

ASHMORE GCC DIVERSIFIED TRADE FUND
(An open-ended mutual fund)
Managed by
ASHMORE INVESTMENT SAUDI ARABIA
Financial statements
For the six months period ended 30 June 2019
together with the
Independent auditors' review report



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License No. 46/11/323 issued 11/3/1992

Independent auditors' review report on the interim condensed financial statements

To the unitholders of Ashmore GCC Diversified Trade Fund

Introduction

We have reviewed the accompanying 30 June 2019 interim condensed financial statements of **Ashmore GCC Diversified Trade Fund** ("the Fund"), managed by Ashmore Investment Saudi Arabia ("the Fund Manager"), which comprises:

- the interim condensed statement of financial position as at 30 June 2019;
- the interim condensed statement of comprehensive income for the six months period ended 30 June 2019;
- the interim condensed statement of changes in net assets (equity) attributable to the unitholders for the six months period ended 30 June 2019;
- the interim condensed statement of cash flows for the six months period ended 30 June 2019; and
- the notes to the interim condensed financial statements.

The Fund Manager is responsible for the preparation and presentation of these interim financial statements in accordance with the International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and to comply with the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority, the Fund's Terms and Conditions and the Information Memorandum. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2019 interim condensed financial statements of **Ashmore GCC Diversified Trade Fund** ("the Fund") are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

Khalil Ibrahim Al Sedais
License No: 371



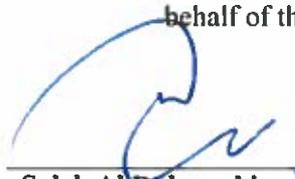
27 Dhul-Qa'dah 1440H
Corresponding to: 30 July 2019

ASHMORE GCC DIVERSIFIED TRADE FUND
(An open-ended mutual fund)
 Managed by
ASHMORE INVESTMENT SAUDI ARABIA
Interim condensed statement of financial position
(Amounts in SAR)

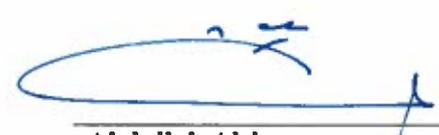
	<i>Note</i>	30 June 2019 (Unaudited)	31 December 2018 (Audited)
<u>ASSETS</u>			
Cash and cash equivalents	7	188,380,105	219,926,416
Investments at fair value through profit or loss (FVTPL)	8	147,087,446	53,574,915
Investments measured at amortised cost	9	252,358,302	132,811,843
Receivables		1,430,815	472,217
Total assets		589,256,668	406,785,391
<u>LIABILITY</u>			
Accrued expenses		315,841	236,720
Total liability		315,841	236,720
Net assets (equity) attributable to the unitholders		588,940,827	406,548,671
Units in issue (numbers)		53,528,634	37,585,484
Net assets (equity) value attributable to each unit – IFRS	18	11.0024	10.8166
Net assets (equity) value attributable to each unit – Dealing	18	11.0027	10.8171

The accompanying notes (1) to (20) form an integral part of these interim condensed financial statements.

These interim condensed financial statements and the accompanying disclosures are approved on behalf of the Fund Board based on the authorization issued on 30 July 2019.



Saleh Al Dahmashi
 Chief Operating Officer



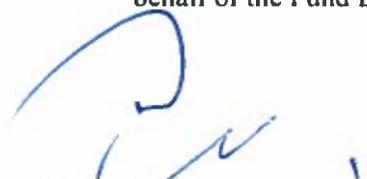
Abdullah Alshwer
 Chief Executive Officer

ASHMORE GCC DIVERSIFIED TRADE FUND
(An open-ended mutual fund)
 Managed by
ASHMORE INVESTMENT SAUDI ARABIA
Interim condensed statement of comprehensive income (unaudited)
(Amounts in SAR)

	<i>Notes</i>	For the six months period ended 30 June	
		2019	2018
<u>INCOME</u>			
Special commission income		8,645,342	7,479,552
Net gains from investments at FVTPL	10	1,222,418	813,572
		9,867,760	8,293,124
<u>EXPENSES</u>			
Management fee	11,12	1,279,784	1,229,017
Administration fee	11,12	102,383	98,322
Custody fee	11,12	82,535	90,149
Foreign exchange loss	9	38,601	46,328
Provision for expected credit losses		3,128	41,440
Other expenses	14	50,411	45,755
		1,556,842	1,551,011
Net income for the period		8,310,918	6,742,113
Other comprehensive income		--	--
Total comprehensive income for the period		8,310,918	6,742,113

The accompanying notes (1) to (20) form an integral part of these interim condensed financial statements.

These interim condensed financial statements and the accompanying disclosures are approved on behalf of the Fund Board based on the authorization issued on 30 July 2019.



Saleh Al Dahmashi
 Chief Operating Officer



Abdullah Alshwer
 Chief Executive Officer

ASHMORE GCC DIVERSIFIED TRADE FUND
(An open-ended mutual fund)

Managed by

ASHMORE INVESTMENT SAUDI ARABIA

Interim condensed statement of changes in net assets (equity) attributable to the unitholders
(unaudited)

(Amounts in SAR)

	For the six months period ended	
	30 June	
	2019	2018
Net assets (equity) attributable to the unitholders at beginning of the period	406,548,671	368,840,231
Net income for the period	8,310,918	6,742,113
Proceeds from issuance of units	259,981,842	290,017,783
Payments for redemption of units	(85,900,604)	(124,865,243)
Net assets (equity) attributable to the unitholders at end of the period	588,940,827	540,734,884

UNIT TRANSACTIONS

Transactions in units for the period are summarised as follows:

	For the six months period ended	
	30 June	
	2019	2018
	<i>(In units)</i>	<i>(In units)</i>
Units in issue at beginning of the period	37,585,484	35,154,757
Units issued	23,817,576	27,457,403
Units redeemed	(7,874,426)	(11,810,090)
Units in issue at end of the period	53,528,634	50,802,070

The accompanying notes (1) to (20) form an integral part of these interim condensed financial statements.

ASHMORE GCC DIVERSIFIED TRADE FUND
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ASHMORE INVESTMENT SAUDI ARABIA
Interim condensed statement of cash flows (unaudited)
(Amounts in SAR)

	<i>Note</i>	For the six months period ended 30 June	
		2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period		8,310,918	6,742,113
<i>Adjustments to reconcile net income to net cash used in operating activities:</i>			
Unrealized gains on investments at FVTPL	10	(1,188,801)	(972,495)
Provision for expected credit losses	9	3,128	41,440
		7,125,245	5,811,058
Net changes in operating assets and liabilities			
(Increase) / decrease in investments at FVTPL		(92,323,730)	21,407,795
Increase in investments measured at amortised cost		(119,549,587)	(67,036,426)
(Increase) / decrease in receivables		(958,598)	686,734
Increase in accrued expenses		79,121	138,072
Net cash used in operating activities		(205,627,549)	(38,992,767)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of units		259,981,842	290,017,783
Payments for redemption of units		(85,900,604)	(124,865,243)
Net cash generated from financing activities		174,081,238	165,152,540
Net (decrease) / increase in cash and cash equivalents		(31,546,311)	126,159,773
Cash and cash equivalents at beginning of the period		219,926,416	140,029,652
Cash and cash equivalents at end of the period	7	188,380,105	266,189,425

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ASHMORE GCC DIVERSIFIED TRADE FUND
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ASHMORE INVESTMENT SAUDI ARABIA
Notes to the interim condensed financial statements (unaudited)
For the six months period ended 30 June 2019

1. THE FUND AND ITS ACTIVITIES

Ashmore GCC Diversified Trade Fund (“the Fund”) is an open-ended investment fund established and managed through an agreement between Ashmore Investment Saudi Arabia (“the Fund Manager”) and its investors (“the Unitholders”). The Capital Market Authority (“CMA”) approval for the establishment of the Fund was granted in its letter dated 26 Jumada Al Awwal 1437H (corresponding to 6 March 2016). The Fund commenced its operations on 12 Jumada Al Akhirah (corresponding to 21 March 2016).

The Fund aims to provide liquidity upon the investor’s request and to develop the capital by investing in short-term financial instruments, medium-term classified and non-classified GCC fixed income instruments that are compatible with Shariah standards and are approved by the Fund’s Shariah Committee. The Fund does not distribute dividends to the unitholders as investment returns are re-invested in the Fund in favour of the Unitholders.

In dealing with the Unitholders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund.

The custodian, administrator and registrar of the Fund is HSBC Saudi Arabia.

2. REGULATORY AUTHORITY

The Fund is governed by the Investment Fund Regulations (“the Regulations”) published by CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) thereafter amended (“the Amended Regulations”) on 16 Sha’ban 1437H (corresponding to 23 May 2016), detailing requirements for all funds within the Kingdom of Saudi Arabia. The Amended Regulations came into effect on 6 Safar 1438H (corresponding to 6 November 2016).

3. SUBSCRIPTION / REDEMPTION OF UNITS (DEALING DAY AND VALUATION DAY)

The Fund is open for subscriptions / redemptions every business day (each a “Dealing Day”) and performs valuations every business day (each a “Valuation Day”), except for the public holidays. In case the Valuation and Dealing Day is an official holiday in Saudi Arabia, the Funds’ assets are valued and the subscription / redemption requests executed on the following Valuation and Dealing Day. The “cut off” time for the subscriptions / redemptions is 1:00 pm of every Valuation Day. The unit price on subscription or the unit price on redemption is represented in the Net Assets (Equity) Value (“NAV”) per unit calculated by the administrator on the next Valuation Day on which the units were subscribed or redeemed for.

The NAV of the Fund for the purpose of purchase or redemption of units is calculated by subtracting from the value of the total Funds’ assets value the amount of the Fund’s total liabilities. The unit price is determined by dividing such resulting figure by the total number of outstanding units on the relevant Valuation Day. The unit price upon commencement of subscriptions was SAR 10.

ASHMORE GCC DIVERSIFIED TRADE FUND
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ASHMORE INVESTMENT SAUDI ARABIA
Notes to the interim condensed financial statements (unaudited)
For the six months period ended 30 June 2019

4. BASIS OF PRESENTATION

4.1 *Statement of compliance*

These interim condensed financial statements are prepared in accordance with the International Accounting Standards (“IAS”) 34 *Interim Financial Reporting* as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation of Certified Public Accountants and to comply with the applicable provisions of the Investment Funds Regulations issued by CMA, the Fund’s Terms and Conditions and the Information Memorandum.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Fund’s annual financial statements as at 31 December 2018.

4.2 *Basis of measurement*

The financial statements have been prepared on a historical cost basis, (except for investments at FVTPL which are stated at their fair value) using the accrual basis of accounting.

The Fund Manager has made an assessment of the Fund’s ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the Fund Manager is not aware of any material uncertainties that may cast significant doubt upon the Fund’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

The line items in the interim condensed statement of financial position have been presented in the order of liquidity.

4.3 *Functional and presentation currency*

These interim condensed financial statements are presented in Saudi Arabian Riyals (SAR), which is also the functional currency of the Fund. All financial information presented has been rounded to the nearest SAR.

4.4 *Use of estimates and judgements*

The preparation of these interim condensed financial statements in accordance with IFRS requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Funds’ accounting policies. Such judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances.

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

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Notes to the interim condensed financial statements (unaudited)
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5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2018.

6. IMPACT OF CHANGE IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARD

Effective 1 January 2019, the Fund has adopted IFRS 16 Leases. The new standard eliminates the current dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 proposes on-balance sheet accounting model. However, the impact upon adoption of IFRS 16 was not material to the Fund's interim condensed financial statements.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

	<u>Note</u>	30 June 2019	31 December <u>2018</u>
Balance with banks		1,416,424	6,290,560
Cash equivalents	7.1	<u>186,963,681</u>	<u>213,635,856</u>
		<u>188,380,105</u>	<u>219,926,416</u>

- 7.1 As at 30 June 2019, the cash equivalents comprise of Murabaha placements with original maturity of less than three months and carry profit rates ranging from 2.5 percent per annum to 6.5 percent per annum (31 December 2018: 2.82 percent per annum to 6.5 percent per annum) with maturities of up to 8 September 2019 (31 December 2018: 6 March 2019).

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For the six months period ended 30 June 2019
(Amounts in SAR)

8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

A summary of the investment portfolio as of the period end is set out below:

	<u>Cost</u>	<u>Market value</u>
<u>30 June 2019</u>		
Sukuk:		
Murabaha Marina Financing Company	5,249,877	5,250,000
Mutual Funds:		
Riyad SAR Trade Fund	112,000,000	112,463,070
AlAwwal Saudi Riyal Murabaha	10,000,000	10,113,097
Muscat Capital Money Market Fund	10,000,000	10,051,789
HSBC SAR Trading Fund	9,137,121	9,209,490
	<u>146,386,998</u>	<u>147,087,446</u>

31 December 2018

Sukuk:		
Murabaha Marina Financing Company	5,949,861	5,950,000
Alpha Star Hld	18,988,331	18,686,181
Dar Al Arkan Sukuk Company	10,353,649	10,166,502
First Abu Dhabi Bank PJSC	18,775,472	18,772,232
	<u>54,067,313</u>	<u>53,574,915</u>

9. INVESTMENTS MEASURED AT AMORTISED COST

	30 June 2019	31 December 2018
Money market placements	148,436,253	132,829,983
Wakala - First Abu Dhabi Bank PJSC	103,943,317	--
Less: Provision for expected credit losses	<u>(21,268)</u>	<u>(18,140)</u>
	<u>252,358,302</u>	<u>132,811,843</u>

Counterparties with whom the Fund has made placements have credit ratings of investment grade as issued by credit rating agencies. The average effective special commission rate on money market placements at the period end is 4.90% p.a. (31 December 2018: 3.28% p.a.) while for Wakala, the special commission ranges from 3.82% to 8.00% p.a. (31 December 2018: 4.32% to 8.00% p.a.)

The Fund obtains probability of default (PD) for each security from Bloomberg based on the tenure of the placement. The Fund has also assumed a loss given default (LGD) of 50% based on experience and best estimate.

10. NET GAINS / (LOSSES) ON INVESTMENTS AT FVTPL

	For the six months period ended	
	30 June	
	<u>2019</u>	<u>2018</u>
Realised gains / (losses)	33,617	(158,923)
Unrealised gains	1,188,801	972,495
	<u>1,222,418</u>	<u>813,572</u>

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11. MANAGEMENT FEE AND OTHER FEES

The Fund pays management fee calculated at an annual rate of 0.5 percent per annum of the Fund's net assets (equity) attributable to the unitholders. Management fee is accrued daily and paid on a monthly basis per the Terms and Conditions of the Fund.

The Fund pays custody fee, administration fee and registration fee to HSBC Saudi Arabia. These fees are calculated based on slab percentages linked to net assets (equity) value of the Fund subject to stated minimum fee.

12. TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The related parties of the Fund include the Fund Manager, the Fund's Board and other funds being managed by the Fund Manager. In the ordinary course of its activities, the Fund has transactions with the Fund Manager.

The Fund does not charge any subscription fee on subscription of units and redemption fees on redemption of units. Other expenses paid by the Fund Manager on the behalf of the Fund are recharged to the fund as they are incurred.

The significant transactions with related parties for the period are as follows:

<u>Related party</u>	<u>Nature of transaction</u>	<u>Transactions</u>		<u>Balance</u>	
		<u>30 June 2019</u>	<u>30 June 2018</u>	<u>30 June 2019</u>	<u>31 December 2018</u>
The Fund Manager	Management fee	1,279,784	1,229,017	249,087	179,678
The Fund Board	Board remuneration	4,959	4,959	4,959	-
HSBC Saudi Arabia	Custody fees	82,535	90,149	15,111	12,409
<i>(Custodian,</i>	Administration fee	102,383	98,322	19,927	14,374
<i>administrator and registrar of the Fund)</i>	Registration fee	15,862	10,316	15,862	1,603

As at 31 December 2017, two funds managed by the Fund Manager held investments in units of the Fund, which were disposed off during the year ended 31 December 2018, as follows:

- Ashmore IPO Fund, 249,213 units
- Ashmore GCC Education Fund, 1,088,255 units.

As at 30 June 2019, there are no units of the Fund being held by a related party.

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(Amounts in SAR)

13. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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:

	<u>FVTPL</u>	<u>Amortized cost</u>	<u>Total carrying amount</u>
<u>30 June 2019</u>			
Cash and cash equivalents	--	188,380,105	188,380,105
Investments	147,087,446	103,943,317	251,030,763
Placements	--	148,414,985	148,414,985
Receivables	--	1,430,815	1,430,815
Total financial assets	147,087,446	442,169,222	589,256,668
Accrued expenses	--	315,841	315,841
Total financial liabilities	--	315,841	315,841
	<u>FVTPL</u>	<u>Amortized cost</u>	<u>Total carrying amount</u>
<u>31 December 2018</u>			
Cash and cash equivalents	--	219,926,416	219,926,416
Investments	53,574,915	--	53,574,915
Placements	--	132,811,843	132,811,843
Receivables	--	472,217	472,217
Total financial assets	53,574,915	353,210,476	406,785,391
Accrued expenses	--	236,720	236,720
Total financial liabilities	--	236,720	236,720

14. OTHER EXPENSES

	<u>For the six months period ended 30 June</u>	
	<u>2019</u>	<u>2018</u>
Registration fee	15,862	10,316
Professional fee	13,016	13,016
Shariah review fee	9,298	9,298
Board remuneration	4,959	4,959
CMA fee	3,719	3,719
Other expenses	3,557	4,447
	50,411	45,755

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15. FAIR VALUES 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market are accessible by the Fund.

Financial instruments comprise of financial assets and financial liabilities. The Fund's financial assets consist of financial assets held at FVTPL, and financial assets measured at amortised cost.

Fair value hierarchy

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The table below presents the investments measured at their fair values as of reporting date based on the fair value hierarchy:

	Carrying Value	30 June 2019			Total
		Level 1	Level 2	Level 3	
Investments at FVTPL	147,087,446	141,837,446	--	5,250,000	147,087,446
Investments measured at amortised cost	252,358,302	--	--	252,358,302	252,358,302
Total	399,445,748	141,837,446	--	257,608,302	399,445,748

	Carrying Value	31 December 2018			Total
		Level 1	Level 2	Level 3	
Investments at FVTPL	53,574,915	--	28,852,683	24,722,232	53,574,915
Placements measured at amortised cost	132,811,843	--	--	132,811,843	132,811,843
Total	186,386,758	--	28,852,683	157,534,075	186,386,758

During the periods presented, no transfer in fair value hierarchy has taken place for the investments at FVTPL.

For level 3 investments at FVTPL (Sukuk), these have been valued based on management's assessment of risks associated with the Sukuk's underlying assets, the terms and conditions of the investment and the current market prevailing conditions.

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15. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Other financial instruments such as cash and cash equivalents, placements measured at amortised cost, receivables and accrued expenses 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.

16. FINANCIAL RISK MANAGEMENT

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

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

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

Risk management framework

The Fund maintains positions in non-derivative financial instruments in accordance with its investment management strategy. The Fund's investment portfolio comprises units of mutual funds and debt securities (Sukuk and Murabaha placements).

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 Fund Board on a semi-annual 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 the prescribed time limits.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are further explained below.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Fund is exposed to credit risk for its placements held at amortised cost and bank balance. The Fund Manager seeks to limit its credit risk by monitoring credit exposures and by dealing with only reputable counterparties.

The Fund's policy over credit risk is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the certain credit standards.

Credit risk is monitored on a regular basis by the Fund Manager to ensure it is in line with the investment guidelines of the Fund Board.

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(Amounts in SAR)

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	30 June <u>2019</u>	31 December <u>2018</u>
Cash and cash equivalents	188,380,105	219,926,416
Investments at FVTPL (Sukuk)	5,250,000	53,574,915
Investments measured at amortised cost	252,358,302	132,811,843
Receivables	1,430,815	472,217
Total exposure to credit risk	<u>447,419,222</u>	<u>406,785,391</u>

The Fund does not have a formal internal grading mechanism. Credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Credit risks are generally managed on the basis of external credit ratings of the counterparties.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in releasing funds to meet commitments associated with financial liabilities.

The Fund 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 redemption of units, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's Terms and Conditions provide for the subscriptions and redemptions of units throughout the week and it is, therefore, exposed to the liquidity risk of meeting unitholders redemptions at any time. However, the Fund is allowed to borrow in order to satisfy redemptions. Substantially all of the Fund's cash equivalents, investments at FVTPL and placements measured at amortised cost are short-term and considered to be readily realisable.

The Fund Manager monitors liquidity requirements on a regular basis and seeks to ensure that funds are available to meet commitments as they arise.

The Fund manages its liquidity risk by investing predominantly in securities that it expects to be able to liquidate within short period of time.

Market risk

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

The Fund's strategy for the management of market risk is driven by the Fund's investment objective as per Funds' Terms and Conditions. The Fund's market risk is managed on a timely basis by the investment manager in accordance with the policies and procedures in place. The Fund's market positions are monitored on a timely basis by the Fund Manager.

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16. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Special commission rate risk

Special commission rate risk arises from the possibility that changes in market commission rates will affect future profitability or the fair value of the financial instruments.

The Fund is subject to special commission rate risk on its commission bearing assets and liability, including Murabaha placements. The sensitivity of the income is the effect of assumed changes in commission rates, with all other variables held constant, on the Fund's income for the year, based on the floating rate financial assets held at 31 December 2018. The following table sets out the approximate annual aggregate impact on net income by hypothetical changes in the weighted average special commission rates of the floating rate financial assets at 31 December:

	2019	2018
<i>Special commission income</i>	+ 10bps 14,841	+10bps 251,241
	- 10bps (14,841)	- 10bps (251,241)
	+ 50bps 74,207	+50bps 1,256,206
	- 50bps (74,207)	- 50bps (1,256,206)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund' management believes that there is minimal risk of significant losses due to exchange rate fluctuation as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyal. In addition, as the Fund's foreign currency transactions are primarily in US dollars which is pegged with the Saudi Riyal, foreign exchange gains and losses are not significant.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

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 unitholders.

The primary responsibility for the development and implementation of control over operational risks rests with the Fund Board. This responsibility is supported by the development of overall standard for the management of operational risk, which encompasses the controls and processes at the service providers.

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17. LAST VALUATION DAY

The last valuation day of the period was 30 June 2019 (2018: 30 June 2018).

18. NET ASSETS (EQUITY) VALUE

The Capital Market Authority (CMA), through its circular dated 10 Rabi Al Thani 1439H (corresponding to 28 December 2017), have approved the Dual NAV approach for investment funds. In accordance with the circular, IFRS 9 will be applied for accounting and reporting purposes and the dealing NAV will remain unaffected until further notice.

19. SUBSEQUENT EVENTS

There were no significant events after the reporting period that require disclosure or adjustment in these interim condensed financial statements.

20. DATE OF AUTHORISATION

These interim condensed financial statements were authorized for issue by the Fund Board on 27 Dhul-Qa'dah 1440H (corresponding to 30 July 2019).