

ASHMORE GCC DIVERSIFIED TRADE FUND
(An open-ended mutual fund)
Managed by
ASHMORE INVESTMENT SAUDI ARABIA
Financial statements
For the six months period ended 30 June 2020
together with the
Independent auditor's review report

ASHMORE GCC DIVERSIFIED TRADE FUND
(An open-ended mutual fund)
Managed by
ASHMORE INVESTMENT SAUDI ARABIA
FINANCIAL STATEMENTS
For the period ended 30 June 2020

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KPMG Al Fozan & Partners
Certified Public Accountants
Riyadh Front, Airport road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Telephone +966 11 874 8500
Fax +966 11 874 8600
Internet www.kpmg.com/sa

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

Independent auditor's review report on the interim condensed financial statements

To the unitholders of Ashmore GCC Diversified Trade Fund

Introduction

We have reviewed the accompanying 30 June 2020 interim condensed financial statements of **Ashmore GCC Diversified Trade Fund** ("the Fund"), managed by Ashmore Investment Saudi Arabia ("the Fund Manager"), which comprises:

- the interim condensed statement of financial position as at 30 June 2020;
- the interim condensed statement of comprehensive income for the six months period ended 30 June 2020;
- the interim condensed statement of changes in net assets (equity) attributable to the unitholders for the six months period ended 30 June 2020;
- the interim condensed statement of cash flows for the six months period ended 30 June 2020; and
- the notes to the interim condensed financial statements.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2020 interim condensed financial statements of **Ashmore GCC Diversified Trade Fund** ("the Fund") are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

Khalil Ibrahim Al Sedais
License No: 371



28 Dhul Hijjah 1441H
Corresponding to: 18 August 2020

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

		As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
	<u>Note</u>		
<u>ASSETS</u>			
Cash and cash equivalents	7	3,766,047	128,251,254
Investments at fair value through profit or loss (FVTPL)	8	116,462,205	261,383,066
Investments measured at amortised cost	9	431,412,687	344,563,142
Accounts receivable	10	--	26,000,000
Total assets		551,640,939	760,197,462
<u>LIABILITIES</u>			
Accounts payable		1,000,000	--
Accrued expenses		309,554	365,857
Total liabilities		1,309,554	365,857
Net assets (equity) attributable to the unitholders		550,331,385	759,831,605
Units in issue (numbers)		51,735,081	67,705,674
Net assets (equity) value attributable to each unit – IFRS	18	10.6375	11.2226
Net assets (equity) value attributable to each unit – Dealing	18	10.6375	11,2230

The accompanying notes (1) to (21) form an integral part of these interim condensed financial statements.

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

		For the six months period ended 30 June	
	<u>Notes</u>	<u>2020</u>	<u>2019</u>
<u>INCOME</u>			
Special commission income		10,426,353	8,645,342
Net gains from investments at FVTPL	<i>11</i>	2,456,850	1,222,418
		12,883,203	9,867,760
<u>EXPENSES</u>			
Provision for expected credit losses	<i>9</i>	46,092,174	3,128
Management fee	<i>12,13</i>	1,968,089	1,279,784
Administration fee	<i>12,13</i>	157,448	102,383
Foreign exchange loss		138,134	38,601
Custody fee	<i>12,13</i>	122,950	82,535
Other expenses	<i>14</i>	926,765	50,411
		49,405,560	1,556,842
Net (loss) / income for the period		(36,522,357)	8,310,918
Other comprehensive income		--	--
Total comprehensive (loss) / income for the period		(36,522,357)	8,310,918

The accompanying notes (1) to (21) form an integral part of these interim condensed financial statements.

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

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ASHMORE INVESTMENT SAUDI ARABIA

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

	For the six months period ended	
	30 June	
	<u>2020</u>	<u>2019</u>
Net assets (equity) attributable to the unitholders at beginning of the period	759,831,605	406,548,671
Net (loss) / income for the period	(36,522,357)	8,310,918
Proceeds from issuance of units	220,768,915	259,981,842
Payments for redemption of units	(393,746,778)	(85,900,604)
Net assets (equity) attributable to the unitholders at end of the period	550,331,385	588,940,827

UNIT TRANSACTIONS

Transactions in units for the period are summarised as follows:

	For the six months period ended	
	30 June	
	<u>2020</u>	<u>2019</u>
	<i>(In units)</i>	<i>(In units)</i>
Units in issue at beginning of the period	67,705,674	37,585,484
Units issued	19,605,235	23,817,576
Units redeemed	(35,575,828)	(7,874,426)
Units in issue at end of the period	51,735,081	53,528,634

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

		For the six months period ended	
		30 June	
	<u><i>Note</i></u>	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) / income for the period		(36,522,357)	8,310,918
<i>Adjustments to reconcile net income to net cash generated from / (used in) operating activities:</i>			
Provision for expected credit losses	10	46,092,174	3,128
Unrealised losses / (gains) on investments at FVTPL	11	652,796	(1,188,801)
		10,222,613	7,125,245
Net changes in operating assets and liabilities			
Decrease / (increase) in investments at FVTPL		144,268,065	(92,323,730)
Increase in investments measured at amortised cost		(132,941,719)	(119,549,587)
Decrease / (increase) in accounts receivable		26,000,000	(958,598)
Increase in accounts payable		1,000,000	--
(Decrease) / increase in accrued expenses		(56,303)	79,121
Net cash generated from / (used in) operating activities		48,492,656	(205,627,549)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of units		220,768,915	259,981,842
Payments for redemption of units		(393,746,778)	(85,900,604)
Net cash (used in) / generated from financing activities		(172,977,863)	174,081,238
Net decrease in cash and cash equivalents		(124,485,207)	(31,546,311)
Cash and cash equivalents at beginning of the period		128,251,254	219,926,416
Cash and cash equivalents at end of the period	7	3,766,047	188,380,105

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ASHMORE GCC DIVERSIFIED TRADE FUND
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ASHMORE INVESTMENT SAUDI ARABIA
Notes to the interim condensed financial statements
For the six months period ended 30 June 2020

1. THE FUND AND ITS ACTIVITIES

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

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

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

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

2. REGULATORY AUTHORITY

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

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

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

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

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4. BASIS OF PRESENTATION

4.1 *Statement of compliance*

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

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Fund’s annual financial statements for the year ended 31 December 2019.

4.2 *Basis of measurement*

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

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

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

4.3 *Functional and presentation currency*

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

4.4 *Use of estimates and judgements*

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

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

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2019.

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6. STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Fund has not early adopted any of the forthcoming amended standards in preparing these interim financial statements.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

	<u>Note</u>	As at 30 June 2020 (unaudited)	As at 31 December 2019 (audited)
Balance with banks		3,766,047	4,103,623
Cash equivalents	7.1	--	124,147,631
		<u>3,766,047</u>	<u>128,251,254</u>

- 7.1 As at 31 December 2019, the cash equivalents comprise of Murabaha placements with original maturity of less than three months and carry profit rate from 4.4 percent per annum to 6.5 percent per annum with maturities of up to 6 March 2020.

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

A summary of the investment portfolio is set out below:

<u>As at 30 June 2020 (unaudited)</u>	<u>Cost</u>	<u>Market value</u>
Mutual Funds:		
Al Rajhi Commodity SAR Fund	80,832,286	81,161,103
Muscat Capital Money Market Fund	20,326,362	20,646,657
Al Awwal Saudi Riyal Murabaha	6,891,585	7,161,391
Itqan Murabahat And Sukuk Fund	3,493,414	3,600,277
Sukuk:		
Murabaha Marina Financing Company	3,849,910	3,892,777
	<u>115,393,557</u>	<u>116,462,205</u>

<u>As at 31 December 2019 (audited)</u>	<u>Cost</u>	<u>Market value</u>
Mutual Funds:		
Al Ahli Diversified Saudi Riyal Fund	133,418,477	133,870,937
Riyad SAR Trade Fund	92,712,543	93,272,113
Muscat Capital Money Market Fund	13,500,000	13,764,613
Al Awwal Saudi Riyal Murabaha	10,000,000	10,297,189
Itqan Murabaha And Sukuk Fund	5,500,000	5,577,658
Sukuk:		
Murabaha Marina Financing Company	4,600,449	4,600,556
	<u>259,731,469</u>	<u>261,383,066</u>

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9. INVESTMENTS MEASURED AT AMORTISED COST

	As at 30 June 2020 (unaudited)	As at 31 December 2019 (audited)
Money market placements:		
National Bank of Ras Al-Khaimah PJSC	138,097,389	97,479,726
GFH Financial Group BSC	87,085,736	--
National Bank of Fujairah PJSC	60,733,965	--
Riyad Bank	--	87,890,725
Wakala placements:		
First Abu Dhabi Bank PJSC (Note 9.1)	178,552,051	157,337,081
Sukuk placements:		
Dar Al Arkan Sukuk Co Lt	11,180,110	--
Arabian Centres Sukuk Ltd	1,884,625	1,884,625
	477,533,876	344,592,157
Less: Provision for expected credit losses (Note 9.2)	(46,121,189)	(29,015)
	431,412,687	344,563,142

The average effective special commission rate on money market placements at the period end is 5.12% p.a. (31 December 2019: 3.64% p.a.).

Wakala and Sukuk placements carry fixed special commission rates. As at 30 June 2019 and 31 December 2019, the special commission rates are as follows:

- Wakala - First Abu Dhabi Bank PJSC: ranging from 3.75% to 5.65% p.a.
- Sukuk - Arabian Centres Sukuk Ltd: 5.38% p.a.
- Sukuk - Dar Al Arkan Sukuk Co Ltd: 6.88% p.a.

9.1 The Fund Manager (“the Muwakkil”), invests on behalf of the Fund in sukuks, as part of its Wakala agreement with the First Abu Dhabi Bank PJSC (“the Wakil”). The Fund holds various investments as part of the Wakala agreements.

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

During the period, the Fund has recognised ECL amounting to SR 45.73 million for one of the underlying Sukuk of the Fund’s Wakala placements as the Sukuk issuer is currently distressed and has defaulted on its recent special commission payments. Accordingly, and due to the significant increase in credit risk, 100% PD was therefore assigned and the exposure was moved to Stage 3 classification in line with the requirements of IFRS 9. As at 30 June 2020, the Fund Manager expects to recover the investment at market value and in which case, this market value can either be realised by selling the sukuk to a willing buyer in the secondary market or from early terminating the Wakala agreement with the Wakil. In the event of such early termination and in accordance with the Wakala agreement, the Wakil will be required to pay the Muwakkil the fair market value of the investment. Based on management assessment and in the absence of available historical and expected data pattern, the Fund Manager’s best estimate of the expected credit loss represents the difference between the amount recoverable (i.e. current market value) and the amortised cost of the investment as at 30 June 2020.

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10. ACCOUNTS RECEIVABLE

The Fund has paid and subscribed units of a mutual fund. As at 31 December 2019, the Fund is yet to be allotted with the units it has subscribed. The allotment of the units was completed subsequent to the year-end.

11. NET GAINS ON INVESTMENTS AT FVTPL

	For the six months period ended 30 June (unaudited)	
	<u>2020</u>	<u>2019</u>
Realised gains	3,109,646	33,617
Unrealised (losses) / gains	(652,796)	1,188,801
	<u>2,456,850</u>	<u>1,222,418</u>

Realized gains on investments at FVTPL is calculated based on weighted average cost of securities.

12. MANAGEMENT FEE AND OTHER FEES

The Fund pays management fee calculated at an annual rate of 0.5 percent per annum of the Fund's net assets (equity) attributable to the unitholders. Management fee is accrued daily and paid on a monthly basis per the Terms and Conditions of the Fund. The Fund pays custody fee, administration fee and registration fee to HSBC Saudi Arabia. These fees are calculated based on slab percentages linked to net assets (equity) value of the Fund subject to stated minimum fee.

13. TRANSACTIONS WITH RELATED PARTIES

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

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

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

		Transactions		Balance	
		30 June 2020 (unaudited)	30 June 2019 (unaudited)	30 June 2020 (unaudited)	31 December 2019 (audited)
<u>Related party</u>	<u>Nature of transaction</u>				
The Fund Manager	Management fee	1,968,089	1,279,784	248,914	303,037
The Fund Board	Board remuneration	4,973	4,959	4,973	--
HSBC Saudi Arabia	Custody fees	122,950	82,535	15,644	18,288
(Custodian,	Administration fee	157,448	102,383	19,913	24,243
administrator and registrar of the Fund)	Registration fee	15,128	15,862	2,534	3,677

As at 30 June 2020 and 31 December 2019, a member of the Fund Board held 4,869 units of the Fund.

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14. OTHER EXPENSES

	For the six months period ended 30 June (unaudited)	
	<u>2020</u>	<u>2019</u>
Registration fee	15,128	15,862
Professional fee	13,054	13,016
Shariah review fee	9,790	9,298
Board remuneration	4,973	4,959
CMA fee	3,729	3,719
Other expenses	880,091	3,557
	<u>926,765</u>	<u>50,411</u>

Other expenses mainly include charges amounting to SR 0.87 million paid by the Fund in relation to the cancellation of the Fund's Murabaha placements.

15. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

Fair value hierarchy

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

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

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

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

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15. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	Carrying Value	As at 30 June 2020 (unaudited)			
		Level 1	Level 2	Level 3	Total
Investments at FVTPL	<u>116,462,205</u>	<u>112,569,427</u>	<u>--</u>	<u>3,892,778</u>	<u>116,462,205</u>
Total	<u>116,462,205</u>	<u>112,569,427</u>	<u>--</u>	<u>3,892,778</u>	<u>116,462,205</u>

	Carrying Value	As at 31 December 2019 (audited)			
		Level 1	Level 2	Level 3	Total
Investments at FVTPL	<u>261,383,066</u>	<u>256,782,510</u>	<u>--</u>	<u>4,600,556</u>	<u>261,383,066</u>
Total	<u>261,383,066</u>	<u>256,782,510</u>	<u>--</u>	<u>4,600,556</u>	<u>261,383,066</u>

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

The fair values of financial instruments which are not measured at fair value in these interim financial statements, such as cash and cash equivalents, investments measured at amortised cost, accounts receivable, accounts payable and accrued expenses, are not significantly different from the carrying values included in the interim condensed financial statements.

16. FINANCIAL RISK MANAGEMENT

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

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

Risk management framework

The risk management framework and policies of the Fund are consistent with those used and disclosed in the annual financial statements of the Fund for the year ended 31 December 2019.

Credit risk

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

The Fund is exposed to credit risk for its cash and cash equivalents, investments measured at FVTPL (Sukuk), investments measured at amortised cost and accounts receivable. The Fund Manager seeks to limit its credit risk by monitoring credit exposures and by dealing with only reputable counterparties.

Liquidity risk

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

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16. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

The Fund's Terms and Conditions provide for the subscriptions and redemptions of units throughout the week and it is, therefore, exposed to the liquidity risk of meeting unitholders redemptions at any time. However, the Fund is allowed to borrow in order to satisfy redemptions. Substantially all of the Fund's cash and cash equivalents, investments measured at FVTPL, investments measured at amortised cost and accounts receivable are either short-term or considered to be readily realisable. The Fund Manager monitors liquidity requirements on a regular basis and seeks to ensure that funds are available to meet commitments as they arise.

Market risk

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

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

17. LAST VALUATION DAY

The last valuation day of the period was 30 June 2020 (2019: 30 June 2019).

18. NET ASSETS (EQUITY) VALUE

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

During May 2020, the Fund Manager updated the dealing NAV and informed CMA through its letter dated 5 Shawwal 1441H (corresponding to 28 May 2020) in cognizance of the impact that the credit deterioration of one of the underlying Sukuks in the Fund's Wakala placements was having on the Fund's net asset (equity) value as discussed further in note 9.2 of the interim condensed financial statements. In line with the Fund Manager's fiduciary duty and in consultation with the CMA, the Fund Manager adjusted the NAV to reflect the fair unit price for the purpose of redemptions and subscriptions.

19. IMPACT OF COVID-19 OUTBREAK

During March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

Oil prices witnessed significant volatility during the first half of 2020, owing not just to demand issues arising from COVID-19 as the world economies went into lockdown, but also supply issues driven by volume which had predated the pandemic. The oil prices have shown some recovery in late Q2 2020 as oil producing countries cut back production coupled with increasing of demand as countries emerged from lockdowns.

ASHMORE GCC DIVERSIFIED TRADE FUND
(An open-ended mutual fund)
Managed by
ASHMORE INVESTMENT SAUDI ARABIA
Notes to the interim condensed financial statements
For the six months period ended 30 June 2020
(Amounts in SAR)

19. IMPACT OF COVID-19 OUTBREAK (CONTINUED)

These events have significantly impacted the financial market and created volatility in the net asset value of investment funds which may impact the Fund's earnings and cash flows. The management continues to evaluate the current situation through reviewing its investment strategy and other risk management practices to manage the impact COVID-19 outbreak has had on its normal operations and financial performance.

20. SUBSEQUENT EVENTS

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

21. DATE OF AUTHORISATION

These interim condensed financial statements were authorised for issue by the Fund Board on 26 Dhul Hijjah 1441H (corresponding to 16 August 2020).