KPMG

IFRS 7 for investment funds

International Financial Reporting Standards

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AUDIT ▪ TAX ▪ ADVISORY

About this publication

This publication has been produced by KPMG LLP (UK) and KPMG in Ireland and the views expressed herein are those of KPMG LLP (UK) and KPMG in Ireland.

Content

The purpose of this publication is to assist you in assessing the impact of IFRS 7 *Financial Instruments: Disclosures* on financial statements of investment funds for annual periods beginning on or after 1 January 2007, the effective date of the standard.

In addition, this publication illustrates the amendments to IAS 1 *Presentation of Financial Statements* in respect of capital disclosures that were introduced at the same time as IFRS 7 with the same effective date.

This publication is intended to be a supplement to KPMG International Financial Reporting Group's publication *Illustrative financial statements: investment funds*, dated March 2005. Those illustrative financial statements are based on an annual reporting date of 31 December 2005 and do not illustrate the requirements of IFRS 7.

This publication uses the same model investment fund that is the basis of the illustrative financial statements and illustrates how the notes to those financial statements would have differed if IFRS 7 had been applied. Therefore this publication does not represent a complete set of financial statements.

The extent of disclosures required by an investment fund depends on the level of financial instruments entered into, the extent and nature of the entity's risk exposures, and the measures and methodologies which are used by senior management to manage financial risk. The illustrative disclosures in this publication are not intended to provide minimum disclosure examples, nor are they intended to provide guidance on all possible situations requiring disclosure. In addition, IFRS 7 focuses on information provided internally to senior management, which will vary from investment fund to investment fund.

This publication focuses on compliance with IFRS 7, but does not repeat all of that standard's requirements. In addition, IFRSs other than IFRS 7 and the amendments to IAS 1 are not discussed in this publication.

This publication is not intended to be all encompassing and various funds may require various disclosures not included in this publication. This publication does not act as a substitute to referring to IFRS 7.

While this publication is up to date at the time of printing, IFRSs and their interpretation change over time. Accordingly, this publication should not be used as a substitute for referring to the standards and interpretations themselves.

References

The illustrative disclosures are contained on the odd-numbered pages of this publication. The even-numbered pages contain explanatory comments and notes. As noted above, these explanatory comments are not intended to be exhaustive commentary. To the left of each item disclosed, a reference to the relevant paragraph in IFRS 7 is provided.

Because of the limited number of notes in this publication, they are sequentially numbered but not cross-referenced. However, in practice an investment fund would cross-reference relevant notes.

Other ways KPMG member firms' professionals can help

KPMG International Financial Reporting Group has a range of publications that can assist you further, including *Insights to IFRS, The Application of IFRS: Disclosures in Practice, Financial instruments accounting, IFRS: An overview, Disclosure checklist*, *IFRS 7 for Corporates, Illustrative Financial Statements: Banks* and non-banking illustrative financial statements. Technical information is available at www.kpmgifrg.com

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Technical guide

Background

On 18 August 2005 the International Accounting Standards Board (IASB) issued IFRS 7 *Financial Instruments: Disclosures.* The standard supersedes IAS 30 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions* and the disclosure requirements of IAS 32 *Financial Instruments: Disclosure and Presentation*; the presentation requirements of IAS 32 remain unchanged, and many of the disclosure requirements of IAS 32 have been transferred unchanged to IFRS 7. IFRS 7 is effective for annual periods beginning on or after 1 January 2007 with earlier application encouraged.

In recent years the techniques used by entities for measuring and managing their exposure to risks arising from financial instruments have evolved, and new risk management concepts and approaches have gained acceptance. IFRS 7 reflects this changing environment, and makes a number of improvements to the disclosure framework for risks arising from financial instruments.

The objective of IFRS 7 is to introduce disclosure requirements that enable users of the financial statements to evaluate the significance of financial instruments to the entity's financial position and performance, the nature and extent of risks arising from financial instruments to which the entity is exposed, and how the entity manages those risks.

The extent of disclosures required by these standards depend on the entity's use of financial instruments and its exposure to risks.

Scope of publication

This publication is intended to be used in conjunction with KPMG International Financial Reporting Group's publication *Illustrative financial statements: investment funds*, dated March 2005. The table on pages 4 and 5 explains whether the disclosures replace disclosures in the illustrative financial statements, or whether they supplement those disclosures.

The accounting policies included in the illustrative financial statements are not repeated in this publication. IFRS 7 does emphasize the requirements in IAS 1 to disclose accounting policies. The accounting policies should refer to the adoption of IFRS 7.

This publication illustrates the application of IFRS 7 for an investment fund. For illustrative disclosures under IFRS 7 for a bank, see the September 2006 edition of KPMG International Financial Reporting Group's publication *Illustrative Financial Statements: Banks* and for a corporate see the December 2006 edition of KPMG International Financial Reporting Group's publication *IFRS 7 for corporates*.

Assumptions used in preparation of this publication

This publication is for presentation of a fund that has designated its equity and debt held as being fair value through profit and loss and does not include an available-for-sale illustrative example. This publication carries forward the numbers presented in the *Illustrative financial statements: investment funds* and changes the year ends to 31 December 2007 and 31 December 2006.

The investment fund included in this publication has not designated a loan or receivable or a financial liability as at fair value through profit and loss since the debt instruments held by the fund do not meet the definition because they are quoted on an active market, as such it does not include the disclosures required in paragraph 9, 10 or 11 of IFRS 7. For funds with these designations, additional disclosure is required.

This publication provides illustrative examples for market risk sensitivity analyses under both paragraphs 40 and 41 of IFRS 7, but only one is required. The presentation of market risk under both paragraph 40 and 41 is also allowed and encouraged if management uses both as risk measures.

Transitional requirements

IFRS 7 included transitional relief for entities that adopted the standard for an annual period beginning before 1 January 2006. If an investment fund is adopting IFRS 7 for an annual period beginning after that date, then full comparative information is required. This is the case even if IFRS 7 is being adopted before its effective date, e.g., for an annual period beginning on 1 July 2006. These requirements also apply to first-time adopters of IFRSs.

Contents

Updates to Illustrative financial statements: investment funds

The following table details the updates made by this publication to the *Illustrative financial statements: investment funds*, dated March 2005.

Illustrative Financial Statement Reference	**Updated in this publication**	**Location in this publication**	**Explanatory note**
Income statement	No	Not applicable	IFRS 7.20 gives the option to present the required disclosures in the notes or on the face of the Income Statement. This publication presents them in additional notes on pages 7-11.
Statement of changes in net assets attributable to holders of redeemable shares	No	Not applicable	
Balance sheet	No	Not applicable	IFRS 7.8 gives the option to present the required disclosures in the notes or on the face of the Balance Sheet. This publication presents them in an additional note on page 15.
Statement of Cash Flows	No	Not applicable	
Significant accounting policies	No	Not applicable	
Note 1	Yes	Page 7	IFRS 7.20 gives the option to present the required disclosures in the notes or on the face of the Income Statement. This publication presents them in a revised note.
Note 2	Yes	Page 11	IFRS 7.20 gives the option to present the required disclosures in the notes or on the face of the Income Statement. This publication presents them in the notes.
Note 3	Yes	Page 13	Additional capital disclosures inserted in revised note.
Note 4	No	Not applicable	
Note 5	Yes	Page 17	Additional collateral disclosures inserted in revised note
Note 6(a)	Yes	Pages 19 – 33	Additional risk disclosures and sensitivity analysis added.
Note 6(b)	Yes	Pages 35 – 37	Additional risk disclosures and sensitivity analysis added.
Note 6(c)	Yes	Pages 39 – 41	Additional risk disclosures and sensitivity analysis added.
Note 6(d)	Yes	Pages 43 – 51	Revised presentation and added swap disclosure.
Note 7	No	Not applicable	

Updates to Illustrative financial statements: investment funds (continued)

Illustrative Financial Statement Reference	**Updated in this publication**	**Location in this publication**	**Explanatory note**
Note 8	Yes	Pages 53 – 55	Additional disclosures regarding fair value determination added to note.
Note 9	No	Not applicable	
Note 10	Yes	Page 57	IFRS 7.40 and 7.41 give the preparer the option to present a sensitivity analysis for each type of market risk or to present a sensitivity analysis that reflects the interdependencies between risk variables. This publication presents both as a guide for users. Additional disclosure of matters relating to VAR methodology noted.
Report of the independent auditors to the shareholders of *[name]*	No	Not applicable	
Appendix 1 – Schedule of investments	No	Not applicable	
Appendix 2 – Statement of cash flows – indirect method	No	Not applicable	
Appendix 3 – Statement of changes in net assets attributable to holders of redeemable shares	No	Not applicable	
Appendix 3 – Balance sheet	No	Not applicable	
Appendix 3 – Significant accounting policies	No	Not applicable	
Appendix 4 – Index and list or IFRSs and SIC interpretations at 30 June 2004	No	Not applicable	This publication does not provide for an updated list of IFRSs and SIC interpretations.

Note	Reference	Explanatory note
1.	*IFRS 7.20*	An entity shall disclose the following items of income, expense, gains or losses either on the face of the financial statements or in the notes: (a) net gains and losses on: (i) financial assets or financial liabilities at fair value through profit or loss, showing separately those on financial assets or financial liabilities designated as such upon initial recognition, and those on financial assets or financial liabilities that are classified as held for trading. (b) total interest income and total interest expense (calculated using the effective interest method) for financial assets or financial liabilities that are not at fair value through profit or loss; Note: Presentation of illustrative financial statements breaks out dividend income and interest income from realised and unrealised gains and losses on items designated as fair value through profit and loss. Other presentations are possible. IFRS 7.20 gives preparers of financial statements the option of showing the groupings on the face of the financial statements or in the notes. In the *Illustrative financial statements: investment funds*, the income statement is broken out into these groupings but not labelled as the categories noted in IFRS 7.20. Preparers should either prepare this note or label the income statement to match the categories noted in IFRS 7.20. Users of funds that vary from the fund example in the *Illustrative financial statements: investment funds* should ensure that they disclose all of the requirements of IFRS 7.20 including the following (where applicable): c) fee income and expense (other than amounts included in determining the effective interest rate) arising from: (i) financial assets or financial liabilities that are not at fair value through profit or loss; and (ii) trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions; d) interest income on impaired financial assets accrued in accordance with paragraph AG93 of IAS 39; e) the amount of any impairment loss for each class of financial asset. Note: The requirements of 7.20(c)(ii) requires the disclosure of investment management fees, custodian fees, administration fees and directors fees. These expenses are broken out in the Illustrative Financial Statements on the Income Statement. Alternatively, they could be disclosed in the notes to the financial statements. Note: The illustrative example assumes that there is no impairment on assets held by the Fund.
2.	*IFRS 7.20(a)(i)*	IFRS 7.20(a)(i) requires preparers of financial statements to present the net gains and losses on financial assets or financial liabilities at fair value through profit or loss showing separately those assets or liabilities designated as such upon initial recognition and those on financial assets or financial liabilities that are classified as held for trading. Note: IFRS 7.20(a)(i) does not specify whether or not dividend income should be combined or presented separately. The illustrative example separates dividend income from realised and unrealised gains and losses as presented in Note 2.

Reference

1. Interest and Dividend Income

The following table details the interest income earned by the Fund during the period:[1]

Reference	*All amounts stated in euro*	**2007**	**2006**
IFRS 7.20(a)(i)	Interest income from debt securities designated at fair value through profit and loss	363,661	183,190
IFRS 7.20(b)	Interest income for financial assets that are not at fair value through profit or loss:		
	Cash and cash equivalents	2,106	35,315
	Reverse Repurchase agreements	237,173	211,477
	Total interest income	602,940	429,982

Interest income on receivables from reverse repurchase agreements represents interest earned on securities purchased under agreement to sell these securities at a future date, at an agreed price.

The following table details the dividend income earned by the Fund during the period:[2]

Reference	*All amounts stated in euro*	**2007**	**2006**
IFRS 7.20(a)(i)	Dividend income from equity securities designated at fair value through profit and loss	271,801	229,159
	Total dividend income	271,801	229,159

Note	*Reference*	**Explanatory note**
1.	*IFRS 7.20*	An entity shall disclose the following items of income, expense, gains or losses either on the face of the financial statements or in the notes: (b) total interest income and total interest expense (calculated using the effective interest method) for financial assets or financial liabilities that are not at fair value through profit or loss; Note: The illustrative example only had interest expense relating to financial liabilities held at amortised cost. Other Funds might have interest expense on other categories of financial liabilities and would be required to break out the interest expense into the appropriate category.

Reference

Interest Expense

The following table details the interest expense incurred by the Fund during the period:[1]

All amounts stated in euro		**2007**	**2006**
IFRS 7.20(b)	Interest expense for financial assets that are not at fair value through profit or loss:		
	Repurchase agreements	75,036	61,727
	Total interest expense	75,036	61,727

Note *Reference* **Explanatory note**

Note	Reference	Explanatory note
1.	*IFRS 7.20*	An entity shall disclose the following items of income, expense, gains or losses either on the face of the financial statements or in the notes: (a) net gains or net losses on: (i) financial assets or financial liabilities at fair value through profit or loss, showing separately those on financial assets or financial liabilities designated as such upon initial recognition, and those on financial assets or financial liabilities that are classified as held for trading in accordance with IAS 39; (ii) available-for-sale financial assets, showing separately the amount of gain or loss recognised directly in equity during the period and the amount removed from equity and recognised in profit or loss for the period; (iii) held-to-maturity investments; (iv) loans and receivables; and (v) financial liabilities measured at amortised cost; IFRS 7.20 gives preparers of financial statements the option of showing the categories on the face of the financial statements or in the notes. In the *Illustrative financial statements: investment funds*, the income statement is broken out into these groupings but not labelled as the categories noted in IFRS 7.20. Preparers should either prepare this note or label the income statement to match the categories noted in IFRS 7.20. Funds that vary from the fund example in the *Illustrative financial statements: investment funds* should ensure that they disclose all of the requirements of IFRS 7.20.

Note	Reference	Explanatory note
2.	*IFRS 7.B5(e)*	A Fund is required to disclose how net gains and losses on each category of financial instrument are determined, for example, whether the net gains or net losses on items at fair value through profit or loss include interest or dividend income.

Reference

2. Gains and Losses from Financial Assets and Liabilities[1]

The following table details the gains and losses from financial assets and liabilities at fair value through the profit and loss for the period ended:

Reference	*All amounts stated in euro*	**31 December 2007**	**31 December 2006**
IFRS 7.20(a)(i)	**Designated at fair value through profit and loss**		
	Equity investments	2,980,717	2,291,610
	Debt investments	128,796	88,743
	Net gain/(loss) from financial assets and liabilities designated at fair value through profit or loss	3,109,513	2,380,353
IFRS 7.20(a)(i)	**Held for trading**		
	Derivative financial instruments	88,001	(37,022)
	Securities sold short	12,770	37,682
	Net gain/(loss) from financial assets and liabilities designated as held for trading	100,771	660
	Net gains/(losses) from financial assets and liabilities at fair value through profit or loss	3,210,284	2,381,013

IFRS 7.20(a)

IFRS 7.B5(e) Gains and losses presented above excludes interest income, dividend income and interest expense.[2]

1.	*IAS 1.124A*	An entity shall disclose information that enables the users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.
	IAS 1.124B	To comply with paragraph 124A, the entity discloses the following: (a) qualitative information about its objectives, policies and processes for managing capital, including (but not limited to): (i) a description of what it manages as capital; (ii) when an entity is subject to externally imposed capital requirements, the nature of those requirements and how those requirements are incorporated into the management of capital; and (iii) how it is meeting its objectives for managing capital. (b) summary quantitative data about what it manages as capital. Some entities regard some financial liabilities (e.g. some forms of subordinated debt) as part of capital. Other entities regard capital as excluding some components of equity (e.g. components arising from cash flow hedges). (c) any changes in (a) and (b) from the previous period. (d) whether during the period it complied with any externally imposed capital requirements to which it is subject. (e) When the entity has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

2	*IAS 1.124B(a)(ii)*	This Fund assumes that there are no externally imposed capital requirements. Other Funds might have externally imposed requirements; if so, additional disclosures are required.

Reference

3. Share Capital[1]

IAS 1.124A(a)(i) The Fund's capital is represented by the redeemable shares outstanding.

IAS 1.124A(a)(iii) The objective of the Fund is to provide shareholders with above average returns over the medium to long-term through both capital growth and income. The Fund aims to deliver this objective mainly through investing in a highly diversified portfolio of equities listed on European stock exchanges and the New York Stock Exchange, listed corporate debt, commercial paper and short sales. The Fund will also use derivatives to hedge its exposure in certain investments.

The Fund strives to invest the subscriptions of redeemable shares in investments that meet the Fund's investment objectives while maintaining sufficient liquidity to meet shareholder redemptions. The Fund also invests in short-term commercial paper and debt and disposes of listed securities, when necessary, to meet liquidity needs.

The Fund does not have any externally imposed capital requirements.[2]

IAS 1.124A(b) At 31 December 2007, the Fund had capital of €32,625,345 (2006: €29,978,597).

IAS 1.76, 77

Authorised share capital

All amounts stated in euro	*Number of shares*	**2007**	**2006**
Redeemable shares of €0.01 each	4,900,000	49,000	49,000
		49,000	49,000

IAS 1.76, 77

Issued and fully paid

Number of shares	**2007**	**2006**
Balance at 1 January	260,531	172,900
Issue of redeemable shares during the year	56,200	141,831
Redemption of redeemable shares during the year	(57,519)	(54,200)
Balance at 31 December	259,212	260,531

IAS 1.76, 77 The rights attaching to the redeemable share are as follows:

The initial offering of redeemable shares was at a price of €100 per share.

Redeemable shares may be redeemed on the last business day of each month or such other date or dates as the board of directors shall from time to time determine (Valuation Day) at a net asset value per share based on mid-market prices. The shareholder must request such a redemption at least 14 days prior to the last business day of each month or such other day as the directors may determine.

Redeemable shares carry no right to receive notice of, attend or vote at any general meeting of the Fund. The holders are entitled to receive all dividends declared and paid by the Fund. Upon winding up, the holders are entitled to a return of capital based on the net asset value per share of the Fund.

Distributions

IAS 10.12, 13 An additional dividend of €54,655 was declared (2006: nil) by the board of directors on *[date]* 2008 in respect of 2007.

1.

Note: this disclosure is a new disclosure requirement of IFRS 7 and was not presented in the Illustrative Financial Statements.

IFRS 7.8

The carrying amounts of each of the following categories, as defined by IAS 39, shall be disclosed either on the face of the balance sheet or in the notes:

(a) financial assets at fair value through profit or loss, showing separately:
  - (i) those designated as such upon initial recognition; and
  - (ii) those classified as held for trading in accordance with IAS 39;

(b) held to maturity investments;

(c) loans and receivables;

(d) available-for-sale financial assets;

(e) financial liabilities at fair value through profit or loss, showing separately:
  - (i) those designated as such upon initial recognition; and
  - (ii) those classified as held for trading in accordance with IAS 39;

(f) financial liabilities measured at amortised cost.

IFRS 7.8 gives preparers of financial statements the option of showing the above categories on the face of the balance sheet or in the notes. In the *Illustrative financial statements: investment funds*, the Balance Sheet is broken out into these groupings but not labelled as the categories noted in IFRS 7.8. Preparers should either prepare this note or label the Balance Sheet to match the categories noted in IFRS 7.8.

Reference

Financial Assets and Liabilities[1]

The following table details the categories of financial assets and liabilities held by the Fund at the reporting date:

Reference	*All amounts stated in euro*	31 December 2007	31 December 2006
IFRS 7.8	**Assets**		
IFRS 7.8(a)	**Financial assets at fair value through the profit or loss**		
IFRS 7.8(a)(i)	*Designated at fair value through profit and loss upon initial recognition*		
	Equity investments	19,025,581	11,871,486
	Debt investments	8,051,428	6,511,346
	Total designated at fair value through profit or loss upon initial recognition	27,077,009	18,382,832
IFRS 7.8(a)(ii)	*Held for trading*		
	Derivative financial instruments	544,791	435,203
	Total held for trading	544,791	435,203
	Total financial assets at fair value through the profit or loss	27,621,800	18,818,035
IFRS 7.8(c)	**Loans and receivables**	12,942,972	16,727,363
	Total assets	40,564,772	35,545,398
	Liabilities		
IFRS 7.8(e)	**Financial liabilities at fair value through the profit or loss**		
IFRS 7.8(e)(ii)	*Held for trading*		
	Securities sold short	(783,709)	(212,553)
	Derivative financial liabilities	(2,836,820)	(1,234,241)
	Total held for trading	(3,620,529)	(1,446,794)
	Total financial liabilities at fair value through the profit or loss	(3,620,529)	(1,446,794)
IFRS 7.8(f)	**Financial liabilities measured at amortised cost**	(4,318,898)	(4,120,007)
	Total liabilities excluding net assets attributable to holders of redeemable shares	(7,939,427)	(5,566,801)

Loans and receivables presented above represents cash and cash equivalents, balances due from brokers, receivables from reverse repurchase agreements and interest, dividends and other receivables as detailed in the balance sheet.

Financial liabilities measured at amortised cost presented above represents balances due to brokers, payables under repurchase agreements, accounts payable and accrued expenses as detailed in the balance sheet.

Note	*Reference*	**Explanatory note**
1.	*IFRS 7.14*	An entity shall disclose: (a) the carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified in accordance with paragraph 37(a) of IAS 39; and (b) the terms and conditions relating to this pledge
2.	*IFRS 7.15*	When an entity holds collateral (of financial or non-financial assets) and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, it shall disclose: (a) the fair value of the collateral held; (b) the fair value of any such collateral sold or repledged, and whether the entity has on obligation to return it; and (c) the terms and conditions associated with its use of the collateral. Note: For illustrative purposes the fund presented is not leveraged. If a fund is leveraged and has provided security to the provider of finance, possibly by way of a charge over all of the assets of the fund, then this fact should be disclosed.
3	*IAS 39.37(a)*	If a transferor provides non-cash collateral (such as debt or equity instruments) to the transferee, the accounting for the collateral by the transferor and the transferee depends on whether the transferee has the right to sell or repledge the collateral and on whether the transferor has defaulted. The transferor and transferee shall account for the collateral as follows: (a) if the transferee has the right by contract or custom to sell or repledge the collateral, then the transferor shall reclassify that asset in its balance sheet (e.g. as a loaned asset, pledged equity instruments or reverse repurchase receivable) separately from other assets.

Reference

5. Balances due from / to brokers, receivables from reverse repurchase agreements and payables under repurchase agreements

Reference	*All amounts stated in euro*	2007	2006
	Balances due from brokers		
IAS 39 IG D.1.1	Margin accounts	1,849,431	2,332,332
	Cash collateral for borrowed securities	2,563,342	2,385,218
IAS 39.38	Sales awaiting settlement	3,706,004	7,903,373
		8,118,777	12,620,923
	Balances due to brokers		
IAS 39.38	Purchases awaiting settlement	1,179,844	1,365,374
		1,179,844	1,365,374

Margin accounts represent cash deposits with brokers, transferred as collateral against open futures and forward contracts. The Fund has also transferred cash as collateral for transactions involving borrowed securities.

IAS 39.38

In accordance with the Fund's policy of trade date accounting for regular way sale and purchase transactions, sales / purchases awaiting settlement represent amounts receivable / payable for securities sold / purchased, but not yet settled.

IFRS 7.14

The carrying amount of financial assets pledged as collateral for the Fund's liabilities is €4,643,737 (2006: €4,765,222). If the Fund's assets that are used as collateral decline in value, the Fund may be required to pledge other assets as collateral. *[Insert any terms and conditions relating to the pledge of this collateral].*[1]

Repurchase agreements

All amounts stated in euro	2007	2006
Receivables from reverse repurchase agreements	4,743,460	3,990,133
Payables under repurchase agreements	2,563,267	2,234,540

IFRS 7.15

Under collateralised reverse repurchase agreements the Fund obtains securities on terms which permit it to repledge or resell securities to others. *[Insert any terms and conditions relating to the pledge of this collateral].* At 31 December 2007, the Fund held securities with fair value of €4,999,354 (2006: €4,189,640) on such terms. Of these €154,254 (2006: €165,786) have been pledged or otherwise transferred to satisfy commitments under short sale transactions. The Fund has an obligation to return the securities to its counterparties.[2]

IAS 39.37(a), IFRS 7.14

Under repurchase agreements the fund gives counterparties securities on terms which permit the counterparty to repledge or resell securities to others. *[Insert any terms and conditions relating to the pledge of this collateral].* At 31 December 2007, the Fund gave securities with fair value of €2,691,430 (2006: €2,346,267). The counterparties have an obligation to return the securities to the Fund.[3]

Securities sold under reverse repurchase agreements are included in investments classified at fair value through profit or loss. The fair value of these securities at 31 December 2007 was €2,585,435 (2006: €2,342,564).

All repurchase and reverse repurchase agreements mature within one to three months from inception.

Note	*Reference*	**Explanatory note**
1.	*IFRS 7.31, 32*	An entity is required to disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the reporting date. Those risks typically include, but are not limited to, credit risk, liquidity risk and market risk.
	IFRS 7.33	For each type of risk, an entity must disclose: (1) the exposures to risk and how they arise (2) its objectives, policies and processes for managing the risk and the methods used to measure the risk (3) any changes in (1) or (2) from the previous period.
2.	*IFRS 7.31*	The disclosure requirements of IFRS 7 are limited to financial instruments that fall within the scope of that standard; therefore operational risks that do not arise from the entity's financial instruments are excluded from the requirements.
3.	*IFRS 7.34*	IFRS 7 requires the disclosure of risk information in a format based on the information provided internally to key management personnel of the entity (as defined by IAS 24 *Related Party Disclosures*), e.g. the Fund's Investment Manager. IFRS 7 also specifies certain minimum disclosures which must be presented.
4.	*IFRS 7.Appendix A*	Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: • currency risk; • interest rate risk; and • other price risk
	IFRS 7.35	If the quantitative data disclosed as at the reporting date are unrepresentative of an entity's exposure to risk during the period, an entity shall provide further information that is representative.

Reference

6. Financial instruments and associated risks[1,2,3]

IFRS 7.31, 33

The Fund maintains positions in a variety of derivative and non-derivative financial instruments as dictated by its investment management strategy. *[Insert description of the Fund's investment strategy as outlined in the Fund's prospectus].* The Fund's investment portfolio comprises quoted and non-quoted equity investments, quoted debt investments, derivatives, and investments in other quoted funds that it intends to hold for an indefinite period of time.

Asset allocation is determined by the Fund's Investment Manager who manages the distribution of the assets to achieve the investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Fund's Investment Manager. In instances where the portfolio has diverged from target asset allocations, the Fund's Investment Manager will rebalance the portfolio to fall in line with the target asset allocations.

IFRS 7. 33

The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies employed by the Fund are discussed below.

Market risk[4]

IFRS 7.33

Market risk embodies the potential for both loss and gains and includes currency risk, interest rate risk and price risk.

The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. *[Insert description of the investment objective as outlined in the Fund's prospectus]*. The Fund's market risk is managed on a daily basis by the Investment Manager in accordance with policies and procedures in place. *[Insert specific risk management policies and investment guidelines as outlined in the Fund's prospectus. This should include how risk is managed and measured]*. The Fund's overall market positions are monitored on a *[monthly, quarterly, other]* basis by the board of directors.[3]

Details of the nature of the Fund's investment portfolio at the balance sheet date are disclosed in *[indicate where in the financial statements this information is either in summary form or by means of inclusion of a schedule of investments]*. Details of the nature and terms of derivative financial instruments outstanding at the balance sheet date are set out in *[location in the financial statements]*.

1.	*IFRS 7.Appendix A*	Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
	IFRS 7.B23	Currency risk arises on financial instruments that are denominated in a foreign currency, i.e. in a currency other than the functional currency in which they are measured. For the purpose of this IFRS, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

2.	*IFRS 7.34*	For each type of risk arising from financial instruments, an entity shall disclose: (a) summary quantitative data about its exposure to that risk at the reporting date. This disclosure shall be based on the information provided internally. to key management personnel of the Fund, e.g. the Investment Manager. (b) the disclosures required by paragraphs 36-42, to the extent not provided in (a), unless the risk is not material. (c) concentrations of risk if not apparent from (a) and (b). The standard also requires specific additional disclosures to be made unless covered by information provided to management. The example shown in these illustrative financial statements in relation to currency risk assumes that the primary basis for reporting to key management personnel on currency risk is an analysis of the currency diversification compared to investment policies. However, other presentations are possible and should be based on how key management personnel measure currency risk.
	IFRS 7.35	If the quantitative data disclosed as at the reporting date are unrepresentative of an entity's exposure to risk during the period, an entity shall provide further information that is representative.

Reference

IFRS 7.33

Currency risk[1]

The Fund may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Fund is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse affect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than the euro.

IFRS 7.34

The Fund's policy is to not have foreign currency exposure greater than 50% of the Fund's net assets, with no individual currency being greater than 20%.

IFRS 7.33

The Fund's currency risk is managed on a daily basis by the Investment Manager in accordance with policies and procedures in place. *[Insert specific risk management policies and investment guidelines as outlined in the Fund's prospectus or risk management procedures. This should include how risk is managed and measured].* The Fund's overall currency positions and exposures are monitored on a *[monthly, quarterly, other]* basis by the board of directors.

At the reporting date the Fund had the following exposure:[2]

Currency	31 December 2007	31 December 2006
Pound Sterling	13.5%	12.2%
Danish Krone	16.8%	2.7%
Norwegian Kroner	2.2%	2.2%
Swiss Franc	1.1%	1.5%

The following table sets out the Fund's total exposure to foreign currency risk and the net exposure to foreign currencies of the monetary assets and liabilities:

All amounts stated in euro	Monetary Assets	Monetary Liabilities	Forward FX Contracts	Net Exposure
December 31, 2007				
Pound Sterling	5,462,139	(1,325,675)	(3,677,665)	458,799
Danish Krone	6,831,177	-	(5,581,642)	1,249,535
Norwegian Kroner	885,943	-	-	885,943
Swiss Franc	429,733	-	-	429,733
December 31, 2006				
Pound Sterling	4,346,563	(1,167,765)	(2,907,078)	271,720
Danish Krone	949,541	-	-	949,541
Norwegian Kroner	772,389	-	-	772,389
Swiss Franc	532,855	-	-	532,855

Amounts in the above table are based on the carrying value of monetary assets and liabilities and the underlying principle amount of forward currency contracts.

[A fund may also decide to separately analyse non-monetary assets like equities in terms of currency exposure to provide a more complete view, although this is not explicitly required by the standard].

Note *Reference* **Explanatory note**

1.	*IFRS 7.40, 41*	A Fund has the option to present a sensitivity analysis for each type of market risk following paragraph 40, as illustrated here or a sensitivity analysis that reflects interdependencies between risk variables, such as value-at-risk, as illustrated on page 57.

2.	*IFRS 7.B24*	A sensitivity analysis is disclosed for each currency to which an entity has significant exposure.
	IFRS 7.40(a)	A sensitivity analysis is required for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible.
	IFRS 7.40(b)	A Fund shall disclose the methods and assumptions used in preparing the sensitivity analysis.
	IFRS 7.40(c)	A Fund shall disclose changes from the previous period in the methods and assumptions used, and the reasons for the changes.
	IFRS 7.41	If a Fund prepares a sensitivity analysis that reflects inter-dependencies between the risk variables, e.g. a value-at-risk model, then the disclosures may be based on that model. See Value at Risk note on page 57 of this publication.
	IFRS 7.42	When the sensitivity analyses disclosed in accordance with paragraph 40 or 41 are unrepresentative of a risk inherent in a financial instrument (for example because the year-end exposure does not reflect exposure during the year), the entity shall disclose that fact and the reason it believes the sensitivity analyses are unrepresentative.
	IFRS 7.B18	Paragraph 40(a) requires the sensitivity analysis to show the effect on profit or loss and equity of reasonably possible changes in the relevant risk variable (e.g. prevailing market interest rates, currency rates, equity prices or commodity prices). For illustrative purposes a 5% change was used; preparers of financial statements should come to their own conclusions on what the change in the relevant risk variable would be for the upcoming reporting period. *Note: The sensitivity analysis includes the effect of the currency movements envisaged on equities, even though these are considered non-monetary assets.*

Reference **Currency risk (continued)**

Sensitivity Analysis

IFRS 7.40, B24 At 31 December 2007, had the euro strengthened by 5% in relation to all currencies, with all other variables held constant, net assets attributable to holders of redeemable shares and the change in net assets attributable to holders of redeemable shares per the income statement would have decreased by the amounts shown below. The analysis is performed on the same basis for 2006.[1,2]

All amounts stated in euro	
31 December 2007	
Pound Sterling	22,940
Danish Krone	62,477
Norwegian Kroner	44,297
Swiss Franc	21,487
Total	151,201
31 December 2006	
Pound Sterling	13,586
Danish Krone	47,477
Norwegian Kroner	38,619
Swiss Franc	26,643
Total	126,325

A 5% weakening of the euro against the above currencies would have resulted in an equal but opposite effect on the above financial statement amounts to the amounts shown above, on the basis that all other variables remain constant.

Note	*Reference*	**Explanatory note**
1.	*IFRS 7.Appendix A*	Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
	IFRS 7.B22	Interest rate risk arises on interest-bearing financial instruments recognized in the balance sheet (e.g. loans and receivables and debt instruments issued) and on some financial instruments not recognized in the balance sheet (e.g. some loan commitments).
		For a fund with significant investments in interest-bearing assets or significant interest-bearing liabilities, the exposure to interest rate risk should be presented in tabular form showing the effective interest rate as well as the periods in which the original asset or liability reprices.
2		The example shown in these illustrative financial statements in relation to interest rate risk assumes that the primary basis for reporting to key management personnel on interest risk is an analysis of the weighted average days to maturity. However, other presentations are possible and should be based on how key management personnel measure interest rate risk.

Reference

IFRS 7.33

Interest rate risk[1]

The majority of the Fund's financial assets are non-interest-bearing. Interest-bearing financial assets and interest-bearing financial liabilities mature or reprice in the short-term, no longer than twelve months. As a result, the Fund is subject to limited exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents of the Fund are invested in short-term commercial paper or repurchase agreements with the term to maturity of up to three or six months. Investments in debt securities are fixed rate instruments with the term to maturity of up to twelve months. The maturity dates of the fixed income instruments correspond to their repricing dates.

In order to manage interest rate risk the Fund aims to maintain a weighted average days to maturity less than 90 days. At the reporting date the weighted average days to maturity is 46.7 days (2006: 44.8).[2]

IFRS 7.33

The Fund's interest rate risk is managed on a daily basis by the Investment Manager in accordance with policies and procedures in place. [*Insert specific risk management policies and investment guidelines as outlined in the Fund's prospectus or risk management procedures. This should include how risk is managed and measured]*. The Fund's overall interest rate risks are monitored on a [*monthly, quarterly, other*] basis by the board of directors. Where the interest rate risks are not in accordance with the investment policy or guidelines of the Fund, the Investment Manager will rebalance the portfolio.

Note	*Reference*	**Explanatory note**
1.		For illustrative purposes this supplement assumes that management monitors its interest rate risk by an interest rate risk sensitivity analysis. The method used by management should be disclosed in the fund's financial statements.

Reference

Interest rate risk (continued)

IFRS 7.34(a) The following table details the Fund's exposure to interest rate risks. It includes the Fund's assets and trading liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity date measured by the carrying value of the assets and liabilities:[1]

	Less than 1 month	1-3 months	3 months to 1 year	Non-interest bearing	Total
All amounts stated in euro					
December 31, 2007					
Assets					
Designated at fair value through Profit and Loss upon initial recognition:					
Equities	-	-	-	19,025,581	19,025,581
Debt Instruments	805,944	5,176,430	2,069,054	-	8,051,428
Held for trading:					
Derivative financial instruments	544,791	-	-	-	544,791
Loans and receivables:					
Balances due from brokers	-	-	-	8,118,777	8,118,777
Cash and cash equivalents	51,368	-	-	-	51,368
Receivables for reverse repurchase agreements	-	4,743,460	-	-	4,743,460
Interest, dividends and other receivables	-	-	-	29,367	29,367
Total Assets	1,402,103	9,919,890	2,069,054	27,173,725	40,564,772
Liabilities excluding Redeemable Shares					
Held for trading:					
Securities sold short	-	-	-	(783,709)	(783,709)
Derivative financial instruments	-	(463,890)	-	(2,372,930)	(2,836,820)
Financial liabilities measured at amortised cost:					
Balances due to brokers	-	-	-	(1,179,844)	(1,179,844)
Payable under repurchase agreements	-	(2,563,267)	-	-	(2,563,267)
Accounts payable	-	-	-	(341,220)	(341,220)
Accrued expenses	-	-	-	(234,567)	(234,567)
Total liabilities	-	(3,027,157)	-	(4,912,270)	(7,939,427)
Total interest sensitivity gap	1,402,103	6,892,733	2,069,054		

Note	*Reference*	**Explanatory note**
1.	*IFRS 7.40(a)*	A sensitivity analysis is required for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible.
	IFRS 7.40(b)	A Fund shall disclose the methods and assumptions used in preparing the sensitivity analysis.
	IFRS 7.40(c)	A Fund shall disclose changes from the previous period in the methods and assumptions used, and the reasons for the changes.
	IFRS 7.41	If a Fund prepares a sensitivity analysis that reflects inter-dependencies between the risk variables, e.g. a value-at-risk model, then the disclosures may be based on that model. See Value at Risk note on page 57 of this publication.
	IFRS 7.42	When the sensitivity analyses disclosed in accordance with paragraph 40 or 41 are unrepresentative of a risk inherent in a financial instrument (for example because the year-end exposure does not reflect exposure during the year), the entity shall disclose that fact and the reason it believes the sensitivity analyses are unrepresentative.
	IFRS 7.B18	Paragraph 40(a) requires the sensitivity analysis to show the effect on profit or loss and equity of reasonably possible changes in the relevant risk variable (e.g. prevailing market interest rates, currency rates, equity prices or commodity prices). For illustrative purposes this Fund has assumed a 100 bps change in interest rates as being possible. Financial statement preparers should consider reasonable changes in the relevant risk variable in preparing their disclosures.

Reference **Interest rate risk (continued)**

All amounts stated in euro	Less than 1 month	1-3 months	3 months to 1 year	Non-interest bearing	Total
December 31, 2006					
Assets					
Designated at fair value through Profit and Loss upon initial recognition:					
Equities	-	-	-	11,871,486	11,871,486
Debt Instruments	536,063	5,176,535	798,748	-	6,511,346
Held for trading:					
Derivative financial instruments	435,203	-	-	-	435,203
Loans and receivables:					
Balances due from brokers	-	-	-	12,620,923	12,620,923
Cash and cash equivalents	70,730	-	-	-	70,730
Receivables for reverse repurchase agreements	-	3,990,133	-	-	3,990,133
Interest, dividends and other receivables	-	-	-	45,577	45,577
Total Assets	1,041,996	9,166,668	798,748	24,537,986	35,545,398
Liabilities excluding redeemable shares					
Held for trading:					
Securities sold short	-	-	-	(212,553)	(212,553)
Derivative financial instruments	-	(372,475)	-	(861,766)	(1,234,241)
Financial liabilities measured at amortised cost:					
Balances due to brokers	-	-	-	(1,365,374)	(1,365,374)
Payable under repurchase agreements	-	(2,234,540)	-	-	(2,234,540)
Accounts payable	-	-	-	(314,690)	(314,690)
Accrued expenses	-	-	-	(205,403)	(205,403)
Redeemable shares	-	-	-	(32,646,970)	(32,646,970)
Total liabilities	-	(2,607,015)	-	(35,606,756)	(38,213,771)
Total interest sensitivity gap	1,041,996	6,559,653	798,748		

IFRS 7.40, IG36 Interest rate sensitivity[1]

An increase of 100 basis points in interest rates as at the reporting date would have increased the net assets attributable to holders of redeemable shares and changes in net assets attributable to holders of redeemable shares by €42,120 (2006: €38,236). A decrease of 100 basis points would have had an equal but opposite effect.

Note *Reference* **Explanatory note**

1.	*IFRS 7.Appendix A*	Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

2.		The example shown in these illustrative financial statements in relation to market price risk assumes that the primary basis for reporting to key management personnel on market price risk is an analysis of the portfolio diversification by asset type compared to investment policies. However, other presentations are possible and should be based on how key management personnel measure currency risk (e.g. industry diversification, geography diversification).

Reference

IFRS 7.33

Other price risk[1]

Other price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.
As the majority of the Fund's financial instruments are carried at fair value with fair value changes recognised in the income statement, all changes in market conditions will directly affect *Net investment income*.

Price risk is managed by the Fund's Investment Manager by constructing a diversified portfolio of instruments traded on various markets. *[Disclose any additional investment strategies applicable to the fund and management's policies regarding risk. This should include how risk is managed and measured]*. In addition, price risk may be hedged using derivative financial instruments such as options or futures contracts.

IFRS 7.34(a)

Under normal circumstances the Fund will invest in the following instruments:[2]

Equity securities of issuers listed on European stock exchanges or the New York Stock Exchange	Up to 80% of net assets
Unlisted open-ended investment funds	Up to 15% of net assets
Short-term commercial paper	Up to 40% of net assets
Listed corporate debt securities	Up to 40% of net assets
Unlisted equity securities	Up to 15% of net assets
Equity securities sold short	Up to 30% of net assets

The following table details the breakdown of the investment assets and liabilities held by the Fund:

Investment assets	**31 December 2007 % of Net Assets**	**31 December 2006 % of Net Assets**
Equity investments:		
Listed equities	51.8	54.6
Unlisted equities	1.5	-
Total equity investments	53.3	54.6
Open ended investment funds	5.0	4.5
Debt investments:		
Commercial Paper	18.3	17.6
Corporate Debt	6.4	6.7
Total debt investments	24.7	24.3
Total investment assets	83.0	83.4
Investment liabilities		
Securities sold short	(0.0)*	(0.0)*
Total investment liabilities	(0.0)*	(0.0)*

* - Amount represents less than 0.05%

Note	*Reference*	**Explanatory note**
1.	*IFRS 7.40(a)*	A sensitivity analysis is required for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible.
	IFRS 7.40(b)	A Fund shall disclose the methods and assumptions used in preparing the sensitivity analyses.
	IFRS 7.40(c)	A Fund shall disclose changes from the previous period in the methods and assumptions used, and the reasons for the changes.
	IFRS 7.41	If a Fund prepares a sensitivity analysis that reflects inter-dependencies between the risk variables, e.g. a value-at-risk model, then the disclosures may be based on that model. See Value at Risk note on page 57 of this publication.
	IFRS 7.42	When the sensitivity analyses disclosed in accordance with paragraph 40 or 41 are unrepresentative of a risk inherent in a financial instrument (for example because the year-end exposure does not reflect exposure during the year), the entity shall disclose that fact and the reason it believes the sensitivity analyses are unrepresentative.
	IFRS 7.B18	Paragraph 40(a) requires the sensitivity analysis to show the effect on profit or loss and equity of reasonably possible changes in the relevant risk variable (e.g. prevailing market interest rates, currency rates, equity prices or commodity prices). Note: For illustrative purposes a 3% movement in equities was used as the majority of the Fund's assets are invested in equity securities. For Funds with other significant exposures, other measures of sensitivity should be disclosed.

Sensitivity Analysis[1]

IFRS 7.40

88.8% of the Fund's equity investments are listed on European stock exchanges or the New York Stock Exchange. A 3% increase in stock prices at 31 December 2007 would have increased the net assets attributable to holders of redeemable shares and the changes in net assets attributable to holders of redeemable shares by €547,698 (2006: €427,893); an equal change in the opposite direction would have decreased the net assets attributable to holders of redeemable shares by an equal but opposite amount.

Note	Reference	Explanatory note
1.	*IFRS 7.Appendix A*	Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
	IFRS 7.36	An entity shall disclose by class of financial instrument : (a) the amount that best represents its maximum exposure to credit risk at the reporting date without taking account of any collateral held or other credit enhancements; (b) in respect of the amount disclosed in (a), a description of collateral held as security and other credit enhancements; (c) information about credit quality of financial assets that are neither past due nor impaired; and (d) the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated.
	IFRS 7.6	When this IFRS requires disclosures by class of financial instrument, an entity shall group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. An entity shall provide sufficient information to permit reconciliation to the line items presented in the balance sheet.
	IFRS 7.Appendix A	A financial asset is considered past due when a counterparty has failed to make a payment when contractually due.
	IFRS 7.37	For a fund with past due receivables a fund shall disclose by class of financial asset the following: (a) an analysis of the age of financial assets that are past due as at the reporting date but not impaired; (b) an analysis of financial assets that are individually determined to be impaired as at the reporting date, including the factors the entity considered in determining that they are impaired; and (c) for the amounts disclosed in (a) and (b), a description of collateral held by the entity as security and other credit enhancements and, unless impracticable, an estimate of their fair value. Note: The Fund in the illustrative financial statements does not hold any past due or impaired assets. If the Fund held past due or impaired assets additional disclosure would be necessary.
	IFRS 7.9	For illustrative purposes the Fund has not designated a loan or receivable or a financial liability as at fair value through profit and loss because the debt instruments held by the fund do not meet the definition as they are quoted on an active market. If the Fund had designated a loan or receivable (or a group of them) as at fair value through profit or loss, it shall disclose: • the maximum exposure to credit risk at the reporting date; • the amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk; • the amount of change in the fair value of any related credit derivative or similar instrument that has occurred during the period and cumulatively since the loan or receivable was designated.

Reference

IFRS 7.33

Credit Risk[1]

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

IFRS 7.36(a)

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. This relates also to financial assets carried at amortised cost, as they have a short-term to maturity.

IFRS 7.34

At the reporting date, the Fund's financial assets exposed to credit risk amounted to the following:

	31 December 2007	**31 December 2006**
All amounts stated in euro		
Investments in debt instruments	8,051,428	6,511,346
Receivables from reverse repurchase agreements	4,743,460	3,990,133
Cash and cash equivalents	51,368	70,730
Balances due from brokers	8,118,777	12,620,923
Net-settled derivative financial assets	325,863	28,935
Gross-settled derivative financial assets	2,250,000	4,000,000
Interest, dividends and other receivables	29,367	45,577
Total	23,570,263	27,267,644

Amounts in the above table are based on the carrying value of all accounts except for gross-settled derivative financial assets, which are presented as the gross principal amount.

IFRS 7.33

Credit risk arising on debt instruments is mitigated by investing primarily in rated instruments or instruments issued by rated counterparties of credit ratings of at least "AA"/"P2" or better as determined by Standard and Poor's, Moody's or Fitch. The Fund receives a monthly rating update, which is reviewed accordingly. In instances where a holding's credit rating has fallen below "AA/P2", the Investment Manager will dispose of the holding, as soon as practical. At 31 December, the Fund was invested in debt securities with the following credit quality:

IFRS 7.36(c)

Rating	**2007**	**2006**
P-1/F-1	50.5%	59.4%
P-2/F-2	23.6%	13.0%
AAA/Aaa	15.8%	15.7%
AA/Aa	10.1%	11.9%
Total	100.0%	100.0%

IFRS 7.36

The Fund enters into collateralised reverse repurchase agreements that may result in credit exposure in the event that the counterparty to the transaction is unable to fulfil its contractual obligations. The Fund minimises its credit risk by monitoring counterparty creditworthiness. In instances when the credit rating of a counterparty drops below AA, the Investment Manager will terminate the reverse repurchase agreement, as soon as practical. In instances where the value of the collateral decreases or the value of the reverse repurchase agreement increases beyond the value of the collateral held, the agreement requires additional collateral. The credit rating of the counterparties as the reporting date was AAA (2006: AAA).

IAS 32.50

Transactions involving derivative financial instruments are usually with counterparties with whom the Fund signed master netting agreements. Master

Note *Reference* **Explanatory note**

1.	*IFRS 7.34(c), B8, IG18, IG19*	For each type of risk arising from financial instruments, an entity shall disclose concentrations of risk. This requires judgement by management of the Fund taking into account circumstances of the Fund. Disclosure of concentrations of risk shall include: • a description of how management determines concentrations; • a description of shared characteristics (e.g. counterparty, geographical area, currency or industry); • the amount of risk exposure associated with all financial instruments sharing that characteristic. The example shown in these illustrative financial statements in relation to the concentrations of risk assumes that the primary basis for reporting to key management personnel on concentrations of risk is based on industry. However, other presentations are possible and should be based on how key management personnel measure concentrations of risk (e.g. asset type, geography). Note: The illustrative example assumes that there is no impairment on assets held by the Fund.

2.	*IAS 32.50,*	A master netting agreement generally does not provide a basis for offsetting unless both of the criteria in IAS 32.42 are fulfilled: • existence of a legally enforceable right to set off; and • intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Credit risk (continued)

netting agreements provide for the net settlement of contracts with the same counterparty in the event of default. The impact of the master netting agreements is to reduce credit risk from the amounts shown as derivative financial assets on the balance sheet by €451,355 (2006: €299,644). The credit risk associated with derivative financial assets subject to a master netting arrangement is eliminated only to the extent that financial liabilities due to the same counterparty will be settled after the assets are realised. The exposure to credit risk reduced by master netting arrangements may change significantly within short period of time as a result of transactions subject to the arrangement. The corresponding assets and liabilities have not been offset on balance sheet.[2]

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used. The Fund monitors the credit rating and financial positions of the brokers used to further mitigate this risk.

Substantially all of the assets of the fund are held by XYZ custodian *[or prime broker]*. Bankruptcy or insolvency of the custodian *[or prime broker]* may cause the Fund's rights with respect to securities held by the custodian *[or prime broker]* to be delayed or limited. The Fund monitors its risk by monitoring the credit quality and financial positions of the custodian *[or prime broker]* the Fund uses.

IFRS 7.36(a)

Substantially all of the cash held by the Fund is held by XYZ Bank. Bankruptcy or insolvency by XYZ Bank may cause the Fund's rights with respect to the cash held by XYZ Bank to be delayed or limited. The Fund monitors its risk by monitoring the credit rating of XYZ Bank on a monthly basis, as reported by Standard and Poor's, Moody's or Fitch. In addition, the Investment Manager monitors the financial positions of XYZ Bank on a quarterly basis by reviewing earnings releases. If the credit quality or the financial position of XYZ Bank deteriorates significantly the Investment Manager will move the cash holdings to another bank.

IFRS 7.B8(a)

The Fund's manager analyses credit concentration based on the counterparty, industry and geographical location of the financial assets that the Fund holds.

IFRS 7.34(c)

The Fund's financial assets exposed to credit risk were concentrated in the following industries:[1]

	2007 %	2006 %
Banks / financial services	71.8	77.5
Automotive manufacturing	5.1	4.3
Information technology	4.5	4.0
Pharmaceutical	3.2	3.1
Biotechnology	2.7	2.2
Healthcare	-	1.2
Other	12.7	7.7
	100.0	100.0

IFRS 7.34(c)

Other than outlined above, there were no significant concentrations of credit risk to counterparties at 31 December 2007 or 31 December 2006. No individual investment exceeded five percent of the net assets attributable to the holders of redeemable shares either at 31 December 2007 or 31 December 2006.

Note	*Reference*	**Explanatory note**
1.	*IFRS 7.Appenidx A*	Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

2.		The example shown in these illustrative financial statements in relation to liquidity risk assumes that the primary basis for reporting to key management personnel on liquidity risk is an analysis of the Funds ability to meet its accrued expenses and accounts payable by short term investments. However, other presentations are possible and should be based on how key management personnel measure liquidity risk.

Reference

IFRS 7.39

Liquidity risk[1]

The Fund's constitution provides for the *[daily / monthly / quarterly]* creation and cancellation of shares and it is therefore exposed to the liquidity risk of meeting shareholder redemptions at any time.

The Fund's financial instruments include investments in unlisted equity investments, which are not traded in an organised public market and which generally may be illiquid. As a result, the Fund may not be able to liquidate quickly some of its investments in these instruments at an amount close to their fair value in order to meet its liquidity requirements.

The Fund's listed securities are considered to be readily realisable as they are all listed on major European stock exchanges or the New York Stock Exchange.

IFRS 7.39(b) The Fund's liquidity risk is managed on a daily basis by the Investment Manager in accordance with policies and procedures in place. *[Insert specific risk management policies and investment guidelines as outlined in the Fund's prospectus]*. The Fund's overall liquidity risks are monitored on a *[monthly, quarterly, other]* basis by the board of directors. The Fund's redemption policy only allows for redemptions on the last day of the each month and shareholders must provide 14 days notice. It is the Investment Manager's policy to have liquid assets equal to 105% of anticipated redemptions.

IFRS 7.34 The Fund maintains investments in commercial paper with maturities less than 3 months to maintain liquidity and to pay accounts payable and accrued expenses. At the reporting date the Fund had such investments of €5,982,374 (2006: €5,784,536) in commercial paper.[2]

Note	*Reference*	**Explanatory note**
1.	*IFRS 7.39(a), B11, B13*	An entity shall disclose a maturity analysis for financial liabilities that shows the remaining contractual maturities. In preparing this analysis an entity uses its judgement to determine an appropriate number of time bands. Instalment payments must be allocated to the respective time bands.
		Net settled derivatives that have a negative fair value at the balance sheet date are included in the liquidity analysis at contractual undiscounted amounts. Net settled derivatives that have a positive fair value may also be included but are not required under IFRS 7.
	IFRS 7.B12	When a counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which the Fund can be required to pay.
	IFRS 7.B14	The amounts disclosed in the maturity analysis are the contractual undiscounted cash flows.
	IFRS 7.B16	When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date.
	IFRS 7.B14(d), B15	Gross settled derivatives should be included in the maturity analysis at the contractual undiscounted amounts. The cash outflow should be included, whether or not the fair value of the derivative is negative. While IFRS 7 does not require the inflows to be included in the maturity analysis, a separate disclosure of the related inflows to the outflows would make the table more meaningful.
		Note: The requirement for liquidity disclosure in IFRS 7 concentrates on the financial liabilities side of the balance sheet. However, if management receives information on the asset side of the balance sheet in addition to the liability side and this is how management monitors liquidity risk, it appears reasonable that this information would be included in the financial statements in accordance with IFRS 7.33 and 7.34.
		Note: For illustrative purposes we assume that key management personnel of this Fund do not look at the asset side.

Reference

Liquidity risk (continued)

IFRS 7.39(a)

Residual contractual maturities of financial liabilities[1]

IFRS 7.B15

All amounts stated in euro	**Less than 1 month**	**1-3 months**	**3 months to 1 year**	**No stated maturity**
31 December 2007				
Financial liabilities including derivatives settled net				
Balances due to brokers	(1,179,844)	-	-	-
Payable under repurchase agreements	(2,563,267)	-	-	-
Derivative financial instruments	(49,265)	(157,618)	-	-
Securities sold short	(783,709)	-	-	-
Accounts payable	(303,355)	(37,865)	-	-
Accrued expenses	(221,078)	(13,489)	-	-
Net assets attributable to holders of redeemable shares	(32,646,970)	-	-	-
Derivative financial liabilities, settled gross				
Outflows	(6,292,893)	(778,947)	-	-
Inflows	12,011,821	750,000	-	-
	(32,028,560)	(237,919)	-	-
31 December 2006				
Financial liabilities including derivatives settled net				
Balances due to brokers	(1,365,374)	-	-	-
Payable under repurchase agreements	(2,563,267)	-	-	-
Derivative financial liabilities	(3,173)	(148,257)	-	-
Securities sold short	(212,553)	-	-	-
Accounts payable	(292,779)	(21,911)	-	-
Accrued expenses	(212,646)	(7,243)	-	-
Net assets attributable to holders of redeemable shares	(29,996,210)	-	-	-
Derivative financial liabilities, settled gross				
Outflows	(2,000,000)	(2,000,000)	-	-
Inflows	2,307,136	2,099,132	-	-
	(34,338,866)	(78,279)	-	-

IFRS 7.B14, 39(b) The previous table shows the contractual, undiscounted cash flows of the Fund's financial liabilities.

IFRS 7.B14, 15 The Gross nominal inflow/(outflow) disclosed in the previous table is the contractual, undiscounted cash flow on the financial liability or commitment. The disclosure for derivatives shows a net amount for derivatives that are net settled, but a gross inflow and outflow amount for derivatives that have simultaneous gross settlement (e.g., forward exchange contracts).

Note	*Reference*	**Explanatory note**
1.	*IFRS 7.31*	A Fund shall disclose information that enables users of its financial instruments to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed to at the reporting date.
	IFRS 7.33	For each type of risk arising from financial instruments, an entity shall disclose: (a) the exposures to risk and how they arise; (b) its objectives, policies and processes for managing the risk and the methods used to measure the risk; and (c) any changes in (a) or (b) from the previous period.

Reference

IFRS 7.31

Specific instruments[1]

IFRS 7.33

Securities sold short and associated securities borrowings

When the Fund sells securities which it does not possess it has to cover this short position by acquiring the securities at a later date and is therefore exposed to price risk of those securities sold short. The sales agreement is usually settled by delivering borrowed securities. However, the Fund is required to return those borrowed securities at a later date.

IFRS 7.33

Futures and forward contracts

Futures and forward contracts are commitments either to purchase or sell a designated financial instrument, currency, commodity or an index at a specified future date for a specified price and may be settled in cash or another financial asset. Futures are standardised exchange-traded contracts whereas forwards are individually traded over-the-counter contracts. Initial margin requirements for futures are met in cash or other instruments, and changes in the future contract values are settled daily. Futures contracts have little credit risk because the counterparties are futures exchanges. Forward contracts result in credit exposure to the counterparty.

Futures and forward contracts both result in exposure to market risk based on changes in market prices relative to contracted amounts. Market risks arise due to the possible movement in foreign currency exchange rates, indices, and securities' values underlying these instruments. In addition, because of the low margin deposits normally required in relation to notional contract sizes, a high degree of leverage may be typical of a futures or forward trading account. As a result, a relatively small price movement in an underlying of a futures or forward contract may result in substantial losses to the Fund. While forward contracts are generally subject to liquidity risk, futures trading may also be illiquid. Certain futures exchanges do not permit trading in particular futures contracts at prices that represent a fluctuation in price during a single day's trading beyond certain set limits. If prices fluctuate during a single day's trading beyond those limits, the Fund could be prevented from promptly liquidating unfavourable positions and thus could be subject to substantial losses.

Notional amounts are the underlying reference amounts to stock exchange indices, equities and foreign currencies upon which the fair value of the futures, and forward contracts traded by the Fund are based. While notional amounts do not represent the current fair value and are not necessarily indicative of the future cash flows of the Fund's futures and forward contracts, the underlying price changes in relation to the variables specified by the notional amounts affect the fair value of these derivative financial instruments.

The Fund will engage in forward contracts in anticipation or to protect itself against fluctuations in foreign currency exchange rates. The Fund might sell a particular currency forward, for example, when it wants to hold a bond or equity security denominated in or exposed to that currency but anticipates or wishes to be protected against a decline in the currency against the euro. Similarly, it might purchase a currency forward to "lock in" the euro price of securities denominated in or exposed to that currency in which it is anticipated purchasing.

The Fund will engage in futures contracts to hedge the value of the portfolio against adverse market conditions.

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Reference

Specific instruments (continued)

IFRS 7.34(a)

Futures and forward contracts (continued)

The following futures contracts were unsettled at the reporting date:

December 31, 2007

All amounts stated in euro

Contracts	Notional Amount	Description	Position	Counter-party	Fair Value
20	7,500,000	S&P 500 expiration-27/03/08	Long	XYZ Bank	53,945
4	1,000,000	90-Day Pound Sterling, expiration-25/02/08	Long	XYZ Bank	23,004
					76,949

December 31, 2006

All amounts stated in euro

Contracts	Notional Amount	Description	Position	Counter-party	Fair Value
14	8,000,000	S&P 500 expiration 27/02/07	Long	XYZ Bank	28,935
6	1,000,000	90-Day Pound Sterling expiration 25/02/08	Long	XYZ Bank	(8,315)
					20,620

The following forward foreign exchange contracts were unsettled at the reporting date:

Currency Sold	Currency Amount sold	Currency Bought	Currency Amount Bought	Settlement Date	Fair Value
December 31, 2007					
GBP	2,704,960	EUR	4,000,000	15/01/08	(792,893)
GBP	972,705	EUR	1,500,000	26/01/08	218,928
DKK	5,581,642	EUR	750,000	14/02/08	(28,947)
					(602,912)
December 31, 2006					
GBP	1,414,326	EUR	2,000,000	12/01/07	192,444
GBP	1,492,752	EUR	2,000,000	2/07/07	213,824
					406,268

Swap agreements

IFRS 7.33

The Fund may enter into swap agreements and other types of over-the-counter transactions such as caps, floors and collars with broker-dealers or other financial institutions for hedging or investment purposes. A swap involves the exchange by the Fund with another party of theirrespective commitments to pay or receive cash flows, *e.g.*, an exchange of floating rate payments for fixed-rate payments. The purchase of a cap entitles the purchaser, to the extent that a specified index or other underlying financial measure exceeds a predetermined value, to receive payments on a notional principal amount from the party selling the cap. The purchase of a floor entitles the purchaser, to the extent that a specified index or other underlying financial measure falls or other underlying measure below a predetermined value, to receive payments on a notional principal amount from the party selling the floor. A collar combines elements of a cap and a floor.

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Specific instruments (continued)

Swap agreements (continued)

Swap agreements and similar transactions can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structures, swap agreements may increase or decrease the Fund's exposure to long-or short-term interest rates (in the United States or abroad), foreign currency values, mortgage securities, corporate borrowing rates, or other factors such as security prices, inflation rates or the volatility of an index or one or more securities. For example, if the Fund agrees to exchange payments in euros for payments in a non-euro currency, the swap agreement would tend to decrease the Fund's exposure to euro interest rates and increase its exposure to that non-euro currency and interest rates. The Fund may also engage in total return swaps, in which payments made by the Fund or the counterparty are based on the total return of a particular reference asset or assets (such as an equity or fixed-income security, a combination of such securities, or an index). The value of the Fund's swap positions would increase or decrease depending on the changes in value of the underlying rates, currency values, volatility or other indices or measures. Caps and floors have an effect similar to buying or writing options. Depending on how they are used, swap agreements may increase or decrease the overall volatility of a fund's investments and its share price. The Fund's ability to engage in certain swap transactions may be limited by tax considerations.

The Fund's ability to realize a profit from such transactions will depend on the ability of the financial institutions with which it enters into the transactions to meet their obligations to the fund. If a counterparty's creditworthiness declines, the value of the agreement would be likely to decline, potentially resulting in losses. If a default occurs by the other party to such transaction, the Fund will have contractual remedies pursuant to the agreements related to the transaction, which may be limited by applicable law in the case of a counterparty's insolvency. Under certain circumstances, suitable transactions may not be available to the Fund, or the Fund may be unable to close out its position under such transactions at the same time, or at the same price, as if it had purchased comparable publicly traded securities.

IFRS 7.34 (a) The Fund had the following interest rate swaps outstanding at the reporting date:

All amounts stated in euro

Counter-party	Notional Amount	Termination Date	Payments made by Fund per annum	Payments received by Fund per annum	Fair value
December 31, 2007					
XYZ Bank	10,000,000	18/02/08	6 month Euro-EURIBOR-Telerate	5.287%	(159,745)
XYZ Bank	12,500,000	27/02/08	5.601%	3 month Euro-EURIBOR-Telerate	(304,145)
					(463,890)
December 31, 2006					
XYZ Bank	10,000,000	07/02/08	6 month Euro-EURIBOR-Telerate	4.957%	(372,475)
					(372,475)

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Specific instruments (continued)

Options

IFRS 7.33

Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right, but not the obligation, to either purchase from (call option) or sell to (put option) the writer a specified underlying instrument at a specified price on or before a specified date. The Fund enters into exchange-traded and over-the-counter option contracts to meet the requirements of its risk management and trading activities.

The Fund monitors its positions to reduce the risk of potential loss due to changes in market value or failure of counterparties to perform. For exchange-traded option contracts, the stock exchange acts as the counterparty to specific transactions and therefore, bears the risk of delivery to and from counterparties of specific positions. Over-the-counter option contracts are not guaranteed by any regulated stock exchange. The Fund, as a buyer of over-the-counter options, is subject to credit risk since the counterparty is obliged to make payments under the terms of the contract if the Fund exercises the option. As the writer of over-the-counter options, the Fund is subject to market risk only in so far as it is obliged to make payments if the option is exercised.

The risk in writing a call option is that the Fund may incur a loss if the market price of the security increases and the option is exercised. The risk in writing a put option is that the Fund may incur a loss if the market price of the security decreases and the option is exercised. The risk in buying an option is that the Fund pays a premium whether or not the option is exercised. The Fund also has the additional risk of not being able to enter into a closing transaction if a liquid secondary market does not exist.

The Fund's risk of loss is not represented by the notional contract amounts. Contract or notional amounts reflect the involvement of the Fund in the financial instruments, risks arise from possible adverse movements in foreign currency exchange rates and the prices of the underlying securities.

IFRS 7.34(a)

The Fund had the following written options outstanding at the reporting date:

Description	Contract Amount	Strike Price	Expiration Date	Premiums Received	Fair value
December 31, 2007					
Call – S&P 500 Index	9,000,000	1526.00	Apr-08	258,963	(428,945)
Call – XYZ Manufacturing Co.	6,000,000	25.00	Jan-08	240,000	(310,837)
Call – XYZ Retail Co.	10,000,000	30.00	Feb-08	437,749	(538,573)
Call – XYZ Computer Co.	7,500,000	45.00	Mar-08	360,630	(272,735)
					(1,551,090)
December 31, 2006					
Call – FTSE 350 Index	5,000,000	476.00	Jan-07	288,569	(529,775)
Call – GBP/EUR	2,500,000	0.7765	Mar-07	108,123	(97,750)
Call – XYZ Retail Co.	3,500,000	42.00	Mar-07	96,349	(225,926)
					(853,451)

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Specific instruments (continued)

Options (continued)

IFRS 7.34(a) The Fund held the following purchased options at the reporting date:

Description	Contract Amount	Strike Price	Expiration Date	Premiums Paid	Fair Value
December 31, 2007					
Put – S&P 500 Index	5,000,000	1526.00	Jul-08	158,749	178,482
Call – FTSE 350	8,000,000	476.00	Mar-08	222,123	70,432
					248,914

December 31, 2006

No open positions held at the reporting date

Note	Reference	Explanatory note
1.	*IFRS 7.8*	The carrying amounts of each of the following categories, as defined in IAS 39, shall be disclosed either on the face of the balance sheet or in the notes: (a) financial assets at fair value through the profit or loss, showing separately: (i) those designated as such upon initial recognition; and (ii) those classified as held for trading in accordance with IAS 39; (b) held-to-maturity investments; (c) loans and receivables; (d) financial liabilities at fair value through profit or loss, showing separately: (i) those designated as such upon initial recognition; and (ii) those classified as held for trading in accordance with IAS 39; (e) financial liabilities measured at amortised cost.
	IFRS 7.27	An entity shall disclose: (a) the methods and, when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities; (b) whether fair values are determined, in whole or in part, directly by reference to published price quotations in an active market or are estimated using a valuation technique (see paragraphs AG71-AG79 of IAS 39); (c) whether the fair values recognized or disclosed in the financial statements are determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument (i.e. without modification or repackaging) and not based on available observable market data. For fair values that are recognized in the financial statements, if changing one or more of those assumptions to reasonably possible alternatives would change the fair value significantly, the entity shall state this fact and disclose the effect of those changes. For this purpose, significance shall be judged with respect to profit or loss, and total assets or liabilities, or when changes in fair value are recognized in equity, total equity. (d) If (c) applies, the total amount of the change in fair value estimated using such a valuation technique that was recognised in profit or loss during the period.
2.		The illustrative example shows the interest rates used in determining fair value, however, there may be other assumptions used in determining fair value. Where other assumptions are used IFRS 7 requires these to be disclosed.

Reference

8. Fair value information[1]

Many of the Fund's financial instruments are carried at fair value on the balance sheet. Usually the fair value of the financial instruments can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including amounts due from / to brokers, receivables from reverse repurchase agreements and payables under repurchase agreements, accounts payable and accrued expenses, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

During the year ended 31 December 2007, the Fund acquired 2.5 percent of the outstanding common shares of *[name of entity]*, a newly incorporated company concentrating on business-to-business opportunities of golfing related products and services through the Internet. The Fund paid €500,000 for its investments. As *[name of entity]* is not listed on any stock exchange, a quoted market price is not available. The Investment Manager estimates the fair value based on *[insert methods and assumptions used in calculating fair value]* at 31 December 2007.[1,]

IFRS 7.25 The carrying amounts of all the Fund's financial assets and financial liabilities at the balance sheet date approximated their fair values.

IFRS 7.27

Estimation of fair values

IFRS 7.27(a) The major methods and assumptions used in estimating the fair values of financial instruments were disclosed in note (d) of the *Significant accounting policies* section.

IFRS 7.27(b),(c) At 31 December 2007, the carrying amounts of debt and equity investments which fair values were determined directly, in full or in part, by reference to published price quotations amounted to €20,594,635 (2006: €17,257,885). The carrying amounts of debt and equity investments for which fair values were determined using valuation techniques amounted to €6,482,374 (2006: €1,124,947). *[Insert assumptions used in valuing the securities as dictated by IFRS 7.27(c)]*

At 31 December 2007, the carrying amounts of derivative financial assets and derivative financial liabilities for which fair values were determined directly, in full or in part, by reference to published price quotations amounted to €76,949 and nil, respectively (2006: €28,935 and €8,315, respectively). The carrying amounts of derivative financial assets and derivative financial liabilities for which fair values were determined using valuation techniques amounted to €467,842 and €2,836,820, respectively (2006: €406,268 and €1,225,926, respectively).*[Insert assumptions used in valuing the instruments as dictated by IFRS 7.27(c)]*

Interest rates used for determining fair value[2]

The Fund used the government yield curve plus an adequate constant credit spread to discount financial instruments to determine fair value. At the balance sheet date the interest rates used were as follows:

	2007	2006
Debt instruments	4.9% - 5.5%	4.0% - 4.4%
Derivatives	4.0% - 4.5%	3.4% - 4.0%
Receivables	4.0% - 4.3%	3.9% - 4.1%

IFRS 7.27(d) The total amount of the change in fair value estimated using a valuation technique that was recognised in profit or loss for the year ended 31 December 2007 amounted to a €523,317 net gain (2006: €51,982 net gain).

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Fair value information (continued)

Key sources of estimation uncertainty
Fair values of financial instruments

As indicated many of the Fund's financial instruments are measured at fair value on the balance sheet and it is usually possible to determine their fair values within a reasonable range of estimates.

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example, over-the-counter derivatives or unquoted securities are fair valued using valuation techniques, including reference to the current fair values of other instruments that are substantially the same (subject to the appropriate adjustments).

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement (e.g., interest rates, volatility, estimated cash flows etc.) and therefore, cannot be determined with precision.

Note	Reference	Explanatory note
1.		A Fund has the option to present a sensitivity analysis for each type of market risk following paragraph 40, as shown in the currency risk, interest rate risk and market price risk illustrative notes or a sensitivity analysis that reflects interdependencies between risk variables, such as value-at-risk, as illustrated here.
	IFRS 7.41	If an entity prepares a sensitivity analysis, such as value-at-risk, that reflects interdependencies between risk variables (e.g. interest rates and exchange rates) and uses it to manage financial risks, it may use that sensitivity analysis in place of the analysis specified in Paragraph 40. The entity shall also disclose: (a) an explanation of the method used in preparing such a sensitivity analysis, and of the main parameters and assumptions underlying the data provided; and (b) an explanation of the objective of the method used and of limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved.
	IFRS 7.B20	Paragraph 41 permits a Fund to use a sensitivity analysis that reflects interdependencies between risk variables, such as a value-at-risk methodology, <u>if</u> it uses this analysis to manage its exposure to financial risks. This applies even if such a methodology measures only the potential for loss and does not measure the potential for gain. Such a Fund might comply with paragraph 41(a) by disclosing the type of value-at-risk model used (e.g. whether the model relies on Monte Carlo simulations), an explanation about how the model works and the main assumptions (e.g. the holding period and confidence level). Entities might also disclose the historical observation period and weightings applied to observations within the period, an explanation of how options are dealt with in the calculations, and which volatilities and correlations (or, alternatively, Monte Carlo probability distribution simulations) are used.

Reference

IFRS 7.41

10. Value at risk[1]

The market risk of the Fund's financial asset and liability positions is monitored by the Investment Manager using value at risk (VAR) analysis. VAR analysis reflects the interdependencies between risk variables, unlike a traditional sensitivity analysis. VAR represents the potential losses from adverse changes in market factors for a specified time period and confidence level. The Investment Manager estimates VAR using simulations of a large number of possible market scenarios. The overall market risk for any activity which the Fund can then engage in must be approved by a senior risk management committee through a VAR limit.

IFRS 7.41(a)

[Insert assumptions and parameters used in the VAR calculation.]

IFRS 7.41(b)

[Insert an explanation of the objective of the method used and any limitations to the method.]

The table below indicates the VAR of the Fund's financial instruments, measured as the potential 5 day loss in value from adverse changes in equity prices, interest rates and foreign currency exchange rates, with a 97.5 percent confidence level. Calculated on this basis, the table indicates that the net value of the Fund's financial assets and liabilities could be expected to change by more than the stated amount on only five days out of 200, in response to either equity price, interest rate or foreign currency exchange rate changes.

	2007	**2007**	**2006**	**2006**
All amounts stated in euro	**Year end**	**Average**	**Year end**	**Average**[3]
Equity portfolio VAR	XX	XX	XX	XX
Interest rate VAR	XX	XX	XX	XX
Foreign currency exchange rate VAR	XX	XX	XX	XX

At 31 December 2007, the Fund's overall market VAR was €XX thousand (2006: €XX thousand). These amounts are less than the totals of the separate VAR, due to correlations between the risks. During the year ended 31 December 2007, the average daily change in the net value of the Fund's financial assets and liabilities was €XX thousand (2006: €XX thousand). Actual daily changes in that net value exceeded the previous day's VAR amount only XX times during the year, which is consistent with the confidence level used by the Investment Manager in calculating VAR.

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