

**Annual report including audited financial statements  
as at 31st March 2020**

# **IIFL FUND**

Société d'Investissement à Capital Variable  
with multiple sub-funds  
Luxembourg

R.C.S. Luxembourg B217612

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# IIFL FUND

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## IIFL FUND

### Organisation

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#### Registered office

2, Rue d'Alsace  
L-1122 LUXEMBOURG

#### Board of Directors

Swati JAIN  
Director  
IIFL Asset Management \*  
41 Lothbury  
LONDON EC2R 7HG

Luc REGENT  
Independent Director  
41, Rue du Cimetière  
L-3350 LEUDELANGE

Nicholas James TAYLOR  
Independent Director  
Altair Partners Limited  
3 The Forum, Grenville Street, St Helier, Jersey  
JE2 4UF  
CHANNEL ISLANDS

Amit GARG  
Director  
IIFL Capital Pte Ltd  
Level 6 Republic Plaza  
9 Raffles Place  
SINGAPORE 048619  
(since 26th July 2019)

#### Management Company

MDO Management Company S.A.  
19, Rue de Bitbourg  
L-1273 LUXEMBOURG

#### Board of Directors of the Management Company

##### *Chairman*

Géry DAENINCK

##### *Directors*

John LI HOW CHEONG  
Carlo MONTAGNA  
Martin VOGEL  
Yves WAGNER

#### Conducting officers of the Management Company

Pall EYJOLFSSON  
Kim KIRSCH  
Riccardo del TUFO  
Thierry LELIEVRE  
Alessandro GABURRI

\* IIFL Asset Management is the trading name of IIFL Wealth (UK) Ltd which is authorised and regulated by the Financial Conduct Authority.

## IIFL FUND

### Organisation (continued)

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<b>Investment Manager</b>	IIFL CAPITAL Pte Ltd. Level 6 Republic Plaza 9 Raffles Place SINGAPORE 048619
<b>Depository and Paying Agent</b>	QUINTET PRIVATE BANK (EUROPE) S.A. (formerly KBL EUROPEAN PRIVATE BANKERS S.A.) 43, Boulevard Royal L-2955 LUXEMBOURG
<b>Administration, Domiciliary and Registrar and Transfer Agent</b>	EUROPEAN FUND ADMINISTRATION S.A. 2, Rue d'Alsace L-1122 LUXEMBOURG
<b>Cabinet de révision agréé</b>	KPMG Luxembourg, Société coopérative 39, Avenue John F. Kennedy L-1855 LUXEMBOURG
<b>Legal Adviser</b>	ELVINGER HOSS PRUSSEN <i>société anonyme</i> 2, Place Winston Churchill L-1340 LUXEMBOURG
<b>Global Distributor and Facilities Agent</b>	IIFL Asset Management* 41 Lothbury LONDON EC2R 7HG

\* IIFL Asset Management is the trading name of IIFL Wealth (UK) Ltd which is authorised and regulated by the Financial Conduct Authority.

## IIFL FUND

### Investment Manager Report

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#### Fund details and performance review:

##### “IIFL Fund - IIFL India Equity Opportunities Fund (“The Sub-Fund”)”

The Sub-Fund’s investment objective is to achieve long term capital growth through equity or equity related investments of companies predominantly traded on the stock markets of India. The Sub-Fund holds a concentrated but diversified portfolio of approximately 20-30 stocks listed on the Indian stock exchange.

During the period April 2019 to March 2020, the Indian markets have posted returns of -30.9% (MSCI India) in USD terms. Within Indian markets, large cap stocks (Nifty 50) posted -32.0% returns while mid cap (Nifty Midcap 100) and small cap (Nifty Small cap 100) index posted returns of -41.0% and -50.4%, respectively. The share class I USD of the Sub-Fund, IIFL Fund - IIFL India Equity Opportunities Fund has posted -28.4% returns during the same period. Such high double-digit, negative returns are attributable to the debilitating performance of equity stock markets on account of COVID-19.

The Sub-Fund has also posted annualised returns of 4.04% vs 1.77% by MSCI India Index since the inception of share class I USD on 8 January 2014.

#### Returns (1st April 2019 to 31st March 2020)

	<b>IIFL Fund – IIFL India Equity Opportunities Fund</b>	<b>Benchmark – MSCI India Index</b>
Class C USD*	-35.8%	-30.9%
Class I USD	-28.4%	
Class R USD	-29.0%	
Class D USD	-28.6%	
Class I GBP	-24.8%	-27.5%
Class D GBP	-25.0%	

Source: Bloomberg

Returns are as on 31st March 2020 and in respective currencies on an absolute basis. Past performance may or may not be sustained in future.

\*Class C USD was merged into Share Class I USD on 24<sup>th</sup> March 2020. Returns for Class C USD have been shown till the last calculated NAV date of 23<sup>rd</sup> March 2020.

On a Price to Book valuation perspective, Emerging Markets seem to be much cheaper currently than US equities. India trades at approximately 2.2x, while Emerging Markets are at 1.2x. Comparatively, the S&P500 trades at 2.8x as on March 31, 2020.

During the last one year, the Sub-Fund has made investments in new businesses in line with our investment framework and philosophy. More recently, the Sub-Fund has fully exited a few old positions which were expected to get severely impacted given the current scenario and taken new positions specifically in the financials, healthcare, IT and materials sector. On the market cap side, the Sub-Fund continues to remain focused on large cap stocks (between 70-75%), while maintaining around 20-25% in the mid and small cap space.

**Market Activity**

March 2020 will be remembered for a very long time in the history of Indian markets, and indeed in world history. There are few events that immerse the world so completely. All conversations today are about COVID-19. And yet, the first rumblings were felt only in late January. By March, it had become a pandemic that has affected the entire planet. At the time of writing this commentary, an estimated 1.5 million people have been found to be infected by the virus and over 86,000 have succumbed to its effects.

Governments around the world have responded with unprecedented actions – instituting lock-downs of various severities, pumping large sums of money into the economy in the form of fiscal and monetary stimulus, and announcing massive support measures for citizens and businesses alike. Most of these are sensible and necessary actions. Extraordinary events need extraordinary measures.

Early results from the lockdowns across the world, seem to suggest that these measures are having mitigating effects on the spread of the disease. China, where the pandemic started in late December 2019, has demonstrated that the outbreak can be contained and the government there is cautiously reopening economic activity. Indeed, even history suggests this is the best course of action. The world faced a similar crisis almost exactly a century ago, in 1918. There are important lessons to be drawn from that experience. Records show that cities which instituted social distancing measures early in the crisis and observed them longer had substantially better outcomes through the crisis. Another interesting counter-intuitive observation was that cities which enforced stricter lock-downs were in no way economically worse off than those that did not. This is a crucial insight for India, as India has enforced one of the strictest lockdowns globally.

Many worry that a lockdown of this magnitude and severity could materially and permanently damage the economy. However, there is enough evidence that not locking down could have equally devastating effects, in addition to taking a far heavier toll on human life.

There is no denying that a pandemic of this scale will cause a dip in economic activity for some time. But it will be transient. The aftermath of the 1918 flu was a period of economic expansion so rapid that the decade is known as the roaring twenties.

**Situation and policy response**

With the lockdowns of varying severities around the world, short term economic prospects have taken a sharp blow. The United Nations estimates that the world economy could contract by 1% or more in 2020. Employment has also taken a huge hit. Jobless benefit claims in the US surged to 6.6 million as of the week ending 4th April 2020. This is almost ten times as many applications as the highest ever seen before – as long ago as 1982. India's own unemployment rate is estimated to have risen to 23.4% as per CMIE as of 1st week of April 2020.

To combat this, world economies have doled out massive stimulus packages that are as high as 17% of GDP. For instance, the United States has announced a 2 Trillion Dollar stimulus package to provide a boost to its economy. The US Federal Reserve also cut rates to historically low levels. In India, the finance minister has thus far announced a fiscal stimulus package valued at approximately 0.8% of GDP.

On March 27th, the Reserve Bank of India (RBI) reduced the repo and reverse repo rates by 75 and 90 basis points to 4.4 and 4.0 percent, respectively. It also announced liquidity measures to the tune of ~USD 49.1 bn (1.8% of GDP) across three measures comprising Long Term Repo Operations (LTROs), a cash reserve ratio (CRR) cut of 100 bps, and an increase in marginal standing facility (MSF) to 3% of the Statutory Liquidity Ratio (SLR).

One measure that has taken up a lot of mind space of financial institutions and investors alike is the 90-day moratorium for all loans. With the lockdown being adhered to strictly by people and as well as with short term uncertainty, businesses and consumers behaviour who opt for this moratorium will be keenly watched. Inability to pay or just plain moral hazard, financial institutions could see a significant spike in credit costs that might lead to lower profitability.

**The Indian equity market – today and the past**

As the coronavirus snowballed during March, the Indian equity market also entered a period of unprecedented volatility and sharp decline. At the very bottom, on 23rd March 2020, the BSE Sensex had fallen 32% in INR from the close on 28th February, a pace never seen before. This decline was accompanied by daily swings that are rarely seen. Of the twenty-one trading days in March, sixteen days saw the index moving 2% or more in INR terms. For comparison, there were only eight such days in the entire twelve months up to the end of February. We also saw the largest ever intraday swing of 18.3% on the Index.

While this volatility makes it a very challenging environment for investors, we looked back into history to understand what we can expect. Specifically, we looked at how often the market has declined by 20% or more in INR terms and what has happened thereafter. In the last 34 years that we look at, the BSE Sensex declined more than 20% on eleven instances. That averages to a little under once every three years! We are currently down almost 30% in INR terms from all-time highs. This level of decline has happened on seven instances in the last 34 years – once every five years. These drawdowns include the 1991 economic crisis, the dot-com bust and the global financial crisis. While these are sobering statistics, it is the aftermath of these declines that makes us optimistic.

The time it took to recover to the all-time highs from the bottom averages a little under two years. It is impossible to say whether we are at the bottom yet. But a recovery to all-time highs in two years would translate into an annualized return of about 19% in INR terms. Even the historical worst case of three years would yield a 12.5% INR annualized return. Clearly this is not a time to be fearful.

**Outlook**

Given the tough outlook, we believe a lot of large, diversified, well capitalized players will be able to withstand the downturn and emerge stronger for the next cycle while several marginal and weaker players will lose market share. We continue to believe there is a structural growth opportunity in the financial sector over the coming decade. All the names that we own are good franchises with superior managements and adequate capital to withstand any shocks that may arise during this crisis.

As mentioned earlier, while it is unclear how events will unfold over the coming months, our goal is to own a collection of great businesses in the country. Most of businesses in our portfolio meet this criteria. The majority of the businesses we own have durable business moats, excellent managements, low leverage and prudent capital allocation. We have always been skewed towards large caps and that mix has not changed materially.

As a team, we are constantly trying to scout for businesses that meet the criterion mentioned above. Reducing the number of inevitable mistakes is half the battle in investing. Our proprietary SCDV (Secular, Cyclical, Defensives and Value traps) investment framework helps us in minimizing mistakes that can be easily made in markets like these. Lastly, to conclude, though the future may seem uncertain right now, but the best way forward is to have a portfolio of quality businesses that have the ability to withstand these kinds of shocks. At IIFL CAPITAL Pte Ltd, our constant endeavour is to invest your monies prudently and deliver superior risk adjusted returns over a long period of time.

## **IIFL FUND**

### **Investment Manager Report (continued)**

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#### **Important events**

The Sub-Fund has continued to expand its geographic reach by registering in additional countries such as Austria and Germany during the year.

With effect from 6th April 2020, the Investment Manager has appointed IIFL Asset Management Ltd as the Investment Adviser to advise on the investments in the Sub-Fund. The Investment Adviser will provide advice to the Investment Manager on a non-binding basis and the Investment Manager will retain full discretion for all investment decisions. The Investment Adviser will be compensated by the Investment Manager from its own management fee and not out of the assets of the Fund. IIFL Asset Management Ltd is a leading asset management firm in India with a total AUM of USD 3.8 bn (as of 31st December 2019) across multiple asset classes.

During the year, IIFL Fund SICAV also received approval from the Luxembourg regulator to launch a new sub-fund "IIFL Fund – IIFL India Financial Services Fund" which is a thematic fund focusing on the Indian financial services sector.

As at the date of this report, the new sub-fund has not yet been launched.

Luxembourg, 13th April 2020

IIFL Capital Pte Ltd  
(Investment Manager)

Note: The information in this report represents historical data and is not an indication of future results.



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To the Shareholders of  
IIFL Fund  
2, rue d'Alsace  
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Grand Duchy of Luxembourg

## **REPORT OF THE REVISEUR D'ENTREPRISES AGREE**

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

#### ***Opinion***

We have audited the accompanying financial statements of IIFL Fund ("the Company"), which comprise the statement of net assets and the statement of investments and other net assets as at 31 March 2020 and the statement of operations and other changes in net assets 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 IIFL Fund as at 31 March 2020, and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

#### ***Basis for opinion***

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the Audit of the Financial Statements » section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Material uncertainty related to going concern***

We draw attention to note 2a) to the financial statements which indicates that the Company was significantly impacted by the Covid-19 crisis with its total net asset value falling significantly from USD 67,317,658.68 as at 31 March 2019 to USD 23,279,178.39 as at 31 March 2020, representing a decrease of 65.4% during the financial year ended 31 March 2020. The total net asset value was further reduced after the financial year end as a result of additional net redemptions such that of the date of approval of these



financial statements by the Board of Directors on 29 July 2020, the total net asset value of the Company amounted to USD 12,003,371.17. If the total net asset value continue to decrease, the Company may no more be economically viable and it will be difficult to achieve a sustainable growth. As stated in note 2a), these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### ***Other information***

The Board of Directors of the Company is responsible for the other information. The other information comprises the information stated in the annual report but does not include the financial statements and our report of "Réviseur d'Entreprises agréé" 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 this fact. We have nothing to report in this regard.

### ***Responsibilities of the Board of Directors of the Company for the financial statements***

The Board of Directors of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors of the Company determines 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 Board of Directors of the Company is responsible for assessing the Company'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 Board of Directors of the Company either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### ***Responsibilities of the "Réviseur d'Entreprises agréé" for the audit of the financial statements***

The objectives of our audit 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 a report of "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Company.
- Conclude on the appropriateness of the Board of Directors of the Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises agréé" 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 report of the "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Company 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.

Luxembourg, 30 July 2020

KPMG Luxembourg  
Société coopérative  
Cabinet de révision agréé



R. Appadoo

## IIFL FUND - IIFL India Equity Opportunities Fund

### Statement of net assets (in USD)

as at 31st March 2020

#### Assets

Securities portfolio at market value	21,541,132.15
Cash at banks	4,960,659.26
Other liquid assets	2,652.85
Formation expenses, net	152,592.50
Receivable on issues of shares	6,376.30
Income receivable on portfolio	25,003.15
Other receivables	156,849.83
Prepaid expenses	16,797.31
Total assets	26,862,063.35

#### Liabilities

Payable on redemptions of shares	3,471,686.15
Expenses payable	111,198.81
Total liabilities	3,582,884.96
Net assets at the end of the year	23,279,178.39

#### Breakdown of net assets per share class

Share class	Number of shares	Currency of share class	NAV per share in currency of share class	Net assets per share class (in USD)
D GBP	130,981.8706	GBP	0.9631	156,358.03
D USD	52,765.6791	USD	12.6074	665,236.51
I GBP	1,740,380.6823	GBP	0.9730	2,098,903.81
I USD	1,367,990.9856	USD	12.7979	17,507,403.03
R USD	210,622.6366	USD	13.5374	2,851,277.01
				23,279,178.39

The accompanying notes are an integral part of these financial statements.

## IIFL FUND - IIFL India Equity Opportunities Fund

### Statement of operations and other changes in net assets (in USD)

from 1st April 2019 to 31st March 2020

<b><u>Income</u></b>	
Dividends, net	903,533.04
Bank interest	171.11
Other income	588,617.02
Total income	1,492,321.17
<b><u>Expenses</u></b>	
Management fees	363,735.58
Depository fees	27,539.06
Banking charges and other fees	85,478.75
Transaction fees	216,176.76
Central administration costs	104,381.65
Professional fees	11,987.32
Other administration costs	54,889.22
Subscription duty ("taxe d'abonnement")	7,167.79
Other expenses	188,430.29
Total expenses	1,059,786.42
Net investment income	432,534.75
<b><u>Net realised gain/(loss)</u></b>	
- on securities portfolio	-1,921,312.84
- on foreign exchange	-237,266.30
Realised result	-1,726,044.39
<b><u>Net variation of the unrealised gain/(loss)</u></b>	
- on securities portfolio	-11,221,447.06
Result of operations	-12,947,491.45
Subscriptions	8,944,190.60
Redemptions	-40,035,179.44
Total changes in net assets	-44,038,480.29
Total net assets at the beginning of the year	67,317,658.68
Revaluation difference	-
Total net assets at the end of the year	23,279,178.39

The accompanying notes are an integral part of these financial statements.

## IIFL FUND - IIFL India Equity Opportunities Fund

### Statistical information (in USD)

as at 31st March 2020

Total net assets	Currency	31.03.2019	31.03.2020
	USD	67,317,658.68	23,279,178.39

Net asset value per share	Currency	31.03.2019	31.03.2020
C USD	USD	20.6657	13.2562 *
D GBP	GBP	1.2837	0.9631
D USD	USD	17.6684	12.6074
I GBP	GBP	1.2935	0.9730
I USD	USD	17.8845	12.7979
R USD	USD	19.0670	13.5374

\* Last NAV for Class C USD was calculated for 23<sup>rd</sup> March 2020 and it was merged with Class I USD on effective date of 24th March 2020.

Annual performance per share (in %)	Currency	31.03.2019 *	31.03.2020
D GBP	GBP	8.99	-24.97
D USD	USD	8.02	-28.64
I GBP	GBP	9.04	-24.78
I USD	USD	8.07	-28.44
R USD	USD	7.94	-29.00

\* Absolute returns calculated from launch date to 31st March 2019.

Number of shares	outstanding at the beginning of the year	issued	redeemed	outstanding at the end of the year
C USD	964,015.5151	7,314.5430	-971,330.0581	-
D GBP	522,101.3728	8,189.5980	-399,309.1002	130,981.8706
D USD	55,643.2214	1,206.5175	-4,084.0598	52,765.6791
I GBP	1,641,111.4595	508,839.5546	-409,570.3318	1,740,380.6823
I USD	2,072,545.6874	590,270.7840	-1,294,825.4858	1,367,990.9856
R USD	299,288.6031	1,357.9936	-90,023.9601	210,622.6366

TER per share as at 31.03.2020	(in %)
D GBP	1.91
D USD	1.99
I GBP	1.72
I USD	1.69
R USD	2.48

Annual returns were calculated for this financial year. For share types launched or liquidated during the financial year, the corresponding annual return has not been calculated.

The historical performance is not an indication of current or future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the Company.

## IIFL FUND - IIFL India Equity Opportunities Fund

### Statement of investments and other net assets (in USD)

as at 31st March 2020

Currency	Number / nominal value	Description	Cost	Market value	% of total net assets
<b>Investments in securities</b>					
<b>Transferable securities admitted to an official stock exchange listing</b>					
<b>Shares</b>					
INR	22,538	AAVAS Financiers Ltd Reg S 144A	582,393.59	355,406.87	1.53
INR	34,294	ACC Ltd Dematerialised	679,920.58	440,556.04	1.89
INR	49,071	Asian Paints Ltd Reg	1,008,734.90	1,084,709.92	4.66
INR	206,304	Axis Bank Ltd Reg	1,933,539.96	1,037,122.95	4.46
INR	12,543	Bajaj Finserv Ltd Reg	1,344,682.66	763,855.17	3.28
INR	50,955	Balkrishna Industries Ltd Reg	584,496.70	535,061.14	2.30
INR	198,910	Bharti Airtel Ltd Dematerialised	1,212,327.69	1,163,268.86	5.00
INR	396,273	Crompton Greav Cons Electr Ltd Reg	1,282,748.57	1,097,509.69	4.71
INR	151,885	Cyient Ltd Reg	1,040,636.78	461,957.82	1.98
INR	62,714	Divi's Laboratories Ltd Reg	1,449,200.77	1,654,602.17	7.11
INR	15,186	Dr Reddy's Laboratories Ltd Dematerialised	591,342.65	628,616.48	2.70
INR	473,610	Greaves Cotton Ltd Reg	912,952.33	436,919.46	1.88
INR	156,080	HDFC Bank Ltd Reg	2,319,149.60	1,784,380.73	7.66
INR	476,361	ICICI Bank Ltd Reg	2,793,749.32	2,045,640.73	8.79
INR	68,595	ICICI Lombard Genel Ins Co Ltd Reg	1,002,543.23	984,152.96	4.23
INR	216,211	Infosys Ltd Reg	2,166,666.74	1,839,745.85	7.90
INR	61,805	Larsen & Toubro Infotech Ltd Reg	1,451,391.95	1,171,368.76	5.03
INR	107,545	Larsen & Toubro Ltd Dematerialised	1,987,700.41	1,153,330.12	4.95
INR	29,769	Procter & Gamble Health Ltd Reg	1,326,715.93	1,434,541.21	6.16
INR	117,590	Quess Corp Ltd Reg	768,560.73	332,459.78	1.43
INR	88,192	Titan Co Ltd Reg	1,406,670.67	1,092,244.68	4.69
<b>Total shares</b>			<b>27,846,125.76</b>	<b>21,497,451.39</b>	<b>92.34</b>
<b>Other transferable securities</b>					
<b>Shares</b>					
INR	6,925	Arti Surfactants Ltd Pref Reg	38,753.49	43,680.76	0.19
<b>Total shares</b>			<b>38,753.49</b>	<b>43,680.76</b>	<b>0.19</b>
Total investments in securities			27,884,879.25	21,541,132.15	92.53
Cash at banks				4,960,659.26	21.31
Other net assets/(liabilities)				-3,222,613.02	-13.84
<b>Total</b>				<b>23,279,178.39</b>	<b>100.00</b>

The accompanying notes are an integral part of these financial statements.

## IIFL FUND - IIFL India Equity Opportunities Fund

### Industrial and geographical classification of investments as at 31st March 2020

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#### Industrial classification

(in percentage of net assets)

Financials	29.95 %
Healthcare	15.97 %
Information technology	14.91 %
Consumer discretionary	11.70 %
Industrials	8.26 %
Materials	6.74 %
Telecommunications services	5.00 %
Total	<u>92.53 %</u>

#### Geographical classification

(by domicile of the issuer)  
(in percentage of net assets)

India	<u>92.53 %</u>
Total	<u><u>92.53 %</u></u>

## IIFL FUND

### Notes to the financial statements

as at 31st March 2020

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#### Note 1 - General information

IIFL Fund (the "Company") was incorporated on 31st August 2017 for an unlimited period under the form of a *société anonyme* in the Grand Duchy of Luxembourg. The Company qualifies as an Undertaking for Collective Investment in transferable securities ("UCITS"), subject to Part I of the Law of 17th December 2010 (« 2010 Law »).

The accounts of the Company are expressed in USD. As the Company has only one active Sub-Fund as at 31st March 2020 and as the reference currency of the sole Sub-Fund is USD, the accounts of the Company are the same as the accounts of the sole active Sub-Fund.

The financial year begins on 1st April and ends on 31st March of each year.

The following documents are available for inspection during usual business hours on any Business Day at the registered office of the Company;

- The Articles of Incorporation,
- The Depositary Agreement,
- The Management Company Services Agreement,
- The Domiciliary Services Agreement,
- The Central Administration, Registrar and Transfer Agent Agreement,
- The Global Distribution Agreement,
- The Investment Management Agreement,
- The annual and semi-annual reports.

Copies of the Articles of Incorporation, the most recent Prospectus, the Key Investor Information Documents and the latest financial reports may be obtained free of charge, on request at the registered office of the Company.

#### Note 2 - Significant accounting policies

##### a) Presentation of the financial statements and going concern assessment

###### Presentation of the financial statements

The financial statements of the Company are prepared in accordance with Luxembourg legal and regulatory requirements concerning Undertakings for Collective Investment and with generally accepted accounting principles in Luxembourg.

###### Going concern assessment

The total net asset value of the Company fell significantly from USD 67,317,658.68 as at 31 March 2019 to USD 23,279,178.39 as at 31 March 2020, representing a decrease of 65.4% during the financial year ended 31 March 2020.

This decrease is largely attributable to the effects of the Covid-19 crisis which generated negative market conditions, leading to important redemptions and a substantial decrease in the value of assets of the Company as a result of poor stock market performances.

The total net asset value of the Company was further reduced after the financial year end as a result of additional net redemptions such that of the date of approval of these financial statements by the Board of Directors on 29 July 2020, the total net asset value of the Company amounted to USD 12,003,371.17.

## IIFL FUND

### Notes to the financial statements (continued)

as at 31st March 2020

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If the net asset value continue to decrease, the Company may no more be economically viable and it will be difficult to achieve a sustainable growth. Another assessment of the situation will be made by the Board of Directors of the Company by end of September 2020.

These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Management has made an assessment of the Company's ability to continue as a going concern and are satisfied that as of the date of approval of these financial statements, it has sufficient cash and liquid assets to continue in operation for the foreseeable future. The total net asset value of the Company is in addition above the minimum legal threshold of EUR 1.25 million. At this stage, significant marketing efforts are being made to attract new investors and increase the net asset value of the Company through new subscriptions. USD 4,218,600.45 of new subscriptions were received after the financial year end which is positive, although this was outweighed by the volume of redemptions of USD 19,923,232.01.

Part of the fixed costs incurred by the Company are also being borne by IIFL Capital Pte Ltd to maintain the total expense ratio of the Company to a low level and continue to have it attractive to existing and new investors.

The stock markets have also picked up since the last financial year end – The net asset value per share of the Company increased from USD 12.7979 as at 31 March 2020 to USD 16.3537 (Class I USD) as of 29 July 2020. Management remains confident that the increase in investors' confidence in the stock markets combined with increased marketing efforts will pave the way to new subscriptions.

Therefore these financial statements have been prepared on a going concern basis.

#### b) Valuation of assets

1. The value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received are deemed to be the full amount thereof, unless in any case the same is unlikely to be paid or received in full, in which case the value thereof shall be arrived at after making such discount as the Board of Directors may consider appropriate in such case to reflect the true value thereof;
2. The value of securities (including a share or unit in a closed-ended undertaking for collective investment and in an exchange traded fund) and/or financial derivative instruments which are listed and with a price quoted on any official stock exchange or traded on any other organised market is determined on the basis of the last available stock price. Where such securities or other assets are quoted or dealt in or on more than one stock exchange or other organised markets, the Board of Directors shall select the principal of such stock exchanges or markets for such purposes. In case of Securities traded on the Indian stock exchanges, the closing price on the National Stock Exchange failing which the closing price on the Stock Exchange, Mumbai (BSE) failing which the closing price on any other exchange where at the security is traded shall be considered;
3. in the event that any of the securities held in the Company's portfolio on the relevant day are not listed on any stock exchange or traded on any organised market or if with respect to securities listed on any stock exchange or traded on any other organised market, the price as determined pursuant to sub-paragraph (2) is not, in the opinion of the Board of Directors, representative of the fair market value of the relevant securities, the value of such securities is determined prudently and in good faith based on the reasonably foreseeable sales price or any other appropriate valuation principles.

## IIFL FUND

### Notes to the financial statements (continued)

as at 31st March 2020

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c) Acquisition cost of securities in the portfolio

The acquisition cost of the securities held by the Sub-Fund that are denominated in currencies other than the reference currency of the Sub-Fund are converted into this currency at the exchange rate prevailing on the date of purchase.

d) Net realised gain/(loss) on securities portfolio

The realised gains and losses on securities portfolio are calculated on the basis of the average acquisition cost and are disclosed net in the statement of operations and other changes in net assets.

e) Investment portfolio income

Dividend income is recorded at the ex-dividend date.

f) Formation expenses

The costs and expenses for the formation of the Company and the initial issue of its Shares are borne by the first Sub-Fund of the Company and amortized over a period not exceeding 5 years.

g) Conversion of foreign currencies

Cash at banks, other net assets, liabilities and the market value of the securities in the portfolio expressed in currencies other than the reference currency of the Sub-Fund are converted into this currency at the exchange rate prevailing on the date of the financial statements. Income and expenses expressed in currencies other than the reference currency of the Sub-Fund are converted into this currency at the exchange rate prevailing on the date of the transaction. Net realised gains or losses on foreign exchange are disclosed in the statement of operations and other changes in net assets.

1	USD	=	0.9668000	CHF	Swiss Franc
			0.9109127	EUR	Euro
			0.8067769	GBP	Pound Sterling
			75.3904983	INR	Indian Rupee
			17.8617001	ZAR	South African Rand

h) Transaction fees

Transaction costs disclosed under the item "Transaction fees" in the expenses of the statement of operations and other changes in net assets are mainly composed of broker fees incurred by the Sub-Fund and of fees relating to liquidation of transactions paid to the depositary as well as of transaction fees on financial instruments and derivatives.

i) Indian capital gain tax

As per section 2(14) of the Indian Income-tax Act (ITA), securities held by a Foreign Portfolio Investor are regarded as a capital asset. Hence, gains arising on transfer thereof should be taxable as capital gains. The taxability of capital gains under the ITA and the tax rates (plus applicable surcharge and cess) depend on the type of instrument and the period of holding.

Accordingly, a provision for Indian capital gains tax is calculated and recorded in the financial statements.

## IIFL FUND

### Notes to the financial statements (continued)

as at 31st March 2020

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At the date of the financial statements, the item :

- "Other receivables" disclosed in the statement of net assets includes :
  - o an amount of USD 54,229.38 corresponding to the remaining recoverable capital gains tax of the previous year;
  - o and a recoverable amount of USD 102,062.33 corresponding to the provision of the capital gains taxes on investments which have been realised ;
  
- and the item "Other income" disclosed in the statement of operations and other changes in net assets includes :
  - o an amount of USD 577,510.22 corresponding to the reversal of the excess provision of the capital gains tax on the unrealised gains on investments previously booked;
  - o and an amount of USD 10,017.95 corresponding to the recovered capital gains tax of the previous year.

#### Note 3 - Management fee

As remuneration for the services of the management company, the Management Company is entitled to a fee of up to 0.06 % of the net assets with an annual minimum of EUR 15,000 p.a. and per Sub-Fund. This fee is calculated as the average of the month-end Net Asset Values of the previous quarter and invoiced quarterly in arrears.

For the performance of the risk management and investment compliance services, the Management Company is entitled to receive an additional fee of EUR 11,000 per annum per non-complex Sub-Fund. For additional Sub-Fund for which VaR would be applicable, the Management Company is entitled to receive an additional fee of EUR 18,000 per annum per complex Sub-Fund.

For its investment management services, the Investment Manager is entitled to receive an aggregate investment management fee of a percentage of the net assets of the relevant Class, as follows:

Class of shares	Rate
C*	0.00%
D	1.00%
I	0.75%
R	1.50%

\* Last NAV for Class C USD was calculated for 23rd March 2020 and it was merged with Class I USD on effective date of 24th March 2020

This fee is accrued on each Valuation Day and payable monthly in arrears out of the assets of the Sub-Fund.

These fees are recorded in the item "Management fees" in the statement of operations and other changes in net assets.

#### Note 4 - Central administration costs

The item "Central administration costs" disclosed in the statement of operations and other changes in net assets is mainly composed of administrative agent and domiciliation fees.

## IIFL FUND

### Notes to the financial statements (continued)

as at 31st March 2020

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#### Note 5 - Depositary fees

QUINTET PRIVATE BANK (EUROPE) S.A. (formerly KBL EUROPEAN PRIVATE BANKERS S.A.) is the Company's Depositary. The fees and charges of QUINTET PRIVATE BANK (EUROPE) S.A. are calculated with reference to the Net Assets and payable monthly by the Sub-Fund and conform to common practice in Luxembourg.

#### Note 6 - Subscription duty ("taxe d'abonnement")

The Company is governed by Luxembourg law.

Pursuant to the legislation and regulations in force, the Company is subject to an annual subscription duty ("taxe d'abonnement") of 0.05% which is payable quarterly and calculated on the basis of the net assets of the Sub-Fund on the last day of each quarter.

A reduced subscription tax rate of 0.01% per annum is also applicable to Classes of shares C and I held by institutional investors.

Pursuant to Article 175 (a) of the 2010 Law, the net assets invested in undertakings for collective investment already subject to the "taxe d'abonnement" are exempt from this tax.

#### Note 7 - Changes in investments

The statement of changes in investments for the reporting year is available free of charge at the registered office of the Company.

#### Note 8 - Total Expense Ratio ("TER")

The TER disclosed under "Statistical information" of this report is calculated in accordance with the "Guidelines on the calculation and disclosure of the TER of collective investment schemes" issued by the Swiss Funds & Asset Management Association "SFAMA" on 16th May 2008 as modified on 20th April 2015.

The TER is calculated for the last 12 months preceding the date of this report.

Transaction fees are not taken into account in the calculation of the TER.

#### Note 9 - Swing Pricing Adjustment

The Sub-Fund is single priced and may suffer a reduction in value as a result of the transaction costs incurred in the purchase and sale of its underlying investments and the spread between the buying and selling prices of such investments caused by subscriptions, switches and/or redemptions in and out of the Sub-Fund. This is known as "dilution". In order to counter this and to protect Shareholders' interests, the Company may apply a technique known as swing pricing or dilution adjustment as part of its valuation policy. This will mean that in certain circumstances the Company will make adjustments in the calculations of the Net Asset Values per share, to counter the impact of dealing and other costs on occasions when these are deemed to be significant.

The need to make a dilution adjustment will depend upon the net value of subscriptions, conversions and redemptions received by the Sub-Fund on each Valuation Day. The Company therefore reserves the right to make a dilution adjustment where a Sub-Fund experiences a net cash movement which exceeds a threshold, set by the Board of Directors from time to time, of the previous Valuation Day's net asset value.

## IIFL FUND

### Notes to the financial statements (continued)

as at 31st March 2020

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The Company may also make a discretionary dilution adjustment if, in its opinion, it is in the interest of existing Shareholders to do so.

Where a dilution adjustment is made, it will typically increase the Net Asset Value per share when there are net inflows into the Sub-Fund and decrease the Net Asset Value per share when there are net outflows. The Net Asset Value per share of each Class in the Sub-Fund will be calculated separately but any dilution adjustment will, in percentage terms, affect the Net Asset Value per share of each Class identically. Where references to Net Asset Value per share are made, they should be understood as references to the adjusted Net Asset Value per share when dilution adjustments are made.

As dilution is related to the inflows and outflows of money from the Sub-Fund it is not possible to accurately predict whether dilution will occur at any future point in time. Consequently it is also not possible to accurately predict how frequently the Company will need to make such dilution adjustments.

Because the dilution adjustment for the Sub-Fund will be calculated by reference to the costs of dealing in the underlying investments of the Sub-Fund, including any dealing spreads, which can vary with market conditions, this means that the amount of the dilution adjustment can vary over time but will not exceed 1% of the relevant net asset value in normal market conditions.

The Board of Directors have resolved that the Company shall adopt and implement a partial swing policy aimed to address the dilution effect by « adjusting » the NAV of a fund either up or down to better reflect trading costs incurred as a result of net subscriptions and redemptions on a particular day. The objective of the policy is to protect the value of existing shareholders' holdings against the diluting effect of portfolio dealings undertaken for subscription/ redemption activity in the Fund.

On the decisions taken by the Board of Directors the swing pricing methodology is applied only if the net shareholder activity on a dealing day exceeds the swing threshold.

The swing factor will vary depending on the type of fund and hence will be different for each sub-Fund. A periodical review is undertaken in order to verify the appropriateness of the swing factor being applied.

The Board of Directors instructed European Fund Administration S.A. to activate a partial swing pricing policy for the sub-fund IIFL Fund - IIFL India Equity Opportunities Fund with effect from the NAV date of 23th May 2019.

Due to unprecedented impacts of the outbreak of the COVID-19 on the market environment, the Board of Directors has decided to temporarily increase the maximum swing factor from the 1% limit to 4.5%, for redemptions received in IIFL Fund - IIFL India Equity Opportunities Fund, with effect from 19th March 2020.

The Board of Directors carefully assessed the market circumstances and decided on the actual swing factor to be applied for each case of redemption received beyond the threshold.

During the year, swing factors were applied on 19th March 2020 and 30th March 2020. No swing factor was applied on the NAV as at 31st March 2020.

## IIFL FUND

### Notes to the financial statements (continued)

as at 31st March 2020

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#### Note 10 - Events

The appointment of Mr. Amit GARG as a director of the Company has been approved with effect as from 26th July 2019.

A new sub-fund "IIFL Fund - IIFL India Financial Services Fund" has been approved by the CSSF on 8th October 2019. The Board of Directors shall decide on the launch date of the new sub-fund in due course of time.

On 31st December 2019, the World Health Organisation was informed that a limited number of cases of pneumonia, of an unknown cause, were detected in Wuhan, China. On 7th January 2020, Chinese authorities identified coronavirus (COVID-19) as the cause. Since 31st December 2019, the rapid outbreak of the COVID-19 is not only causing a global health crisis but also impacting to the global economy and financial markets. As a result of the COVID-19, markets became highly volatile. The Indian equity market faced a sharp decline, impacting the companies in the portfolio of the Company.

With effect from 16th January 2020, KBL EUROPEAN PRIVATE BANKERS S.A. changed its name to QUINTET PRIVATE BANK (EUROPE) S.A..

In sub-fund IIFL Fund - IIFL India Equity Opportunities Fund, Share Class C USD was merged with Share Class I USD with effect from 24th March 2020 (Trade date) and the merger ratio between the share classes was 1.16410 shares of Class I USD for every 1 share of Class C USD which was determined based on the NAV date of 23rd March 2020.

#### Note 11 - Subsequent events

The Investment Manager, IIFL CAPITAL Pte Ltd., has agreed to reimburse to the Company (all share classes as applicable) on a monthly basis, all operating expenses except for brokerage and other expenses not incurred in the ordinary course of the Company's business incurred by the Company that exceeds the threshold ("TER Cap") mentioned below on an annualized basis on the average value of the Company's assets during the relevant month. The reimbursement paid by the Investment Manager shall be allocated to each class of the Company in the same manner as the allocation of the underlying fees and expenses. The above has been implemented with effect from 1st April 2020 onwards till further notice and this arrangement can be terminated by the Investment Manager at any time by giving a 2 weeks' notice to the Sub-Fund

TER Cap for respective share classes:

-	Class R:	2.00% p.a.
-	Class I:	1.20% p.a.
-	Class D:	1.50% p.a.

The Investment Manager, IIFL CAPITAL Pte Ltd. has decided to appoint IIFL Asset Management Ltd as an Investment Adviser to advise on the investments in the Company managed by the Investment Manager. The appointment of the Investment Adviser is effective on 6th April 2020.

The Investment Adviser will be compensated by the Investment Manager from its own management fee and not out of the assets of the Company.

The Company's investment portfolio comprises equity instruments which are measured at fair value. While the duration and future economic impact of COVID-19 is difficult to know, the Board of Directors of the Company is carefully monitoring the situation as well as its potential impacts on the Company. The Company is in full capacity to continue its usual operations in accordance with its investment policy and its prospectus.

## IIFL FUND

### Additional information (unaudited)

as at 31st March 2020

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#### 1 - Risk management

As required by Circular CSSF 11/512 as amended, the Board of Directors of the Company needs to determine the global risk exposure of the Company by applying either the commitment approach or the VaR ("Value at Risk") approach.

In terms of risk management, the Board of Directors of the Company decided to adopt the commitment approach as a method of determining the global exposure.

#### 2 - Remuneration

The management company has adopted a remuneration policy pursuant to applicable laws and regulations with the objective to ensure that its remuneration structure is in line with its interests and those of the collective investment schemes it manages and to prevent risk-taking which is inconsistent with the risk profiles, rules or articles of incorporation or management regulations of the collective investment schemes it manages.

Details of the remuneration policy of the management company, including the persons in charge of determining the fixed and variable remunerations of staff, a description of the key remuneration elements and an overview of how remuneration is determined, is available at <http://www.mdo-manco.com/about-us/legal-documents>.

With respect to the financial year ended 31st December 2019 (as of that date, the management company had a headcount of 63 employees), the total fixed and variable remuneration paid by the management company to its employees amounted to EUR 4,752,158 and to EUR 1,180,144 respectively. The total remuneration paid by the management company to senior management and members of its staff whose actions have a material impact on the risk profile of the collective investment schemes managed amounted to EUR 3,232,370.

The remuneration committee of the management company has reviewed the implementation of the remuneration policy and has not identified any deficiency in that respect. Moreover, the current version of the remuneration policy was updated and approved by the board of directors in the course of the financial year ended 31st December 2019, the current version being dated July 2019.

#### 3 - Information concerning the transparency of securities financing transactions and of reuse of cash collateral (regulation EU 2015/2365, hereafter "SFTR")

During the reporting period, the Company did not engage in transactions which are subject to the publication requirements of SFTR. Accordingly, no information concerning the transparency of securities financing transactions and of reuse of cash collateral should be reported.

## IIFL FUND

### Additional information for investors in Switzerland (unaudited)

as at 31st March 2020

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The state of the origin of the Company is Luxembourg.

The representative is ACOLIN Fund Services AG, Leutschenbachstrasse 50, CH-8050 Zurich.

The paying agent is Banque Cantonale de Genève, 17 quai de l'Île, CH-1204 GENEVA.

The prospectus, the key information documents or the key investor information documents, the articles of association, the list of purchases and sales as well as the annual and semi-annual reports may be obtained free of charge from the representative.

The below table represents performance for the last calendar year from 29.01.2019 to 31.12.2019

<b>Share Class</b>	<b>Currency</b>	<b>%</b>
C USD*	USD	10.05
D GBP	GBP	8.18
D USD	USD	9.00
I GBP	GBP	8.43
I USD	USD	9.28
R USD	USD	8.50

*\* Class C USD was merged with Class I USD on effective date of 24th March 2020.*

The historical performance is not an indication of current or future results. The performance data do not take account of the commissions and costs incurred on the issue and redemption of shares of the Company.

## **IIFL FUND**

### **Additional information for investors in Germany (unaudited)**

as at 31st March 2020

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The information agent is CACEIS Bank S.A., Germany Branch, Lilienthalallee 36, 80939 MUNICH.

The Articles of Incorporation, the most recent Prospectus, the Key Investor Information Documents, and the latest financial reports as well as the other documents listed in the note 1 may be obtained free of charge, on request from the Information Agent.

The subscription and redemption prices are available from the Information Agent and are published on <https://www.iiflamc.com/international>.

## **IIFL FUND**

### **Additional information for investors in Austria (unaudited)**

as at 31st March 2020

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The information agent is ERSTE BANK DER OESTERREICHISCHEN SPARKASSEN AG, Am Belvedere 1, 1100 VIENNA.

ERSTE BANK DER OESTERREICHISCHEN SPARKASSEN AG, Am Belvedere 1, 1100 VIENNA is the paying agent.

The Articles of Incorporation, the most recent Prospectus, the Key Investor Information Documents, and the latest financial reports as well as the other documents listed in the note 1 may be obtained free of charge, on request from the Information Agent.

The subscription and redemption prices are available from the Information Agent and are published on <https://www.iiflamc.com/international>.