NBAD UAE Trading Fund

Financial statements

31 December 2013

NBAD UAE Trading Fund

Financial statements

Contents

KPMG Lower Gulf Limited
Nation Tower 2, Corniche
Abu Dhabi
United Arab Emirates

Telephone +971(2) 4014800
Fax +971(2) 6327612
Website www.ae-kpmg.com

Independent auditor's report

The Unit holders
NBAD UAE Trading Fund
Abu Dhabi

Report on the financial statements

We have audited the accompanying financial statements of NBAD UAE Trading Fund ("the Fund"), which comprise the statement of financial position as at 31 December 2013, the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

National Bank of Abu Dhabi (the "Fund Manager") is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

18 SEP 2014

KPMG
Munther Dajani
Registration No. 268

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NBAD UAE Trading Fund

Statement of financial position

as at 31 December

	Note	2013 AED'000	2012 AED'000
Assets			
Cash at bank	*7*	**2,961**	-
Investments at fair value through profit or loss		**378,228**	317,483
Other receivables		**41**	1
Total assets		**381,230**	317,484
Liabilities			
Bank overdraft	*7*	-	32,530
Due to related parties	*7*	**1,975**	135
Total liabilities		**1,975**	32,665
Net assets attributable to holders of redeemable units	*10*	**379,255**	284,819
Number of units outstanding (thousand units)		**21,551**	24,862
Net asset value per unit (AED)		**17.60**	11.46

Saleem Khokhar
Head of Equities

The notes 1 to 10 are an integral part of these financial statements.

The independent auditor's report is set out on page 1.

NBAD UAE Trading Fund

Statement of profit or loss and other comprehensive income

for the year ended 31 December

	Note	2013 AED'000	2012 AED'000
Net gain on investments at fair value through profit or loss	*8*	**136,983**	16,417
Dividend income		**14,867**	13,608
Other income		**2**	11
Interest income		**20**	-
Net operating income		**151,872**	30,036
Investment management fees	*7*	**(6,993)**	(5,935)
Other operating expenses		**(957)**	(947)
Total operating expenses		**(7,950)**	(6,882)
Profit from operations before interest		**143,922**	23,154
Interest expense		**(380)**	(893)
Increase in net assets attributable to holders of redeemable units		**143,542**	22,261

The notes 1 to 10 are an integral part of these financial statements.

The independent auditor's report is set out on page 1.

NBAD UAE Trading Fund

Statement of changes in net assets attributable to holders of redeemable units
for the year ended 31 December

	Number of units	Net assets attributable to holders of redeemable units AED'000
Balance as on 1 January 2012	27,465,749	291,106
Issue of units during the year	69,326	798
Redemption of units during the year	(2,672,841)	(29,346)
Increase in net assets attributable to holders of redeemable units	-	22,261
Balance as on 31 December 2012	24,862,234	284,819
Balance as on 1 January 2013	**24,862,234**	**284,819**
Issue of units during the year	**211,863**	**2,954**
Redemption of units during the year	**(3,523,431)**	**(52,060)**
Increase in net assets attributable to holders of redeemable units	-	**143,542**
Balance as on 31 December 2013	**21,550,666**	**379,255**

The notes 1 to 10 are an integral part of these financial statements.

The independent auditor's report is set out on page 1.

NBAD UAE Trading Fund

Statement of cash flows

for the year ended 31 December

	2013 AED'000	2012 AED'000
Cash flows from operating activities		
Profit for the year	**143,542**	22,261
Add: Interest expense	**380**	893
Changes in:		
Investments at fair value through profit or loss	**(60,745)**	(4,570)
Due from related parties	-	51
Prepayments and other receivables	**(40)**	17
Due to related parties	**1,840**	(1,449)
Interest paid	**(380)**	(872)
Cash flows from operating activities	**84,597**	15,438
Cash flows from financing activities		
Proceeds from issue of units	**2,954**	798
Payments on redemption of units	**(52,060)**	(29,346)
Cash flows used in financing activities	**(49,106)**	(28,548)
Net increase / (decrease) in cash and cash equivalents	**35,491**	(13,110)
Cash and cash equivalents at beginning of the year	**(32,530)**	(19,420)
Cash and cash equivalents at end of the year	**2,961**	(32,530)

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NBAD UAE Trading Fund

Notes to the financial statements

1 Reporting entity

NBAD UAE Trading Fund (the "Fund") is an open ended investment fund established in the UAE by National Bank of Abu Dhabi PJSC (the "Fund Manager") and is licensed by the Central Bank of the UAE approval reference number 13/2156/2003 dated 31 December 2003. The Fund is not a separately incorporated entity and its activities are managed by the Fund Manager.

The Fund aims to capture short-term trading opportunities arising primarily in UAE equities. The Fund aims to provide attractive returns over medium-term, while reducing directional downward risk in the underlying markets. The Fund invests in a portfolio of UAE and Middle East and North Africa (MENA) equities and related securities including third party collective investment schemes, across sectors, whether listed on the Abu Dhabi Securities Exchange or Dubai Financial Market or, where appropriate, purchased through the 'over the counter' arrangements.

The applicable prospectus was revised on 1 November 2007 and the term sheet was revised on 29 November 2011. These revisions were approved by the Central Bank of the UAE. The revised prospectus and term sheet are available upon request from the Fund Manager's registered office at P.O. Box 4, Abu Dhabi, United Arab Emirates.

2 Basis of preparation

(a) Statement of compliance

The financial statements of the Fund as at and for the year ended 31 December 2013 have been prepared in accordance with International Financial Reporting Standards (IFRSs).

These financial statements were approved on behalf of the Fund Manager on ________________.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss, which are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in United Arab Emirates Dirham ("AED"), which is the Fund's functional currency. All financial information presented in AED has been rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the Fund Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2 Basis of preparation *(continued)*

(d) *Use of estimates and judgments (continued)*

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 5.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for the new standard that became applicable and was adopted during the year *(refer note 3 (g) vi)*.

(a) *Interest*

Interest income and expense are recognised in the statement of comprehensive income using the effective interest method.

(b) *Redemption fees*

Redemption fees are charged to holders of redeemable units at the time of redemption of units in the Fund and are recognised in the statement of comprehensive income in the period during which such redemptions are made.

(c) *Dividend income*

Dividend income is recognised in the statement of comprehensive income when the right to receive income is established. For quoted equity securities this is usually the ex-dividend date.

(d) *Net gain / (loss) from financial instruments at fair value through profit or loss*

Net gain / (loss) from financial instruments at fair value through profit or loss includes all realised and unrealised fair value changes and foreign exchange differences, but excludes interest and dividend income.

The realised gain / (loss) from financial instruments at fair value through profit or loss represents the difference between the closing price applicable on the last revaluation date and their sale/settlement price.

The unrealised gain / (loss) represents the difference between the carrying amount of a financial instrument at the beginning of the period, or transaction price when purchased in the current reporting period and its fair value at the end of the period or at the last revaluation date before its sale/settlement.

(e) *Expenses*

All expenses, including the management fees and performance fees are recognised in the statement of comprehensive income on an accrual basis.

3 Significant accounting policies *(continued)*

(f) Foreign currency transactions

Transactions in foreign currencies are translated into UAE Dirhams at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into UAE Dirhams at the spot exchange rate at that date.

Foreign currency exchange differences arising on translation are recognised in the statement of comprehensive income. Foreign currency exchange differences relating to investments at fair value through profit or loss are included in net gain / (loss) on investments at fair value through profit or loss.

(g) Financial assets and financial liabilities

i. Recognition and initial measurement

Financial assets and liabilities at fair value through profit or loss are recognised initially on the trade date at which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and liabilities are recognised on the date they are originated.

Financial assets and financial liabilities at fair value through profit or loss are measured initially at fair value, with transaction costs recognised in the statement of profit or loss. Financial assets or financial liabilities not at fair value through profit or loss are measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

ii. Classification

The Fund has classified financial assets and financial liabilities into following categories:

Financial assets at fair value through profit or loss:

- Held for trading - equity investments

Financial assets at amortised cost:

- Loans and receivables – cash at bank and balances due from related parties

Financial liabilities at amortised cost:

- Other liabilities – bank overdraft, balances due to related parties and net assets attributable to holders of redeemable units

A financial instrument is classified as held for trading, if:

- it is acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- on initial recognition it is part of a portfolio that is managed together and for which there is evidence of a recent pattern of short-term profit taking.

Note 6 provides a reconciliation of line items in the statement of financial position to the categories of financial instruments, as defined by IAS 39.

3 Significant accounting policies *(continued)*

(g) *Financial assets and financial liabilities (continued)*

iii. *Derecognition*

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Fund is recognised as a separate asset or liability in the statement of financial position.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the consideration received (including any new asset obtained less any new liability assumed) is recognised in the statement of comprehensive income.

The Fund enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

iv. *Offsetting*

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, for example, for gains and losses arising from a group of similar transactions, such as gains and losses from financial instruments at fair value through profit or loss.

v. *Amortised cost measurement*

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, when appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

3 Significant accounting policies *(continued)*

(g) *Financial assets and financial liabilities (continued)*

vi. *Fair value measurement*

Policy applicable from 1 January 2013:
The Fund has adopted IFRS 13 prospectively from the beginning of the period. The change had no significant impact on the measurements of the Fund's assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Fund determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in the statement of profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Policy applicable before 1 January 2013:
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Fund measures the fair value of an instrument using quoted bid prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received.

Assets are measured at a bid price and liabilities are measured at an asking price.

All changes in fair value, other than dividend income, are recognised in the statement of profit or loss as net gain / loss from financial instruments at fair value through profit or loss.

3 Significant accounting policies *(continued)*

(g) Financial assets and financial liabilities (continued)

vii. Identification and measurement of impairment

At each reporting date the Fund assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is (are) impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the banker or issuer, default or delinquency by a banker, restructuring of a loan or advance by the Fund on terms that the Fund would not otherwise consider, indications that a banker or issuer will enter bankruptcy or other observable data relating to a group of assets such as adverse changes in the payment status of bankers or issuers in the group, or economic conditions that correlate with defaults in the group.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The Fund writes off financial assets carried at amortised cost when they are determined to be uncollectible.

(h) Cash and cash equivalents

Cash and cash equivalents for the purpose of the statement of cash flows comprise cash at banks with original maturities of less than three months, and bank overdraft balance that is repayable on demand and forms an integral part of the Fund's cash management.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(i) Net asset value per unit

The net asset value per unit disclosed in the statement of financial position is calculated in accordance with the Fund's prospectus by dividing the net assets attributable to holders of redeemable units included in the financial position by the number of units outstanding at the reporting date.

(j) Redeemable units

Redeemable units are classified as financial liabilities and are measured at the present value of the redemption amounts. In accordance with the Fund's prospectus, the redemption amounts of the redeemable units are based on last published net asset value. The net assets value includes Fund's underlying investments, calculated using the closing prices. On the other hand, in accordance with the Fund's accounting policies, financial assets at fair value are measured at a bid price and financial liabilities at fair value are measured at the asking price. The differences in the measurement bases of the Fund's underlying investments and the redemptions amounts of the redeemable units have been adjusted through net gain / loss from financial assets at fair value through profit and loss.

3 Significant accounting policies *(continued)*

(k) Provisions

A provision is recognised if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows, that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(l) *New standards issued not yet adopted*

A number of new standards, amendments to standards and interpretation are not yet effective for the year ended 31 December 2013, and have not been applied in preparing these financial statements.

IAS - 32 (Amendments to IAS 32 Offsetting financial assets and financial liabilities): clarifies the offsetting criteria by explaining when an entity has a legal and enforceable right to set-off and when gross settlement is equivalent to net settlement. The amendments are effective on or after 1 January 2014.

IFRS -9 Financial Instruments: IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. IFRS 9 (2013) introduces new requirements for hedge accounting. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets.

The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalised. However, application of IFRS 9 is permitted. This standard is not expected to have a pervasive impact on the Company's financial statements.

4 Financial risk management

Introduction and overview

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

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

Risk management framework

The Advisory Board and Investment Committee have the overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Fund is managed by the Fund Manager on the basis of the Fund's investment objectives and guidelines, subject to the supervision of the Investment Committee, on a day to day basis. The Advisory Board reviews the activities and performance of the Fund (including Fund's investment strategies as set out in the Investment process) and makes appropriate recommendations to the Fund Manager.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly, on an ongoing basis, to reflect changes in market conditions, products and services offered.

Details of the nature of the Fund's investment portfolio at the financial position date are disclosed in the relevant risk notes.

(a) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from cash at bank and certain other receivables. For risk management reporting purposes, the Fund considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Management of credit risk

Credit risk is monitored on a regular basis by the Fund Manager in accordance with policies and procedures in place. The Investment Committee's main objectives include: (i) to determine the investment strategies and tactics to be adopted to manage the Funds in accordance with the investment objectives and guidelines as set out in the prospectus and term sheet; and (ii) to review the Fund's performance and discuss the various strategies adopted at the sectoral and occasionally at the stock level. The Funds Advisory Board's main objectives are to protect the interests of the investors. It also has the responsibility to consider the investment strategies adopted for the individual funds and to review the performance of each fund at a strategic level. Additionally the Advisory Board also considers events and actions that may have given rise to a conflict of interest and advise the Fund Manager on possible remedies, if appropriate. Where the credit risk is not in accordance with the investment policy or guidelines of the Fund, the Fund Manager is obliged to rebalance the portfolio as soon as is reasonably practicable after each determination that the portfolio is not in compliance with the stated investment parameters.

4 Financial risk management *(continued)*

(a) *Credit risk (continued)*

Exposure to credit risk

The Fund's maximum credit risk exposure at the reporting date is represented by the respective carrying amounts of the relevant financial assets in the statement of financial position (except for equity instruments as they do not carry credit risk).

Balances due from brokers

Balances due from brokers result from margin accounts and sale transactions awaiting settlement. Credit risk relating to unsettled transactions is considered small due to the short settlement period involved and the reputable brokers engaged by the Fund Manager. The Fund Manager monitors the controls and financial position of the brokers on a quarterly basis.

Majority of the Fund's transactions for sale and purchase of securities are made through NBAD Securities LLC which is a subsidiary of the Fund Manager. (*Refer note 7.*)

Cash at bank

The Fund's bank balances are with the Fund Manager.

Concentration of credit risk

There were no significant concentrations of credit risk to any individual issuer or group of issuers at 31 December 2013 or at 31 December 2012.

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval and limit monitoring process.

Past due and impaired assets

No financial assets carried at amortised cost were past due or impaired at 31 December 2013 (*31 December 2012: nil*).

(b) *Liquidity risk*

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

4 Financial risk management *(continued)*

(b) Liquidity risk (continued)

It arises principally from bank overdraft, due to related parties and net assets attributable to holders of redeemable units.

Management of liquidity risk

The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's liquidity risk is managed on a daily basis by the Fund Manager in accordance with policies and procedures in place. The Fund's overall liquidity risks are monitored on a weekly basis by the Investment Committee and the Advisory Board.

The Fund's term sheet provides for the weekly redemption of units and it is therefore exposed to the liquidity risk of meeting unit holders' redemptions at any time. The Fund's redemption policy only allows for redemptions on the last day of each week and unit holders must provide at least 2 days prior notice.

The Fund's financial instruments include bank overdraft facility and listed equity securities which are considered to be readily realisable as they are actively traded on major UAE stock exchanges. Also, the term sheet of the Fund permits it to borrow up to 50% of its net asset value at any relevant time in order to meet redemptions.

Maturity analysis for financial liabilities

Residual contractual maturities of the financial instruments at reporting dates are as follows. The tables below show the contractual cash flows of the Fund's financial instruments.

31 December 2013

	Carrying amount AED'000	Gross amount AED'000	Less than 1 month AED'000
Financial liabilities			
Bank overdraft	-	-	-
Due to related parties	1,975	1,975	1,975
Net assets attributable to holders of redeemable units	379,255	379,255	379,255
	381,230	381,230	381,230

4 Financial risk management *(continued)*

(b) ***Liquidity risk*** *(continued)*

Maturity analysis for financial liabilities (continued)

31 December 2012

	Carrying amount AED'000	Gross amount AED'000	Less than 1 month AED'000
Financial liabilities			
Bank overdraft	32,530	32,530	32,530
Due to related parties	135	135	135
Net assets attributable to holders of redeemable units	284,819	284,819	284,819
	317,484	317,484	317,484

The previous table shows the undiscounted cash flows of the Fund's financial liabilities on the basis of their earliest possible contractual maturity. The gross amounts include interest payable where appropriate.

The Fund's expected cash flows on these instruments do not vary significantly from this analysis except for net assets attributable to the holders of redeemable units, which the Fund has the contractual obligation to redeem within the two days of the notice. Historical experience indicates that these units are held by unit holders based on medium or long term basis, however redemption levels are very difficult to predict as they vastly fluctuate with the changing market conditions and investor needs or objectives.

(c) ***Market risk***

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk

The Fund's strategy on the management of the market risk is driven by its investment objectives and guidelines. The Fund aims to capture short-term trading opportunities arising primarily in UAE equities. The Fund's market risk is managed on a daily basis by the Fund Manager in accordance with the policies and procedures in place. The Fund's overall market positions are monitored by the Advisory Board and Investment Committee on a periodic basis.

4 Financial risk management *(continued)*

(c) Market risk (continued)

When considered necessary or appropriate, the Fund Manager may hedge currency and/or other portfolio related risks in accordance with the investment objectives and guidelines.

Exposure to currency risk

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

The exchange rate of AED and all other GCC currencies, in which the Fund invests, is pegged against US Dollar and hence the Fund's exposure to currency risk is limited to that extent.

Since the majority of the assets and liabilities are in AED or in foreign currencies pegged with the AED, the management estimates that any reasonable possible changes in exchange rates would not have a significant impact on the Fund's financial statements.

Exposure to interest rate risk

Interest rate risk is the risk that arises from timing difference in the maturity and re-pricing of Fund's interest bearing assets and liabilities.

The majority of Fund's financial assets and liabilities are non-interest bearing. Interest bearing financial assets and liabilities mature or re-price in the short term, i.e. no longer than twelve months. As a result the Fund is subject to limited exposure to fair value or cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rate, hence the management estimates that any reasonable possible changes in interest rates movements would not have a significant impact on the Fund's financial statements.

Bank overdraft balances maintained with the Fund Manager are at floating rates, with re-pricing on a periodic basis. All other financial assets and liabilities are non-interest bearing.

Exposure to other price risk

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

Price risk is managed by the Fund Manager by constructing a diversified portfolio of instruments, in different industry sectors and traded on different markets. Under normal circumstances the Fund invests in the trading instruments in accordance with the investment guidelines.

As per the term sheet of the Fund, the policy for concentration of its investment portfolio profile is as follows:

4 Financial risk management *(continued)*

(c) *Market risk (continued)*

- No more than 45% of the total assets will be in non-UAE stocks (in MENA).
- Investment in any particular security is not to exceed 10% of that company's then total market capitalization.
- Except as required to reflect market weighting of a stock, investment in equities or liquid tradable securities of any company is not to exceed 25% of the Fund's total assets at the time of investment.
- Investments in third party collective investment schemes must be limited to 10% of the Fund's NAV and must not exceed 5% of the net asset value of any of the collective investment schemes the Fund is invested in.

Internal procedures require the Fund Manager to manage price risk on a daily basis. Internal procedures and systems help the fund manager to keep a check and control of any kind of price risk on an ongoing basis. Any deviation from the permitted guidelines needs to be corrected in the best possible manner within a reasonable time frame from the equity perspective. . The Fund's procedures require price risk to be monitored on a monthly basis by the Advisory Board and the Investment committee.

Where the market risk is not in accordance with the investment policy or guidelines of the Fund, the Fund Manager is obliged to rebalance the portfolio as soon as is reasonably practicable after each determination that the portfolio is not in compliance with the stated investment parameters.

The Fund Manager monitors concentration of risk based on counterparties and industries. The Fund's equity investments are concentrated in the following industries:

	2013	2012
	AED'000	AED'000
Banking	**199,708**	137,721
Real Estate	**98,282**	52,941
Finance	**53**	12,592
Telecom sector	**15,390**	23,170
Others	**64,795**	91,058
	378,228	317,483

The Fund had the following significant individual exposures in its portfolio of investments at fair value through profit or loss:

	2013	2012
	%	%
Emaar Properties Company P.J.S.C.	**13**	7
First Gulf Bank	**9**	8
Abu Dhabi Commercial Bank	**8**	6
National Bank of Abu Dhabi P.J.S.C.	**7**	5
Mashreq Bank	**0**	16

The Fund estimates the future reasonably possible market price fluctuations for equity investments on an individual investment basis.

4 Financial risk management *(continued)*

(c) *Market risk (continued)*

Exposure to other price risk (continued)

The table below sets out the sensitivity analysis and its effect on the Fund's profit or loss and net assets attributable to holders of redeemable units of a reasonably possible weakening in the individual equity market prices of 1% at 31 December. The analysis assumes that all other variables, in particular interest and foreign currency rates remain constant.

Effect in AED thousands	**2013**	2012
Investments at fair value through profit or loss	**3,782**	**3,175**
Effect in % of net assets		
Investments at fair value through profit or loss	**1.00**	**1.11**

A strengthening of market prices would have resulted in an equal but opposite effect to the amounts shown above.

(d) *Operational risk*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior.

Operational risks arise from all of the Fund's activities. The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation whilst achieving its investment objective of generating returns to investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the Head of Middle office and Compliance Manager. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- contingency plans;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

4 Financial risk management *(continued)*

(d) *Operational risk (continued)*

Compliance with policies and procedures is supported by periodic reviews undertaken by the Audit and Compliance Division. The results of these reviews are discussed with the management, with summaries submitted to the Audit Committee and senior management of the Fund Manager.

The directors' assessment over the adequacy of the controls and processes in place at the service providers with respect to operational risks is carried out via regular discussions with the service providers.

Substantially all of the shares of the Fund are in the custody of reputable brokers. Bankruptcy or insolvency of the shares' custodians may cause the Fund's rights with respect to the securities held by the custodian to be delayed or limited. The Fund Manager monitors the credit ratings and financial position of its custodians on a periodic basis.

(e) *Capital management*

The Fund's capital is represented by the number of units outstanding. The objective of the Fund is to invest the subscriptions amounts in a portfolio with a view to both achieving capital growth and provide attractive returns over medium term, while reducing directional downward risk in underlying market.

The Fund aims to deliver this objective mainly through investing in a balances portfolio as per the Fund investment guidelines while maintaining sufficient liquidity to meet unit holders redemptions. The Fund has complied with the externally imposed requirements including SCA and UAE Central Bank rules and regulations.

5 Use of estimates and judgments

Key sources of estimation uncertainty and critical accounting judgments in applying the Fund's accounting policies:

(a) *Fair values of financial instruments*

Many of the Fund's financial instruments are measured at fair value in the statement of financial position and it is usually possible to determine their fair values within a reasonable range of estimates.

For the investments at fair value through profit or loss, quoted market prices are readily available. For certain other financial instruments the carrying amounts approximate fair value due to the immediate or short term nature of the financial instruments.

Availability of observable market prices reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial market.

The Fund has an established control framework with respect to the measurement of fair values. Specific controls include: verification of observable pricing inputs; analysis and investigation of significant daily valuation movements; and reporting of significant valuation issues to the Advisory Board and Investment Committee.

The Fund's accounting policies on fair value measurements for financial instruments are discussed in note 3(g) and note 6.

5 Use of estimates and judgments *(continued)*

Key sources of estimation uncertainty and critical accounting judgments in applying the Fund's accounting policies: (continued)

(b) *Contingent liability arising from litigations*

Due to the nature of its operations, the Fund may be involved in litigations arising in the ordinary course of business. Provision for contingent liabilities arising from litigations is based on the probability of outflow of economic resources and reliability of estimating such outflow. Such matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance.

(c) *Financial asset and liability classification*

The Fund's accounting policies provide scope for financial assets and liabilities to be designated on inception into different accounting categories in certain circumstances.

In classifying financial assets as fair value through profit or loss, the Fund has determined it meets the description as set out in note 3(g) and 6.

6 Financial assets and liabilities

Accounting classifications and fair values

The table below provides reconciliation of the line items in the Fund's statement of financial position to the categories of financial instruments as at 31 December 2013.

	At fair value through profit or loss	Loans and receivables	Other amortised cost	Carrying amount
	AED'000	AED'000	AED'000	AED'000
Cash at bank	-	2,961	-	2,961
Financial assets at fair value through profit or loss	378,228	-	-	378,228
Other receivables	-	41	-	41
	378,228	3,002	-	381,230
Bank overdraft	-	-	-	-
Due to related parties	-	-	1,975	1,975
Net assets attributable to holders of redeemable units	-	-	379,255	379,255
	-	-	381,230	381,230

6 Financial assets and liabilities *(continued)*

Accounting classifications and fair values *(continued)*

The table below provides reconciliation of the line items in the Fund's statement of financial position to the categories of financial instruments as at 31 December 2012.

	At fair value through profit or loss AED'000	Loans and receivables AED'000	Other liabilities AED'000	Carrying amount AED'000
Financial assets at fair value through profit or loss	317,483			317,483
Other receivables	-	1	-	1
	317,483	1	-	317,484
Bank overdraft	-	-	32,530	32,530
Due to related parties	-	-	135	135
Net assets attributable to holders of redeemable units	-	-	284,819	284,819
	-	-	317,484	317,484

The financial instruments not accounted for at fair value through profit or loss are short-term financial assets and liabilities whose carrying amounts approximate their fair value.

6 Financial assets and liabilities *(continued)*

Accounting classifications and fair values *(continued)*

All financial assets and liabilities are measured at amortised cost except for trading investments which are measured at fair value by reference to published price quotations in an active market.

For investment in shares that are inactive as at the reporting date the Fund determines fair values using valuation techniques. The valuation techniques include comparison to similar instruments, if any, for which market observable prices exist or marking to that index which is considered to offer the closest price. The objective of using a valuation technique is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques for which all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2013				
Financial assets at fair value through profit and loss	**378,228**	-	-	**378,228**
Total	**378,228**	-	-	**378,228**
31 December 2012				
Financial assets at fair value through profit and loss	290,302	27,181	-	317,483
Total	290,302	27,181	-	317,483

7 Related parties

Identity of related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise members of the Advisory Board and Investment Committee and the Fund Manager and the entities controlled by them. In the ordinary course of business, the Fund renders and receives services from such related parties at agreed rates, terms and conditions set out by the Fund Manager.

Terms and conditions

Key terms and conditions are shown below:

Brokerage	NBAD Securities LLC, a wholly owned subsidiary of The Fund Manager, provides brokerage services to the Fund at prevailing market rates.
Banking	The Fund Manager provides banking services at rates agreed with the Fund.
Others	The Fund Manager is entitled to the following fees as set out in the offering terms sheet:

- Management fee of 2%;
- A performance fee of 10% is charged by the Fund Manager on increase in the Fund's NAV above the hurdle rate. The hurdle rate is calculated as an increase of 2% per quarter over the last highest NAV of the Fund on which performance fees have been charged.

Balances

Balances with related parties at the reporting dates are shown below:

	2013 AED'000	2012 AED'000
Fair value of investments at fair value through profit or loss in securities issued by the Fund Manager 4,409 *thousand shares (2012: 2,781 thousands)*	**43,864**	**28,504**
Number of units held by related parties (in thousands)	**82**	**1,298**
Bank overdraft	-	**32,530**
Cash at bank	**2,961**	-

7 Related parties *(continued)*

***Balances** (continued)*

	2013 AED'000	2012 AED'000
Due to related parties		
Management fees payable to the Fund Manager	**1,917**	-
Interest payable	**1**	84
Administration fee payable to Custody Department	**57**	51
	1,975	135

Volume of transactions with the parent

	2013 AED'000	2012 AED'000
Purchases	**219,442**	188,554
Sales	**295,863**	183,490

Transactions

Transactions with related parties during the year included in the statement of profit or loss are shown below:

	2013 AED'000	2012 AED'000
Interest income	**20**	-
Interest expenses	**(380)**	(893)
Dividend income	**973**	618
Brokerage charges paid to NBAD Securities LLC	**(39)**	(83)
Investment management fees	**(6,993)**	(5,935)
Administration fees	**(805)**	(733)

The Fund is managed by the Fund Manager and there are no key management personnel of the Fund.

In accordance with article 13.2 of the term sheet, a management fee of 2% per annum of the Fund's NAV is payable quarterly to the Fund Manager, calculated and accrued on a daily basis.

The bank overdraft carries effective interest rate of 3.36% per annum *(31 December 2012: 3.30% per annum).*

8 Net gain on investments at fair value through profit or loss

	2013	2012
	AED'000	AED'000
Realised (loss) / gain	**(5,972)**	2,167
Unrealised gain	**142,955**	14,250
	136,983	16,417

As at the reporting date, all of the Fund's investments at fair value through profit or loss are in equity securities.

9 Units of the Fund

The initial offering of units was at a price of AED 10 per unit (par value). Subsequent to the initial offering, the subscription price for units is based on the Net Asset Value (NAV) per unit on the last business day of each week.

10 Reconciliation of net assets and net assets value per shares

	2013	2012
	AED'000	AED'000
Net assets as per prospectus	**380,080**	285,414
Adjustment from closing prices to bid prices	**(825)**	(595)
Net assets as per financial reporting	**379,255**	284,819

In accordance with the Fund's prospectus unaudited net asset value is weekly reported to the holders of redeemable units. Unaudited net assets value includes investments at fair value through profit or loss calculated using quoted closing prices at a specific time without adjustment for financial assets disposal costs or unit encashment charges.

For financial statement reporting purposes, audited net assets value is calculated using quoted bid prices for financial assets.