

**SBM UNIVERSAL FUND**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2023**

**SBM UNIVERSAL FUND**

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**FUND MANAGER:**

SBM Mauritius Asset Managers Ltd  
Level 3, Lot15A3, Hyvec Business Park  
Wall Street  
Ebene Cybercity  
Mauritius

**FUND ADMINISTRATOR AND REGISTRY AND  
TRANSFER AGENT:**

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Ebene Cybercity  
Mauritius

**BANKER AND CUSTODIAN:**

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**REGISTERED OFFICE:**

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**TRUSTEE:**

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**INVESTMENT COMMITTEE:**

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Mr. Roshan Ramoly  
Mr. Assad Abdullatiff

**AUDITOR:**

Deloitte  
7th-8th Floor, Standard Chartered Tower  
19-21 Bank Street, Cybercity  
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Mauritius

## Investment Manager's Statement

Dear Unitholder,

Following a challenging financial year in 2022, whereby investors shunned riskier assets in response to Russia's invasion of Ukraine, elevated inflation exacerbated by rising commodity prices and global supply chain disruptions, monetary policy tightening by central banks and increased risk in China, the financial year 2023 has been relatively positive to financial markets, supported by inflation downtrends, less aggressive interest rate hikes and resilient economic activity.

While we highlighted the unprecedented challenges facing the world in 2022, we also pointed out expectations of easing supply chains and inflation pressures in 2023, as well as potential investment opportunities. The bank failures in the US and Europe were certainly not part of our outlook for this financial year. However, the swift responses of policymakers ensured that systemic risk to the global economy was warded off.

The domestic equity market lagged during FY23 despite the continued strength in domestic economic activity, resilient earnings and a rebound in international equities. However, the positive momentum in foreign equities and our strategy to overweight tech stocks, particularly semiconductors, which benefited from the AI hype, along with favourable currency movements, outweighed the negative returns from the domestic strategies.

We have been actively reviewing our asset allocations with a view to adapting to the dynamic economic landscape and changes in the business cycle. Our portfolios continue to have a pro-cyclical bias; however, we shifted to a more blend strategy. We initially maintained a defensive positioning within our international portfolios towards managing tracking error risks but eventually repositioned into a more sector-neutral strategy and raised our exposure to select large caps and emerging markets equities during FY23.

Despite the continued effort of central banks and easing supply-side constraints, we believe that inflation and interest rates will likely remain higher for longer, signalling the beginning of a new regime following years of ultra-loose monetary policy and large government spending at low cost. At the same time, the world is witnessing drastic changes and potentially a "de-globalisation" following shocks induced by the Covid-19 pandemic and the war between Russia and Ukraine. Such shifts, coupled with structural changes in economies, present various challenges but may lead to opportunities through changes in government policy, technology, and consumer preferences.

Amidst the uncertain environment, we demonstrated solid track records against the benchmark for certain strategies. We remain guided by our core principles, namely, having a fiduciary mindset, pursuing continuous improvements, passion about results and we continue to challenge investment decisions and themes for better outcomes.

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



SBM Mauritius Asset Managers Ltd  
September 2023

## Investment Manager's Report

### Performance commentary

For the financial year ended 30 June 2023, SBM Universal Fund registered a return of 3.9% against a benchmark performance of 4.3%. Net assets decreased from MUR 483.4M to MUR 468.8M over FY23 whilst the net asset value per unit (NAV) increased from MUR 31.02 to MUR 31.84, after paying a dividend per share of MUR 0.37.

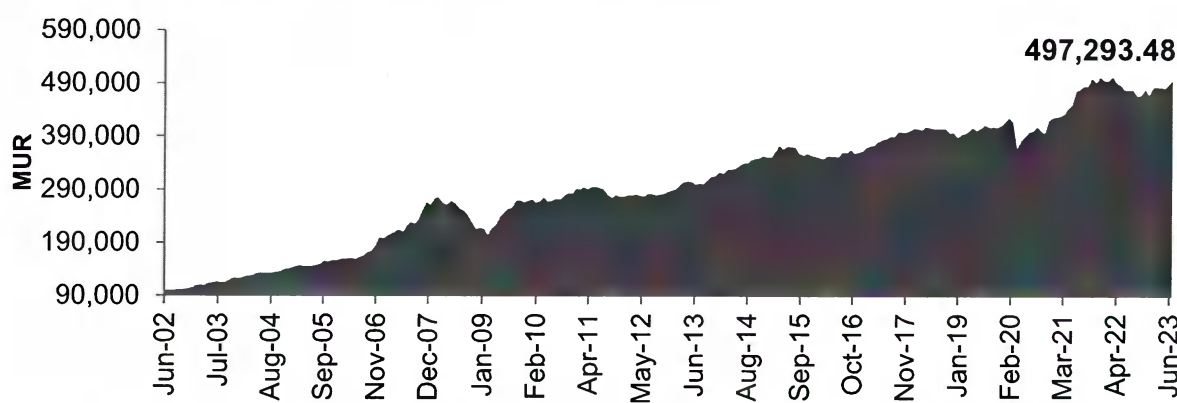
As an indication of the domestic equity market performance, SEMDEX and SEMTRI closed at 1,967.05 points and 8,244.77 points, equivalent to -7.5% and -3.8%, respectively, during FY23. On the global front, the MSCI All Country World index registered a performance of +14.4% in USD terms, equivalent to +14.5% in MUR terms.

### ANNUALISED RETURN

	<u>1 YEAR</u>	<u>3 YEAR</u>	<u>5 YEAR</u>	<u>SINCE INCEPTION</u>
SBM Universal Fund (%)	+3.9	+7.6	+4.2	+7.9
Benchmark (%)	+4.3	+7.4	+4.4	+7.5
	<u>FY 23</u>	<u>FY 22</u>	<u>FY 21</u>	<u>FY 20</u>
SBM Universal Fund (%)	+3.9	+0.7	+19.1	-1.8
Benchmark (%)	+4.3	+1.6	+16.8	-1.5

As at 30/6/23, the benchmark is a composite of 30% SEMDEX, 40% 1 year Government of Mauritius Treasury Bill rate and 30% MSCI World Index. The SEMDEX is a capitalisation weighted index including all shares traded on the Stock Exchange of Mauritius. The MSCI World index is a free float-adjusted market capitalisation weighted index that is designed to measure the performance of developed equity markets. Computation of benchmark return is based on the observations as at month-end and the blended performance of the benchmark reflects monthly rebalancing.

### VALUE OF MUR 100,000 INVESTED SINCE INCEPTION



Past performance is not a reliable indicator of future performance and unit prices may fluctuate with prevailing market conditions and current performance may be higher or lower than the performance cited. For more information on the fund's objectives, risks, and strategy, please consult its Prospectus. Latest unit prices are available on the website: <https://nbfc.sbmgroup.mu/mam/financial-products/funds-performance>

The graph illustrates the performance of MUR 100,000 invested in the Fund at inception. The growth of investment amount assumes that dividends, if any, are re-invested and does not include sales charge but takes into account the running expenses of the Fund as well as taxes and other deductions.

## Positioning and strategy

The strategic allocation of the Fund is based on the Fund's investment objectives and the benchmark as per its Prospectus. During the financial year, the Fund maintained a neutral stance on both domestic and international equities amid the highly volatile market conditions. The Fund lowered the fixed income portfolio's duration amid rising yields. The exposure to domestic fixed income securities rose only slightly from 35.9% to 36.0% following maturities of GOMs and corporate bonds during the financial year.

From a geographical perspective, the Fund was underweight in Mauritian securities mainly on account of an allocation of 36.0% in domestic fixed income versus 40% for the benchmark.

The Fund adopted a neutral positioning in domestic stocks as earnings remained resilient amidst an environment characterised by the ongoing post-pandemic recovery and higher economic activity. It maintained a pro-cyclical bias by mainly overweighting banks, conglomerates and select construction-related stocks. The Fund maintained a neutral stance on hotel stocks despite the improved outlook for the sector and positive forward bookings.

During the financial year 2023, the exposure to international equities increased from 30.0% to 30.8%. The Fund remained tactically neutral on international equities despite markets' anticipation of a Fed pivot. It initially maintained a defensive positioning in sectors such as healthcare, utilities, and consumer staples with a view to managing downside risks amid the ongoing geopolitical tensions, policy tightening and high inflationary environment, but by the end of 2022, repositioned into a sector-neutral strategy.

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### ASSET ALLOCATION (% net assets)

	30/06/2022	30/06/2023
Domestic equities.....	32.3	29.2
International equities.....	30.0	30.8
Domestic fixed income.....	35.9	36.0
Cash & cash equivalent.....	1.8	4.0

### GEOGRAPHICAL ALLOCATION (% net assets)

	Fund	Index
Mauritius.....	65.2	70.0
North America.....	17.5	20.8
Europe.....	6.0	6.1
Asia Pacific.....	3.3	2.9
Central Asia.....	2.4	0.0
Others.....	1.6	0.1
Latin America.....	0.0	0.0
Africa Middle East.....	0.0	0.1

### SECTOR ALLOCATION (% net assets)

	Fund	Index
<b>Domestic</b>		
Banking & Insurance.....	15.0	13.0
Commerce.....	3.9	4.9
Industry.....	3.4	2.1
Investment.....	3.1	6.1
Leisure & Tourism.....	2.2	2.4
Property.....	1.4	1.3
Sugar.....	-	0.2
Foreign.....	-	0.1
<b>International</b>		
Financial.....	4.4	5.3
Consumer Non-Cyclical.....	6.9	7.0
Consumer Cyclical.....	2.8	3.0
Industrial.....	2.8	3.0
Technology.....	6.6	5.0
Communications.....	2.2	2.8
Energy.....	1.2	1.8
Basic Materials.....	1.1	1.2
Utilities.....	1.1	0.9
Others.....	1.8	0.1

### TOP 5 HOLDINGS (% net assets)

	30/06/2022	30/06/2023
MCB Group Ltd.....	10.7	9.7
iShares MSCI World ETF.....	8.5	7.9
Vanguard S&P 500 ETF.....	4.6	5.1
SIT Bond 25/04/2024.....	4.2	4.3
CIM Financial Services Ltd 31/07/2025.....	2.6	3.3
<b>TOTAL</b>	<b>30.6</b>	<b>30.3</b>



## Economic Review

### Economy

According to the July 2023 World Economic Outlook (WEO), the global economy is estimated to grow by 3.0% in 2023, 0.2 percentage point higher than the previous WEO published in April 2023. The upward revision mainly reflects easing inflationary pressures, moderating supply chain bottlenecks, the re-opening of the Chinese economy and robust labour markets. India and China are expected to be the main growth drivers in 2023 and 2024, while the Euro area and United States will likely face subdued growth. The implementation of further monetary and fiscal policies amid an elevated interest rate environment, sticky core inflation and high debt levels are key in determining the path of global economic growth.

#### REAL GDP GROWTH (IMF estimates, % YoY)

Group/ Country	Advanced	Euro Area	EM & Developing	EM Asia	Sub- Saharan Africa	United States	China	India	MRU*
2022	2.7	3.5	4.0	4.5	3.9	2.1	3.0	7.2	8.7
2023(F)	1.5	0.9	4.0	5.3	3.5	1.8	5.2	6.1	6.5-7.5
2024(F)	1.4	1.5	4.1	5.0	4.1	1.0	4.5	6.3	-

\*Bank of Mauritius estimates

Growth rate in advanced economies is expected to decline from 2.7% in 2022 to 1.5% in 2023 and 1.4% in 2024. The International Monetary Fund (IMF) reviewed its 2023 GDP growth forecast for the US to 1.8%, 0.2 percentage point above its April 2023 projection. Gains in real income on the back of a persistently tight labour market are expected to support consumption. However, the lagged impact of monetary policy tightening and depletion in savings accumulated during the Covid-19 pandemic are likely to weigh on private consumption and investment.

The Eurozone's growth projection for 2023 has been reviewed to 0.9% by the IMF, 0.1 percentage point higher than the April 2023 WEO estimate. While high wage growth coupled with strong labour markets are supportive of private consumption, higher financing costs are having a dampening effect on private investment. Receding energy, commodities and food prices are expected to drag down headline inflation further in 2023. In addition, geopolitical tensions continue to affect the Euro area through supply chain disruptions. Germany's GDP growth estimate for 2023 has been revised downwards by 0.2 percentage point to -0.3% on account of an economic contraction in Q1:2023 and weaknesses in the manufacturing sector, while France, Italy and Spain are estimated to grow by 0.8%, 1.1% and 2.5%, respectively.

Real GDP for developing and emerging economies is estimated to grow by 4.0% in 2023 and 4.1% in 2024, with marginal revisions of 0.1 and -0.1 percentage point, respectively, compared to the April 2023 WEO. The 2023 growth projection for China stood at 5.2%, in line with the April 2023 estimate. Stronger-than-expected net exports mitigated some of the investment weakness caused by the real estate downturn. Consistently weak demand, which is constrained by a relatively high unemployment rate, remains a major concern for the Chinese economic recovery. India's economic growth projection for 2023 has been revised upward by 0.2 percentage point to 6.1% for 2023, following the better-than-expected growth in Q4: FY2022-23 led by solid domestic investment. Subdued global demand and monetary policy tightening are considered the main medium-term headwinds to economic activity.

## **Economic Review (Cont'd)**

### **Economy (Cont'd)**

According to the Bank of Mauritius (BoM), real GDP growth is projected to be in the range of 6.5% - 7.5% for 2023. The ongoing recovery remains broad-based, reinforced by positive momentum across major sectors and strong public investment in construction and renewable energy. However, the balance of risks remains tilted to the downside in view of global uncertainties alongside high inflationary pressures. At its latest Monetary Policy Committee (MPC) held on 15 June 2023, the BoM left the Key Repo Rate unchanged at 4.50% amid softening inflation and a declining unemployment rate.

As per the June 2023 WEO, the global inflation rate is projected at 6.8% in 2023, 0.2 percentage point below the previous estimate, reflecting subdued inflation in China. The rate is expected to further moderate to 5.2% in 2024 but remains above the pre-pandemic level of 3.5%. Most economies are expected to see their headline inflation falling in 2023, given the effects of monetary policy tightening and the downturn in commodity prices. Global core inflation is expected to decline gradually, easing from 6.0% in 2023 to 4.7% in 2024, highlighting the stickiness of prices.



## Financial markets review

### Equity markets

The first half of the year was characterised by heightened uncertainty as investors reacted to the hawkish rhetoric from major central banks, which aimed at taming persistently high inflation. In the second half, market stability was challenged by bank collapses in the US and Europe, coupled with the looming US debt ceiling crisis. However, markets reacted positively to policymakers' swift decisions to intervene through liquidity arrangements, mergers and acquisitions among distressed banks and the passing of legislation by Congress to address the debt ceiling crisis. As the year progressed, investor sentiment further improved, driven by the promise of generative AI, economic resilience and the possibility of the Federal Reserve's tightening cycle nearing its conclusion. Amid this backdrop, the MSCI World Index registered a USD return of +16.5% during FY23.

Emerging markets underperformed developed markets, with the MSCI Emerging Markets posting a return of -1.1% YoY, mainly attributed to a weaker-than-anticipated recovery in China and lingering concerns over its property market. In India, the BSE 500 Index registered +22.3% in FY23 following strong macroeconomic fundamentals, improved earnings and foreign inflows.

In contrast to its global peers, the Mauritian market underperformed in FY23 despite improved earnings from large caps. Local equity indices posted negative performances, with the SEMDEX and DEMEX closing the year at 1,967.05 and 252.67 points, equivalent to respective returns of -7.5% and -14.6%. The main leaders, that is, companies which contributed to the positive performance of the SEMDEX were SHEL, MCBG and SUN, while the main laggards were IBLL, ASCE and ENLG. The top three gainers in terms of price returns were MTMD (+20.5%), SHEL (+19.7%) and SUN (+16.5%) and the top three losers were HMALLAC (-41.9%), NITL (-38.8%) and CAUDAN (-36.5%). The price-earnings ratio and dividend yield of the SEMDEX stood at 8.86x and 3.96%, respectively, as at June 2023, against corresponding figures of 12.74x and 3.35% as at June 2022.

#### EQUITY INDEX PERFORMANCE (% local currency)

Index	1M	3M	6M	YTD	1Y	3Y	5Y
S&P 500.....	+6.5	+8.3	+15.9	+15.9	+17.6	+43.5	+63.7
MSCI World.....	+5.9	+6.3	+14.0	+14.0	+16.5	+34.7	+42.0
MSCI World Small Cap....	+6.1	+2.6	+6.6	+6.6	+11.0	+28.9	+15.2
MSCI Europe.....	+2.2	+0.9	+8.9	+8.9	+13.6	+29.4	+21.2
MSCI EM.....	+3.2	-0.1	+3.5	+3.5	-1.1	-0.6	-7.5
MSCI AC Asia.....	+3.1	+0.7	+4.8	+4.8	+3.3	+3.4	-1.7
SEMDEX.....	-0.9	+0.4	-4.3	-4.3	-7.5	+18.3	-12.4
DEMEX.....	+0.5	-1.7	-5.2	-5.2	-14.6	+22.2	+5.4

#### TOP INDEX LEADERS (% local currency)

Global equities	1Y	Domestic equities	1Y
Apple Inc.....	+42.7	Vivo Energy Mauritius Ltd.....	+19.7
Nvidia Corp.....	+179.3	MCB Group Limited.....	+1.9
Microsoft Corp.....	+33.9	Sun Limited.....	+16.5
Meta Platforms Inc-Class A....	+78.0	CIM Financial Services Ltd.....	+5.3
Amazon.Com Inc.....	+22.7	Rogers & Company Limited.....	+4.6

## Financial markets review (Cont'd)

### Bond markets

The Barclays Global Aggregate Bond index registered a USD performance of -1.3% during FY23 amid expectations that central banks would continue with their policy tightening campaigns. Due to the record bond selloffs during FY22, an anti-fragmentation tool called the Transmission Protection Instrument (TPI) was designed in FY23 to ensure that the monetary policy stance is transmitted smoothly. On the emerging markets front, EM debt outperformed considerably. Similarly, the FTSE Asian Broad bond outperformed with a positive return of 2.6% for FY23, highly contributed by the high-yield USD-denominated debt in the index.

For the financial year ending June 2023, the US Federal Reserve (Fed) raised the target range for the Fed Funds rate from 1.50%-1.75% in June 2022 to 5.00%-5.25% in June 2023, with seven consecutive rate hikes cumulating to 350 bps. The Fed rate reached its highest level in two decades. Fed Chairman, Jerome Powell hinted that the central bank plans to maintain this current rate. The Fed's balance sheet contracted during FY23, from USD 8.91Tr to USD 8.34Tr, resulting from quantitative tightening. Over FY23, the yield on 10-year US bonds surged by 84 bps from 3.00% in June 2022 to 3.84% in June 2023.

The European Central Bank (ECB) raised its interest rate for the 9<sup>th</sup> consecutive time by 25 bps to reach 4.25%, affirming its commitment to combatting inflation and bringing it to the 2% target despite the slowdown in economic activity. The interest rate on the main refinancing operations increased to 4.25%, the highest since October 2008, while the interest rates on the marginal lending facility and the deposit facility stood at 4.50% and 3.75%, respectively. Eurozone's headline inflation plunged to 5.5% in June 2023 from 8.6% in June 2022, driven primarily by food, alcohol, and tobacco (+2.35 pp). Over FY23, the yield on 10-year German bonds increased by 104 bps to 2.40%, its most inverted since September 1992. The corresponding yield on 10-year Italian and French debt rose to 3.99% and 2.90%, respectively. European investors flocked towards fixed-income instruments following the attractive yields delivered by the eurozone's peripheral bonds and benefited from ECB's Transmission Protection Instrument to avoid risks of disorderly bond selloffs.

On the domestic secondary bond market, yields on the 91D Treasury Bills surged by 303 bps to reach 3.90% in June 2023. Yields on 182D Treasury Bills and 364D Treasury Bills increased by 327 bps and 330 bps to reach 4.34% and 4.55%, respectively. 3Y GoM Notes yield increased from 2.73% in June 2022 to 4.69% in June 2023, while the 5Y GoM Bonds traded at 5.10% in June 2023 against 3.20% in June 2022. Yields on the long-term bonds were also on the uptrend, with the 10Y GoM Bond trading at 5.32% as at June 2023, equivalent to a rise of 75 bps. The yields on 15Y GoM and 20Y GoM bonds increased to 5.46% and 5.53% against preceding year's reading of 4.96% and 5.13%, respectively.

## Financial markets review (Cont'd)

### Bond markets (Cont'd)

#### BOND INDEX PERFORMANCE (% local currency)

Index	1M	3M	6M	YTD	1Y	3Y	5Y
Barclays Global Aggregate Bond.....	0.0%	-1.5%	1.4%	1.4%	-1.3%	-14.2%	-5.3%
Barclays US Aggregate Bond.....	-0.4%	-0.8%	2.1%	2.1%	-0.9%	-11.4%	3.9%
Barclays US Govt Inflation-Linked All Maturities Index .....	-0.3%	-1.4%	2.0%	2.0%	-1.3%	-0.9%	13.0%
Barclays High Yield bond .....	1.7%	1.7%	5.4%	5.4%	9.1%	9.7%	17.9%
JP Morgan EMU IG Bond .....	-0.2%	0.1%	2.5%	2.5%	-4.5%	-16.4%	-8.5%
JP Morgan EM Bond .....	2.2%	1.9%	3.8%	3.8%	7.0%	-9.9%	2.8%
FTSE Asian Broad Bond.....	0.2%	0.5%	3.2%	3.2%	2.6%	-7.4%	8.4%

USD except for JP Morgan EMU IG Bond

#### MARKET YIELDS (%)

Tenor	United States		Germany		India		China		Mauritius	
	Jun-23	Jun-22	Jun-23	Jun-22	Jun-23	Jun-22	Jun-23	Jun-22	Jun-23	Jun-22
91D	5.34	1.74	3.32	-0.51	6.94	6.26	NA	1.62	3.90	0.87
182D	5.37	2.23	3.44	-0.22	6.94	6.27	NA	1.75	4.34	1.07
364D	5.41	2.84	3.50	0.23	6.94	6.45	1.85	1.92	4.55	1.25
3Y	4.48	3.04	2.84	0.86	7.04	6.98	2.22	2.43	4.69	2.73
5Y	4.15	3.07	2.49	1.02	7.08	7.24	2.40	2.63	5.10	3.20
10Y	3.84	3.00	2.40	1.36	7.17	7.52	2.64	2.82	5.32	4.57
15Y	3.81	3.00	2.54	1.59	7.23	7.63	NA	NA	5.46	4.96
20Y	4.08	3.45	2.47	1.61	7.28	7.67	NA	NA	5.53	5.13

### Commodity markets

The S&P GSCI index registered a return of -14.2% during FY23, mainly driven by falling oil prices. The energy segment was negatively impacted by the likelihood of slower global growth; hence, Brent and WTI posted corresponding returns of -34.8% and -33.2% YoY. The price of Natural Gas trended downward in FY23, posting a return of -48.4% YoY after mild weather forecasts and storage in Europe hit new record highs at the end of the winter season. Industrial metals recorded positive performances, with copper and silver posting corresponding gains of +0.7% and +12.3%, reflecting the rise in industrial demand, especially from China. Gold headed for a modest rise, underpinned by encouraging inflation data in the US, weakening dollar and expectations of a slower pace of rate hikes; the yellow metal gained +6.2% YoY.

#### COMMODITIES

	Jun-23	Jun-22	FY23 (% YoY)
WTI \$/Bbl.....	70.64	105.76	-33.2
Brent \$/Bbl.....	74.90	114.81	-34.8
Natural gas USD \$/mmBtu.....	2.80	5.42	-48.4
Copper \$/Oz.....	374.10	371.45	+0.7
Silver Spot \$/Oz .....	22.77	20.28	+12.3
Gold Spot \$/Oz.....	1,919.35	1,807.27	+6.2

## Financial markets review (Cont'd)

### Forex

The U.S. Dollar Index (DXY) posted -1.7% over FY23 following expectations of a pause in the Fed's tightening cycle on the back of better-than-anticipated moderation in inflation. After trending downwards until Mar-23, the US dollar strengthened after the unfolding of the banking issues and eventually weakened after the debt ceiling crisis was resolved.

The euro appreciated against the US dollar after the ECB reiterated its commitment to fight persistently high inflation and expectations that the Fed would soon pause its rate hike cycle. A more hawkish tone from the ECB and improved sentiment over the warmer-than-anticipated winter supported the euro. During the first quarter of the period under review, the GBP depreciated considerably amid the UK political turmoil induced by the mini-budget, but the takeover of new PM Rishi Sunak instilled confidence in the currency, leading to a subsequent rebound in the GBP.

Among Asian markets, the Japanese Yen weakened against the dollar as the Bank of Japan (BoJ) maintained its ultra-loose monetary policy in contrast with other major central banks, which continued their tightening campaign to fight inflation. The BoJ kept its yield curve control policy to anchor the 10-year government bond yield. The Chinese Yuan (CNY) depreciated against the US dollar in FY23, mainly attributed to disappointing Chinese economic data, widening yield differential coupled with continued capital outflows. The Indian rupee weakened against the US dollar, driven by the continued hawkish stance of the Fed as it reaffirmed its commitment to fighting inflation. Outflows from foreign portfolio investors also exerted downward pressures on the INR.

In Mauritius, the MUR depreciated by 0.4% YoY against the US dollar. During the period under review, the Bank of Mauritius intervened in the domestic foreign exchange market by selling USD 555M and hiked the Key rate by a cumulative 225 bps to reach 4.5%. Albeit to a lesser extent than in FY22, the currency continues to be impacted by the interest rate differential, the current account deficit, and the financial account position.

<b>FOREX</b>			
	<b>Jun-23</b>	<b>Jun-22</b>	<b>FY23 (% YoY)</b>
Dollar index.....	102.91	104.69	-1.7
EUR-USD .....	1.09	1.05	+4.1
GBP-USD.....	1.27	1.22	+4.3
USD-JPY .....	144.31	135.72	+6.3
USD-CNY .....	7.25	6.70	+8.3
USD-INR .....	82.04	78.98	+3.9
USD-MUR .....	45.54	45.37	+0.4



## Market Outlook

The market environment remains uncertain as the global economy digests tighter credit conditions, the lagged effects of monetary policy tightening, anaemic growth, and geopolitical fragmentation. The strong equities rally in the second half of FY23, predicated on the increased likelihood of a soft landing, a wave of interest in artificial intelligence (AI) and better-than-expected earnings, will likely be tested over the coming quarters. At the July 2023 Federal Open Market Committee (FOMC) meeting, the Fed raised the target Fed Funds rate by 25 bps to a 5.25%-5.50% range. The dot plot shows that the median voting member at the Fed now expects the Fed Funds rate to rise to 5.6% in 2023. Chairman Jerome Powell indicated that the Fed is unlikely to cut rates in 2023 as core inflation is expected to remain above the 2% target.

The narrow leadership of the US equity market in the latter half of FY23 leaves the market vulnerable to the potential for interest rates to stay higher for longer. The elevated equity valuations among mega-caps reflect investors' optimism for a soft landing, expectations for rate cuts in 2024 and AI's transformative potential. While the US economy has displayed remarkable resilience throughout FY23, driven by a robust labour market, high consumer spending, and supportive fiscal policies, we remain vigilant moving into FY24. Downside risks to the prevailing optimistic outlook include the lagged impacts of a monetary policy, the unprecedented liquidity drain and the potential deceleration of government spending as fiscal sustainability concerns surge. We maintain our preference for quality stocks and large caps, driven by the anticipation of potential rate cuts by the Fed in reaction to economic vulnerabilities.

Domestically, the economic recovery underway since the reopening of our borders is expected to continue, driven primarily by the tourism sector. Economic projections from Statistics Mauritius indicate a real GDP growth of 5.3% for 2023, led by the accommodation and food services sector, which is forecast to grow by 25.7%. According to the National Budget 2023/24, the government aims to achieve a growth rate of 8% in FY24, driven by a surge in tourist arrivals and higher public investment in construction and renewable energy. Public debt is targeted to decline from 79% of GDP in June 2023 to 71.5% of GDP in June 2024. The government expects tourist arrivals to reach its pre-pandemic level of 1.4 million by June 2024. Large-scale infrastructure projects, including the extension of Metro Express, expansion of the road network, implementation of drain infrastructure projects and construction of social housing units, are expected to support economic growth. However, elevated inflation and higher interest rates will likely weigh on economic activity.

At its latest Monetary Policy Committee (MPC) held in June 2023, the Bank of Mauritius (BoM) decided to pause its interest rate hiking cycle. Accordingly, the MPC unanimously voted to keep the Key Rate unchanged at 4.50%. In July 2023, the BoM introduced a cap on the weekly issuance of 7-day BoM bills at MUR 5 billion. The move resulted in lower yields and a flattened sovereign yield curve. The BoM anticipates inflation to continue its downward trajectory in the second half of 2023 to reach 6.8% for the year. The broad-based recovery observed during 2022 is expected to continue during 2023, supported by continued positive momentum in the tourism sector and accommodative fiscal policy measures. Domestic demand and investment spending are likely to be supported by the overhaul of the personal income tax regime, social measures targeted at lower-income households and large-scale infrastructure projects.

The Trustee and Manager of SBM Universal Fund (“the Fund”) are pleased to submit their Corporate Governance Report for the year ended 30 June 2023, inclusive of other statutory disclosures.

**INTRODUCTION**

SBM Universal Fund was authorised by the Financial Services Commission under the Unit Act, 1989 as amended, and established as a Unit Trust by a trust deed of the SBM Unit Trust dated 7 June 2002 between SBM Mauritius Asset Managers Ltd (The manager) and Sun Insurance Co. Ltd (The Trustee) and subsequently governed by the Supplemental Deed dated 30 November 2012, Supplemental Deed No. 1 dated 14 November 2013 and Supplemental Deed No. 2 dated 20<sup>th</sup> October 2017.

It is an open-ended Collective Investment Scheme established under Section 3 of the Unit Trust Act, 1989 authorised and regulated under the Trust Act, 2001, Securities Act, 2005 and the Securities (Collective Investment Schemes and Closed-end Funds) Regulation, 2008 by the Financial Services Commission.

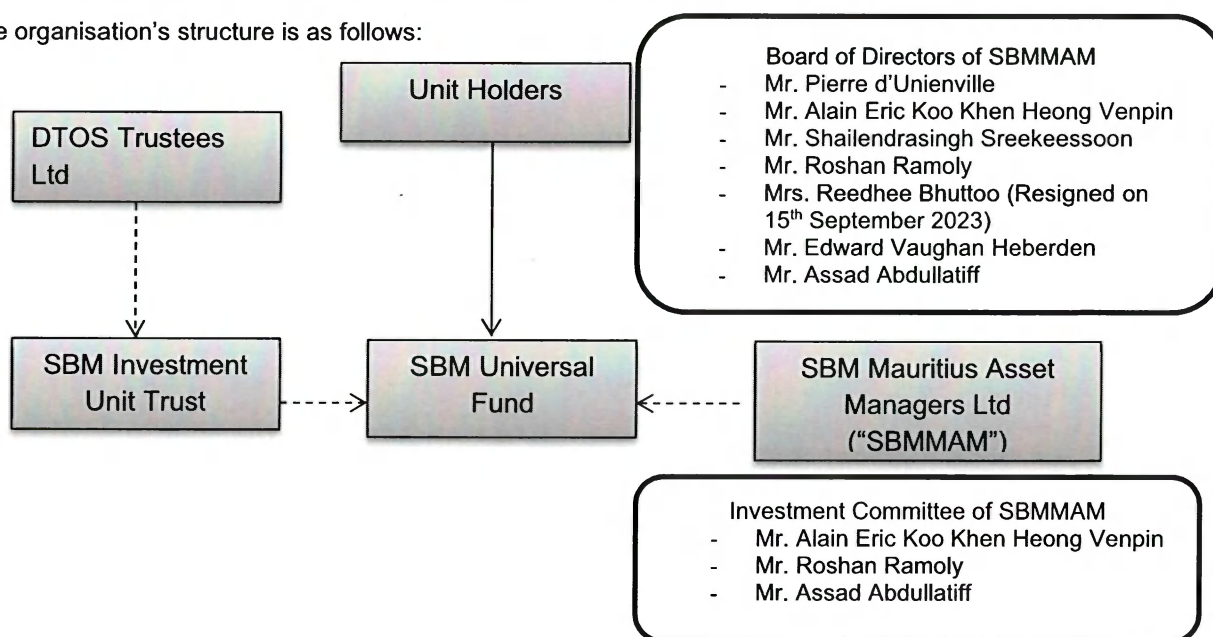
However, following a restructuring exercise, the Fund has been restructured under the SBM Investment Unit Trust, whilst keeping their investment objectives and strategies by a Supplemental Deed of Amendment of the Trust Deed of the SBM Investment Unit Trust dated 31 December 2019 between the Manager, SBM Mauritius Asset Managers Ltd and DTOS Trustees Ltd.

The Fund’s objective is to maximise returns on a long-term basis and to provide regular income to its unitholders whilst keeping a balanced-risk strategy.

The Fund is a public interest entity as defined under the Financial Reporting Act 2004.

SBM Universal Fund’s corporate governance framework includes its Trustee, Investment Committee, Manager, the board of the Manager, Unitholders, and other stakeholders.

The organisation’s structure is as follows:





### **INTRODUCTION (CONTINUED)**

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

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

- Trust deed and subsequent Supplemental Deeds;
- Terms of reference of the Trustee and sub-committee;
- The National Code of Corporate Governance for Mauritius 2016 (the "Code");
- The Trust Act, 2001;
- The Securities Act, 2005; and
- The Securities (Collective Investment Schemes and Closed-end Funds) Regulations, 2008.

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

The Board of the Manager has attempted to create the right balance and composition to better meet the objectives of the organisation. The Board is unitary and comprises of six Directors, of which two are Independent, three are non-Executive and one is Executive Director. The Independent Directors do not have any relationship with the majority Shareholders, therefore a sufficient number of directors do not have any relationship with the organisation. The Board is led by Mr. Pierre Marrier d'Unienville, and all Board members currently reside in Mauritius.

There exists a transparent procedure in place regarding the appointment of prospective Directors which is made in accordance with the skills, knowledge and expertise required on the Board. The re-election of Directors is made on an annual basis at the Annual Meeting of Shareholders. New Board members are provided with an induction pack to provide them with sufficient knowledge and understanding of the Fund's business.

All Board members are fully apprised of their fiduciary duties as laid out in the Companies Act 2001. The independent directors are remunerated for their knowledge, experience and insight provided to the Board. Directors' fees are paid by the Manager and have been disclosed in its accounts.

### **TRUST DEED AND SUPPLEMENTAL DEEDS**

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

### **TRUST DEED AND SUPPLEMENTAL DEEDS (CONTINUED)**

Salient features of the documents are:

No Unitholder shall be entitled to:

- require the transfer to him of any of the assets comprised in the Fund;
- interfere with or question the exercise or non-exercise by the Trustee or the Manager of the rights and powers of the Trustee and the Manager in their dealings with the Fund or its assets or any part thereof;
- attend meetings whether as Unitholders or otherwise, or to vote or to take part in or consent to any action concerning any property of any entity in which the Fund holds an interest.

A Unitholder is entitled to any distribution as approved and declared by the Manager as per provisions of the Trust Deed.

### **THE TRUSTEE AND THE MANAGER**

#### **Corporate Profile of the Trustee – DTOS Trustees Ltd**

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

#### **Role of the Trustee**

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

- **International best standards and regulatory compliance**

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

- **Accounts and risk management**

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

- **Supervision of fund intermediaries**

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

#### **Corporate Profile of the Manager – SBM MAM**

SBM Mauritius Asset Managers Ltd ("SBM MAM") is licensed and regulated by the Financial Services Commission of Mauritius and holds a CIS Manager license. It is 100% owned by SBM Capital Markets Ltd. SBM MAM offers investment management services across a number of asset classes including equities, fixed income, private and alternative investments.

## **THE TRUSTEE AND THE MANAGER (CONTINUED)**

### **Role of the Manager and its obligations**

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

Its obligations cover but are not restricted to the following:

- **Conduct of Business**

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

- **Supervision of assets**

The Manager shall manage and supervise all assets of the Fund to the best interest of the Unitholders.

- **Trade in units of the Fund**

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

## **THE INVESTMENT COMMITTEE**

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

Currently, the Committee is composed of 3 members and meets on a quarterly basis. It reviews the performance of the Fund, ensures that the investment strategy complies with the provisions of the Trust Deed and Prospectus.

### **Managing Conflict of Interest and Related Party Transactions**

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

For the related party transaction, please refer to Note 19 to the Financial Statements.

### **Information, information technology and information security policy**

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

## **RISK GOVERNANCE AND INTERNAL CONTROL**

### **RISK MANAGEMENT**

The Manager is responsible for the risk management practice and procedures in place within the operating structure of the Fund for risk management. The Manager also defines the overall strategy for risk tolerance and is responsible for the design, implementation and review of a risk management framework, processes and day-to-day management of risk as performed by the intermediaries and service providers of the Fund.

Part of the responsibility to monitor the framework and processes has been delegated to the Investment Committee which conducts reviews on a quarterly basis.

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

The risk management mechanisms in place include:

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

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

#### **Operational risks**

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

#### **Compliance risks**

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

#### **Technology risks**

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

#### **Business continuity risks**

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

## **RISK GOVERNANCE AND INTERNAL CONTROL (CONTINUED)**

### **Reputational risks**

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

### **Financial risks**

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

## **INTERNAL CONTROL**

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

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

## **WHISTLEBLOWING POLICY**

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

- Protection of and Remedies for Whistle blowers and Complainants;
- Channels and Procedures;
- Hotline, Email and PO Box facilities

## **REPORTING WITH INTEGRITY**

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

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

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



### **REPORTING WITH INTEGRITY (CONTINUED)**

The Manager acknowledges its responsibility for ensuring the preparation of the financial statements in accordance with IFRS and the responsibility of external auditors to report on these financial statements.

The Manager is responsible for ensuring the maintenance of adequate accounting records and an effective system of internal controls and risk management and the selection of appropriate accounting policies.

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

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

The Manager confirms that in preparing the financial statements, it has:

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

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

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

### **AUDIT**

#### **Internal Audit**

The Non-Banking Financial cluster ('NBFC') of the SBM Group has its own permanent Internal Audit function reporting to the Risk Committee of SBM (NBFC) Holdings Ltd, the holding Company of NBFC. The internal audit team comprises of three fully qualified accountants. The internal auditors provide assurance about the effectiveness of the risk management and control processes in place and they maintain their independence by reporting to the Risk Committee. The Head of Internal Audit has regular access to the Trustee and Manager and the chairperson of the Risk Committee. There were no restrictions on access by the internal auditors to records or members of the management team. It is to be noted that SBM Fund Services Ltd/Registry was part of the internal audit review for the year 2023 and the Funds registry has been covered.

The Audit and Risk Committees of NBFC are chaired by a Chartered Accountant and the Committee comprises of independent members with more than 30 years' experience in the Financial Services industry. The Risk Committees reviews and approves Internal Audit's plan and resources and evaluates the



## **AUDIT (CONTINUED)**

effectiveness of the function. The Audit and Risk Committees ensure that a consistent risk-based audit methodology is applied. The audit reports are thereafter tabled at the Committee and the findings and methodologies are reviewed and discussed by the Risk Committee.

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

### **External Audit**

Deloitte was re-appointed as statutory auditors of the Fund for the financial year ended 30 June 2023. The Trustee and Manager assess and review on a regular basis the independence of the external auditor.

The fees paid for audit services for the year ended 30 June 2023 were **Rs. 230,000** (period 2022: Rs. 145,475). No non-audit services were paid for the year under review.

## **RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS**

### **SHAREHOLDING**

#### **Holding Structure – 30 June 2023**

As at 30 June 2023, the Fund had issued 14,724,279 units for a total fund size of Rs. 468,747,148. The NAV per unit of the Fund as at 30 June 2023 was Rs. 31.84.

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

<b>Year</b>	<b>NAV per unit</b>
June 2019	27.34
June 2020	26.41
June 2021	31.03
June 2022	31.02
June 2023	31.84

### **Unitholders' Relations and Communication**

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

**RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS (CONTINUED)**

**Analysis of ownership**

The Fund had 1,019 Unitholders as at 30 June 2023. A breakdown of the category of Unitholders and the unit ownership as at 30 June 2023 are set out below:

<b>Market Value (MUR)</b>	<b>Number of Unitholders</b>	<b>Number of shares owned</b>	<b>% Holdings</b>
0-59,999	388	212,063.00	1.44%
60,000 - 99,999	78	183,242.55	1.24%
100,000 - 124,999	35	125,870.11	0.85%
125,000 - 199,999	98	486,852.00	3.31%
200,000 - 499,999	256	2,552,794.49	17.34%
500,000 - 999,999	103	2,248,383.38	15.27%
1M - 1,499,999	30	1,099,433.92	7.47%
1.5M - 1,999,999	6	333,190.85	2.26%
2M - 2,999,999	7	530,596.86	3.60%
3M - 5,999,999	7	925,118.89	6.28%
6M - 10M	5	1,194,877.76	8.12%
10M-20 M	4	1,877,313.07	12.75%
ABOVE 20 M	2	2,954,541.98	20.07%
<b>Total</b>	<b>1,019</b>	<b>14,724,278.86</b>	<b>100.00%</b>

**Unitholders' Agreement**

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

**Unitholders' Calendar**

The Fund has planned the following forthcoming events:

<b>Reporting date</b>	30 June 2023
<b>Publication of year end results</b>	Within 90 days from end of 30 June 2023
<b>Declaration of dividend</b>	Within 3 months from end of 30 June 2023

**Dividend Policy**

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

**RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS (CONTINUED)**

For financial year 30 June 2023, it was agreed to payout an amount of MUR 5,730,634 (2022: MUR 3,013,518) as dividend which resulted in a dividend per unit of MUR 0.37.

**OTHER STATUTORY DISCLOSURES**

**SIGNIFICANT CONTRACTS**

The following agreements have been approved by the Trustee and Manager and are still effective as at end of the financial year 2022-2023:

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

**Employee Share Option Scheme**

The Fund has no share option plans.

**Directors and Officers Liability Insurance**

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

**Ethics and Business Conduct**

Under regulatory supervision of the Financial Services Commission, all officers and agents of the Fund are expected to maintain a high level of ethics in their behaviour and business transactions. The transactions of the Fund are carried out as per its Manager's and Fund Administrator's Code of Business Conduct and Ethics, applicable to all direct and indirect employees who deal with the matters of the Fund. The Fund is involved in the provision of services and its operations do not materially impact on the environment. Investing strategies include investment in sound, ethical and environmental friendly entities.

On behalf of the Trustee and Manager

.....  
On behalf of the Trustee

Date: 25 SEP 2023

  
.....  
On behalf of the Manager



**STATEMENT OF COMPLIANCE**

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

**Name of PIE: SBM Universal Fund**

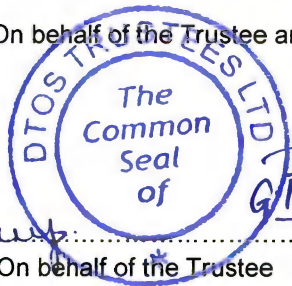
**Reporting Period: Year ended 30 June 2023**

We, the Trustee and Manager of the SBM Universal Fund (the "Fund") confirm that to the best of our knowledge, the Fund has complied with most of its obligation and requirements under the National Code of Corporate Governance for Mauritius (2016) except for Principle 2, 3 and 4 of the Code of Corporate Governance.

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

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

On behalf of the Trustee and Manager



*ubenaup*

On behalf of the Trustee

*[Signature]*

On behalf of the Manager

Date: 25 SEP 2023



**SBM UNIVERSAL FUND  
STATEMENT OF TRUSTEE'S AND MANAGER'S RESPONSIBILITIES  
FOR THE YEAR ENDED 30 JUNE 2023**

**3(xii)**

**Trustee's and Manager's Responsibilities in respect of the Financial Statements**

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

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

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

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

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

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

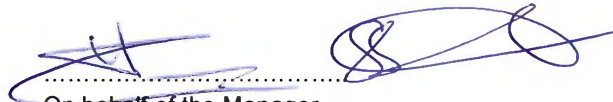
The Trustee and Manager confirms that in preparing the financial statements, they have:

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

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

On behalf of the Trustee and Manager

.....  
On behalf of the Trustee

  
On behalf of the Manager

Date: 25 SEP 2023



## **Independent auditor's report to the Members of SBM Universal Fund**

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of **SBM Universal Fund** (the "Fund") set out on pages 6 to 38, which comprise the statement of financial position as at 30 June 2023, and the statement of profit or loss and other comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2023, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and comply with the requirements of the Trust Act 2001 and the Financial Reporting Act 2004.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standard Board for International Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other information**

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of Trustee and Manager for the Financial Statements**

The Trustee and the Manager are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Financial Reporting Act 2004 and in compliance with the requirements of the Trust Act 2001 and they are also responsible for such internal control as the trustee and manager determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustee and the manager are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee and manager either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The trustee and the manager are responsible for overseeing the Fund's financial reporting process.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



## Independent auditor's report to the Members of SBM Universal Fund (Continued)

### **Auditor's responsibilities for the audit of the financial statements (continued)**

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the trustee and the manager' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Report on other legal and regulatory requirements**

#### *Financial Reporting Act 2004*

Our responsibility under the Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Public Interest Entity has, pursuant to section 75 of the Financial Reporting Act 2004, complied with the requirements of the Code.

#### **Use of this report**

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

  
Deloitte

**Chartered Accountants**

27 September 2023

  
**LLK Ah Hee, FCCA**  
**Licensed by FRC**

**SBM UNIVERSAL FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2023**

6.

	Notes	2023 MUR	2022 MUR
<b>ASSETS</b>			
Cash and cash equivalents		18,160,018	18,276,499
Other receivables	6	1,919,752	1,398,645
Financial assets at fair value through other comprehensive income	7(a)	159,406,745	245,914,476
Financial assets held at amortised cost	8	104,073,320	104,114,110
Financial assets at fair value through profit or loss	7(b)	186,509,359	124,816,530
		<u>470,069,194</u>	<u>494,520,260</u>
<b>LIABILITIES</b>			
Other payables	10	1,267,574	11,052,489
Income tax liability	11(a)	54,472	105,733
		<u>1,322,046</u>	<u>11,158,222</u>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			
Redeemable units	5(a)	206,863,883	233,531,292
Retained earnings		6,348,609	5,183,153
Fair value reserve		253,590,057	249,999,305
Other reserve		1,944,599	(5,351,712)
	5(b)	<u>468,747,148</u>	<u>483,362,038</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>470,069,194</u>	<u>494,520,260</u>

Approved by the Trustee and the Manager and authorised for issue on 25 SEP 2023

Signed on behalf of the Trustee:

Signed on behalf of the Manager:



The notes on pages 10 to 38 form part of these financial statements.

**SBM UNIVERSAL FUND  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2023**

7.

	Notes	Year ended 30 June 2023 MUR	Year ended 30 June 2022 MUR
<b>INCOME</b>			
Dividend income	7(c)	6,862,802	6,075,852
Interest income	12	7,669,097	6,380,265
Net foreign exchange gain		125,522	438,990
Net unrealised gain on financial assets held at FVTPL	7(b)	6,335,818	-
Gains on reclassification of financial assets from FVOCI to FVTPL		834,971	-
Other income		-	217,369
		<u>21,828,210</u>	<u>13,112,476</u>
<b>FUND EXPENSES</b>			
Manager's fees	13	4,696,368	4,570,427
Administrator's fees	17	587,046	571,303
Registry's fees	15	587,046	571,303
Trustee's fees	14	383,788	370,919
Custodian's fees	16	395,026	1,039,929
Auditor's fees		306,475	128,000
Legal & professional fees		81,245	74,095
Sundry expenses		35,271	54,557
Expected credit losses	8(c)	40,088	(283,347)
Net unrealised loss on financial assets held at FVTPL	7 (b)	-	7,224,585
		<u>7,112,353</u>	<u>14,321,771</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>14,715,857</b>	<b>(1,209,295)</b>
Income tax expense	11 (b)	(146,661)	(107,646)
Withholding tax expense	11 (b)	(376,795)	(335,353)
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>14,192,401</b>	<b>(1,652,294)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Net unrealised gain/(loss) on financial assets at FVOCI	7 (a)	4,425,723	(246,648)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Cumulative gains on investments in debt instruments classified as at FVOCI now reclassified to FVTPL		(834,971)	-
		<u>3,590,752</u>	<u>(246,648)</u>
<b>Increase/(decrease) in net assets attributable to holders of redeemable participating units</b>		<b><u>17,783,153</u></b>	<b><u>(1,898,942)</u></b>

The notes on pages 10 to 38 form part of these financial statements.

**SBM UNIVERSAL FUND  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30 JUNE 2023**

8.

	Note	Non-distributable reserves				Total MUR
		Redeemable units MUR	Retained earnings MUR	Fair value reserve MUR	Other reserve MUR	
At 01 July 2021		138,274,240	3,063,370	250,245,953	1,433,883	393,017,446
Issue of units	5(a)	121,017,931	-	-	-	121,017,931
Redemption of units	5(a)	(25,760,879)	-	-	-	(25,760,879)
Decrease in net assets attributable to holders of redeemable units		-	(1,652,294)	(246,648)	-	(1,898,942)
Distribution to unitholders	22	-	(3,013,518)	-	-	(3,013,518)
Transfer*: Net unrealised loss on financial assets at FVTPL		-	7,224,585	-	(7,224,585)	-
Net foreign exchange gain		-	(438,990)	-	438,990	-
As at 30 June 2022		<u>233,531,292</u>	<u>5,183,153</u>	<u>249,999,305</u>	<u>(5,351,712)</u>	<u>483,362,038</u>
<b>At 01 July 2022</b>		<b>233,531,292</b>	<b>5,183,153</b>	<b>249,999,305</b>	<b>(5,351,712)</b>	<b>483,362,038</b>
Issue of units	5(a)	6,038,566	-	-	-	6,038,566
Redemption of units	5(a)	(32,705,975)	-	-	-	(32,705,975)
Increase in net assets attributable to holders of redeemable units		-	14,192,401	3,590,752	-	17,783,153
Distribution to unitholders	21	-	(5,730,634)	-	-	(5,730,634)
Transfer*: Gains on reclassification of financial assets from FVOCI to FVTPL			(834,971)		834,971	-
Net unrealised gain on financial assets at FVTPL		-	(6,335,818)	-	6,335,818	-
Net foreign exchange gain		-	(125,522)	-	125,522	-
As at 30 June 2023		<u>206,863,883</u>	<u>6,348,609</u>	<u>253,590,057</u>	<u>1,944,599</u>	<u>468,747,148</u>

**\* Note:**

As per the Fund's prospectus, capital gains arising from changes in the value of investments, both realised and unrealised are credited to the non-distributable reserves and shall not be available for distribution as dividends. Capital losses arising from changes in the value of investment will be debited to fair value reserve and shall not be offset against income received. All other undistributable income and expenses such as foreign exchange movement are transferred to other reserve.

Net gains/ (losses) on financial assets held at FVTPL (previously measured at FVOCI) have been transferred to undistributable reserves.

The notes on pages 10 to 38 form part of these financial statements.

**SBM UNIVERSAL FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2023**

**9.**

		Year ended 30 June 2023	Year ended 30 June 2022
	Notes	MUR	MUR
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(Loss) before tax		14,715,857	(1,209,295)
<i>Adjustments for:</i>			
Dividend income	7(c)	(6,862,802)	(6,075,852)
Interest income	12	(7,669,097)	(6,380,265)
Expected credit losses	8(c)	40,088	(283,347)
Net foreign exchange gain		(125,522)	(438,990)
Gains on reclassification of financial assets from FVOCI to FVTPL		(834,971)	-
Net unrealised (gain)/ loss on financial assets at FVTPL	7 (b)	(6,335,818)	7,224,585
<b>Operating loss before working capital changes</b>		<b>(7,072,265)</b>	<b>(7,163,164)</b>
Increase in other receivables		(100)	(35,338)
(Decrease)/Increase in other payables		(9,784,915)	9,912,133
Purchase of financial assets held at FVOCI	7(a)	-	(15,656,578)
Purchase of financial assets held at FVTPL	7(b)	(15,188,958)	(135,092,745)
Purchase of financial assets held at amortised cost	8	-	(46,107,470)
Disposal proceeds from financial assets at FVOCI	7(a)	31,474,301	66,579,289
Disposal proceeds from financial assets at FVTPL	7(b)	19,483,130	3,051,630
Maturity proceeds from financial assets at amortised cost	8	-	20,000,000
Interest received		7,477,215	5,924,308
Dividend received		6,342,349	6,037,573
<b>Net cash generated from/(used in) operations</b>		<b>32,730,757</b>	<b>(92,550,362)</b>
Income tax paid	11(a)	(197,922)	(78,063)
Withholding tax suffered	11(b)	(376,795)	(335,353)
<b>NET CASH GENERATED FROM/ (USED IN) OPERATING ACTIVITIES</b>		<b>32,156,040</b>	<b>(92,963,778)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issue of units	5(a)	6,038,566	121,017,931
Redemption of units	5(a)	(32,705,975)	(25,760,879)
Dividend distribution	21	(5,730,634)	(3,013,518)
<b>NET CASH FLOW (USED IN)/ FROM FINANCING ACTIVITIES</b>		<b>(32,398,043)</b>	<b>92,243,534</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(242,003)</b>	<b>(720,244)</b>
Effect of foreign exchange gain on cash and cash equivalents		125,522	420,205
<b>CASH AND CASH EQUIVALENTS AT START OF YEAR</b>		<b>18,276,499</b>	<b>18,576,538</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>18,160,018</b>	<b>18,276,499</b>

The notes on pages 10 to 38 form part of these financial statements.



**1 LEGAL FORM AND PRINCIPAL ACTIVITY**

SBM Universal Fund ("the Fund") was authorised by the Financial Services Commission under the Unit Trust Act 1989 (repealed and replaced by the Trust Act 2001) and established as a Unit Trust by a Trust Deed dated 7 June 2002 between SBM Mauritius Asset Managers Ltd ("The Manager") and Sun Insurance Co Ltd ("The Trustee").

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

SBM Universal Fund operated as a domestic Fund until 31 December 2019. On 01 January 2020, a restructuring exercise was performed whereby all the assets and liabilities previously held under SBM Universal Fund Ltd were transferred to a Sub Fund of SBM Investment Unit Trust known as "SBM Universal Fund", pursuant to a Supplement of the Trust being executed between the Trustee and the Manager.

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

**2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)**

In the current year, the Fund has applied all the new and revised standard and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 July 2022.

**2.1 NEW AND REVISED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE**

***Standards and amendments to existing standards effective 1 July 2022***

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRS and IFRIC interpretations adopted in the year commencing 1 July 2022:

<u>Amendments</u>	<b>Effective for accounting period beginning on or</b>
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 July 2022
Annual Improvements to IFRS Standards 2018-2020 Conceptual Framework	1 July 2022

The above amendments did not have an impact on the financial position or performance of the Fund.

**2.2 NEW AND REVISED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

***New standards, amendments and interpretations effective after 1 July 2022 and have not been early adopted***

The following standards, amendments to existing standards and interpretations were in issue but not yet effective. They are mandatory for accounting periods beginning on the specified dates, but the Fund has not early adopted them:



**2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)**

**2.2 NEW AND REVISED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)**

*New standards, amendments and interpretations effective after 1 July 2022 and have not been early adopted (Continued)*

<u>New or revised standards and interpretations:</u>	<b>Effective for accounting period beginning on or after</b>
<u>Amendments</u>	
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	1 January 2024
Classification of Liabilities as Current or Non-current — Deferral of Effective Date (Amendment to IAS 1)	1 January 2024
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023
International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12) — other disclosure requirements	1 January 2023
International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12) — Application of the exception and disclosure of that fact	Issued on 23 May 2023 with immediate effectiveness

The Fund is still evaluating the effect of these new or revised standards and interpretations on the presentation of its financial statements.

No early adoption is intended by the Board of directors.

**3 ACCOUNTING POLICIES**

**3.1 BASIS OF PREPARATION**

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

The financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI), which are measured at fair value.

**3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Foreign currency translation**

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

***Transactions and balances***

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

**3 ACCOUNTING POLICIES (CONTINUED)**

**3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(a) Foreign currency translation (Continued)**

***Transactions and balances (Continued)***

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on retranslation of non-monetary items is treated in line with recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

**(b) Taxes**

***Current income tax***

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

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

***Deferred tax***

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

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

**3 ACCOUNTING POLICIES (CONTINUED)**

**3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) Taxes (Continued)**

***Deferred tax (Continued)***

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

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

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

**(c) Financial instruments**

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require:

- Impairment of financial assets to be presented in a separate line item in the statement of comprehensive income; and
- Separate presentation in the statement of profit or loss and other comprehensive income of interest revenue calculated using the effective interest method.

***Financial assets***

**Initial recognition and measurement**

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

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

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

### 3 ACCOUNTING POLICIES (CONTINUED)

#### 3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (c) Financial instruments (Continued)

###### *Financial assets*

###### **Initial recognition and measurement**

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

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

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

###### **Subsequent measurement**

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

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

###### **Financial assets at amortised cost**

The Fund measures financial assets at amortised cost if both of the following conditions are met:

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

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

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

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

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



### 3 ACCOUNTING POLICIES (CONTINUED)

#### 3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (c) Financial instruments (Continued)

##### *Financial assets (Continued)*

##### *Subsequent measurement (Continued)*

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

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

The Fund has elected to classify its listed equity investments existing as at 30 June 2021 under this category.

##### **Financial assets designated at fair value through profit or loss (FVTPL)**

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition. It has been acquired principally for the purpose of selling it in the near term.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.
- Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 9.

Following the re-assessment on the classification and measurement of listed equity and equity-related investments, all new equities purchased as from 1 July 2021 have been classified under this category.

##### **Derecognition**

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

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



**3 ACCOUNTING POLICIES (CONTINUED)**

**3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) Financial instruments (Continued)**

***Financial assets (Continued)***

**Derecognition (Continued)**

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

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of its continuing involvement.

In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

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

**Impairment of financial assets**

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

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

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

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

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

The Fund considers a financial asset to be in default when the financial assets is more than 30 days past due.

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

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

### **3 ACCOUNTING POLICIES (CONTINUED)**

#### **3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(c) Financial instruments (Continued)**

###### ***Financial assets (Continued)***

###### **Impairment of financial assets (Continued)**

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

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

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

###### ***Measurement of ECLs***

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

###### ***Credit-impaired financial assets***

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

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

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

###### ***Presentation of allowances for ECLs in the statement of financial position***

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

###### ***Write-off policy***

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Financial assets written off may still be subject to enforcement activities under the Fund's recovery procedures. Any recoveries made are recognised in profit or loss.

###### ***Financial liabilities***

###### **Initial recognition and measurement**

Financial liabilities comprise of other payables, which are measured at amortised cost.

###### **Subsequent measurement**

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

###### **Other payables**

Accounts payable are stated at their amortised cost using the effective interest method.

### 3 ACCOUNTING POLICIES (CONTINUED)

#### 3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (c) Financial instruments (Continued)

##### *Financial liabilities (Continued)*

##### **Subsequent measurement (Continued)**

##### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

##### **Derecognition**

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

##### **Offsetting of financial instruments**

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

##### **Determination of fair value**

The fair value for financial instruments traded in active markets at reporting date is based on their quoted price or binding dealer price quotations.

For all other financial assets not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis making as much use of available and supportable market data as possible.

An analysis of fair value instruments and further details as to how they are measured are provided in Note 9.

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**3 ACCOUNTING POLICIES (CONTINUED)**

**3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) Financial instruments (Continued)**

***Financial liabilities (Continued)***

**Determination of fair value (Continued)**

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

**(d) Revenue recognition under IFRS 9**

**(i) *Interest income calculated using effective interest method***

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

**(ii) *Dividend Income***

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

**(e) Cash and cash equivalents**

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

**(f) Redeemable units**

***Classification of redeemable units***

Redeemable units are classified as equity instruments when:

- The redeemable shares entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.
- The redeemable units are in the class of instruments that is subordinate to all other classes of instruments.
- All redeemable shares in the class of instruments that is subordinate to all other classes of instruments have identical features.
- The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Fund's net assets.
- The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

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

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund;
- The effect of substantially restricting or fixing the residual return to the holders of redeemable units.



**3 ACCOUNTING POLICIES (CONTINUED)**

**3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(f) Redeemable units (Continued)**

*Classification of redeemable units (Continued)*

The Fund classified its redeemable units as equity as it meets the above features and also the Fund does not have any contractual obligation to repurchase or redeem for cash or other financial asset.

The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have all the features or meet all the conditions set out to be classified as equity, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity. If the redeemable units subsequently have all the features and meet the conditions to be classified as equity, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

The Fund classified its redeemable units as equity as it meets the above features.

The issuance, acquisition and cancellation of redeemable shares are accounted for as equity transactions.

Upon issuance of units, the consideration received is included in equity.

Transaction costs incurred by the Fund in issuing or acquiring its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

**(g) Related parties**

Parties are considered to be related to the Fund if they have the ability, directly or indirectly, to control the Fund or exercise significant influence over the Fund. Related parties may be individuals or other entities.

**4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

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

**Judgements**

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

**(a) Determination of functional currency**

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

**(b) Going concern**

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



**4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)**

**Judgements (Continued)**

*(c) Business model assessment*

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (see financial assets sections of note 3). The Fund determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Fund monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Fund's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Following the re-assessment on the classification of debt instruments, whereby the Fund will be trading actively on the quoted bonds held, all quoted bonds previously held under FVOCI have been reclassified under FVTPL as from 1 July 2022.

**Estimates and assumptions**

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

*Expected credit losses (ECLs)*

To calculate the ECL, the Fund has applied judgements that have a significant effect on the amounts recognised in the financial statements and include the classification of financial instruments into financial assets measured at amortised cost category. Estimated ratings have been used for the calculation (Note 20).

*Fair value of securities not quoted in an active market*

Some of the Fund's assets are measured at fair value for financial reporting purposes. Management is responsible for the appropriate valuation techniques and inputs being used for the fair value measurement. The fair value of securities not quoted in an active market may be determined by the Fund using valuation techniques including third party transactions values, earnings or net asset value, whichever is appropriate. The Fund would exercise judgement and estimates on the quantity and quality of pricing sources used. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Further information on the carrying amounts of these assets and the sensitivity of those amounts to changes in unobservable inputs are provided in notes 9 and 20.

**5. CAPITAL MANAGEMENT**

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

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

The Fund's objectives for managing capital are:

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

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

Unitholders have undivided rights in the Fund pro-rata to the number of Units held by them.

Upon the Fund being terminated, the Fund shall sell all the Fund property vested in it in accordance with the terms of the Trust Deed. It shall apply the proceeds of the sale to repay any liability by the Fund and shall distribute all net cash proceeds to the Unitholders pro-rata to their number of Units after deduction of expenses as provided for in the Trust Deed.

Unitholders shall be entitled to vote at meetings of Unitholders.

The following matters shall require a meeting of Unitholders:

- termination of the Trust by Extraordinary Resolution,
- appointment of a new Manager or Trustee in the case the Manager has retired and has not been replaced by the Trustee or in case the Trustee has retired and has not been replaced by the Manager.

<b>(a) Movement in units during the year</b>	<b>2023</b>		<b>2022</b>	
	<b>No. of units</b>	<b>MUR</b>	<b>No. of units</b>	<b>MUR</b>
At start of year	<b>15,582,944</b>	<b>233,531,292</b>	12,665,497	138,274,240
Units created	<b>198,541</b>	<b>6,038,566</b>	3,738,827	121,017,931
Units liquidated	<b>(1,057,206)</b>	<b>(32,705,975)</b>	(821,380)	(25,760,879)
At end of year	<b>14,724,279</b>	<b>206,863,883</b>	15,582,944	233,531,292

<b>(b) Net asset value / Unit</b>	<b>2023</b>	<b>2022</b>
<b>Net Asset Value</b>	<b>468,747,148</b>	483,362,038
<b>Units</b>	<b>14,724,279</b>	15,582,944
<b>Net Asset Value per unit</b>	<b>31.83</b>	31.02

<b>(c) Prices per unit</b>	<b>2023</b>	<b>2022</b>
Issue price (MUR)	<b>32.15</b>	31.33
Repayment price (MUR)	<b>31.52</b>	30.71

**6. OTHER RECEIVABLES**

	<u>2023</u>	<u>2022</u>
	MUR	MUR
Dividend receivable	1,859,933	1,338,926
Investment proceeds	32,858	32,858
Prepayments	26,961	26,861
	<u>1,919,752</u>	<u>1,398,645</u>

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

**7(a). FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<u>Equity and equity-related</u>		<u>Debt</u>	<b>TOTAL</b>
	<u>Local</u>	<u>Foreign</u>	<u>Local</u>	
<b>Local and foreign</b>	<b>MUR</b>	<b>MUR</b>	<b>MUR</b>	<b>MUR</b>
At 01 July, 2021	131,852,844	121,579,133	43,493,544	296,925,521
Additions	-	-	15,656,578	15,656,578
Disposals	(31,922,457)	(34,656,832)	-	(66,579,289)
Interest accrued	-	-	61,403	61,403
Expected credit losses (Note 8c)	-	-	96,911	96,911
Net gain/(loss) on financial assets at FVOCI	14,078,205	(14,475,570)	150,717	(246,648)
At 30 June, 2022	<u>114,008,592</u>	<u>72,446,731</u>	<u>59,459,153</u>	<u>245,914,476</u>
<b>At 01 July, 2022</b>	<b>114,008,592</b>	<b>72,446,731</b>	<b>59,459,153</b>	<b>245,914,476</b>
Reclassification from FVOCI TO FVTPL (Note 7(b))	-	-	(59,459,153)	(59,459,153)
Disposals	(12,707,657)	(18,766,644)	-	(31,474,301)
Net gain/(loss) on financial assets at FVOCI	(5,672,681)	10,098,404	-	4,425,723
At 30 June, 2023	<u>95,628,254</u>	<u>63,778,491</u>	<u>-</u>	<u>159,406,745</u>

**7(b). FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<u>Equity and equity-related</u>		<u>Debt</u>	<b>TOTAL</b>
	<u>Local</u>	<u>Foreign</u>	<u>Local</u>	
<b>Local and foreign</b>	<b>MUR</b>	<b>MUR</b>	<b>MUR</b>	<b>MUR</b>
At 01 July, 2021	-	-	-	-
Additions	60,182,433	74,910,312	-	135,092,745
Disposals	-	(3,051,630)	-	(3,051,630)
Net loss on financial assets at FVTPL	562,595	(7,787,180)	-	(7,224,585)
At 30 June, 2022	<u>60,745,028</u>	<u>64,071,502</u>	<u>-</u>	<u>124,816,530</u>
<b>At 01 July, 2022</b>	<b>60,745,028</b>	<b>64,071,502</b>	<b>-</b>	<b>124,816,530</b>
Reclassification from FVOCI TO FVTPL (Note 7(a))	-	-	59,459,153	59,459,153
Additions	4,137,418	5,051,540	6,000,000	15,188,958
Disposals	(5,147,907)	(8,338,223)	(5,997,000)	(19,483,130)
Interest accrued	-	-	192,030	192,030
Net gain/(loss) on financial assets at FVTPL	(3,490,911)	9,863,165	(36,436)	6,335,818
At 30 June, 2023	<u>56,243,628</u>	<u>70,647,984</u>	<u>59,617,747</u>	<u>186,509,359</u>

Refer to Notes 7(c) and 7(d) for details of equity instruments and debt instruments held at FVOCI and FVTPL.

7(c). Financial assets comprise the following :

	2023			2022		
	Fair value		Dividend Income	Fair value		Dividend Income
	FVOCI MUR	FVTPL MUR	MUR MUR	FVOCI MUR	FVTPL MUR	MUR MUR
<b>Local investments</b>						
ABC Banking Corporation Limited	-	1,410,600	52,783	179,130	1,638,000	64,546
Ascencia Ltd	4,749,875	1,993,565	510,631	7,511,700	2,820,636	231,399
CIEL Limited	294,795	8,132,396	190,882	845,634	7,147,560	25,801
CIM Financial Services Ltd	2,411,140	797,000	148,422	3,069,583	757,150	157,244
Gamma Civic Ltd	2,173,220	2,635,300	317,475	2,928,300	3,139,000	442,200
IBL Ltd	8,071,932	6,186,400	213,875	10,262,356	6,999,200	259,333
Innodis Ltd	2,109,744	2,077,200	189,657	2,881,368	1,738,800	141,570
Lux Island Resorts Ltd	4,095,300	255,000	-	4,115,375	256,250	-
MCB Ltd	32,676,047	12,811,925	2,430,415	39,702,248	11,961,750	2,236,770
Mauritius Oil Refineries Ltd	-	-	-	-	-	30,350
MUA Ltd	3,589,000	1,261,000	145,000	5,022,750	1,764,750	151,720
New Mauritius Hotels Ltd	2,168,166	768,768	-	2,329,448	738,304	-
Phoenix Beverages Ltd	4,849,500	3,445,000	250,400	6,090,000	3,900,000	199,605
Rogers And Co Ltd	2,617,907	3,676,860	262,812	2,787,318	2,590,080	233,339
SBM Holdings Ltd	11,606,085	3,747,600	682,386	12,667,824	3,708,000	703,126
Semaris Ltd	-	-	-	-	-	-
Sun Resorts Ltd	2,070,090	1,110,000	212,006	2,101,277	952,750	-
United Basalt Products	2,225,200	715,000	-	3,093,029	660,249	81,006
The Lux Collective Ltd	15,952	-	-	-	-	-
SBM India Fund Class A	9,904,301	-	-	8,421,252	-	-
SBM Perpetual Fund	-	5,220,014	-	-	9,972,549	-
	<b>95,628,254</b>	<b>56,243,628</b>	<b>5,606,744</b>	<b>114,008,592</b>	<b>60,745,028</b>	<b>4,958,009</b>
<b>Foreign investments</b>						
Consumer Staples Aberdeen Standard Financial Select Sector SPDR	-	-	36,439	-	2,709,457	19,231
Invesco Dynamic Software ETF	-	2,329,491	-	-	-	-
Vaneck Semiconductor iShares MSCI World iShares U.S. Medical Devices	-	-	-	2,021,968	751,262	46,558
T Rowe Price Global Value Equity Fund	-	4,418,885	-	-	3,961,809	-
Vanguard S&P 500 Vanguard Utilities ETF	15,101,003	9,034,630	404,024	16,572,193	5,634,546	302,450
Fidelity Funds - Asia Pacific Opportunities	-	2,655,095	87,945	-	2,842,090	20,256
Jupiter European Growth "A" USD	8,810,654	3,956,792	-	10,645,788	3,911,278	-
Amundi US Pioneer	1,351,332	1,487,412	-	1,111,036	1,222,924	-
Morgan Stanley US Core Equity Fund	-	7,710,958	-	-	6,813,110	-
	-	4,604,312	-	-	4,146,104	-

7(c). Financial assets comprise the following (Continued) :

	2023			2022		
	Fair value		Dividend	Fair value		Dividend
	FVOCI	FVTPL	Income	FVOCI	FVTPL	Income
	MUR	MUR	MUR	MUR	MUR	MUR
<b>Foreign investments</b>						
<b>(Continued)</b>						
Schroder Global Sustainable Growth	-	3,059,272	-	-	2,541,573	-
Schroder ISF US Large Cap "A" Acc	-	4,599,288	-	-	4,057,813	-
Fisher Investments Institutional	-	6,572,207	-	-	5,153,706	-
Technology Select Sector SPDR EUR	-	-	-	-	-	30,286
Fast Europe "A" Acc EUR	2,294,764	-	-	1,777,800	-	-
Ishares Core MSCI	-	960,206	-	-	802,991	-
Fidelity Funds - European Dynamic "A"	9,869,726	-	-	8,169,291	-	-
BGF Continental European Flexible Fund Class A2 EUR	-	696,666	-	-	3,700,220	-
	<b>63,778,491</b>	<b>70,647,984</b>	<b>1,256,058</b>	<b>72,446,731</b>	<b>64,071,502</b>	<b>1,117,843</b>
<b>TOTAL</b>	<b>159,406,745</b>	<b>126,891,612</b>	<b>6,862,802</b>	<b>186,455,323</b>	<b>124,816,530</b>	<b>6,075,852</b>

7(d). Debt financial assets measured at FVOCI & FVTPL comprise the following:

	Fair Value FVTPL (Previously FVOCI) 2023 MUR	Fair Value FVOCI 2022 MUR	Maturity dates
SBM BOND 6.00 03/10/24	9,776,280	9,741,213	Mar-24
CIM Financial Services Ltd_CFSL 4% 31/07/2025	15,579,076	15,692,937	Jul-25
FTPT 3.20% 27/04/26	2,930,009	2,930,010	Apr-26
Northfield International H School Ltd	1,002,692	1,017,402	Aug-26
Innodis Ltd_3.9%_21/12/2026	2,046,854	2,058,123	Dec-26
CFSL 5.80% 13/03/28	1,015,947	-	Mar-28
FTPT 3.55% 27/04/28	3,016,021	3,016,021	Apr-28
SBM MUR Note 5.75% Class A2 Series Bond	11,505,510	14,485,589	Jun-28
FTPT 4.85% 06/06/2029	4,539,208	4,514,909	Jun-29
UNITED DOCKS LTD 7 YR Fixed rate note	5,166,830	-	Jul-29
FTPT 5.50% 06/06/2032	3,039,320	3,011,270	Jun-32
MCB Group Ltd 3.5% 5Y Notes	-	1,988,315	Jan-23
Innodis Ltd_1.75%_21/03/2023	-	1,003,364	Mar-23
	<b>59,617,747</b>	<b>59,459,153</b>	



7(e). Financial assets measured at FVTPL and FVOCI can be analysed as follows:

	Local Equity MUR	Foreign Equity MUR	Local Debt MUR	Total MUR
<b>At 30 June 2023</b>				
<u>Equity and Equity-related</u>				
Listed equity securities	136,731,615	134,426,475	-	271,158,090
Unlisted equity securities	15,140,267	-	-	15,140,267
<u>Debt</u>				
Listed bond securities	-	-	59,617,747	59,617,747
	<u>151,871,882</u>	<u>134,426,475</u>	<u>59,617,747</u>	<u>345,916,104</u>
<b>At 30 June 2022</b>				
<u>Equity and Equity-related</u>				
Listed equity securities	156,359,819	136,518,233	-	292,878,052
Unlisted equity securities	18,393,801	-	-	18,393,801
<u>Debt</u>				
Listed bond securities	-	-	59,459,153	59,459,153
	<u>174,753,620</u>	<u>136,518,233</u>	<u>59,459,153</u>	<u>370,731,006</u>

8. FINANCIAL ASSETS HELD AT AMORTISED COST

	2023 MUR	2022 MUR
At 01 July	104,114,110	77,351,732
Additions	-	46,107,470
Maturity	-	(20,000,000)
Net interest (amortised)/ accrued	(702)	468,472
Allowance for expected credit loss (Note 8(c))	(40,088)	186,436
<b>At 30 June</b>	<u>104,073,320</u>	<u>104,114,110</u>

8(a). Financial assets at amortised cost can be analysed as follows:

<u>Term deposits with other financial institutions</u>	Interest rate	Maturity	2023 MUR	2022 MUR
SIT_7 YR 6.50%_250424	6.50%	25-Apr-2024	20,161,705	20,192,468
Bank One Limited - 5% Notes	5.00%	22-Jun-2030	10,010,026	10,010,505
Ascencia Ltd_4.15% 29122030_T2	4.15%	29-Dec-2030	5,000,186	5,000,815
Ascencia Ltd_5.20% 29122030_T2	5.20%	29-Dec-2030	5,000,481	5,001,106
4.45%15YRGOMBONDS20AUG2036	4.45%	20-Aug-2036	15,111,734	15,103,808
MAURCN 1.6% 06/07/2023	1.60%	06-Jul-2023	10,076,534	10,077,700
MAURGB 4.4 01/14/37	4.40%	14-Jan-2037	15,512,890	15,530,119
MAURGB 4.17% 05/28/41	4.17%	28-May-2041	6,917,500	6,912,267
4.68%20YRGOMBOND16SEP2041	4.68%	16-Sep-2041	7,028,968	7,026,220
MAURGB 4.56 02/04/42	4.56%	02-Apr-2042	9,253,296	9,259,102
			<u>104,073,320</u>	<u>104,114,110</u>

8(b). Financial assets at amortised cost are further analysed as follows:

	2023	2022
	MUR	MUR
Non-current	73,835,081	104,114,110
Current	30,238,239	-
	<u>104,073,320</u>	<u>104,114,110</u>

8(c). ALLOWANCE FOR EXPECTED CREDIT LOSSES (ECLs)

	ECL on FVOCI MUR	ECL on Amortised cost MUR	TOTAL ECL MUR
At 01 July 2021	119,792	217,506	337,298
Movement during the year	(96,911)	(186,436)	(283,347)
At 30 June 2022	<u>22,881</u>	<u>31,070</u>	<u>53,951</u>
<b>At 01 July 2022</b>	<b>22,881</b>	<b>31,070</b>	<b>53,951</b>
<b>Reversed upon reclassification to FVTPL</b>	<b>(22,881)</b>	<b>-</b>	<b>(22,881)</b>
<b>Movement during the year</b>	<b>-</b>	<b>40,088</b>	<b>40,088</b>
At 30 June 2023	<u>-</u>	<u>71,158</u>	<u>71,158</u>

All financial assets are classified under stage 1 at reporting date (2022: stage 1)

9. FAIR VALUE MEASUREMENT HIERARCHY

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

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

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

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

At 30 June 2023	Level 1 MUR	Level 2 MUR	Level 3 MUR	Total MUR
<b>Financial Assets at FVTPL</b>				
Equity investments	121,671,598	5,220,014	-	126,891,612
Debt investments	59,617,747	-	-	59,617,747
	<u>181,289,345</u>	<u>5,220,014</u>	<u>-</u>	<u>186,509,359</u>
<b>Financial Assets at FVOCI</b>				
Equity investments	<u>149,486,492</u>	<u>9,904,301</u>	<u>15,952</u>	<u>159,406,745</u>

**9. FAIR VALUE MEASUREMENT HIERARCHY (CONTINUED)**

At 30 June 2022	Level 1 MUR	Level 2 MUR	Level 3 MUR	Total MUR
<i>Financial Assets at FVTPL</i>				
Equity investments	114,843,981	9,972,549	-	124,816,530
<i>Financial Assets at FVOCI</i>				
Equity investments	178,034,071	8,421,252	-	186,455,323
Debt investments	59,459,153	-	-	59,459,153
	<u>237,493,224</u>	<u>8,421,252</u>	<u>-</u>	<u>245,914,476</u>

There has been no transfers between levels.

**Level 3 reconciliation**

The table below shows a reconciliation of all movements in the fair value of financial instruments categorised with the Level 3 between the beginning and the end of the reporting period. The level 3 instrument has used NAV to fair value the investment.

	2023 MUR	2022 MUR
At start	-	246,426
Fair value movement	<u>15,952</u>	<u>(246,426)</u>
At end	<u>15,952</u>	<u>-</u>

**Concentration of equity price risk**

The following table analyses the Fund's concentration of equity price in the Fund's equity portfolio by industrial distribution:

Local investments	2023		2022	
	MUR	%	MUR	%
Banks, insurance and other finance sector	70,310,397	46%	80,471,185	46%
Industrial sector	16,043,220	11%	19,810,578	11%
Commerce sector	18,445,276	12%	21,881,724	13%
Leisure and Hotels sector	10,483,276	7%	10,493,404	6%
Investment sector	14,721,958	10%	13,370,592	8%
Property	6,743,440	4%	10,332,336	6%
Others	15,124,315	10%	18,393,801	10%
	<u>151,871,882</u>	<u>100%</u>	<u>174,753,620</u>	<u>100%</u>

9. FAIR VALUE MEASUREMENT HIERARCHY (CONTINUED)

Concentration of equity price risk (Continued)

Foreign investments	2023		2022	
	MUR	%	MUR	%
Basic Materials	5,110,230	4%	4,877,613	4%
Communications	10,190,214	8%	13,782,134	10%
Consumer, Cyclical	12,971,465	10%	13,350,998	10%
Consumer, Non-cyclical	32,279,724	24%	33,066,805	24%
Diversified	8,708	0%	29,687	0%
Energy	5,647,201	4%	4,206,945	3%
Financial	20,766,837	15%	23,889,066	17%
Government	7,298	0%	118,637	0%
Industrial	13,028,109	10%	13,836,343	10%
Technology	30,867,367	23%	28,526,266	21%
Utilities	3,549,322	3%	833,739	1%
	<b>134,426,475</b>	<b>100%</b>	<b>136,518,233</b>	<b>100%</b>

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

Local and foreign investments	2023		2022	
	MUR	%	MUR	%
Mauritius	151,871,882	53.05%	174,753,620	56.14%
United States of America	120,605,113	42.12%	122,067,931	39.21%
Luxembourg	13,821,362	4.84%	14,450,302	4.65%
	<b>286,298,357</b>	<b>100.00%</b>	<b>311,271,853</b>	<b>100.00%</b>

10. OTHER PAYABLES

	2023	2022
	MUR	MUR
Manager's fees (note 13)	383,969	407,564
Trustee's fees (note 14)	32,200	32,200
Administrator's fees (note 17)	47,996	50,946
Registry fees (note 15)	47,996	50,946
Custodian's fees (note 16)	28,237	30,296
Entry and exit fee (note 18)	1,198	957
Auditors' fees	287,500	126,500
Tax advisor fees	32,603	28,750
Unclaimed dividends for prior years	397,250	329,067
Other professional fees	8,625	8,625
Redemption payable	-	9,599,666
Trade payables	-	386,972
	<b>1,267,574</b>	<b>11,052,489</b>

The carrying amount of other payables approximate their fair value.

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

**11 TAXATION**

Income tax is calculated at the rate of 15% (2022: 15%) on profit for the year as adjusted for income tax purposes.

The Fund is able to claim an 80% partial exemption on specific types of income (including foreign dividends and interest), subject to meeting pre-defined substance conditions. Other types of income not falling within the categories of income benefitting from the partial exemption are taxed at 15%. As an alternative to the partial exemption, the Fund can claim a tax credit against its Mauritius tax liability based on the foreign tax charged on the income in the foreign jurisdiction

	<u>2023</u>	<u>2022</u>
	MUR	MUR
<b>(a) Income tax liability</b>		
At 01 July	105,733	76,150
Charge for the year	146,661	105,733
Tax paid during the year	(197,922)	(78,063)
Underprovision of prior year	-	1,913
<b>At 30 June</b>	<u>54,472</u>	<u>105,733</u>
<b>(b) Reconciliation of tax charge</b>		
Profit/ (loss) before tax	<u>14,715,857</u>	<u>(1,209,295)</u>
Tax reconciliation at the tax rate of 15% (2022: 15%)	2,207,379	(181,394)
<i>Tax effect of:</i>		
Exempt income	(2,049,475)	(1,634,838)
Non-taxable income	(963,182)	(148,934)
Non deductible expenses	951,939	2,070,899
Underprovision of prior year	-	1,913
	<u>146,661</u>	<u>107,646</u>
Withholding tax suffered outside Mauritius	376,795	335,353
Tax expense	<u>523,456</u>	<u>442,999</u>
Tax charge for the year	146,661	105,733
Underprovision of prior year	-	1,913
Withholding tax on foreign dividend income	376,795	335,353
Tax expense	<u>523,456</u>	<u>442,999</u>

**12. INTEREST INCOME**

	<u>2023</u>	<u>2022</u>
	MUR	MUR
Interest on debt securities held at amortised cost	4,769,199	6,380,265
Interest on debt securities held at FVTPL	2,899,898	-
	<u>7,669,097</u>	<u>6,380,265</u>

**13. MANAGER'S FEES**

Manager's fees are computed daily based on **1% p.a of net asset value** (2022: 1% p.a of NAV) of the Fund and are payable monthly in arrears.

**14. TRUSTEE'S FEES**

Trustee's fees are computed daily based on **0.075% p.a of net asset value** (2022: 0.075% p.a of NAV) of the Fund plus VAT are payable monthly in arrears.



**15. REGISTRY'S FEES**

Registry's fees are computed daily based on **0.125% p.a of net asset value** (2022: 0.125% p.a of NAV) of the Fund are payable monthly in arrears.

**16. CUSTODIAN'S FEES**

Custodian's fees are computed daily based on **0.06% p.a of investment value** (2022: 0.06% p.a of investment value) of the Fund and are payable monthly in arrears.

**17. ADMINISTRATOR'S FEES**

Administrator's fees are computed daily based on **0.125% p.a of net asset value** (2022: 0.125% p.a of NAV) of the Fund are payable monthly in arrears.

**18. ENTRY FEE AND EXIT FEE**

On the issue of units, an entry fee of **1% of the net assets value** (2022: 1% p.a of NAV) of the Fund per unit is paid by the unitholder to the Fund and, on the repurchase of units, an exit fee of **1% of the net asset value** (2022: 1% p.a of NAV) of the Fund per unit is paid by the unitholder to the Fund. The sums collected are then remitted to the Manager.

**19. RELATED PARTY DISCLOSURES**

During the years ended 30 June 2023 and 30 June 2022, the Fund transacted with related entities. Details of the nature, volume of transactions and balances with the entities are shown below.

	<b>Balances with related parties</b>		<b>Fund Expenses</b>	
	<b>2023</b>	<b>2022</b>	<b>Year ended 30 June 2023</b>	<b>Year ended 30 June 2022</b>
	<b>MUR</b>	<b>MUR</b>	<b>MUR</b>	<b>MUR</b>
<b><u>SBM Mauritius Asset Managers Ltd</u></b>				
Manager's fees payable	<b>383,969</b>	407,564	-	-
Manager's fees	-	-	<b>4,696,368</b>	4,570,427
Entry and exit fees payable	<b>1,198</b>	957	-	-
<b><u>SBM Fund Services Ltd</u></b>				
Administrator's fees payable	<b>47,996</b>	50,946	-	-
Administrator's fees	-	-	<b>587,046</b>	571,303
Registry fees payable	<b>47,996</b>	50,946	-	-
Registry fees	-	-	<b>587,046</b>	571,303
<b><u>DTOS Trustees Ltd</u></b>				
Trustee's fees payable	<b>32,200</b>	32,200	-	-
Trustee's Fees	-	-	<b>383,788</b>	370,919
<b><u>SBM Bank (Mauritius) Ltd</u></b>				
Custodian fees payable	<b>28,237</b>	30,296	-	-
Custody fees	-	-	<b>395,026</b>	381,916
Balances held with Bank	<b>18,160,018</b>	18,276,499	-	-
Bank charges on bank balances	-	-	<b>5,383</b>	5,383

**19. RELATED PARTY DISCLOSURES (CONTINUED)**

	<u>Balances with related</u>		<u>Fund Expenses</u>	
	<b>2023</b> <b>MUR</b>	<b>2022</b> <b>MUR</b>	<b>Year ended</b> <b>30 June 2023</b> <b>MUR</b>	<b>Year ended</b> <b>30 June 2022</b> <b>MUR</b>
<u>Investment in ultimate holding company</u>				
SBM Holdings Ltd	<b>25,029,390</b>	40,602,626	-	-
Interest income	-	-	<b>1,292,468</b>	1,044,750
Dividend income	-	-	<b>682,386</b>	703,126
<u>Investment in other related parties</u>				
SBM India Fund	<b>9,904,301</b>	8,421,252	-	-
SBM Perpetual Fund	<b>5,220,014</b>	9,972,549	-	-

No compensation was paid to key management personnel during the year (year ended 30 June 2022: Nil).

Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash.

There have been no guarantees provided or received for any related party payable.

**20. FINANCIAL INSTRUMENTS**

**20.1 Financial risk management**

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

**20.2 Significant accounting policies**

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

**20.3 Categories of financial instruments**

	<u>2023</u> <u>MUR</u>	<u>2022</u> <u>MUR</u>
<b>Financial assets</b>		
Financial assets at fair value through other comprehensive income	<b>159,406,745</b>	245,914,476
Financial assets held at amortised cost	<b>104,073,320</b>	104,114,110
Financial assets at fair value through profit or loss	<b>186,509,359</b>	124,816,530
Cash and cash equivalents at amortised cost	<b>18,160,018</b>	18,276,499
Other receivables at amortised cost	<b>1,892,791</b>	1,371,784
	<b><u>470,042,233</u></b>	<b><u>494,493,399</u></b>
<b>Financial liabilities</b>		
Other payables at amortised cost	<b><u>1,267,574</u></b>	<b><u>11,052,489</u></b>

**20. FINANCIAL INSTRUMENTS (CONTINUED)**

**20.4 Risk management**

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

**20.5 Market risk**

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

***Foreign currency risk***

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

The currency profile of the Fund's financial assets and liabilities is summarised as follows:

	2023		2022	
	Financial assets MUR	Financial liabilities MUR	Financial assets MUR	Financial liabilities MUR
Mauritius Rupee	320,341,450	1,267,574	348,857,206	11,052,489
United States Dollar	131,873,558	-	131,051,410	-
Euro	17,753,748	-	14,514,764	-
British Pounds	73,453	-	69,994	-
Australian Dollar	24	-	25	-
	<b>470,042,233</b>	<b>1,267,574</b>	<b>494,493,399</b>	<b>11,052,489</b>

***Foreign currency sensitivity analysis***

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rate, with all other variables held constant, on the Fund's profit loss tax and equity.

	2023		2022	
	Increase/ Decrease percentage MUR	Effect on loss before tax and equity MUR	Increase/ Decrease percentage MUR	Effect on profit before tax and equity MUR
United States Dollar	10%	(13,187,356)	10%	(13,105,141)
	-10%	13,187,356	-10%	13,105,141
Euro	10%	(1,775,375)	10%	(1,451,476)
	-10%	1,775,375	-10%	1,451,476
British Pounds	10%	(7,345)	10%	(6,999)
	-10%	7,345	-10%	6,999
Australian Dollar	10%	(2)	10%	(3)
	-10%	2	-10%	3

20. FINANCIAL INSTRUMENTS (CONTINUED)

20.5 Market risk (Continued)

*Equity price risk*

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

*Price sensitivity analysis*

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

	Change in price by	2023	Change in price by	2022
	%	MUR	%	MUR
Profit/ (loss) before tax	+ 5	17,295,805	+ 5	18,536,550

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

*Interest rate risk*

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

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

	2023	2022
	MUR	MUR
<b>Variable rate asset</b>		
Local bonds	<u>19,776,947</u>	<u>21,731,449</u>
<b>Fixed rate assets</b>		
Local bonds	80,013,198	77,932,598
Government bonds	<u>63,900,922</u>	63,909,216
	<u>143,914,120</u>	<u>141,841,814</u>

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

*Interest rate sensitivity analysis*

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

	Change in interest rate	2023	2022
	%	MUR	MUR
Profit/ (loss) before tax	+ 1	197,769	217,314

A decrease in interest rate by 1% would have resulted in an equal but opposite impact on profit before tax and equity.

**20. FINANCIAL INSTRUMENTS (CONTINUED)**

**20.6 Credit risk**

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

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

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

**Financial assets subject to IFRS 9's impairment requirements**

The Fund's financial assets subject to the expected credit loss model within IFRS 9 are financial assets at amortised cost and debt financial assets at FVOCI.

At 30 June 2023, the total financial assets at amortised cost was **MUR 104,073,320** (2022: Financial assets at amortised cost was MUR 104,114,110 and financial assets at FVOCI was MUR 59,459,153), on which a loss allowance of **MUR 71,158** (2022: ECL on amortised cost was MUR 31,070 and ECL on FVOCI was MUR 22,881) has been provided.

There is not considered to be any concentration of credit risk within these assets. No assets are considered impaired and no amounts have been written off in the year.

**Financial assets subject to IFRS 9's impairment requirements**

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of exposures. The Fund considers that these exposures have low credit risk based on the external credit rating of the counterparties. The Fund has assessed that ECL on cash and cash equivalents is not considered to be material.

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

	<b>Rating</b>	<b>PD_1</b>	<b>LGD_1</b>	<b>MUR</b>
<b>2023</b>				
<i>Financial assets under amortised cost</i>				
Government bonds	<b>Baa3</b>	<b>0.0002768</b>	<b>45%</b>	<b>7,960</b>
Deposit with financial institutions	<b>A+</b>	<b>0.0005036</b>	<b>45%</b>	<b>2,269</b>
Local bonds	<b>AA- Unrated</b>	<b>0.00003878-</b>	<b>40.62% -</b>	<b>60,929</b>
<b>TOTAL</b>		<b>0.0048592</b>	<b>51.45%</b>	<b>71,158</b>



**20. FINANCIAL INSTRUMENTS (CONTINUED)**

**20.6 Credit risk**

**Financial assets subject to IFRS 9's impairment requirements (continued)**

	<b>Rating</b>	<b>PD_1</b>	<b>LGD_1</b>	<b>MUR</b>
<b>2022</b>				
<i>Financial assets under amortised cost</i>				
Government bonds	Baa2	0.0000	45%	327
Deposit with financial institutions	A+	0.0004	45%	1,790
Local bonds		0.0000	42%	28,953
<i>Corporate Bond under FVOCI</i>				
Deposit with financial institutions	Baa3	0.0012	45%	14,568
Local bonds	AAA - Aa3	0.00001182 - 0.000034526	32.93% - 43.89%	8,313
<b>TOTAL</b>				<b>53,951</b>

**Financial assets not subject to IFRS 9's impairment requirements**

The Fund is not exposed to credit risk on its equity instruments as well as debt investments held at FVTPL. These classes of financial assets are not subject to IFRS 9's requirements. The carrying amount of equity investments were **MUR 286,298,358** (2022: MUR 311,271,853) while the carrying amount of debt investments held at FVTPL was **MUR 59,617,747** (2022: Nil). These assets under IFRS 9 represent the Fund's maximum exposure to credit risk on financial instruments not subject to IFRS 9 impairment requirements under respective reporting.

**20.7 Liquidity risk**

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its units earlier than expected. The Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the holder's option based on the Fund's NAV per unit at the time of redemption, calculated in accordance with the Fund's prospectus. However, the Manager may limit the total number of units in the Fund that may be redeemed on any business day to 10% of the outstanding units in the Fund.

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

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

**Financial liabilities**

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

**20. FINANCIAL INSTRUMENTS (CONTINUED)**

**20.7 Liquidity risk (Continued)**

**Financial assets**

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

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

	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	No stated maturity	Total
	MUR	MUR	MUR	MUR	MUR	MUR
<b>2023</b>						
Cash and cash equivalents	18,160,018	-	-	-	-	18,160,018
Other receivables	1,892,791	-	-	-	-	1,892,791
Financial assets at FVOCI	159,406,745				-	159,406,745
Financial assets at FVTPL	136,667,892	-	37,096,109	12,745,358	-	186,509,359
Financial assets at amortised cost	30,238,239	-	-	73,835,081	-	104,073,320
<b>Total financial assets</b>	<b>346,365,685</b>	<b>-</b>	<b>37,096,109</b>	<b>86,580,439</b>	<b>-</b>	<b>470,042,233</b>
Other payables	1,267,574	-	-	-	-	1,267,574
<b>Total financial liabilities</b>	<b>1,267,574</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,267,574</b>
<b>Liquidity gap</b>	<b>345,098,111</b>	<b>-</b>	<b>37,096,109</b>	<b>86,580,439</b>	<b>-</b>	<b>468,774,659</b>
<b>2022</b>						
Cash and cash equivalents	18,276,499	-	-	-	-	18,276,499
Other receivables	1,371,784	-	-	-	-	1,371,784
Financial assets at FVOCI	189,447,002	9,741,213	21,698,472	25,027,789	-	245,914,476
Financial assets at FVTPL	124,816,530	-	-	-	-	124,816,530
Financial assets at amortised cost	-	30,270,168	-	73,843,942	-	104,114,110
<b>Total financial assets</b>	<b>333,911,815</b>	<b>40,011,381</b>	<b>21,698,472</b>	<b>98,871,731</b>	<b>-</b>	<b>494,493,399</b>
Other payables	11,052,489	-	-	-	-	11,052,489
<b>Total financial liabilities</b>	<b>11,052,489</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,052,489</b>
<b>Liquidity gap</b>	<b>322,859,326</b>	<b>40,011,381</b>	<b>21,698,472</b>	<b>98,871,731</b>	<b>-</b>	<b>483,440,910</b>

## **20. FINANCIAL INSTRUMENTS (CONTINUED)**

### **20.8 Excessive risk concentration**

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentration of risks arises when a number of financial instruments or contracts are entered into with the same counterparty or when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic political or other conditions. Concentrations of liquidity risk may arise from repayment terms of financial liabilities. Concentrations of foreign exchange risk may arise if the Fund has a significant net open position in a single foreign currency. In order to avoid excessive concentration of risk, the Fund's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The investment manager is instructed to reduce exposure to excessive risk concentrations. The Fund shall not invest more than 20% of its Net asset Value in securities issued by single issuer (a company or other corporate entity including the subsidiaries thereof) at the time of purchase. The Fund shall not hold more than 20% of any class of security listed or unlisted, issued by a single issuer. The

## **21. DISTRIBUTION TO UNITHOLDERS**

During the year ended 30 June 2023, the Fund made distributions to unitholders for FY 2022 amounting to **MUR 5,730,634** (2022: MUR 3,013,518).

## **22. EVENTS AFTER REPORTING DATE**

There has been no material events after the reporting date which would require disclosure or adjustment to the Financial Statements for the year ended 30 June 2023.