

ASHMORE GCC DIVERSIFIED TRADE FUND
(An open-ended mutual fund)
Managed by
Ashmore Investment Saudi Arabia
Interim condensed financial statements
For the period ended 30 June 2022
together with the
Independent auditor's review report

ASHMORE GCC DIVERSIFIED TRADE FUND
(An open-ended mutual fund)
Managed by
Ashmore Investment Saudi Arabia
INTERIM CONDENSED FINANCIAL STATEMENTS
For the period ended 30 June 2022

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كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
المركز الرئيسي

سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

Independent auditor's 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 2022 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 2022;
- the interim condensed statement of comprehensive income for the six months period ended 30 June 2022;
- the interim condensed statement of changes in net assets (equity) attributable to the unitholders for the six months period ended 30 June 2022;
- the interim condensed statement of cash flows for the six months period ended 30 June 2022; and
- the notes to the interim condensed financial statements.

The Fund Manager is responsible for the preparation and presentation of these interim condensed 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 and the Fund's Terms and Conditions. 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 2022 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.

KPMG Professional Services

Dr. Abdullah Hamad Al Fozan
License no: 348



Riyadh, 17 Muharram 1444H
Corresponding to: 15 August 2022

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كي بي إم جي للاستشارات المهنية شركة مبنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (٢٥٠٠٠٠٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي للوزان وشركاه محاسبون ومراجعون قانونيون". و هي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

ASHMORE GCC DIVERSIFIED TRADE FUND
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INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 June 2022
(Amounts in SAR)

	<i>Note</i>	30 June 2022 (Unaudited)	31 December 2021 (Audited)
<u>ASSETS</u>			
Cash and cash equivalents	7	39,972,600	17,590,900
Investments measured at fair value through profit or loss (FVTPL)	8	105,765,908	92,876,671
Investments measured at amortised cost	9	39,021,967	136,761,420
Other assets		2,898	-
Total assets		184,763,373	247,228,991
<u>LIABILITIES</u>			
Accrued expenses	10	140,381	172,061
Total liabilities		140,381	172,061
Net assets (equity) attributable to the unitholders		184,622,992	247,056,930
Units in issue (numbers)		16,792,888	22,595,169
Net assets (equity) value attributable to each unit – IFRS	18	10.99	10.93
Net assets (equity) value attributable to each unit – Dealing	18	10.99	10.93

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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INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the period ended 30 June 2022
(Amounts in SAR)

	<i>Notes</i>	For the six months period ended 30 June	
		<u>2022</u>	<u>2021</u>
<u>INCOME</u>			
Special commission income		1,495,604	5,450,370
Net gains from investments measured at FVTPL	<i>11</i>	302,863	412,245
Other income		-	383,500
		<u>1,798,467</u>	<u>6,246,115</u>
<u>EXPENSES</u>			
Management fee	<i>12,13</i>	609,767	1,001,812
Administration fee	<i>12</i>	49,327	80,145
Custody fee	<i>12</i>	48,179	61,055
Foreign exchange losses		21,545	49,942
Provision for expected credit losses	<i>9.1</i>	204	3,658
Other expenses	<i>14</i>	45,634	46,092
		<u>774,656</u>	<u>1,242,704</u>
Net income for the period		<u>1,023,811</u>	<u>5,003,411</u>
Other comprehensive income		-	-
Total comprehensive income for the period		<u><u>1,023,811</u></u>	<u><u>5,003,411</u></u>

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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INTERIM CONDENSED STATEMENT OF CHANGES IN NET ASSETS (EQUITY)
ATTRIBUTABLE TO THE UNITHOLDERS (UNAUDITED)
For the period ended 30 June 2022
(Amounts in SAR)

	For the six months period ended 30 June	
	2022	2021
Net assets (equity) attributable to the unitholders at beginning of the period	247,056,930	386,275,036
Net income for the period	1,023,811	5,003,411
Proceeds from issuance of units	9,101,269	939,427
Payments for redemption of units	(72,559,018)	(50,781,022)
Net assets (equity) attributable to the unitholders at end of the period	184,622,992	341,436,852

UNIT TRANSACTIONS

Transactions in units for the period are summarised as follows:

	For the six months period ended 30 June	
	2022	2021
	<i>(In units)</i>	<i>(In units)</i>
Units in issue at beginning of the period	22,595,169	36,131,348
Units issued	827,943	86,744
Units redeemed	(6,630,224)	(4,734,363)
Units in issue at end of the period	16,792,888	31,483,729

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ASHMORE GCC DIVERSIFIED TRADE FUND
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INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
For the period ended 30 June 2022
(Amounts in SAR)

	<i>Note</i>	For the six months period ended 30 June	
		<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period		1,023,811	5,003,411
<i>Adjustments to reconcile net income to net cash generated from operating activities:</i>			
Unrealised losses / (gain) from investments measured at FVTPL	11	99,160	(348,564)
Provision for expected credit losses	9	204	3,658
		<u>1,123,175</u>	<u>4,658,505</u>
Net changes in operating assets and liabilities			
Increase in investments measured at FVTPL		(12,988,397)	(44,022,473)
Decrease in investments measured at amortised cost		97,739,249	173,767,254
Increase in other assets		(2,898)	--
Increase in accounts payable		-	501,000
Decrease in accrued expenses		(31,680)	(35,347)
Net cash generated from operating activities		<u>85,839,449</u>	<u>134,868,939</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of units		9,101,269	939,427
Payments for redemption of units		(72,559,018)	(50,781,022)
Net cash used in financing activities		<u>(63,457,749)</u>	<u>(49,841,595)</u>
Net increase in cash and cash equivalents		22,381,700	85,027,344
Cash and cash equivalents at beginning of the period		17,590,900	6,563,015
Cash and cash equivalents at end of the period	7	<u><u>39,972,600</u></u>	<u><u>91,590,359</u></u>

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the period ended 30 June 2022

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 Funds Regulations (“the Regulations”) published by CMA.

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 the Kingdom of Saudi Arabia, the Fund’s assets are valued and the subscription / redemption requests are 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 Fund’s 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 the funds was SAR 10.

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4. BASIS OF PRESENTATION

4.1 *Statement of compliance*

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

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 for the year ended 31 December 2021.

4.2 *Basis of measurement*

The interim condensed financial statements have been prepared on a historical cost basis (except for investments measured 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 interim condensed 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 the Fund Manager to exercise its judgement in the process of applying the Fund’s 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 recognised prospectively. There were no significant judgements/estimates made for these interim condensed financial statements

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 2021.

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6. NEW ACCOUNTING STANDARDS AND AMMENDMENTS

New IFRS Standards, interpretations and amendments adopted by the Fund

Below amendments to accounting standards and interpretations became applicable for annual reporting periods commencing on or after 1 January 2022. The Fund Manager has assessed that these amendments have no significant impact on the Fund's interim condensed financial statements.

- Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract; and
- Annual Improvements to IFRS Standards 2018–2020 (Amendment to IFRS 1, IFRS 9 and IAS 41).
- Amendments to IFRS 3, Reference to the conceptual framework

Accounting standards issued but not yet effective

The accounting standards, amendments and revisions which have been published and are mandatory for compliance for the Fund's accounting year beginning on or after 1 January 2023 are listed below.

The Fund has opted not to early adopt these pronouncements and do not expect these to have significant impact on the financial statements.

- IFRS 17 - Insurance contracts; and
- Amendments to IAS 1, Presentation of financial statements', on classification of liabilities; and
- Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors, definition of accounting estimates.
- Amendment to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

		30 June 2022	31 December 2021
	<u>Note</u>	<u>(unaudited)</u>	<u>(audited)</u>
Balance with banks		16,881,942	17,590,900
Cash equivalents	7.1	23,090,658	-
		<u>39,972,600</u>	<u>17,590,900</u>

- 7.1 As at 30 June 2022, the cash equivalents comprise of Murabaha placements with original maturity of less than three months and carry profit rates at 2.15 percent per annum.

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8. INVESTMENTS MEASURED 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 2022 (Unaudited)</u>		
Mutual funds:		
Al Rajhi Commodity SAR Fund	43,371,276	43,696,620
Riyad SAR Trade Fund	42,976,765	43,707,850
Sukuk:		
Dar Al Arkan Sukuk	17,621,245	17,299,771
Morabaha Marina Financing Company Sukuk	1,044,778	1,061,667
	<u>105,014,064</u>	<u>105,765,908</u>

	<u>Cost</u>	<u>Market value</u>
<u>31 December 2021 (audited)</u>		
Mutual funds:		
Al Rajhi Commodity SAR Fund	9,693,325	9,790,948
Falcom SAR Murabaha Fund	10,650,000	10,673,216
Riyad SAR Trade Fund	52,311,633	52,838,279
Sukuk:		
Dar Al Arkan Sukuk	17,621,245	17,804,784
Morabaha Marina Financing Company Sukuk	1,741,492	1,769,444
	<u>92,017,695</u>	<u>92,876,671</u>

9. INVESTMENTS MEASURED AT AMORTISED COST

	30 June 2022 (unaudited)	31 December 2021 (audited)
Money market placements:		
GFH Financial Group BSC	39,022,204	58,328,278
National Bank of Fujairah PJSC	-	52,707,227
Sukuk placement:		
Dar Al Arkan	-	25,725,948
	<u>39,022,204</u>	<u>136,761,453</u>
Less: Provision for expected credit losses (Note 9.1)	<u>(237)</u>	<u>(33)</u>
	<u>39,021,967</u>	<u>136,761,420</u>

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9. INVESTMENTS MEASURED AT AMORTISED COST (CONTINUED)

The movement in the allowance for expected credit losses for debt securities is summarized as follows:

	30 June 2022 (unaudited)	31 December 2021 (audited)
Balance at the beginning of the period / year	33	49,728,319
Settlement of investments at amortised cost	-	(49,699,931)
Charge for the period / year	204	(28,355)
Balance at the end of the period / year	237	33

9.1 To estimate expected credit losses (“ECL”) on debt investments, the Fund typically obtains probability of default (“PD”) for each security from Bloomberg, the PDs of which is primarily based on the tenure and credit quality of the counterparty. The Fund also estimates a loss given default (“LGD”) of 50% on average based on their expert credit judgement. The impact of ECL estimation is immaterial due to short term maturities.

10. ACCRUED EXPENSES

	30 June 2022 (unaudited)	31 December 2021 (audited)
Management fee	84,073	120,341
Administration fee	7,188	9,628
Audit fee	13,993	14,111
Custody fee	7,188	9,331
Other accrued expenses	27,939	18,650
	140,381	172,061

As at 30 June 2022 and 31 December 2021, other accrued expenses include charges to Fund Board meetings, Sharia review and Tadawul fees.

11. NET GAINS FROM INVESTMENTS MEASURED AT FVTPL

	30 June 2022 (unaudited)	30 June 2021 (unaudited)
Realised gains	402,023	63,681
Unrealised (losses) / gain	(99,160)	348,564
	302,863	412,245

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12. 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.

13. 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 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:

	Nature of transaction	Transactions		Balance	
		For the period ended 30 June 2022 (unaudited)	For the period ended 30 June 2021 (unaudited)	30 June 2022 (unaudited)	31 December 2021 (audited)
The Fund Manager	Management fee	609,767	1,001,812	84,073	120,341
The Fund Board	Board remuneration	4,959	4,959	14,959	11,087

As at 30 June 2022 and 31 December 2021, a key management personnel held 4,869 units of the Fund.

14. OTHER EXPENSES

	30 June 2022 (unaudited)	30 June 2021 (unaudited)
Professional fee	14,256	14,256
Registration fee	8,855	9,200
Shariah review fee	9,298	9,298
Board remuneration	4,959	4,959
CMA fee	3,719	4,660
Other expenses	4,547	3,719
	45,634	46,092

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

- The principal market for the asset or liability; or
- 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 cash and cash equivalents, financial assets measured 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; or

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:

30 June 2022 (unaudited)					
	Carrying Value	Level 1	Level 2	Level 3	Total
Investments measured at FVTPL	105,765,908	-	105,765,908	-	105,765,908
Investments measured at amortised cost	39,021,967	-	-	39,022,204	39,022,204
Total	144,787,875	-	105,765,908	39,022,204	144,788,112
31 December 2021 (audited)					
	Carrying Value	Level 1	Level 2	Level 3	Total
Investments measured at FVTPL	92,876,671	-	92,876,671	-	92,876,671
Investments measured at amortised cost	136,761,420	-	25,343,799	111,035,505	136,379,303
Total	229,638,091	-	118,220,470	111,035,505	229,255,974

Financial instruments such as cash and cash equivalents, investments measured at amortised cost (Morabaha placements and sukuk), trade payable 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. These financial instruments are categorised as level 3.

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16. FINANCIAL RISK MANAGEMENT

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

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

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 risk management framework and policies of the Fund are consistent with those used and disclosed in the annual financial statements of the Fund for the year ended 31 December 2021.

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 investments held at amortised cost and cash and cash equivalents. The Fund Manager seeks to limit its credit risk by monitoring credit exposures and by dealing with only reputable 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'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. As at 30 June 2022 and 31 December 2021, the Fund's cash and cash equivalents, investments measured at FVTPL and investments measured at amortised cost are considered to be short-term in nature and 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.

Market risk

Market risk is the risk that changes in market prices – such as special 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 Fund's 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.

17. LAST VALUATION DAY

The last valuation day of the period was 30 June 2022 (2021: 31 December 2021).

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(Amounts in SAR)

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 financial statements were authorised for issue by the Fund Board on 13 Muharram 1444H (corresponding to 11 August 2022).