

SBM YIELD FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2019

SBM YIELD FUND

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**SBM YIELD FUND
CORPORATE INFORMATION**

1.

REGISTERED OFFICE	SBM Bank (Mauritius) Ltd SBM Tower 1, Queen Elizabeth II Avenue Port Louis Mauritius
TRUSTEE	DTOS Trustees Ltd 10th Floor, Standard Chartered Tower 19, Cybercity Ebene Mauritius
MANAGER	SBM Mauritius Asset Managers Ltd SBM Tower 1, Queen Elizabeth II Avenue Port Louis Mauritius
REGISTRY	SBM Fund Services Ltd SBM Tower 1, Queen Elizabeth II Avenue Port Louis Mauritius
BANKER	SBM Bank (Mauritius) Ltd SBM Tower 1, Queen Elizabeth II Avenue Port Louis Mauritius
AUDITOR	Ernst & Young 9th Floor, Tower 1, NeXTeracom Cybercity Ebene Mauritius
INVESTMENT COMMITTEE	Mr. Alain Eric Koo Khen Heong Venpin Mr. Roshan Ramoly Mr. Richard Robinson Mr. Edward Vaughan Heberden Mr. Assad Abdullatiff
CUSTODIAN	SBM Bank (Mauritius) Ltd SBM Tower 1, Queen Elizabeth II Avenue Port Louis Mauritius

**SBM YIELD FUND
MANAGER'S REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

2(i).

Manager's Statement

Dear Shareholders,

We are pleased to present you with the annual report together with the audited financial statements of SBM Yield Fund (the "Fund") for the year ended 30 June 2019.

Global yields have been on the downtrends in the first half of 2019 although the Federal Reserve adopted a hawkish stance in 2018. Subdued inflation and slowdown in global economic growth from the on-going trade dispute between US and China have changed many monetary policymakers' stance to dovish. In Mauritius, the upward yield trends reversed in 2019 with the on-going excess market liquidity and muted inflationary pressures. As an indication, yields on 1-year Government of Mauritius (GoM) securities declined from 3.78% to 2.64% while yields on 10-year GoM bonds fell from 5.58% to 4.35%.

Despite the challenges posed by the global low interest rate environment, the Fund registered a net return of 2.9% after paying a dividend of MUR 0.2505 per share during the financial year against a benchmark (60% GOM 3Y Notes + 40% Barclays Aggregate Bond Index) performance of 6.7%. The underperformance is mainly attributed to the underweight in US foreign fixed income instruments which spiked in the second half of the financial year. During the financial year ended 30 June 2019, the fund size grew from MUR 115.39Mn to MUR 177.35Mn.

The second half of 2019 is likely to shed more light on the direction of foreign monetary policy. In the meantime, the Monetary Policy Committee in Mauritius cut the Repo Rate by 15bps from 3.50% to 3.35% in August. The economic backdrop remains challenging among low inflationary pressures and interest rates but we remain confident on the Fund's performance over the long-term.

We would like to thank the management team and all the stakeholders for their contribution towards enhancing the value of the Fund as well as the unit holders for their confidence in us.



SBM Mauritius Asset Managers Ltd
23 September 2019



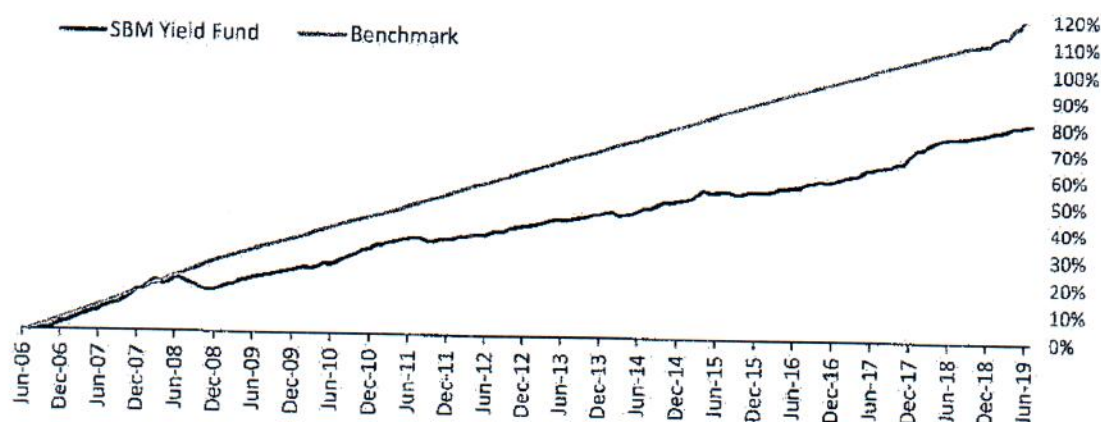
**SBM YIELD FUND
MANAGER'S REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

2(ii).

1. Performance review

The net assets of SBM Yield Fund (the "Fund") grew from MUR 115.39Mn to MUR 177.35Mn over the year with Net Asset Value (NAV) per unit falling slightly from MUR 10.87 to MUR 10.86 after a dividend MUR 0.2505 per share. The Fund registered a return of 2.9% for the year ended 30 June 2019 compared to its reference index (60% GOM 3Y Notes + 40% Barclays Aggregate Bond Index) which yielded 6.7%. The dividend yield for the financial year 2019 stands at 2.3% (2018 :3.0 %).

Cumulative return since inception



Cumulative return

	1M	3M	6M	YTD	1Y	3Y	5Y	Launch	Annualized
Fund	0.1%	0.5%	1.6%	1.6%	2.9%	15.7%	22.5%	81.2%	4.7%
Benchmark	-0.1%	2.7%	4.8%	4.8%	6.7%	15.5%	27.6%	122.8%	6.4%

Distribution

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Dividend per unit (Rs)	0.44	0.41	0.41	0.15	0.30	0.32	0.33	0.33	0.25
Dividend Yield	4.2%	4.0%	4.0%	1.5%	2.9%	3.1%	3.2%	3.0%	2.3%

Note: 1. Assumes that any dividend is reinvested in the Fund
2. Benchmark: 60% GOM 3Y Notes + 40% Barclays Agg Bond Index

**SBM YIELD FUND
MANAGER'S REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

2(iii).

2. Breakdown of assets

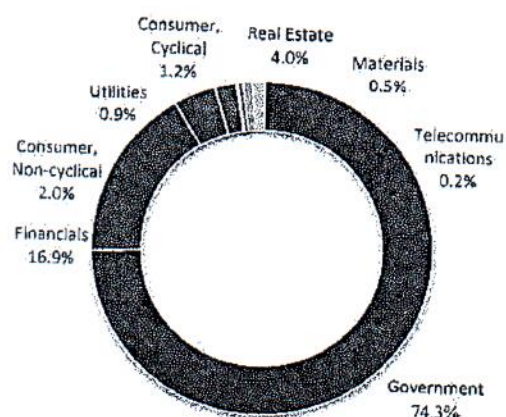
2.1 Portfolio decomposition

During the year, the Fund's asset allocation was mostly geared towards local debt instruments in managing interest rate and foreign exchange risks. Given the strong dollar and hawkish stance of the Federal Reserve ('the Fed') in the first half of the year, the allocation was underweight in US fixed income securities.

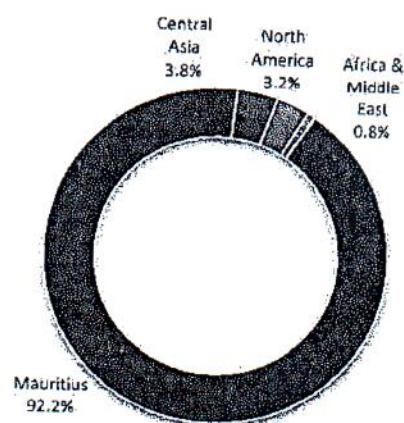
Asset Allocation

Security	% Net Assets (June 2019)	% Net Assets (June 2018)
Local fixed income	81.1%	81.5%
Foreign fixed income	6.2%	7.9%
Local equities	0.9%	2.6%
Foreign equities	0.7%	1.1%
Cash	11.1%	6.9%
Total	100.0%	100.0%

Sector exposure



Geographical allocation



The top five holdings represented 41.0% of the total portfolio as at 30 June 2019 with major investments in longer-term Government of Mauritius bonds.

Top 5 holdings

Security	MUR 'M	% Net Assets
Government of Mauritius Bond 08/02/2039	18.3M	11.6%
Government of Mauritius Bond 25/01/2028	14.6M	9.3%
Government of Mauritius Bond 07/09/2038	8.1M	7.1%
IBL Ltd Series 2 Notes 08/09/2022	10.3M	6.5%
Government of Mauritius Bond 11/05/2038	10.2M	6.5%
Total	61.5M	41.0%

**SBM YIELD FUND
MANAGER'S REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

2(iv).

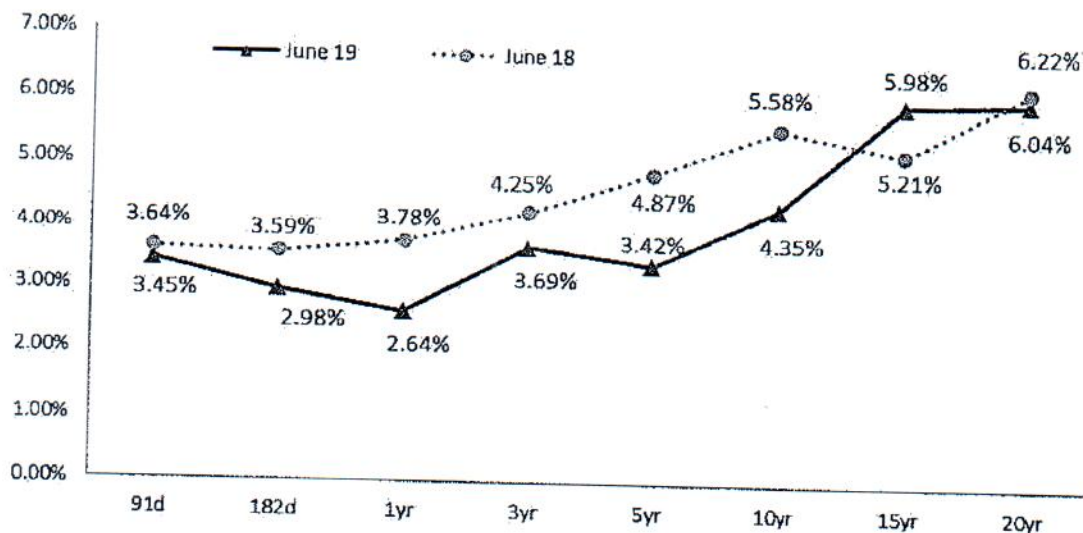
3. Market review

3.1 Local review

In its latest report, Statistics Mauritius projects real GDP to grow by 3.9% in 2019 driven by the construction sector (+8.5%), the financial services sector (+5.2%) and the tourism sector (+3.6%). The tourism sector has faced difficulties in the first quarter of 2019 but the level of arrivals picked up by June with a year-on-year growth of 9.5%. Headline inflation stood at 1.0% as at June 2019 compared to 4.3% a year ago and the Key Repo Rate was maintained at 3.50% p.a. by the Bank of Mauritius throughout the year.

After a pick-up in 2018, yields fell in 2019 as a result of the persistent excess liquidity and lower inflationary pressures. The weighted average yield from the primary issue of 91-day GoM T-Bills decreased from 3.64% to 3.45% while that of 182-day GoM T-Bills moved from 3.59% to 2.98%; 364-day GoM T-Bills fell from 3.78% to 2.64%. The yield on the 3-year GoM Note declined from 4.25% to 3.69% while the 5-year GoM Notes fell 145 basis points from 4.87% and 3.42% respectively. Primary yields on the 15-year rose stood at 5.98% as at June 2019 compared to 5.21% a year ago whereas 20-year GoM Bond yields fell from 6.22% to 6.04%.

Sovereign yield curve



3. Market review (Continued)

3.2 Foreign review

At the end June's FOMC meeting, the Fed left the Federal fund rate unchanged but altered their approach from "patient" to dovish. US Fed Chairman, Jerome Powell, highlighted the possibility of a rate cut in the near-term given the uncertainties surrounding the US-China trade talks and subdued inflationary pressures. US 10-year Treasury yield fell to 2.00% in June 2019 from 2.86% in June 2018.

During its last monetary committee policy (MPC) meeting held in June, the European Central Bank (ECB) maintained its rates, with interest rate on the main refinancing operations, the marginal lending facility and the deposit facility standing at 0.00%, 0.25% and -0.40% respectively. Core inflation in the Eurozone remained subdued at 1.2% in June, well below the headline ECB target of 2%. Key ECB interest rates are set to remain at their present levels at least through the first half of 2020 to ensure the continued sustained convergence of inflation to levels that are below, but close to, 2% over the medium term. ECB President Mario Draghi hinted at further monetary policy easing if the inflation outlook failed to improve.

European bond yields slid further during the month of June reflecting the growing dovishness of the ECB and on account of the uncertain Eurozone economic outlook – German 10-year yields remained in the sub-zero territory, as yields fell from -0.202% to -0.327% after comments from the ECB buoyed expectations for monetary policy easing, with the aim of boosting inflation in the Eurozone. 10-year UK Gilts yields also fell from 0.886% to 0.833% following the Bank of England's decision to hold interest rates steady amid the possibility of a no-deal Brexit still looming over the UK. Italian 10-year yields dropped to 2.102% from its preceding reading of 2.67%.

4. Outlook

The global economic slowdown and downtrend in commodity prices are expected to exert downward pressure on inflation. Central bankers have started adjusting their monetary policy stance in the light of geopolitical tensions and decelerating economic activity. Markets have started factoring an increased risk of recession in the US and the spread between long-term and short-term yields have tightened significantly.

In Mauritius, the central bank forecasts headline inflation to be at 0.5% in 2019 and around 1.5% in 2020. The Monetary Policy Committee (MPC) cut the Key Repo Rate (KRR) by 15 basis points to 3.35% in August 2019 citing muted inflation and global slowdown as main factors.

The Fund is likely to remain underweight in US-denominated securities in the near-term given the strong dollar and potential downsides to the greenback. With the tightened yield spread, short-duration US strategies are expected to significantly reduce interest rate risks. From a strategy standpoint, the Fund will maintain its overweight in local fixed income securities in managing foreign exchange risk and mitigating FX downside impact on the total return of the Fund.

**SBM YIELD FUND
CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

3(i).

The Trustee and Manager of SBM Yield Fund ("the Fund") have the pleasure in submitting their Corporate Governance Report for the year ended 30 June 2019, inclusive of other statutory disclosures.

INTRODUCTION

SBM Yield Fund was authorised by the Financial Services Commission under the Unit Trust Act, 1989 as amended, and established as a Unit Trust by a Trust Deed of the SBM Investment Unit Trust dated 5 June 2006 between SBM Mauritius Asset (The Manager) and DTOS Trustees Ltd (The Trustee) and subsequently governed by the Supplemental Deeds No. 1 dated 30 November 2012 and No. 3 dated 14 November 2013. It is an open-ended Collective Investment Scheme established under Section 3 of the Unit Trust Act, 1989, authorised and regulated under the Trust Act, 2001, Securities Act, 2005 and the Securities (Collective Investment Schemes and Closed-end Funds) Regulation, 2008 by the Financial Services Commission.

The Fund's objective is to offer a portfolio of investment to individual and corporate investors with the aim to achieve the maximum return comparable to that of a standard fixed income portfolio whilst providing regular income.

The Fund is a public interest entity.

STATEMENT OF COMPLIANCE

SBM Yield Fund's corporate governance framework includes its Trustee, Investment Committee, the Manager, the board of the Manager, Unit-holders and other stakeholders.

The Trustee, the Manager and the board of the Manager are fully committed to achieving and sustaining the highest standards of corporate governance with the aim of maximising long-term value creation for the unit-holders of the Fund and all the stakeholders at large. Much emphasis is on the conduct of business practices that display characteristics of good corporate governance namely discipline, transparency, independence, integrity, accountability, social responsibility, professionalism and fairness.

In addition, the Trustee, the Manager and the board of the Manager of the Fund continuously review the implications of corporate governance principles and practices in light of their experience, regulatory requirements and investor expectations. They hereby confirm that the Fund, as set out in this report, has strived to comply in all material aspects with the following legal and regulatory framework:

- Trust deed and subsequent Supplemental Deeds;
- Terms of reference of the Trustee and sub-committee;
- Disclosures required under the Code of Corporate Governance for Mauritius (the "Code");
- The Trust Act, 1989;
- The Trust Act, 2001;
- The Securities Act, 2005; and
- The Securities (Collective Investment Schemes and Closed-end Funds) Regulations, 2008.

The Board of the Trustee and Manager is composed of skilled, knowledgeable and experienced professionals, carefully selected to be highly effective in the governance of the Fund. They assume full responsibility for leading and controlling the Fund and for meeting all legal and regulatory obligations.

The Trust Deed and subsequent Supplemental Deeds of the Fund comply with the provisions of the Trust Act, 1989, the Trust Act, 2001, The Securities Act, 2005 and The Securities (Collective Investment Schemes and Closed-end Funds) Regulations, 2008. The Deed is available upon written request to the Manager at the Registered Office of the Fund.

Salient features of the documents are:

- No unit-holder shall be entitled to:
 - require the transfer to him of any of the assets comprised in the Fund;
 - interfere with or question the exercise or non-exercise by the Trustee or the Manager of the rights and powers of the Trustee and the Manager in their dealings with the Fund or its assets or any part thereof;
 - attend meetings whether as unit-holders or otherwise, or to vote or to take part in or consent to any action concerning any property of any entity in which the Fund holds an interest;
- A unit-holder is entitled to any distribution as approved and declared by the Manager as per provisions of the Trust Deed.

GOVERNANCE STRUCTURE

Corporate Profile of the Trustee – DTOS TRUSTEES LTD

DTOS Trustees Ltd is a private company incorporated in Mauritius on 23rd May 2003. DTOS Trustees Ltd is a wholly owned subsidiary of DTOS Ltd and is duly licensed by the Financial Services Commission to act as a qualified trustee. It offers a complete and comprehensive range of trust services including trust formation / migration, corporate trusteeship, advice on tax, regulatory and statutory matters, accounting, administration and tax filings, where required.

**SBM YIELD FUND
CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

3(ii).

Role of the Trustee

The Trustee has been appointed in order to ensure that the affairs of the Fund are being managed and administered for the benefit of the unit-holders and to their best interests along the following principles:

- International best standards and regulatory compliance.

Overseeing the conduct of the Fund's business and monitoring whether the business is being properly managed at all levels according to international best standards and in accordance to provisions of its regulatory regime.

- Accounts and risk management

Reviewing and, where appropriate, approving risk policy, financial statements, annual budgets, business plans and internal reports.

- Supervision of fund intermediaries

Supervising the fund intermediaries in their delivery of services to the Fund and ensure that such delivery is done diligently and creates most value for the unit-holders of the Fund.

Corporate Profile of the Manager – SBM MAM

SBM Mauritius Asset Managers Ltd ("SBM MAM") is the fund management arm of the SBM Group. The SBM Group is a public company listed on the Stock Exchange of Mauritius. SBM MAM specializes in conducting asset management services for mutual funds and institutional investors. It additionally distributes a wide range of financial products including foreign funds and fixed income securities. SBM MAM is licensed by the Financial Services Commission to act as an Investment Adviser (Unrestricted), CIS Manager and Distributor of Financial Products. It currently has a total asset under management close to MUR 178,737,168.

The Investment Committee

The Trust Deed provides for the establishment of an Investment Committee composed of at least 3 persons and not more than 6 persons. The main purpose of the committee is to issue guidelines and advise the Manager on investments.

Currently, the committee is composed of 5 members and meets on a quarterly basis. It reviews the performance of the Fund, ensures that the investment strategy complies with the provisions of the Trust Deed and Prospectus.

THE TRUSTEE AND THE MANAGER

Role of the Manager and its obligations

The Manager is appointed by the Trustee and under the supervision of the Trustee, manages and administers the Fund for the benefit of the unit-holders of the Fund in accordance of the Trust Deed and Prospectus of the Fund.

Its obligations cover but are not restricted to the following:

Conduct of Business

It shall conduct its business in a proper and efficient manner to ensure that any undertaking in the affairs of the Fund is carried out in a proper, ethical and efficient manner.

Supervision of assets

The Manager shall manage and supervise all assets of the Fund to the best interest of the unit-holders.

Trade in units of the Fund

It shall sell and issue units of the Fund in accordance to the provisions of the Trust Deed and Prospectus and in so doing shall ensure that the interests of unit-holders are protected at all times.

Managing Conflict of Interest and Related Party Transactions

The Fund adheres to the SBM Group (the "Group") Conflict of Interest and Related Party Transactions policy to assist the Board of the Trustee and Manager in identifying and disclosing actual and potential conflicts and help ensure the avoidance of conflicts of interest, where necessary.

For the related party transaction, please refer to Note 13 of the Financial Statements.

THE TRUSTEE AND THE MANAGER (CONTINUED)

Information, information technology and information security policy

The Trustee and Manager confirm that information, information technology and information security policy exists within the Group.

RISK GOVERNANCE AND INTERNAL CONTROL

RISK MANAGEMENT

The Trustee and Manager are responsible for the risk management practice and procedures in place within the operating structure of the Fund for risk management. They also define the overall strategy for risk tolerance and are responsible for the design, implementation and review of a risk management framework, processes and day-to-day management of risk as performed by the intermediaries and service providers of the Fund. Part of the responsibility to monitor the framework and processes has been delegated to the Investment Committee which conducts reviews on a quarterly basis.

The Fund's policy on risk management encompasses all business risks including operational, technology, business continuity, financial, compliance and reputation risks which could influence the achievement of the Fund's objectives. In context, a due diligence exercise is undertaken in collaboration with nominated intermediaries to ensure that they have the capability to commit on the implementation of appropriate customised procedures and controls for the purpose of the Fund.

The risk management mechanisms in place include:

- A system for the ongoing identification and assessment of risk;
- Development of strategies in respect of risk and definition of acceptable and non-acceptable levels of risk;
- The communication of risk management policies across the multiple parties and functionaries involved in the processes;
- The implementation of a documented system of processes with appropriate controls and approval mechanism that closely align the control effort to the nature and importance of the risk;
- Processes to reduce or mitigate identified risks and contain them within the levels of tolerance defined and agreed by the Board of the Manager;
- Compliance reports are prepared and presented to the board of the Manager on a quarterly basis; and
- Internal audit functions exist at the level of the Manager and Fund Administrator whereby the processes pertaining to the affairs of the Fund are scrutinised and undergo audit reviews. Quarterly reports are prepared and presented to the boards of the Manager and Fund Administrator.

Risk exposure of the Fund falls within the following areas or risk:

Operational risks

Operational risk is defined as risk of direct or indirect loss resulting from inadequate or failed internal process, people and systems or from external events. Assets of the Fund are properly safeguarded and reporting infrastructures are adequate and effective for timely and accurate data collection.

Compliance risks

Compliance risk is defined as risk of loss from failure to comply with regulations governing the conduct of an organisation's business. It is a composite risk made up of risk of legal or regulatory sanctions, financial loss, or loss of reputation.

Technology risks

Technology risks include hardware and software failures, system development and infrastructure issues. To varying degrees, the Fund is reliant upon certain technologies and systems for the smooth and efficient running of its operations. Disruption to these technologies could adversely affect its efficiency.

Cybersecurity risks

These risks can be defined as the unique risks that individuals and businesses face as a result of using interconnected technological systems

Business continuity risks

This relates to losses from failed transaction processing and process management.

RISK GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

Reputation risks

This relates to losses due to unintentional or negligent failure to meet a professional obligation to specific clients or from the nature or design of a product.

Financial risks

The primary sources of financial risks faced by the Fund are risks inherent to its investment activities. Investment values and returns are dependent on the performance of financial markets and may adversely affect the Fund's financial results. The financial risks faced by the Fund and management of these risks are further discussed in the notes to the financial statements (see note 14).

INTERNAL CONTROL

The Trustee, the Manager and the board of the Manager acknowledge their responsibility for internal control and work closely together and with the Fund Administrator to put in place a system of internal controls which is designed to provide the Trustee with reasonable assurance that the assets are safeguarded; that operations are carried out effectively and efficiently; that the financial controls are reliable and in compliance with applicable laws and regulations and that material frauds and other irregularities are either prevented or detected within a reasonable time.

The Manager and Fund Administrator prepare compliance and risk monitoring reports that are submitted to the Investment Committee and Board of the Manager on a quarterly basis for their review, following which recommendations are made to the Manager on an on-going basis. Preventive and corrective actions are then duly implemented to address internal control deficiencies and opportunities for improving the systems.

WHISTLEBLOWING POLICY

In order to enhance good governance and transparency, the Group has a Whistleblowing policy. The main aim of the policy is to provide an avenue for raising concerns related to fraud, corruption and any other misconduct. The policy addresses the following:

- Protection of and Remedies for Whistle blowers;
- Processes and Procedures;
- Hotline, Email and PO Box facilities
- Reports can be made through the following channels:
- Hotline (Toll free numbers)

Territory	International Dial Number
Kenya	0800221832
India	0008000402246
Mauritius	8002111
Madagascar	336545559

- E-mail: whistleblowing@sbmgroup.mu

PO Box: 11, Caudan, Port Louis, Mauritius

REPORTING WITH INTEGRITY

The Trustee and Manager are required to ensure that adequate accounting records are maintained so as to disclose at any time, and with reasonable adequacy, the financial position of the Fund. They are also responsible for taking reasonable steps to safeguard the assets of the Fund to prevent and detect fraud and other irregularities.

They must present financial statements for each financial year, which give a true and fair view of the affairs of the Fund, and the results for that period. In preparing such financial statements, they are required to:

- select suitable accounting policies and apply them on a consistent basis using reasonable and prudent judgement
- state whether or not the Trust Act, 1989, the Trust Act, 2001 and International Financial Reporting Standards (IFRS) have been adhered to and explain material departures thereto
- use the going concern basis unless it is inappropriate.

REPORTING WITH INTEGRITY (CONTINUED)

The Trustee and Manager acknowledge their responsibility for ensuring the preparation of the financial statements in accordance with IFRS and the responsibility of external auditors to report on these financial statements. The Trustee and Manager are responsible for ensuring the maintenance of adequate accounting records and an effective system of internal controls and risk management and the selection of appropriate accounting policies.

Nothing has come to the Trustee's and Manager's attention, to indicate any material breakdown in the functioning of the internal controls and systems during the period under review, which could have a material impact on the business. The financial statements are prepared from the accounting records on the basis of consistent use of appropriate accounting records supported by reasonable and prudent judgements and estimates that fairly present the state of affairs of the Fund.

The financial statements have been prepared on a going concern basis and there is no reason to believe that the Fund will not continue as a going concern in the next financial year.

The Trustee and Manager confirm that in preparing the financial statements, they have:

- selected suitable accounting policies and applied them consistently
- made judgements and estimates that are reasonable and prudent
- followed the International Financial Reporting Standards
- prepared the financial statements on the going concern basis
- adhered to the Code of Corporate Governance in all material aspects and reasons have been provided for non-compliance.

The Trustee and Manager are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund and also enable them to ensure that the financial statements comply with the Trust Act 1989, the Trust Act 2001, the Securities Act 2005, the Securities (Collective Investment Schemes and Closed-end Funds) Regulations 2008 and that these have been prepared in accordance with the International Reporting Standards. They are also responsible for safeguarding the assets of the Fund and hence for this enables them to take reasonable steps for the prevention and detection of fraud and other irregularities.

The Annual report is published in full on the website of the Manager of the Fund.

AUDIT

Internal Audit

The Non-Banking Financial cluster ('NBFC') has its own permanent Internal Audit function reporting to the Audit and Risk Committee of the cluster. The internal audit team comprises of three fully qualified accountants. The internal auditors provide assurance about the effectiveness of the risk management and control processes in place and they maintain their independence by reporting to the Audit and Risk Committee. The Head of Internal Audit has regular access to the Trustee and Manager and the chairperson of the Audit and Risk Committee. There were no restrictions on access by the internal auditors to records or members of the management team.

The Audit and Risk Committee of NBFC is chaired by a Chartered Accountant and the Committee comprises of independent members with more than 30 years experience in the Financial Services industry. The Audit and Risk Committee reviews and approves Internal Audit's plan and resources and evaluates the effectiveness of the function. The Audit and Risk Committee ensures that a consistent risk-based audit methodology is applied. The audit reports are thereafter tabled at the Committee and the findings and methodologies are reviewed and discussed by the Audit and Risk Committee.

As the third line of defence, the role of internal audit is to provide independent, objective assurance services designed to add value and improve NBFC entities' operations. Audits are carried out to review the adequacy and effectiveness of the group's system of internal controls, as per the Board approved risk-based audit plan. In conducting reviews, the Internal Auditors are alert to indicators of fraud and opportunities that could allow fraud, such as control weaknesses. In doing so, the Internal Auditors obtain reasonable assurance that business objectives for the process under review are being achieved and material control deficiencies are detected. Upon completion of each review, a formal report detailing the audit findings and the appropriate recommendations are issued to the chairperson of audit committee and the Chief Executive Officer. Any deviation in policies and non-performance of internal controls are duly reported and discussed at Audit Committee levels. Corrective actions are promptly taken and regular follow ups as well as reporting performed by Internal Audit until complete resolution.

External Audit

EY were appointed as statutory auditors of the Fund for the financial year ended 30 June 2019. The Trustee and Manager assess and review on a regular basis the independence of the external auditor.

The fees paid to the external auditors for audit services were MUR 96,010 (2018: MUR 68,729).

**SBM YIELD FUND
CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

3(vi).

RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

Holding Structure – 30 June 2019

As at 30 June 2019, the Fund had issued 16,335,956 units for a total fund size of MUR169, 095,422. The NAV per unit of the Fund as at 30 June 2019 was MUR 10.86.

The NAV per unit for the past five years are as follows:

Year	NAV per unit
June 2015	10.46
June 2016	10.31
June 2017	10.47
June 2018	10.87
June 2019	10.86

Analysis of ownership

The Fund had 467 unit-holders as at 30 June 2019. A breakdown of the category of unit-holders and the unit ownership as at 30 June 2019 are set out below:

Market Value (Rs)	Number of shareholders	Number of shares owned	% Holdings
0-59,999	149	303,820.78	1.86%
60,000 - 99,999	41	307,662.73	1.88%
100,000 - 124,999	23	227,375.48	1.39%
125,000 - 199,999	130	1,670,900.69	10.23%
200,000 - 499,999	54	1,563,570.00	9.57%
500,000 - 999,999	27	1,622,725.04	9.93%
1M - 1,499,999	18	1,823,027.00	11.16%
1.5M - 1,999,999	8	1,261,579.24	7.72%
2M - 2,999,999	11	2,291,728.30	14.03%
3M - 5,999,999	3	1,069,969.95	6.55%
6M or above	3	4,193,596.54	25.68%
Total	467	16,335,955.75	100.00

Unit-holder's Agreement

To the best knowledge of the Manager and Trustee, there has been no such agreement with any of its unit-holders for the year under review.

Unit-holders' Relations and Communication

Unit-holders are strongly encouraged to visit the website of the Manager to remain updated on the Fund's initiatives/projects, goals and prices.

Unit-holders' Calendar

The Fund has planned the following forthcoming events:

Reporting date	30 June 2019
Publication of year end results	Within 90 days from end of 30 June 2019
Declaration of dividend	Within 2 months from end of 30 June 2019

**SBM YIELD FUND
CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

3(vii).

SHAREHOLDING

Dividend Policy

The objective of the Fund is to pay out all income available for distribution on a yearly basis. In that respect, income excludes capital gains, both realised and unrealised. While fixing the dividend rate, the Trustee and Manager also take into account other considerations that might affect the economic interests and proper long term running of the Fund.

For financial year 2018/2019, it was agreed to pay out an amount of MUR 4,092,157 as dividend which resulted in a dividend per unit of MUR 0.2505.

Employee Share Option Scheme

The Fund has no share option plans.

OTHER STATUTORY DISCLOSURES

The following agreements have been approved by the Trustee and Manager and are still effective as at end of the financial year 2018-2019:

- Custody Agreement with the SBM Bank (Mauritius) Limited.
- Administration Agreement with SBM Fund Services Ltd.
- Fund Management Agreement with SBM Mauritius Asset Managers Ltd.

Directors and Officers Liability Insurance

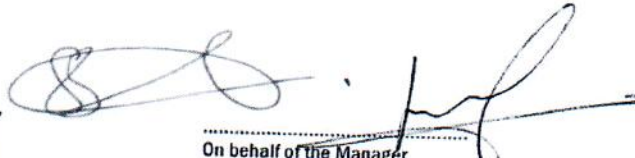
The Fund has subscribed to a Directors and Officers Liability Insurance policy in respect of legal actions or liability which may arise against its Trustee, Manager and officers. The cover does not provide insurance against fraudulent, malicious or wilful acts or omissions.

Ethics and Business Conduct

Under regulatory supervision of the Financial Services Commission, all officers and agents of the Fund are expected to maintain a high level of ethics in their behaviour and business transactions. The transactions of the Fund are carried out as per its Manager's and Fund Administrator's Code of Business Conduct and Ethics, applicable to all direct and indirect employees who deal with the matters of the Fund.

The Fund is involved in the provision of services and its operations do not materially impact on the environment. Investing strategies include investment in sound, ethical and environmental friendly entities.


On behalf of the Trustee


On behalf of the Manager

Date: 23 September 2019

STATEMENT OF COMPLIANCE

(Section 75 (3) of the Financial Reporting Act)

Name of PIE: The SBM Yield Fund

Reporting Period: Year ended 30 June 2019


We, the Trustee and Manager of the SBM Yield Fund (the "Fund") confirm that to the best of our knowledge, the Fund has complied with most of its obligation and requirements under the Code of Corporate Governance except for Principle 2, 3 and 4 of the Code of Corporate Governance.

The reason for non-compliance is that the Fund is set-up as a Trust and not a company. In this context, it does not have any directors, no board of directors, no board committees and no company secretary.

However, the main roles as described under Principle 2, 3 and 4 of the Code of Corporate Governance are fulfilled by the Trustee, the Manager and the Board of the Manager as described above.

On behalf of the Trustee and Manager


On behalf of the Trustee
Date: 23 September 2019


On behalf of the Manager

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SBM YIELD FUND**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of SBM Yield Fund (the "Fund") set out on pages 7 to 39 which comprise the statement of financial position as at 30 June 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the SBM Yield Fund as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and the Financial Reporting Act 2004.

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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The manager and the trustee are responsible for the other information. The other information comprises the Manager's Report and Corporate Governance Report and the Trustee's and Manager's responsibilities, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information (other than the Corporate Governance Report) and we do not express any form of assurance 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 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.

Corporate Governance Report

The Directors are responsible for preparing the Corporate Governance Report. Our responsibility under the Financial Reporting Act is to report on the compliance with the Code of Corporate Governance ("the Code") disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Company has, pursuant to section 75 of the Financial Reporting Act, complied with the requirements of the Code.



INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SBM YIELD FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Manager and the Trustee for the Financial Statements

The manager and the trustee are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Financial Reporting Act 2004, and for such internal control as the manager and the trustee determine 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, the manager and the trustee are 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 the manager and the trustee either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the manager and the trustee
- Conclude on the appropriateness of the manager's and the trustee'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.

We communicate with the manager and the trustee 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.



INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SBM YIELD FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Use of our report

This report is made solely to the Fund's members, as a body. Our audit work has been undertaken so that we might state to the Fund's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's members, as a body, for our audit work, for this report, or for the opinions we have formed.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We have no relationship with or interests in the Fund other than in our capacity as auditors, tax advisors and dealings in the ordinary course of business.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Fund as far as it appears from our examination of those records.

Ernst & Young

ERNST & YOUNG
Ebène, Mauritius

Date: 23 SEP 2019

ANJAALA RAMKHELAWON

ANJAALA RAMKHELAWON, F.C.A.
Licensed by FRC


SBM YIELD FUND
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

7.

	Notes	2019 MUR	2018 MUR
ASSETS			
Cash and cash equivalents			
Other receivables	5	2,974,344	8,430,322
Available-for-sale investments	6	145,084	146,481
Loans and receivables	8	-	22,834,569
Financial assets measured at fair value through other comprehensive income	7	55,080,402	-
Financial assets at amortised cost	9	120,537,338	-
TOTAL ASSETS		178,737,168	116,054,262
LIABILITIES			
Other payables	12	886,237	584,761
Income tax liability	13(a)	496,471	80,890
TOTAL LIABILITIES		1,382,708	665,651
EQUITY			
Stated Capital	4	169,095,422	107,986,966
Retained earnings		3,567,602	3,433,792
Fair value reserve		4,691,436	3,967,853
TOTAL EQUITY		177,354,460	115,388,611
TOTAL LIABILITIES AND EQUITY		178,737,168	116,054,262

Approved by the Trustee and the Manager and authorised for issue on 23 September 2019

Signed on behalf of the Trustee:

 *u. beemauf*

Signed on behalf of the Manager:



The notes on pages 11 to 39 form part of these financial statements.

SBM YIELD FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

8.

	Notes	2019 MUR	2018 MUR
INCOME			
Dividend income	16	355,360	361,684
Interest income calculated using effective interest method	16	6,533,681	2,973,555
Exchange gain/(loss)		210,848	(148,161)
Gain on disposal of investments	7 (d)	-	3,529,506
Other income		20,000	-
		<u>7,119,879</u>	<u>6,716,584</u>
FUND EXPENSES			
Manager's fees	17	1,211,874	597,784
Trustee's fees	18	144,097	69,858
Auditor's fees		96,010	68,729
Registry fees	19	142,573	62,841
Administrator's fees	20	213,860	108,859
Expected credit losses	10	381,482	-
Other expenses		484,081	142,473
		<u>2,673,977</u>	<u>1,050,544</u>
PROFIT FROM OPERATING ACTIVITIES		4,445,902	5,666,040
EQUALISATION			
Income received on units created		123,422	1,370,530
Income paid on units liquidated		-	(7,185)
		<u>123,422</u>	<u>1,363,445</u>
PROFIT BEFORE TAXATION		4,569,324	7,029,485
Income tax expense	13(b)	(610,238)	(266,506)
PROFIT FOR THE YEAR		3,959,086	6,762,979
Other Comprehensive Income			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Net fair value gain on available-for-sale investments		-	464,422
Reclassification adjustments relating to available-for-sale investments disposed during the year		-	(1,505,908)
<u>Items that will not be reclassified subsequently to profit or loss</u>			
Net Gain on disposal of equity instruments designated at fair value through other comprehensive income	7(d)	244,897	-
Net fair value gain on financial assets measured through other comprehensive income		267,838	-
Total other comprehensive income / (loss)		<u>512,735</u>	<u>(1,041,486)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>4,471,821</u>	<u>5,721,493</u>

The notes on pages 11 to 39 form part of these financial statements.

SBM YIELD FUND
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

9.

	Issued units MUR	Retained earnings MUR	Fair value reserve (Note A) MUR	Total MUR
As at 1 July 2017	48,475,575	1,723,676	1,627,994	51,827,245
Distribution paid to unitholders for FY 2017	-	(1,645,244)	-	(1,645,244)
Issue of units	60,315,266	-	-	60,315,266
Redemption of units	(803,875)	-	-	(803,875)
Transfer	-	(3,381,345)	3,381,345	-
Total comprehensive income for the year	-	6,762,979	(1,041,486)	5,721,493
Adjustment to Amortisation Income	-	(26,274)	-	(26,274)
As at 30 June 2018	107,986,966	3,433,792	3,967,853	115,388,611
As at 1 July 2018	107,986,966	3,433,792	3,967,853	115,388,611
Effect of Adoption IFRS 9 (Note 10)	-	(154,779)	-	(154,779)
As at 1 July 2018 (restated)	107,986,966	3,279,013	3,967,853	115,233,832
Distribution paid to unitholders for FY 2018	-	(3,459,649)	-	(3,459,649)
Issue of units	71,940,511	-	-	71,940,511
Redemption of units	(10,832,055)	-	-	(10,832,055)
Transfer	-	(210,848)	210,848	-
Total comprehensive income for the year	-	3,959,086	512,735	4,471,821
As at 30 June 2019	169,095,422	3,567,602	4,691,436	177,354,460

Note A:

As per the Fund's prospectus, capital gains arising from the changes in the value of investments, both realised and unrealised are credited to non-distributable reserve and shall not be available for distribution as dividends. Capital losses arising from changes in the value of investments will be debited to the said reserve and shall not be offset against income received.

The notes on pages 11 to 39 form part of these financial statements.

SBM YIELD FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

10.

	Notes	2019 MUR	2018 MUR
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		4,569,324	7,029,485
Adjustments for:			
Dividend income	16	(355,350)	(361,684)
Interest income	16	(6,533,681)	(2,973,555)
Income equalisation		(123,422)	(1,363,445)
Exchange (gain) / loss		(210,848)	148,161
Expected credit losses		381,482	-
Gain on disposal of investments	6	-	(3,529,506)
Operating loss before working capital changes		(2,272,495)	(1,050,544)
(Increase)/Decrease in other receivables		(4,424)	2,584
Increase in other payables		301,476	42,086
Addition of investments in FVTOCI	7	(30,150,337)	(14,643,251)
Proceeds from disposal of equity investments		408,000	11,059,304
Maturity of deposits with financial institutions		34,399,583	28,810,560
Additions of deposits with financial institutions		(72,416,657)	(80,400,939)
Interest received		6,463,655	3,089,584
Dividend received		361,171	420,053
Net cash used in operations		(62,910,128)	(52,670,563)
Taxation paid	13(a)	(194,657)	(202,134)
Net cash used in operating activities		(63,104,785)	(52,872,697)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of units		71,940,511	60,315,266
Redemption of units		(10,832,055)	(803,875)
Distributions to unitholders		(3,459,649)	(1,645,244)
Net cash generated from financing activities		57,648,807	57,866,147
Net (decrease) / Increase in cash and cash equivalents		(5,455,978)	4,993,450
Cash and cash equivalents at beginning of year		8,430,322	3,436,872
Cash and cash equivalents at end of year		2,974,344	8,430,322

The notes on pages 11 to 39 form part of these financial statements.

1. LEGAL FORM AND PRINCIPAL ACTIVITY

SBM Yield Fund was authorised by the Minister and approved by the Financial Services Commission under the Unit Trust Act 1989 (repealed and replaced by Trust Act 2001) and established as a Unit Trust by a Trust Deed dated 5 June 2006 between SBM Mauritius Asset Managers Ltd ("The Manager") and DTOS Trustees Ltd ("The Trustee").

The Fund's objective is to provide regular income and maximise returns on a long term basis for the benefit of the unitholders.

The Trust's application made further to the transitional provisions set out under Section 160 of the Securities Act 2005, it has been authorised to operate as a Collective Investment Scheme under Section 97 of the Securities Act 2005.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

The financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss, which are measured at fair value.

The financial statements are presented in Mauritian Rupee ("MUR") and all values are rounded to the nearest rupee, except when otherwise indicated.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency translation

The financial statements are presented in MUR (presentation currency) which is also the currency of the primary economic environment in which the Fund operates (functional currency). The Fund determines its own functional currency and items included in the financial statements of the Fund are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Fund at their respective functional currency spot rates prevailing at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences arising on settlement or retranslation of monetary items are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

(b) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Taxes (Continued)

Deferred tax

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

(d) Financial instruments

Policy applicable as from 01 July 2018

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. As a result of the adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require:

- Impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. Under IAS 39, impairment was recognised when losses were incurred. The Fund did not previously report any incurred losses; and
- Separate presentation in the statement of comprehensive income of interest revenue calculated using the effective interest method.

Additionally, the Fund has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures, which are applied to disclosures for 2018 but have not generally been applied to comparative information.

The adoption of IFRS 9 had no material impact on the net assets attributable to holders of redeemable shares of the Fund.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial Instruments (Continued)

Policy applicable as from 01 July 2018 (Continued)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them. The Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Fund's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Management has made an assessment on the basis of the facts and circumstances that existed at the date of initial application to determine whether to classify the debt instruments held at amortised cost or financial assets at fair value through OCI. The determination of the business model within which a financial asset is held at amortised cost needs to meet the objective, which is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

(i) Financial assets at amortised cost

This category is the most relevant to the Fund. The Fund measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Fund's financial assets at amortised cost include cash and cash equivalents and investments in Government bonds.

(ii) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Fund can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Fund benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Fund elected to classify irrevocably its listed and non listed equity investments under this category.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial Instruments (Continued)

Policy applicable as from 01 July 2018 (Continued)

Financial assets (Continued)

Subsequent measurement (Continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Fund of similar financial assets) is primarily derecognised (i.e., removed from the Fund's statement of financial position) when:

- The rights to receive cash flows from the asset have expired
- Or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

Impairment of financial assets

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

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

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

(ii) **Financial assets designated at fair value through OCI (equity instruments) (Continued)**

Impairment of financial assets (Continued)

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial Instruments (Continued)

Policy applicable as from 01 July 2018 (Continued)

Financial assets (Continued)

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

- The borrower is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to cations such as realising security (if any is held); or
- The financial assets is more than 30 days past due

The Fund considers a financial asset to have low credit risk when the credit rating of the counterparty is equivalent to the globally understood definition of 'investment grade'. The Fund considers this to be Baa3 for Moody's rating or BBB- as per Standard and Poor's rating. (See Note 14.4)

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

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

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

Measurement of ECLs

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

Credit-impaired financial assets

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

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

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as default or being more than 30 days past due; or
- It is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowances for ECLs in the statement of financial position

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Fund's financial liabilities include other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial Instruments (Continued)

Policy applicable as from 01 July 2018 (Continued)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Policy applicable prior to 01 July 2018

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ('EIR') method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in finance costs for loans and in other operating expenses for receivables.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial Instruments (Continued)

Policy applicable prior to 01 July 2018 (Continued)

Financial assets (Continued)

Other financial liabilities

Financial liabilities, other than those classified as at FVPL, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process. These relate to amount received from noteholders.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Fund of similar financial assets) is primarily derecognised (i.e. removed from the statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of the Fund's continuing involvement. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Impairment of financial assets

The Fund assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Impairment of financial assets (Continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Fund first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income, included in income statements, continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial Instruments (Continued)

Policy applicable prior to 01 July 2018 (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings including payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Fund's financial liabilities include other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial liabilities at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied.

Financial liabilities at fair value through profit or loss (Continued)

Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial liabilities at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied.

Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in statement of profit or loss and comprehensive income.

Other financial liabilities

Financial liabilities, other than those classified as at FVPL, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial Instruments (Continued)

Policy applicable prior to 01 July 2018 (Continued)

Financial liabilities (Continued)

Subsequent measurement (Continued)

modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Determination of fair value

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the beginning of each reporting period.

(a) Revenue recognition under IFRS 9

(i) Interest income calculated using effective interest method

Interest income calculated using effective interest method

Interest revenue and expense are recognised in the statement of other comprehensive income for all interest-bearing financial instruments using the effective interest method.

(ii) Dividend income

Dividend income is recognised when the Fund's right to receive the payment is established.

(f) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash at bank.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) 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 an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Fund expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(h) Redeemable units

Classification of redeemable units

Redeemable units are classified as equity instruments when:

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Redeemable units (Continued)

Classification of redeemable units (Continued)

The redeemable units entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.

The redeemable units are in the class of instruments that is subordinate to all other classes of instruments.

All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features.

The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Fund's net assets.

The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

In addition to the redeemable units having all the above features, the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund
- The effect of substantially restricting or fixing the residual return to the holders of redeemable units.
- The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have all the features or meet all the conditions set out to be classified as equity, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity. If the redeemable units subsequently have all the features and meet the conditions to be classified as equity, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.
- The issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions. Upon issuance of shares, the consideration received is included in equity.
- Transaction costs incurred by the Fund in issuing or acquiring its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.
- Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs. The Fund's policy is not to keep units in treasury, but rather to cancel them once repurchased.
- No gain or loss is recognised in profit or loss on the purchase, sale, issuance or cancellation of the Fund's own equity instruments.

(i) Reserve

As per the Fund's prospectus, capital gains arising from the changes in the value of investments, both realised and unrealised are credited to non-distributable reserve and shall not be available for distribution as dividends. Capital losses arising from changes in the value of investments will be debited to the said reserve and shall not be offset against income received. The exchange gain of MUR210,848 not be available for distribution.

2.3 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in those financial statements are consistent with those of the previous financial year. There were a number of new standards and interpretations which were effective for this financial year, none of which impacted the financial statement of the Fund.

The Fund applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Several other amendments and interpretations applied for the first time in 2018, but did not have an impact on the financial statements of the Fund. The Fund has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

2.3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Effective for accounting
period beginning on or
after

IFRS 9 Financial instruments 1 January 2018

IFRS 15 Revenue from Contracts with customers 1 January 2018

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Fund applied IFRS 9 prospectively, with an initial application date of 1 July 2018. The Fund has not restated the comparative information, which continues to be reported under IAS 39.

(a) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on 1 July 2018. Accordingly, the differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in net asset attributable to holders of redeemable shares as at 01 July 2018. The Fund has chosen to take advantage of the option not to restate comparatives. Therefore, the 2018 figures are presented and measured under IAS 39.

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Fund's financial assets and financial liabilities as at 1 July 2018.

1 July 2018	IAS 39 classification	IAS 39 measurement	IFRS 9 classification	IFRS 9 measurement
Financial assets		MUR		MUR
Equity instruments	Available for sale	22,834,569	FVOCI	22,834,569
Loans and receivables	Loans and receivables	12,440,622	FVOCI	12,440,622
Loans and receivables	Loans and receivables	72,202,268	Amortised cost	72,056,129
Cash & cash equivalents	Cash & cash equivalents	8,430,322	Amortised cost	8,430,322
Other receivables	Other receivables	117,000	Amortised cost	117,000
Financial liabilities		MUR		MUR
Other payables	Amortised cost	665,651	Amortised cost	665,651

In line with the characteristics of the Fund's financial instruments as well as its approach to their management, the Fund neither revoked nor made any new designations on the date of initial application. IFRS 9 has not resulted in changes in the carrying amount of the Fund's financial instruments due to changes in measurement categories. There was no change in the classification of the Fund's financial liabilities while there was change in the measurement from IAS 39 to IFRS 9.

(b) Impairment

The application of the ECL mode under IFRS 9 has not significantly changed the carrying amounts of the Fund's amortised cost financial assets. An ECL allowance of MUR 154,779 has been recorded against the Fund's financial assets compared to no impairment recorded under IAS 39.

2.3 CHANGES IN ACCOUNTING POLICIES (Continued)

The carrying amounts of amortised cost instruments continued to approximate these instruments' fair values on the date of transition after transitioning to IFRS 9.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9.

(b) Impairment (Continued)

	Allowance for impairment under IAS 39 as at 30 June 2018	Remeasurement	ECL under IFRS 9 as at 1 July 2018
	MUR	MUR	MUR
Loans and receivables	-	154,779	154,779

IFRS 15 Revenue from Contracts with Customers

The Fund adopted IFRS 15 *Revenue from contracts with customers* on its effective date 01 July 2018. IFRS 15 replaces IAS 18 Revenue and establishes a five step model to account for revenue arising from contracts with customers. In addition, guidance on interest and dividend income has been moved from IAS 18 to IFRS 15 without significant changes to the requirements. Therefore, there was no impact of adopting IFRS 15 for the Fund.

2.4 NEW AND REVISED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective up to the date of issuance of the Fund's financial statements are listed below. The Fund intends to adopt these new and amended standards and interpretations when they become effective, if applicable.

<u>New or revised standards</u>	Effective for accounting period beginning on or after
IFRS 16 Leases	1 January 2019
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Prepayment Features with Negative Compensation - Amendments to IFRS 9	1 January 2019
Long-term interests in Associates and Joint Ventures - Amendments to IAS 28	1 January 2019
Plan Amendment, Curtailment or Settlement - Amendments to IAS 19	1 January 2019
IFRS 3 Business Combinations - Previously held interests in a joint operation	1 January 2019
IFRS 11 Joint Arrangements - Previously held interests in a joint operation	1 January 2019
IAS 12 Income taxes - Income tax consequences of payments on Financial Instruments classified as equity	1 January 2019
IAS 23 Borrowing costs - Borrowing costs eligible for capitalisation	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021

The adoption of the above standards is not expected to have any significant impact on the Fund's financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. Uncertainties about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Fund's accounting policies, management has made the following judgement, which has the most significant effect on the amounts recognised in the financial statements:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

a) **Determination of functional currency**

The primary objective of the Fund is to generate returns in MUR, its capital-raising currency. The liquidity of the Fund is managed on a day-to-day basis in MUR. The Fund's performance is evaluated in MUR. Therefore management considers MUR as the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions.

b) **Going concern**

The Manager of the Fund has made an assessment of its 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 Manager is not aware of any material uncertainty 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.

c) **Estimate**

The Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjournment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are affected in the assumptions when they occur.

• **Expected credit losses (ECLs)**

To calculate the ECL, the Fund has applied judgements that have a significant effect on the amounts recognised in the financial statements and include the classification of financial instruments into financial assets measured at amortised cost category. Estimated ratings have been used for the calculation [See Note 15.4].

4. CAPITAL MANAGEMENT

As a result of the ability to issue, repurchase and resell units, the capital of the Fund can vary depending on the demand for redemption and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's prospectus.

The investment objective of the Fund is to achieve attractive risk-returns through a combination of long-term capital appreciation and current income by making portfolio investments.

The Fund's objectives for managing capital are:

- To invest the capital in investments, meeting the description, risk, exposure and expected return indicated in its prospectus.
- To maintain sufficient liquidity to meet the expenses of the Fund, and to meet redemption requests as they arise.
- To maintain sufficient size to make the operation of the Fund cost efficient.

The capital of the Fund consists of units denominated in Mauritian Rupees and is redeemable at the option of the unit holder based on net asset value.

(a) Movement in units during the year

	2019 No. of units	2019 MUR	2018 No. of units	2018 MUR
At start of year	10,612,421	107,986,966	4,949,594	48,475,575
Units created	6,747,472	71,940,511	5,740,089	60,315,266
Units liquidated	(1,023,937)	(10,832,055)	(77,262)	(803,875)
At end of year	16,335,956	169,095,422	10,612,421	107,986,966

(b) Net asset value per unit

	2019 MUR	2018 MUR
<u>Before distribution</u>		
Net Asset Value (MUR)	177,354,458	115,388,611
Net units created	16,335,956	10,612,421
Net asset value per unit	10.86	10.87
<u>After distribution</u>		
Net Asset Value (MUR)	170,685,935	115,545,150
Net units created	15,976,158	10,917,810
Net asset value per unit	10.68	10.58

(c) Prices per unit

Issue price	10.91	10.93
Redemption price	10.80	10.82

5. OTHER RECEIVABLES

	2019 MUR	2018 MUR
Dividend receivable	66,360	72,181
Other receivables	48,853	44,819
Prepayments	31,871	29,481
	145,084	146,481

The carrying value of the other receivables approximates its fair value and is receivable within 3 months.

6. AVAILABLE-FOR-SALE INVESTMENTS

Local and foreign investments	Local MUR	Foreign MUR	Total MUR
At 01 July 2017	14,353,245	4,807,025	19,160,270
Additions	6,303,559	8,339,692	14,643,251
Disposals	(7,343,988)	(3,554,451)	(10,898,419)
Fair value adjustment	57,073	(127,606)	(70,533)
At 30 June 2018	13,369,909	9,464,660	22,834,569
Disposal proceeds	6,803,585	2,851,789	9,655,374
At 01 July 2018	13,369,909	9,464,660	22,834,569
Reclassified to Financial assets measured at fair value through other comprehensive income as per IFRS 9 (Note 7)	(13,369,909)	(9,464,660)	(22,834,569)
At 30 June 2019	-	-	-

AVAILABLE-FOR-SALE INVESTMENTS are further analysed as follows:

	Equity MUR	Debt MUR	Total MUR
Balance as at 01 July 2018	6,856,517	15,978,052	22,834,569
Reclassified to Financial assets measured at fair value through other comprehensive income as per IFRS 9 (Note 7)	(6,856,517)	(15,978,052)	(22,834,569)
At 30 June 2019	-	-	-

7. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Equity MUR	Debt MUR	TOTAL MUR
Quoted investments			
At 01 July			
Reclassified from Available for sale as per IFRS 9 (Note 6)	6,856,517	15,978,052	22,834,569
Reclassified from loans and receivables as per IFRS 9 (Note 8)		2,523,057	2,523,057
Additions	2,379,042	27,771,295	30,150,337
Disposals	(548,511)	-	(548,511)
Expected credit losses [see note 7 (c)]		(146,888)	(146,888)
Fair value adjustment	(515,140)	782,978	267,838
At 30 June 2019	8,171,908	46,908,494	55,080,402
Disposal Proceeds	408,000	-	408,000

7(a) Equity at Financial assets measured at fair value through other comprehensive income

	Fair value 2019	Dividend 2019
SBM Bank (Mauritius) Ltd - SBMH MP EQUITY	1,701,956	91,503
NEW MAURITIUS HOTELS PREFERENCE	178,400	10,560
Ascencia Ltd - ASCE MP EQUITY	41,351	990
Ascencia Ltd - ASCEP MP Equity	23,887	1,940
Grit Real Estate Income Group	1,249,450	99,544
ISHARES IBOX \$ HIGH YIELD CORPORATE	1,043,446	39,251
ISHARES US PREFERRES STOCK ETF US	1,582,081	60,569
iShares Core US Aggregate Bond ETF	2,351,337	15,293
ENL LAND LTD-PREF - SAVAP MP Equity	-	35,700
	8,171,908	355,350

SBM YIELD FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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7. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Upon initial recognition, the Fund can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Fund benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Fund elected to classify irrevocably its listed and non-listed equity investments under this category.

7(b) Debt at Financial assets measured at fair value through other comprehensive income	Fair value	Interest Income	Maturity dates
	2019	2019	
SBM MAHARAJA BOND FUND	6,010,804	-	
Evaco Bond	4,738,399	299,398	16-Jun-21
MCB Group Ltd 3.5% 5Y Notes	2,417,835	87,500	22-Jan-23
IBL LTD_5%_SERIES 2 NOTES	10,289,005	247,945	08-Sep-22
SBM MUR Note 5.75% Class A2 Series Bond	3,999,267	115,000	28-Jun-28
SBM USD Note 4.75% Class B2 Series Bond	1,599,454	38,015	28-Jun-25
182D TBILL 230819 2.80%	8,982,224	-	23-Aug-19
182D TBILLS_221119	8,891,506	-	22-Nov-19
	46,908,494	787,858	
Financial assets measured at fair value through other comprehensive income	55,080,402		

7(c) Allowance for expected credit losses (ECLs) on amortised costs are analysed as follows:	Fair value	2019
	2019	MUR
Effect of adoption of IFRS 9 on retained earnings at 01 July 2018		-
<u>Movement during the year</u>		
MCB Group Ltd 3.5% 5Y Notes	2,417,835.00	3,346
SBM MUR Note 5.75% Class A2 Series Bond	3,999,267.00	5,535
IBL LTD_5%_SERIES 2 NOTES	10,289,005.00	92,975
EVACO LTD 5YR NOTES	4,738,399.00	42,818
SBM USD Note 4.75% Class B2 Series Bond	1,599,454.00	2,214
At 30 June	23,043,960	146,888

7(d) Analysis on gain/(loss) on disposal

	2019	2018
	MUR	MUR
Gain/(loss) on disposal		
Equity Investment at Financial assets at fair value through other comprehensive income	(140,511)	1,632,302
Debt investment held at amortised cost	385,408	1,897,204
	244,897	3,529,506

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8. LOANS AND RECEIVABLES

	2019 MUR	2018 MUR
At 01 July	84,842,890	29,581,862
Additions		63,207,463
Disposals		(8,146,435)
Reclassified to financial assets measured at fair value through other comprehensive income (Debt Elements-see note 7)	(2,523,057)	-
Reclassified to financial assets at amortised cost as per IFRS 9 (see note 9)	(82,119,833)	-
	-	84,642,890

Loans and receivables are further analysed as follows:

Details of Loans and Receivables	Interest rate	Maturity	Debt MUR	Deposits with financial institutions MUR	TOTAL MUR
Corporate bonds	3.50% - 4.98%	Oct 2018 - Feb 2025	2,523,057	11,221,707	13,744,764
Government bonds	3.94% - 7.40%	Dec 2022 - May 2038	-	61,883,918	61,883,918
Structured Note	3.70% - 5.00%	Dec 2018 - Nov 2022	-	9,014,208	9,014,208
			2,523,057	82,119,833	84,642,890
Reclassified to financial assets at fair value through other comprehensive income			(2,523,057)	-	(2,523,057)
Reclassified to financial assets at amortised cost			-	(82,119,833)	(82,119,833)
			-	-	-

The deposits with financial institutions are classified as loans and receivables and carried at amortised cost.

9. FINANCIAL ASSETS HELD AT AMORTISED COST

	2019 MUR	2018 MUR
At 01 July	-	-
Reclassified from loans and receivables as per IFRS 9 (Note 8)	82,119,833	-
Additions	72,418,657	-
Disposals	(33,609,779)	-
Allowance for expected credit losses (ECLs) (Note 9(a))	(389,373)	-
	-	-
At 30 June	120,537,338	-
Disposal Proceeds	34,399,583	-

The financial assets held at amortised cost are further analysed as follows:

	Interest rate	Maturity	2019 MUR
Corporate Bonds	4.98% - 5.60%	Dec 2019 - Apr 2026	12,919,100
Government bonds	3.94% - 7.40%	Dec 2022 - Feb 2039	104,513,870
Structured Note	4.30%	Nov 2022	3,004,368
At 30 June			120,537,338

9.(a) Allowance for expected credit losses (ECLs) on amortised costs are further analysed as follows:

	Fair Value Exclude ECL MUR	ECL Under Profit & Loss MUR	ECL Under Retained Earnings MUR	Total Fair Value Including ECL MUR
3.94%5YRGMBND151222	1,463,470	-	980	1,462,490
5.05%15YGOMBD220133	6,073,299	-	4,096	6,089,203
5.10%GOMBN05.11.23	8,061,340	5,402	-	8,065,938
5.95% 15 YR GOM BOND 9/11/33	7,124,445	4,784	-	7,119,661
5.95%20YGOMBN08.02.2039	18,348,058	11,964	-	18,336,094
6.08%20YFCOMB070938	3,053,405	1,991	-	3,051,415
6.18%20YGOMBN110538	10,190,335	-	6,884	10,183,451
Alpha Capital Protected Note - Series 1	3,031,374	-	27,256	3,004,118
Ciel Note	5,142,644	-	31,552	5,111,092

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9.(a) Allowance for expected credit losses (ECLs) on amortised costs are further analysed as follows:

GOMBOND_20YR_070938	8,151,608	5,315	-	8,146,293
GOVT BOND 6.50% 22/07/36	3,453,350	-	2,346	3,451,014
MAURGB 5.42 03/09/28	3,033,975	-	2,047	3,031,928
MAURGB 6.50% 22/07/36	5,615,661	-	3,810	5,611,851
MAURGB 7% 15/01/36	2,340,953	-	1,592	2,339,361
MAURGB 7.00% 15/01/36	2,959,911	-	2,014	2,957,897
MAURGB 7.4 01/25/28	14,614,190	-	11,065	14,603,125
SBM MASALA BOND NOTE-SERIES B I	5,039,726	-	45,559	4,994,167
15Y2029 Inflation Indexed Bond	1,078,989	-	740	1,078,249
15Y2030 Inflation Indexed Bond	5,141,796	-	3,492	5,138,304
15Y2033 Inflation Indexed Bond	3,978,253	-	2,706	3,975,547
ABC Banking Corporation Ltd - 5.60%	3,029,918	205,138	-	2,824,780
ETC Bond - 1 Year USD Structured Note	-	-	8,640	(8,640)
	<u>120,826,711</u>	<u>234,594</u>	<u>154,779</u>	<u>120,637,338</u>

10 Allowance for expected credit losses (ECLs)

	ECL on FVOCI	ECL on amortised cost	TOTAL
	2019 MUR	2019 MUR	MUR
Effect of adoption of IFRS 9 on retained earnings at 01 July 2018	-	154,779	154,779
Movement during the year	146,888	234,594	381,482
At 30 June	<u>146,888</u>	<u>389,373</u>	<u>536,261</u>

11. FAIR VALUE MEASUREMENT HIERARCHY

Fair value of the Fund's local and foreign investments that are measured at fair value on a recurring basis

IFRS 13 requires disclosures relating to fair value measurement using a three level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level of input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability.

Level 1 fair value measurements are those derived from quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable for the asset, either directly or indirectly.

Level 3 fair value measurements are those derived from Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable not based on observable market data.

The following table provides an analysis of local and foreign investments grouped into level 1 and 2 based on the degree to which the fair value is observable.

	Level 1 MUR	Level 2 MUR	Total MUR
2018			
Available-for-sale financial assets:			
Equity investments	6,856,517	-	6,856,517
Debt investments	15,978,052	-	15,978,052
At 30 June 2018	22,834,569	-	22,834,569
2019			
Fair Value through other comprehensive income :			
Equity investments	8,171,908	-	8,171,908
Debt investments	46,908,494	-	46,908,494
At 30 June 2019	55,080,402	-	55,080,402

There were no transfer between level 1 and 2 during the year.

Concentration of equity price risk

The equity investments are further analysed as follows:

	2019 MUR	2018 MUR	2019 %	2018 %
<u>Local</u>				
Banks, insurance and other finance sector	1,701,956	2,220,474	53	74
Property development	66,238	604,175	2	20
Leisure and hotels sector	178,400	196,000	6	6
Others	1,249,450	-	39	-
	3,195,044	3,020,649	100	100
	2019 MUR	2018 MUR	2019 %	2018 %
<u>Foreign</u>				
Financial Sector	4,976,864	3,835,868	100	100
	8,171,908	6,856,517		

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12. OTHER PAYABLES

	2019	2018
	MUR	MUR
Manager's fees	115,687	76,171
Trustee's fees	27,812	11,925
Auditor's fees	84,037	68,527
Administrator's fees	20,415	13,442
Entry and exit fees	781	13,136
Redemption payable	154,151	110,902
Custodian fees	7,334	4,687
Other payables	476,020	285,971
	<u>886,237</u>	<u>584,761</u>

The carrying amount of other payables approximate their fair value.

Other payables are unsecured, interest free and repayable within 3 months.

13. TAXATION

Income tax is calculated at the rate of 15% on profit for the year as adjusted for income tax purposes (2017: 15%).

(a) Income tax liability

	2019	2018
	MUR	MUR
At 01 July	80,890	16,518
(Over)/Under provision in previous year	(54,481)	9,230
Provision for the year	664,719	257,276
Tax paid	(194,657)	(202,134)
At 30 June	<u>496,471</u>	<u>80,890</u>

(b) Reconciliation between tax expense and tax on accounting profit

	2019	2018
	MUR	MUR
Accounting profit	4,569,324	7,029,485
Tax on accounting profit at the tax rate of 15%	685,399	1,054,423
Tax effect of:		
Non taxable income	(71,244)	(819,371)
(Under)/Over provision in previous year	(54,481)	9,230
Over provision in current year	(6,657)	-
Non-deductible expenses	57,221	22,224
Tax expenses	<u>610,238</u>	<u>266,506</u>

Tax expense

Current tax provision for the year	664,719	257,276
(Under)/Over provision in previous year	(54,481)	9,230
	<u>610,238</u>	<u>266,506</u>

14. RELATED PARTY DISCLOSURES

During the years ended 30 June 2019 and 2018, the Fund transacted with related entities. Details of the nature, volume of transactions and balances with the entities are shown below.

	2019	2018
	MUR	MUR
Amount due to related party		
<u>Investment manager</u>		
- Manager fees payable	115,687	76,171
- Entry and Exit fees payable	781	13,136
<u>Administrator</u>		
- Administrator fees payable	20,415	13,442
<u>Trustee</u>		
- Trustee fee payable	27,812	11,925
Fees and Commission expense		
<u>Investment manager</u>		
- Manager fees	1,211,874	597,784
- Registry fees	142,573	62,841
<u>Trustee</u>		
- Trustee fees	144,097	69,858
<u>Administrator</u>		
- Administrator fees	213,860	108,859

Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivable or payable.

15. FINANCIAL RISK MANAGEMENT

Risk is inherent in the Fund's activities and is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls put in place at the investment manager company level. The Fund is exposed to market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds. The Fund has investment guidelines that set out its overall business strategies and its tolerance for risk.

15.1 Categories of financial instruments

	2019	2018
	MUR	MUR
Financial assets		
Available for sale investments	-	22,834,569
Loans and receivables	-	93,190,212
Financial assets held at amortised cost	120,537,338	-
Financial assets designated at fair value through other comprehensive income	55,080,402	-
Cash and cash equivalents	2,974,344	-
Other receivables	145,084	-
	178,737,168	116,024,781
Financial liabilities		
Other payables	886,237	584,761
	886,237	584,761

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

15.2 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial asset, financial liability and equity.

15.3 Risk management

The Fund's credit risk is managed by the investment manager subject to the Fund's established policy, procedures and controls. The credit exposure is monitored by the investment team and reported to the Fund's board and Investment Committee on a quarterly basis. There are internal limits with respect to single issuer exposure, maximum sector exposure and the Fund will hold a diversified portfolio of securities in mitigating overall portfolio credit risk. Investment-grade securities are mostly targeted in managing credit risk but credit migration is monitored.

15.4 Market risk

Market risk is the risk of loss resulting from adverse movement in market rates or prices such as interest rates, foreign exchange rates and equity prices.

Foreign currency risk

The Fund invests in securities, including maintenance of cash that are denominated in such currencies other than in Mauritian Rupee ("MUR"). Accordingly, the value of the Fund's assets may be affected favourably or unfavourably by fluctuations in currency rates. Therefore, the Fund will necessarily be subject to foreign exchange risk.

At the reporting date, the carrying amounts of foreign currency denominated monetary assets were as follows:

Monetary assets (Balances with local banks)	2019	2018
	MUR	MUR
USD	154,366	927,880
EUR	328	330

The following table analyses the Fund's concentration of country risk in the Fund's portfolio by geographical distribution:

Local and foreign investments	2019	2018	2019	2018
	MUR	MUR	%	%
Mauritius	42,493,280	13,369,909	77	59
United States of America	12,587,122	9,484,660	23	41
	<u>55,080,402</u>	<u>22,834,569</u>	<u>100</u>	<u>100</u>

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

15.3 Market risk (Continued)

Foreign currency risk (continued)

At the reporting date, the carrying amounts of foreign currency denominated monetary assets and non-monetary assets were as follows:

Monetary and Non-monetary assets (Balances with local banks and Investments)

	2019	2018
	MUR	MUR
USD	12,741,488	10,392,540
EUR	328	330
	<u>12,741,816</u>	<u>10,392,870</u>

Foreign currency sensitivity analysis

The following shows the Fund's sensitivity to a 10% appreciation/depreciation in the Mauritian Rupee (MUR) against the relevant foreign currencies. 10% represents management's assessment of a reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items (mainly bank balances) and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit where the Rs weakens by 10% against the relevant currency. For a 10% strengthening of the Rs against the relevant currency, there would be an equal but opposite impact on the profit, net assets and the balances below would be negative.

Monetary assets (Balances with local banks)

	2019	2018
	MUR	MUR
Effect on profit before tax		
Currency		
USD	15,437	92,788
EUR	33	33

Equity price risk

The Fund is exposed to the risk that the value of its investment securities will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or factors affecting all securities traded in the market. Market risk is managed through diversification of the investment portfolio.

Equity price sensitivity analysis

The sensitivity analysis has been determined based on the exposure to equity price risks at the reporting date and assesses the impact of a 5% change in the equity price of local and foreign investment.

	Change in equity price by %	2019 MUR	2018 MUR
Profit before tax	+ 5	2,754,020	1,141,728

A fall in equity prices by 5% would have resulted in an equal but opposite impact on net assets.

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

15.3 Market risk (Continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

The following table analyses the Fund's interest rate risk exposure:

	2019	2018
	MUR	MUR
Variable rate asset		
Financial assets held at amortised cost	4,738,399	4,612,458
Deposits with financial institutions	2,417,835	2,523,057
Balance with bank	-	8,430,322
	<u>7,156,234</u>	<u>15,565,837</u>
Fixed rate assets		
Financial assets measured at fair value through other comprehensive income	5,598,721	5,736,736
Deposits with financial institutions	<u>162,862,786</u>	<u>82,119,833</u>
	<u>168,461,507</u>	<u>87,856,569</u>

The Fund is exposed to interest rate risk on its variable rate assets.

Interest rate sensitivity analysis

The sensitivity analysis below assesses the impact of a change in interest rate over a 12-month period. If the

	Change in interest rate by %	2019	2018
		MUR	MUR
Effect on profit before tax	+ 2	143,125	311,317

A decrease in interest rate by 2% would have resulted in an equal but opposite impact on profit before tax and net assets.

15.4 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation. The Fund is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. These credit exposures exist within debt instruments, short-term trade receivables, and cash and cash equivalents.

The Investment Manager's policy is to closely monitor the creditworthiness of the fund's counterparties by reviewing their credit ratings, financial statements and press releases on a regular basis.

Credit risk disclosures are segmented into two sections based on whether the underlying financial instrument is subject to IFRS 9's impairment disclosures or not.

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

15.4 (i) Credit risk (Continued)

Financial assets subject to IFRS 9's impairment requirements

The fund's financial assets subject to the expected credit loss model within IFRS 9 are financial assets at amortised cost and financial assets at fair value through other comprehensive income. At 30 June 2019, the total financial assets at amortised cost was MUR 120,926,711 on which a loss allowance of MUR 389,373 had been provided. The total financial assets through other comprehensive income (debt instruments) was MUR 23,043,960, on which a loss allowance of MUR 146,888 had been provided. There is not considered to be any concentration of credit risk within these assets. No assets are considered impaired and no amounts have been written off in the period.

15.4 (ii) Credit risk on cash and cash equivalents

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

Probabilities of default have been used to calculate the loss allowance. The 12-month and lifetime probabilities are based on historical data supplied by Moody or Standard and Poor for each credit rating and are recalibrated based on current market prices. Loss given default parameters generally reflect an assumed recovery rate of 55% to 65%. However, if the assets were credit-impaired, the estimate loss would be based on a specific assessment of expected cash shortfalls and on the original effective interest rate. The loss on financial assets is detailed as follows:

2019	Rating	PD_1	LGD_1	MUR
Financial assets				
Government Bonds	Baa1	0.0015	45%	71,228
<u>Corporate Notes</u>				
Alpha Capital Protected Note - Series 1	Unrated	0.0242	37%	27,256
SBM MASALA BOND NOTE-SERIES B	Unrated	0.0242	37%	45,559
MUR	3	0.0164	37%	31,552
Ciel Note	Unrated	0.1660	45%	205,138
ABC Banking Corporation Ltd - 5.60% Notes	Unrated	0.0242	37%	8,640
ETC Bond - 1 Year USD Structured Note	Unrated	0.0031	45%	3,346
MCB Group Ltd 3.5% 5Y Notes	Baa1	0.0031	45%	5,535
SBM MUR Note 5.75% Class A2 Series	Baa1	0.0242	37%	92,975
Bond	unrated	0.0242	37%	42,818
IBL LTD_5%_SERIES 2 NOTES	unrated	0.0242	37%	2,214
EVACO LTD 5YR NOTES	Baa1	0.0031	45%	
SBM USD Note 4.75% Class B2 Series				
Bond				
Total				536,261

Financial assets not subject to IFRS 9's impairment requirements

The Fund is not exposed to credit risk on its equity instruments. These classes of Financial assets are not subject to IFRS 9's requirements as they are measured at FVOCI. The Carrying amount of these assets (equity and debt investments amounting to MUR 8,171,908 and MUR 23,864,534 respectively), under both IAS 39(2018) and IFRS 9 (2019) represents the Fund's maximum exposure to credit risk on financial instruments not subject to IFRS 9 impairment requirements under respective reporting.

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

15.5 Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its shares earlier than expected. The Fund is exposed to cash redemptions of its redeemable shares on a regular basis. Shares are redeemable at the holder's option based on the Fund's NAV per share at the time of redemption, calculated in accordance with the Fund's prospectus.

The Manager may limit the total number of the units in the Fund that may be redeemed on any business day to 10% of that outstanding units in the Fund.

The Fund's policy is to satisfy redemption requests by the following means (in decreasing order of priority):

- Searching for new investors
- Withdrawal of cash deposits
- Disposal of highly liquid assets (i.e., short-term, low-risk debt investments)
- Disposal of other assets

The Fund invests primarily in marketable securities and other financial instruments which, under normal market conditions, are readily convertible to cash. In addition, the Fund's policy is to maintain sufficient cash and cash equivalents to meet normal operating requirements and expected redemption requests.

Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Fund can be required to pay.

Financial assets

Analysis of equity and debt securities into maturity groupings is based on the expected date on which these assets will be realised. For other assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or, if earlier, the expected date on which the assets will be realised.

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15. FINANCIAL RISK MANAGEMENT (CONTINUED)

15.5 Liquidity risk

Financial assets

The following table summarises the maturity profile of the Fund's financial liabilities based on contractual undiscounted cash flows. The table also analyses the maturity profile of the Fund's financial assets (undiscounted where appropriate) in order to provide a complete view of the Fund's contractual commitments and liquidity.

	Less than 1 year		1 to 2 years		2 to 5 years		Over 5 years		No stated maturity		Total
	MUR		MUR		MUR		MUR		MUR		MUR
2019											
Cash and cash equivalents											
Other receivables	2,974,344		-		-		-		-		2,974,344
Financial assets measured at fair value through other comprehensive income	113,213		-		-		-		-		113,213
Financial assets at amortised cost	17,853,730		-		-		5,598,721		31,627,951		55,080,402
Total financial assets	4,994,508		-		12,522,800		103,020,030		-		120,537,338
Other payables	25,935,795		-		12,522,800		108,618,751		31,627,951		178,705,297
Total financial liabilities	886,237		-		-		-		-		886,237
Net assets	25,049,558		-		12,522,800		108,618,751		31,627,951		177,819,060
2018											
Cash and cash equivalents											
Other receivables	8,430,322		-		-		-		-		8,430,322
Available-for-sale	117,000		-		-		-		-		117,000
Loan and receivables	7,027,012		5,041,780		6,991,796		65,582,302		17,097,833		22,834,569
Total financial assets	15,574,334		5,041,780		6,991,796		71,319,038		17,097,833		116,024,781
Other payables	584,761		-		-		-		-		584,761
Total financial liabilities	584,761		-		-		-		-		584,761
Net assets	14,989,573		5,041,780		6,991,796		71,319,038		17,097,833		115,440,020

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

15.5 Liquidity risk (Continued)

Excessive risk concentration

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentration of risks arises when a number of financial instruments or contracts are entered into with the same counterparty or when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic political or other conditions. Concentrations of liquidity risk may arise from repayment terms of financial liabilities. Concentrations of foreign exchange risk may arise if the Fund has a significant net open position in a single foreign currency. In order to avoid excessive concentration of risk, the Fund's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The investment manager is instructed to reduce exposure to excessive risk concentrations.

The Fund shall not invest more than 20% of its Net Asset Value in securities issued by a single issuer (a company or other corporate entity including the subsidiaries thereof) at the time of purchase.

The Fund shall not hold more than 20% of any class of security listed or unlisted, issued by a single issuer.

16. INCOME

	2019	2018
	MUR	MUR
<u>Interest income calculated using effective interest method</u>		
Income on government bond	2,362,870	2,033,038
Interest on deposits with financial institutions	4,170,811	872,044
Interest on other investments	-	68,473
	6,533,681	2,973,555
Dividend income	355,350	361,684
Total	6,889,031	3,335,239

Investment revenue earned on financial assets analysed by category of asset, is as follows:

	2019	2018
	MUR	MUR
Financial assets measured at fair value through other comprehensive income	355,350	361,684
Financial assets held at amortised costs (including cash and bank)	6,533,681	2,973,555
	6,889,031	3,335,239

17. MANAGER'S FEES

Manager's fees are computed daily based on 0.85% p.a of net asset value of the Fund and are payable monthly in arrears.

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18. TRUSTEE'S FEES

Trustee's fees are computed daily based on 0.15% p.a of net asset value of the Fund plus VAT up to 30 May 2017 and revised to 0.085% p.a of net asset value of the Fund plus VAT as from 1 June 2017 with a minimum of MUR 3,500 and maximum MUR 6,000 per month and the fees are payable monthly in arrears.

19. REGISTRY'S FEES

Registry's fees are computed daily based on 0.10% p.a of net asset value of the Fund and are payable monthly in arrears. They also include fees related to tax filing services.

20. ADMINISTRATOR'S FEES

Administrator's fees are computed daily based on 0.15% p.a of net asset value of the Fund and are payable monthly in arrears. They also include fees related to tax filing services.

21. ENTRY FEE AND EXIT FEE

On the issue of units, an entry fee of 0.5% of the net assets value of the Fund per unit is paid by the unitholder to the Fund and, on the repurchase of units, an exit fee of 0.5% of the net asset value of the Fund per unit is paid by the unitholder to the Fund. The sums collected are then remitted to the Manager.

22. DISTRIBUTION TO UNITHOLDERS

	2019	2018
	MUR	MUR
Proposed distribution to unitholders at 30 June and approved on 24 July 2019 (2018:20 July 2018)		
Proposed distribution per unit	4,092,811	3,459,649
	0.2505	0.3260

23. Events after reporting date

After reporting date, on 28 August 2019, an amount of MUR 1,344,439 was distributed as dividend to unitholders, with a remaining balance re-invested on dealing 30 August 2019.

Apart from the dividend declaration, there has been no other material events after the reporting date which would require disclosure or adjustment to the Financial Statements for the year ended 30 June 2019.