operations from 1 January 2019 to 31 December 2019. Certain aspects of the comparative financial statements may not be comparable since the Fund's first audit period covered from 4 September 2017 (date of commencement) to 31 December 2018, which was a period of more than 12 months.

**14. Subsequent events**

On 30 January 2020, following the reporting of a cluster of cases in China, the World Health Organisation (WHO) declared the outbreak of Covid-19 a "Public Health Emergency of International Concern" Since then, more cases have been diagnosed, in a number of countries across the globe. Strict measures have been taken and a number of policies have been imposed by a number of governments to contain the spread of this new virus that will have economic impact. Gradually more information has become available leading WHO to declare Covid-19 as a global pandemic on 11 March 2020.

The impact of the virus and the resulting economic impact of individual government measures and policies is a non-adjusting event and will not impact the ability of the Fund to continue to act as a going concern. Given the unpredictable outcome of this virus and the resulting policies for containment, the impact on the underlying valuations of investments held by the Fund will continue to be assessed during the course of the coming financial year.

Subsequent to the year end 31 December 2019, the NAV of the Fund stood at USD 27,414,543 on 23 April 2020 due to a decline in the fair value of the mutual funds held at fair value through profit or loss.

**15. Approval of financial statements**

The financial statements were approved by the Board of Directors and signed for issuance on 27 April 2020.