

AXA CAPITAL STABLE FUND

REPORTS AND FINANCIAL STATEMENTS

**FOR THE PERIOD FROM 1 JANUARY 2023 TO 1 SEPTEMBER 2023 (DATE OF
TERMINATION)**

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MANAGER'S REPORT

Market Review

Economic survey data pointed to resilient economic activity including a tight jobs market over the first quarter. Global growth softened during the second quarter although the services sector was relatively robust whilst the manufacturing sector suffered. Meanwhile, stress within the banking sector was one of the major events at the beginning of the year however economic activity remained apparently resilient. Inflation fell back into the summer mainly due to lower energy prices but remained elevated whilst core inflation proved to be stickier. This context kept Central Banks under pressure to continue tightening monetary policy especially as labour markets remained resilient.

US equities experienced a volatile first eight months of the year. The early months of 2023 were marked by the shock collapse of Silicon Valley Bank and enduringly strong inflation. The latter part of the half was also tumultuous, with recession fears and even a debt ceiling crisis. However, the crises were overshadowed, ultimately, by slowing inflation, which encouraged the US Federal Reserve (Fed) to pause interest-rate hikes in June, although Chair Jerome Powell did hike in July and did not exclude further rate hikes this year later in the year. A revision of first-quarter GDP confirmed this upbeat mood as data showed the economy grew 2%, not 1.3% as first reported. Economic data related to consumer spending, continued to be upbeat throughout the summer. In addition, to improving consumer sentiment, the US market benefited from the rally in the biggest names in the both the technology and consumer discretionary sector as well as from the surge in AI (Artificial Intelligence) companies. After a strong start to the half, Asian markets performed poorly. While Chinese stocks made some headway in June as authorities promised more stimulus for the economy, they soured again quite quickly thereafter as these measures were not deemed sufficient. Moreover, Japanese equities made a full recovery from the Bank of Japan (BoJ)'s shock revision to its yield-curve-control policy at the end of 2022, experienced one of the world's best equity rallies in May and, in June, markets hit highs not seen since the 1990s. European stock markets enjoyed strong gains in the beginning of the review period, helped by the reopening of China, a major trading partner, and hopes for a fall in inflation after a mild winter brought down energy prices. They then enjoyed a strong April, despite bleak eurozone data, before hitting a large trading range over the summer caught between concerns about a global slowdown following China's weak economic data and a reacceleration of growth thanks to the strength of consumer and investment spending. UK equities performed positively during the period. They had a strong start to the year on the reopening of the Chinese economy, which cheered the commodity-heavy FTSE 100. February brought with it a new record high as the FTSE 100 pushed through the 8,000 level for the first time in history, with easing inflation and recession fears driving performance. Nevertheless, the UK market suffered from a lack of heavyweight technology firms, which were bolstered by the hype surrounding artificial intelligence; a slide in the oil price, which affected commodity-heavy indices; and stubbornly high inflation. Emerging markets (EMs) experienced a volatile first part of the year. EMs started the year on a bull run but swiftly lost steam in February as investors shied away from more risky assets on concerns that the reopening of the Chinese economy would not be as swift or strong as hoped. March brought with it a mini-banking crisis and EMs followed the path of the global correction. In the latter part of the period, different markets ended up with heterogeneous performances albeit still trailing developed markets.

Within fixed income markets, global bond yields (which moves inversely to price) fell earlier in the period, only to rise towards the end of the period. Central banks continued their aggressive interest rate-hiking cycles and economies remained resilient despite the tail-end of a banking crisis in the US regional banks, a US debt ceiling crisis and an ongoing slowdown in the recovery of the Chinese economy. The yield on the benchmark 10-year treasury note rose from 3.87% to 4.11% as the Federal Reserve prolonged its hawkish stance. In Europe, the yield on the benchmark 10-year German bund moved from 2.56% to 2.47%. In France, the yield on the 10-year government bond started the period at 3.10%, then ended marginally lower at 2.98%. The yields on Spanish 10-year government bonds and Italian 10-year bonds fell from 3.64% to 3.48% and 4.70% to 4.12%, respectively.

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MANAGER'S REPORT (CONTINUED)

Market Review (Continued)

Within currency markets, the pace and timing of monetary tightening by central banks continued to be key factors in currency movements. The US dollar enjoyed a strong run in the first three months of the year as, despite intermittent fears that the Fed would pull back on its interest-rate hike policy, it has continued to raise rates in a bid to tame stubborn inflation. The dollar then gave back much of its gains over the summer to finish close to flat against a basket of currencies. The Euro and especially the British pound strengthened as both central banks were surprised markets by their hawkish stance whereas the accommodative stance of the BoJ weighed on the Yen which sank throughout the period under review.

Portfolio Performance Analysis

Over the period under review from 30 December 2022 to 1 September 2023 (date of termination), the NAV per unit of AXA Capital Stable A Shares increased +1.25% and +1.44% for the I shares net of fees, with a gross performance of close to +2%, well below its internal benchmark which rose +3.34% over the same period.

In 2023, absolute performance benefited from the rebound of most equity markets (with the notable exception of Chinese equities) and the slightly positive performance of both bond and money markets over the period. Relative performance suffered from our overweight to Fixed Income to the detriment of Money Market instruments given higher interest rates increased the absolute yields and thus performance of money market instrument and while the carry of longer dated fixed income instruments benefitted from the higher carry (and tighter spreads for Credit), it was not sufficient to compensated for the downward pressure of higher rates. In addition, relative performance suffered from our overweight to Chinese equities which we believed would benefit from the reopening of the economy but which severely underperformed given the anaemic economic recovery so far this year. Our underweight to US equities also had negative contribution given the outperformance of the latter compared to other equity markets. Selection was marginally negative as the outperformance of our European equity fund was offset by the underperformance of our US and Japanese equity funds.

In terms of portfolio positioning in 2023, we decided to increase our equity exposure thus reducing our underweight stance over the first months of the year given our economists upgraded their economic outlook with the European economy narrowly avoiding a recession at the beginning of 2023 with the probability of a US recession postponed until at least year-end. While equity valuations never reached attractive levels, reporting earnings came in in line or above expectations whilst earnings estimates were no longer being revised to the downside. In addition, investor sentiment was extremely pessimistic and equity positioning very low in the first quarter which we believed could continue to fuel an upward move in equity markets driven by short-covering. However, we continued to maintain a cautious stance on equities, and thus slight underweight, in the latter portion of the first half despite the resilience of most economies into the second quarter given we still expected economic growth to slow and thus to weigh on earnings growth. However, given the resilience of the US and thus the global economy, we decreased our underweight to close to neutral even though corporate earnings remain lacklustre but much improved from the negative drag we expected earlier this year. With regards to Fixed Income, we reduced our overweight as the anticipated shift in monetary policy by most central banks was further delayed with most central banks maintaining a more hawkish stance than expected. In parallel, we increased our cash allocation thus reducing our overweight.

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MANAGER'S REPORT (CONTINUED)

Portfolio Performance Analysis (Continued)

Within equities, we increased our exposure and overweight to Chinese equities at the beginning of the year given the opening of the domestic economy led us to upgrade our outlook for economic growth, earnings and thus equity markets in China. Indeed, the opening of the economy was a positive development although the recovery turned out to be more uneven than expected. Indeed, in the second quarter we decreased our overweight to Chinese equities given disappointing economic data led us to doubt that the anticipated economic recovery would indeed take-off. We took advantage of the rally induced by the hope that a substantial stimulus package from Chinese authorities would revitalise the lacklustre recovery post-reopening to reduce our overweight. We recognise that there remain several obstacles that need to be overcome including a considerable debt burden, challenging demographic shifts, and lingering geopolitical tensions, among others. Indeed, the stimulus measures could be more piecemeal rather than a major package aimed at addressing the country's structural issues.

We maintained a slight overweight to Japanese equities as economic activity should benefit from both more resilient global growth than expected and higher domestic salaries (following the biggest salary negotiated increase in nearly 30 years) going forward. Also, the Bank of Japan is the only major central bank to maintain a very accommodative stance. Over the period, we increased our exposure to US equities (thus reducing our underweight) even if we still expected a deceleration of US growth over the coming months however the probability of heading into a recession continued to be pushed out at first to the end of this year allowing US company earnings to be quite resilient. Since we expected that slower growth should translate into a downgrade earnings for US based companies later this year, we nevertheless maintained an underweight throughout most of the period. However, whilst monetary tightening should weigh on future economic activity, it appears that the lag may be longer than originally expected as the domestic economic data has been extremely resilient. In addition, while we anticipate a broadening out of the Artificial Intelligence driven market euphoria, we may well be amidst the formation of an AI-driven bubble. In parallel, we increased our exposure to European equities. While the recent economic data for the euro zone points to a less robust economic backdrop, the pick-up in economic data at the beginning of the year meant the euro zone would experience a very shallow recession as the weakness in the manufacturing sector spreads to the services sector. While the economic data in the UK appears to be holding up better, higher inflationary pressures and a more restrictive lending backdrop should weigh on economic activity.

Outlook

The US economy has proven to be remarkably resilient, even in the face of multiple regional bank failures early spring. On margin, we revised our 2023 growth forecasts higher over the last few months. In this context, equity markets enjoyed a rally fuelled by renewed growth optimism, with the market-implied probability of recession falling. It was also helped by the resolution of the US debt ceiling and slowing of deposit flight from US regional banks, while lower commodity prices have reduced the risks of inflation becoming more entrenched. The more recent and intense focus on Artificial Intelligence and its impact also provided a narrative to fuel renewed enthusiasm for growth.

However, we think markets have moved ahead of macro data, particularly in Europe. Many indicators continue to suggest material economic slowdown ahead. Bank lending conditions, the yield curve, commodity prices, business surveys and consumer sentiment all suggest a deceleration of economic activity, consistent with our forecasts for a significant deceleration in economic activity. Equity markets rallied despite low to negative profit growth in most regions and valuations have increased despite higher interest rates, even in the long-duration segments of the markets.

While the outlook for the euro zone had improved with the fall in gas price and China reopening that was indeed reflected in the improvement of composite PMIs from the 47 low in October to 54 in April. However, we think this improvement is now behind us and the growth-policy trade-off is worsening. Eurozone Manufacturing PMIs are falling again amid rapidly shrinking backlogs, destocking and waning demand, and seem to question the ability of services to make up for the industrial weakness going forward. Services PMIs are at risk of rolling over too. The region is already in a recession and we see an unusually muted, L-shaped recovery in 2024 with constrained fiscal policy, lower consumer savings, and still-restrictive monetary policy.

AXA CAPITAL STABLE FUND

MANAGER'S REPORT (CONTINUED)

Outlook (Continued)

The worsening in the expectations underlines a growing risk of the Eurozone economy extending the streak of falling GDP prints to Q2 and possibly beyond. Importantly, with disinflation expected to proceed steadily, this points to a growing overtightening risk by the ECB.

On the other hands, US economic data continue to surprise on the upside, particularly hard data, leading analysts to revise their earnings expectations on the upside, which is usually supportive for markets. Historically technical innovations of the importance of Artificial Intelligence have been associated with equity bubbles, and if we are in a bubble, we are probably still early stage. Consequently, we raised our exposure to the US to neutral, with a clear preference for large caps over small caps.

Still-elevated inflation has pushed policy rate expectations higher across developed markets. As a result, front-end Treasury yields have risen 60bp YTD at the time of writing, while intermediate to long-end yields have slightly declined. Markets are now pricing in more than one hike by the September Fed meeting and more or less on hold in Q4 2023. Our own forecasts are now slightly less aggressive than market pricing, with just one final hike expected in July as we observe signs the economy is slowing while inflation is decelerating. In this context, we think bond yield should ultimately fall (cf. chart below) and we continue to hold a slightly long duration bias in our portfolios, with a preference for US Treasuries.

With regards to bond markets, major central banks continue to reiterate their need to contain inflationary pressures by continuing to tighten monetary policy principally through rate hikes although most market participants anticipate that they will likely pause following the next set of hikes. The US Federal Reserve indicated it will continue to hike at its next meeting, with the possibility of another rate hike in the fall. The Bank of England accelerated its rate hikes while indicating more to come. Meanwhile in Europe, the ECB remains quite hawkish indicating it will continue to hike further over the summer. On the other hand, the new Bank of Japan governor Kazuo Ueda reiterated that the BoJ's current ultra-accommodative monetary policy remained appropriate whilst indicating some tweaking might be envisaged with regards to the Yield Curve Control (YCC). Normally, sticky inflation across most developed economies and hawkish global monetary policies, except for the Bank of Japan, should put some upward pressure on bond yields, however bond markets seem to have already priced in the future direction of monetary policy. Apart from the BoJ, which should retain its accommodative stance, most central banks are expected to hike over the coming months, followed by a pause and only adopt a more accommodative monetary policy next year. Given that our outlook is reflected in current prices, we are thus comfortable with a slight overweight on Fixed Income.

Source: AXA IM, MSCI.com and Bloomberg



AXA Investment Managers Asia Limited

7 December 2023

AXA CAPITAL STABLE FUND

**PERFORMANCE TABLE (UNAUDITED)
AS AT 1 SEPTEMBER 2023 (DATE OF TERMINATION)**

Financial year/period ended	Total net asset value US\$	Net asset value per "A" class unit US\$	Net asset value per "I" class unit US\$	Net asset value per "M" class unit US\$
31 December 2021	10,521,742	28.24	29.26	-
31 December 2022	7,578,527	24.77	25.73	-
1 September 2023 (date of termination)	-	-	-	-

HIGHEST OFFER/ LOWEST BID PRICES

Financial year/period ended	"A" class units		"I" class units	
	The highest offer price	The lowest bid price	The highest offer price	The lowest bid price
2014	US\$25.54	US\$24.32	US\$26.01	US\$24.71
2015	US\$27.25	US\$24.42	US\$27.77	US\$24.90
2016	US\$25.07	US\$23.42	US\$25.63	US\$23.91
2017	US\$26.68	US\$24.12	US\$27.36	US\$24.68
2018	US\$27.18	US\$25.31	US\$27.88	US\$26.01
2019	US\$27.56	US\$25.39	US\$28.41	US\$26.12
2020	US\$29.37	US\$25.66	US\$30.36	US\$26.47
2021	US\$29.85	US\$28.12	US\$30.86	US\$29.14
2022	US\$28.18	US\$23.53	US\$29.19	US\$24.43
For the period from 1 January 2023 to 1 September 2023 (date of termination)	US\$25.73	US\$24.68	US\$26.73	US\$25.68

Financial year/period ended	"M" class units	
	The highest offer price	The lowest bid price
2014	US\$27.01	US\$25.53
2015	US\$28.89	US\$25.96
2016	-	-
2017	-	-
2018	-	-
2019	-	-
2020	-	-
2021	-	-
2022	-	-
For the period from 1 January 2023 to 1 September 2023 (date of termination)	-	-

Note: As at 1 September 2023 (date of termination), 31 December 2022, 2021, 2020, 2019, 2018, 2017 and 2016, no "M" class units were in issue.

**REPORT OF THE TRUSTEE TO THE UNITHOLDERS OF
AXA CAPITAL STABLE FUND**

We hereby confirm that, in our opinion, the Manager of the Fund has, in all material respects, managed the Fund in accordance with the provisions of the Trust Deed dated 13 July 1993, as amended and supplemented from time to time (the "Trust Deed"), for the period from 1 January 2023 to 1 September 2023 (date of termination), except to the extent that any non-compliance has been previously reported to the SFC by the Fund Manager.

A handwritten signature in black ink, consisting of a stylized, cursive script that appears to be the name of the Trustee.

For and on behalf of
HSBC Institutional Trust Services (Asia) Limited
as the Trustee of
the AXA Capital Stable Fund
Hong Kong, 7 December 2023

AXA CAPITAL STABLE FUND

STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE

Manager's Responsibilities

The Manager of the Fund is required by the Code on Unit Trusts and Mutual Funds issued by the Securities and Futures Commission of Hong Kong (the "SFC Code") and the Trust Deed to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Fund at the end of that period and of the transactions for the period then ended. In preparing these financial statements, the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are prudent and reasonable; and
- prepare the financial statements on the basis that the Fund will continue in operation unless it is inappropriate to presume this.

The Manager is also required to manage the Fund in accordance with the Trust Deed and take reasonable steps for the prevention and detection of fraud and other irregularities.

Trustee's Responsibilities

The Trustee of the Fund is required by the SFC Code and the Trust Deed to:

- ensure that the Fund in all material respects is managed in accordance with the Trust Deed and that the investment and borrowing powers are complied with;
- satisfy itself that sufficient accounting and other records have been maintained;
- safeguard the property of the Fund and rights attaching thereto; and
- report to the unitholders for each annual accounting period should the Manager not managing the Fund in accordance with the Trust Deed.



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INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF AXA CAPITAL STABLE FUND

Report on the audit of the financial statements

Opinion

We have audited the financial statements of AXA Capital Stable Fund (the "Fund") set out on pages 11 to 36, which comprise the statement of financial position as at 1 September 2023 (date of termination), and the statement of profit or loss and other comprehensive income, the statement of changes in net assets attributable to unitholders, and the statement of cash flows for the period from 1 January 2023 to 1 September 2023 (date of termination), and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 1 September 2023 (date of termination), and of its financial performance and its cash flows for the period from 1 January 2023 to 1 September 2023 (date of termination) in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Fund in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2.1 to the financial statements which describes that the financial statements for the period from 1 January 2023 to 1 September 2023 (date of termination) have not been prepared on a going concern basis. Our opinion is not modified in respect of this matter.

Other matter

The financial statements of the Fund for year ended 31 December 2022, were audited by another auditor on liquidation basis who expressed an unmodified opinion on 24 April 2023.

Other information included in the Annual Report

The Trustee and the Manager of the Fund are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF AXA CAPITAL STABLE FUND (CONTINUED)

Report on the audit of the financial statements (continued)

Trustee's and Manager's responsibilities for the financial statements

The Manager and the Trustee of the Fund are responsible for the preparation and fair presentation of the financial statements in accordance with HKFRSs, and for such internal control as the Manager and the Trustee determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

In addition, the Manager and the Trustee of the Fund are required to ensure that the financial statements have been properly prepared in accordance with the relevant provisions of the Trust Deed dated 13 July 1993, as amended (the "Trust Deed") and the relevant provisions of Appendix E of the Code on Unit Trusts and Mutual Funds (the "SFC Code") issued by the Securities and Futures Commission.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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. In addition, we are required to assess whether the financial statements of the Fund have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee and the Manager.



**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF AXA CAPITAL STABLE FUND (CONTINUED)**

Report on the audit of the financial statements (continued)

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

- Conclude on the appropriateness of the Trustee's and the Manager's use of the going concern basis of accounting. When such use is inappropriate and the Trustee and the Managers use an alternative basis of accounting, we conclude on the appropriateness of the Trustee and the Managers; use of the alternative basis of accounting. We also evaluate the adequacy of the disclosures describing the alternative basis of accounting and reasons for its use. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- 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 the Trustee and the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on matters under the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC code

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

Certified Public Accountants
Hong Kong
7 December 2023

AXA CAPITAL STABLE FUND

**STATEMENT OF FINANCIAL POSITION
AS AT 1 SEPTEMBER 2023 (DATE OF TERMINATION)**

	Note	As at 1 September 2023 (date of termination) US\$	As at 31 December 2022 US\$
Assets			
Current assets			
Financial assets at fair value through profit or loss	6(a), 6(g), 8	122,532	7,486,144
Interest receivables		638	5
Amounts due from brokers		2,090,680	-
Other receivable		1,267	1,805
Dividend receivable		71	-
Cash at bank	6(f), 10(a)	2,487,690	108,788
Total assets		<u>4,702,878</u>	<u>7,596,742</u>
Liabilities			
Current liabilities			
Amounts payable on redemption		4,691,463	-
Other payable and accrued expenses		11,415	18,215
Liabilities (excluding net assets attributable to unitholders)		<u>4,702,878</u>	<u>18,215</u>
Net assets attributable to unitholders	5	<u>-</u>	<u>7,578,527</u>

Signed for and on behalf of:


_____ as the Trustee
HSBC Institutional Trust Services (Asia) Limited


_____ as the Manager
AXA Investment Managers (Asia) Limited

The notes on pages 15 to 36 form part of these financial statements.

AXA CAPITAL STABLE FUND

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY 2023 TO 1 SEPTEMBER 2023 (DATE OF TERMINATION)

	Note	For the period from 1 January 2023 to 1 September 2023 (date of termination) US\$	For the year ended 31 December 2022 US\$
Income			
Dividend income		15,007	3,578
Interest income	10(b)	2,276	606
Net gains/(losses) on financial assets at fair value through profit or loss	9	124,338	(1,092,232)
Net gains/(losses) on foreign exchange		16	(2,646)
Other income		60	-
Total income		<u>141,697</u>	<u>(1,090,694)</u>
Expenses			
Management fee	4	28,013	48,798
Management fee rebate	4	(12,203)	(19,829)
Trustee's fee	4	18,676	33,533
Custodian fee and bank charges	10(c)	501	1,146
Auditor's remuneration		562	5,865
Legal and professional fee		2,118	4,695
Transaction costs	7	405	624
Other operating expenses	10(c)	6,261	9,196
Total operating expenses		<u>44,333</u>	<u>84,028</u>
Net operating profit/(loss) before tax		97,364	(1,174,722)
Finance costs			
Interest expense	10(b)	-	102
Net gain/(loss) before tax		97,364	(1,174,824)
Withholding tax credit/(expense) on investment income	3	7,350	(1,073)
Increase/(decrease) in net assets attributable to unitholders		<u>104,714</u>	<u>(1,175,897)</u>

The notes on pages 15 to 36 form part of these financial statements.

AXA CAPITAL STABLE FUND

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE PERIOD FROM 1 JANUARY 2023 TO 1 SEPTEMBER 2023 (DATE OF TERMINATION)

	Note	For the period from 1 January 2023 to 1 September 2023 (date of termination) US\$	For the year ended 31 December 2022 US\$
Balance at the beginning of the period/year		7,578,527	10,521,742
Allotment of units	5	865,000	371,700
Redemption of units	5	(8,548,241)	(2,139,018)
Net redemption		(7,683,241)	(1,767,318)
Increase/(decrease) in net assets attributable to unitholders		104,714	(1,175,897)
Balance at the end of the period/year		-	7,578,527
Number of units in issue			
		For the period from 1 January 2023 to 1 September 2023 (date of termination) Units	For the year ended 31 December 2022 Units
“A” class units			
At the beginning of the period/year		38,664	49,647
Total allotments		28,410	-
Total redemptions		(67,074)	(10,983)
At the end of the period/year		-	38,664
Net assets attributable to unitholders per unit		-	24.77
“I” class units			
At the beginning of the period/year		257,368	311,718
Total allotments		5,891	13,704
Total redemptions		(263,259)	(68,054)
At the end of the period/year		-	257,368
Net assets attributable to unitholders per unit		-	25.73

The notes on pages 15 to 36 form part of these financial statements.

AXA CAPITAL STABLE FUND

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 1 JANUARY 2023 TO 1 SEPTEMBER 2023 (DATE OF TERMINATION)

	For the period from 1 January 2023 to 1 September 2023 (date of termination) US\$	For the year ended 31 December 2022 US\$
Cash flows from operating activities		
Increase/(decrease) in net assets attributable to unitholders	104,714	(1,175,897)
Adjustments for:		
Dividend income	(15,007)	(3,578)
Interest income	(2,276)	(606)
Interest expenses	-	102
Changes in operating assets and liabilities:		
Withholding tax on investment income	(7,350)	1,073
Decrease in financial assets at fair value through profit or loss	7,363,612	2,713,906
Increase in amounts due from brokers	(2,090,680)	-
Decrease/(increase) in other receivable	538	(85)
Decrease in other payable and accrued expenses	(6,800)	(2,296)
Dividend income received, net of withholding tax	22,286	2,505
Interest income received	1,643	601
Net cash inflow from operating activities	<u>5,370,680</u>	<u>1,535,725</u>
Cash flows from financing activities		
Receipts on allotment of units	865,000	371,700
Payments on redemption of units	(3,856,778)	(2,139,018)
Interest expense paid	-	(102)
Net cash outflow from financing activities	<u>(2,991,778)</u>	<u>(1,767,420)</u>
Net increase/(decrease) in cash and cash equivalents	2,378,902	(231,695)
Cash and cash equivalents at the beginning of the period/year	108,788	340,483
Cash and cash equivalents at the end of the period/year	<u>2,487,690</u>	<u>108,788</u>
Analysis of balances of cash and cash equivalents:		
Cash at bank	<u>2,487,690</u>	<u>108,788</u>

The notes on pages 15 to 36 form part of these financial statements.

AXA CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS

1 The Fund

AXA Capital Stable Fund (the "Fund") was originally established under the laws of the Cayman Islands by a Trust Deed dated 13 July 1993, as amended and supplemented from time to time (the "Trust Deed"). The proper law of the Fund was changed to the laws of Hong Kong pursuant to the Second Supplemental Trust Deed to the Deed of Substitution dated 21 July 2008. AXA Investment Managers Asia Limited has been appointed as Manager and HSBC Institutional Trust Services (Asia) Limited has been appointed as Trustee. AXA Investment Managers Paris has been appointed as Sub-Investment Manager of the Fund.

The investment objective of the Fund is to offer investors a stable level of return.

The Fund is a fund of funds which invests at least 75% of its net asset value in unit trusts, mutual funds and qualified exchange traded funds (subject to the below limit) primarily managed by the Manager or any associate of the Manager which are either authorised by the Securities and Futures Commission (the "SFC") or eligible schemes domiciled in, for example, Luxembourg or Ireland (as specified by the SFC from time to time in the list of recognised jurisdictions). The Fund's exposure to qualified exchange traded funds is less than 30% of its net asset value. The Fund's total aggregate investment in unit trusts and mutual funds (including qualified exchange traded funds) which are non-eligible schemes not authorised by the SFC will not exceed 10% of its net asset value. The expected global asset allocation is a debt/ equity mix of around 80% / 20%. The expected global asset allocation is for indication purposes only and may vary from time to time as the Manager and/or the Sub-Investment Manager deem appropriate. Through investments in the underlying funds and subject to the foregoing expected global asset allocation, the Fund may gain exposure to equities and equity-related securities (including but not limited to, publicly traded common and preferred stocks, American depository receipts, global depository receipts and rights issues), as well as, debt securities (including but not limited to government or corporate bonds of fixed or floating rate, across all maturities, which are rated investment grade or below investment grade (by a recognised international credit rating agency such as Standard & Poor's, Moody's and/or Fitch) or unrated). The Fund invests with no prescribed regional, country, industry sector or market capitalisation limits for investment by its underlying funds. The Fund will not invest in underlying funds with net derivative exposure of more than 50% of their respective net asset value. The Fund may hold cash or invest in cash equivalents for up to 25% of its net asset value.

AXA CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS

1 The Fund (Continued)

The Fund is authorised by the SFC under Section 104(1) of the Securities and Futures Ordinance and is required to comply with the SFC Code. The Fund currently offers 3 classes of units, as follows:

- "A" class units are offered to all investors;
- "I" class units are offered only to institutional investors; and
- "M" class units are reserved for use by the Manager, its subsidiaries or associates in investment management mandates or dedicated funds for clients of an AXA Group entity. Investment in the "M" class units requires special approval by the Directors of the Manager.

Termination of the Fund

Pursuant to Clause 41.3(a) of the Trust Deed, the Manager may in its absolute discretion terminate the Fund by notice in writing if the aggregate net asset value of the units of the Fund falls below USD10,000,000 for three successive months. As the aggregate net asset value of the units of the Fund falls below USD10,000,000 for three successive months ending not later than ninety days before the date of notice. Pursuant to a Notice to Unitholders dated 1 June 2023, the Manager has decided to terminate the Fund with effect on 1 September 2023 (date of termination).

Pursuant to the Notice to Unitholders dated 1 June 2023, the Manager confirms to bear all costs and expenses relating to the termination of the Fund.

2.1 Basis of preparation

These financial statements of the Fund have been prepared on the basis of the relevant disclosure provisions of the Trust Deed, the relevant disclosure provisions as set out in Appendix E to the Hong Kong Code on Unit Trusts and Mutual Funds established by the SFC (the "SFC Code") and Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong.

The financial statements are presented in United States Dollars ("US\$") and all values are rounded to the nearest dollar, except where otherwise indicated.

As explained in Note 1 to the financial statements, the Manager has decided to terminate the Fund. Accordingly, in the opinion of the directors of the Fund, the going concern basis is no longer applicable and these financial statements have been prepared on a liquidation basis. The Manager of the Fund has assessed the carrying values of the Fund's assets and liabilities and determined that these approximate the net realisable value and settlement amounts, respectively. Estimated liquidation costs amounting to US\$18,361 would be borne and payable by the Manager pursuant to the Notice to Unitholders dated 1 June 2023.

The preparation of financial statements in conformity with HKFRSs requires the Manager to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

All references to net assets throughout the financial statements refer to net assets attributable to unitholders unless otherwise stated

AXA CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS

2.1 Basis of preparation (Continued)

Due to the fact that these financial statements cover a period of less than twelve months from 1 January 2023 to 1 September 2023 (date of termination), the comparative amounts extracted from the financial statements for the year ended 31 December 2022 are not entirely comparable with the amounts presented for the current period.

2.2 Changes in accounting policies and disclosures

The Fund applied for the first-time certain standards and amendments, which are effective for annual periods beginning on 1 January 2023. The Fund has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Although these new standards and amendments applied for the first time in 2023, they did not have a material impact on the financial statements of the Fund.

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Fund has not early applied the new or amendments to HKFRSs that have been issued but are not yet effective. Those new or amendments to HKFRSs are not expected to impact the Fund as this is the last set of financial statements of the Fund.

2.4 Summary of significant accounting policies

Other than as adjusted as applicable for the adoption of liquidation basis in the current period as explained in Note 2.1 to the financial statements, the significant accounting policies applied in the preparation of these financial statements are set out below:

Financial instruments

(i) **Classification**

In accordance with HKFRS 9, the Fund classifies their financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying classification, a financial asset or financial liability is considered to be held for trading if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- or
- (b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial assets

The Fund classifies their financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The Fund's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Fund includes in this category short-term non-financing receivables including cash and cash equivalents, interest receivables, other receivable and amount due from brokers.

AXA CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS

2.4 Summary of significant accounting policies (Continued)

Financial instruments (continued)

(i) **Classification (continued)**

Financial assets measured at FVPL

A financial asset is measured at FVPL if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely collections of principal and interest ("SPPI") on the principal amount outstanding; or
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- (c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Fund includes in this category:

- Instruments held for trading. This includes investments that are held under a business model to manage them on a fair value basis for investment income and fair value gains.

Financial liabilities

The Fund classifies their financial liabilities as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The Fund's business model for managing the financial liabilities
- The contractual cash flow characteristics of the financial liabilities

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at FVPL. The Fund includes in this category amounts due to brokers and other payables and accrued expenses.

Financial liabilities measured at FVPL

A financial liability is measured at FVPL if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are SPPI on the principal amount outstanding; or
- (b) It is not held within a business model whose objective is either to pay contractual cash flows, or to both pay contractual cash flows and purchase; or
- (c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

(ii) **Recognition**

The Fund recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

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

AXA CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS

2.4 Summary of significant accounting policies (Continued)

Financial instruments (continued)

(iii) Initial measurement

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Loans and receivables and financial liabilities (other than those classified as held for trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Fund recognise the difference in profit or loss, unless specified otherwise.

(iv) Subsequent measurement

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net change in unrealised gain/(loss) on investments. Net realised gain/(loss) on investments is classified as "fair value through profit or loss" are calculated using the weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount. Interest earned, and dividend revenue elements of such instruments are recorded separately in profit or loss.

Loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as fair value through profit or loss, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(v) Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where (i) the rights to receive cash flows from the asset have expired or (ii) the Fund has transferred its rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either:

- (a) the Fund has transferred substantially all the risks and rewards of the asset; or
- (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and have neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained. The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

AXA CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS

2.4 Summary of significant accounting policies (Continued)

Financial instruments (continued)

(vi) Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

(vii) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes: (a) restricted activities, (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Fund considers all of its investments in other funds ("Investee Funds") to be investments in unconsolidated structured entities. The Fund invests in Investee Funds whose objectives range from achieving medium to long term capital growth and whose investment strategy does not include the use of leverage. The Investee Funds apply various investment strategies to accomplish their respective investment objectives. The Investee Funds finance their operations by issuing redeemable shares which are puttable at the holder's option and entitles the holder to a proportional stake in the respective fund's net assets. The Fund holds redeemable shares in each of its Investee Funds.

The change in fair value of each Investee Fund is included in the statement of profit or loss and other comprehensive income in "net gains/(losses) on investments".

Fair value estimation

The Fund measures its investments in financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. Securities defined in these accounts as 'listed' are traded in an active market.

AXA CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

Fair value estimation (continued)

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

- Level 1 - based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Impairment of financial assets

The Fund holds only short-term receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, have chosen to apply an approach similar to the simplified approach for expected credit losses ("ECL") under HKFRS 9 to all its short-term receivables. Therefore, the Fund does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand, demand deposits, short term deposits in banks with original maturities of three months or less and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Dividend income

Dividend income is recognized when the Fund's right to receive the payment is established. Dividend revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the statement of profit or loss and other comprehensive income.

Interest income

Interest is recognized on a time-proportionate basis using the effective interest method. Interest income includes interest from cash and cash equivalents.

Other income

Other income is accounted for on an accrual basis

Foreign currency translations

Transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

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

Foreign currency transaction gains and losses on financial instruments classified as FVPL or loss are included in profit or loss in the statement of profit or loss and other comprehensive income as part of "net recognised gain or loss on investments".

Expenses

Expenses are accounted for on an accrual basis.

AXA CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS

2.4 Summary of significant accounting policies (Continued)

Redeemable units

Classification of redeemable units

Redeemable units are classified as equity instruments when:

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

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

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

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

The issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions. Upon issuance of units, the consideration received is included in equity. Transaction costs incurred by the Fund in issuing or acquiring its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. Own equity instruments that are reacquired are deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs. The Fund's policy is not to keep shares in treasury, but rather to cancel them once repurchased. No gain or loss is recognized in the statement of profit or loss and other comprehensive income on the purchase, sale, issuance or cancellation of the Fund's own equity instruments.

Before the termination of the Fund and as at 31 December 2022, the Fund had two classes of units issued, which were subject to different terms have been classified as financial liabilities in the statement of financial position and are stated at fair value representing the price at which unitholders can redeem the units from the Fund.

AXA CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS

2.4 Summary of significant accounting policies (Continued)

Related parties

A party is considered to be related to the Fund if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Fund;
 - (ii) has significant influence over the Fund; or
 - (iii) is a member of the key management personnel of the Fund or of a parent of the Fund; or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Fund are members of the same Fund;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, Subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Fund are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Fund or an entity related to the Fund;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Fund or to the parent of the Fund.

Amounts due from and due to brokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the reporting date respectively. The due from brokers balance is held for collection.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the Credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance.

A significant increase in credit risk is defined by the Manager as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

Transaction costs

Transaction costs are costs incurred to acquire/dispose financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, brokers and dealers. Transaction costs are expensed as incurred in the statement of profit or loss and other comprehensive income.

AXA CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS

2.4 Summary of significant accounting policies (Continued)

Taxation

The Fund is exempt from all forms of taxation in Hong Kong, including income, capital gains and withholding taxes. However, in some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the gross investment income in profit or loss. For the purpose of the statement of cash flows, cash inflows from investments are presented gross of withholding taxes, when applicable.

3 Taxation

No provision for Hong Kong profits tax has been made as the Fund was authorized as a collective investment scheme under Section 104 of the Securities and Futures Ordinance and is therefore exempt from profits tax under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

Withholding tax was charged and credited on certain dividend income received during the period/year ended 1 September 2023 (date of termination) and 31 December 2022 respectively.

4 Fees

Management fee/management fee rebate

Management fee of 0.80% per annum of the net asset value for "A" class units and 0.55% per annum of the net asset value for "I" class units is calculated on each valuation day and payable monthly in arrears to AXA Investment Managers Asia Limited, the Manager. No management fee is charged in respect of "M" class units.

The Manager will bear the fees of AXA Investment Managers Paris, the Sub-Investment Manager.

When the Fund holds investments in other AXA funds, the Manager rebates part of the management fee paid in respect of the AXA funds to the Fund. The management fee and management fee rebate are stated in the statement of profit or loss and other comprehensive income.

For the period from 1 January 2023 to 1 September 2023 (date of termination), total management fee for the period was US\$28,013 (year ended 31 December 2022: US\$48,798) and the management fee rebate was US\$12,203 (year ended 31 December 2022: US\$19,829), the net amount of US\$1,584 (year ended 31 December 2022: US\$1,979) was outstanding as at end of the period/year.

Trustee's fee

Trustee's fee of 0.0835% per annum of the net asset value of the Fund for the first US\$50 million and 0.0585% per annum of the net asset value of the Fund for any amount thereafter, or a minimum fee of US\$3,500 per month, whichever is higher. The Trustee charged an additional fixed fee of US\$4,000 per annum. The aggregate fees payable to the Trustee shall not exceed the maximum of 0.40% per annum of the net asset value of the Fund. The trustee's fee is calculated on each valuation day and payable monthly in arrears to HSBC Institutional Trust Services (Asia) Limited, the Trustee.

For the period from 1 January 2023 to 1 September 2023 (date of termination), total trustee's fee subject to the maximum of 0.40% per annum of the net asset value of the Fund was US\$18,676 (year ended 31 December 2022: US\$33,533). The amount of US\$3,383 remained payable by the Fund as at 1 September 2023 (date of termination). During the year ended 31 December 2022, the Fund paid an excess amount to the Trustee, and there was outstanding receivable of US\$959 as at 31 December 2022. The outstanding receivable is fully reimbursed during the period from 1 January 2023 to 1 September 2023 (date of termination).

AXA CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS

5 Number of units in issue and net assets attributable to unitholders

The Fund's capital is represented by the units in the Fund, and shown as "net assets attributable to unitholders" in the statement of financial position. Subscriptions and redemptions of units during the period are shown in the statement of changes in net assets attributable to unitholders. In order to achieve the investment objectives, the Fund endeavors to invest its capital in accordance with the investment policies as outlined in Note 1.

Redemptions are met by disposals of investments where necessary. In the event of redemption requests being received in respect of more than 10% of the units in issue in a particular class, the Manager may, with a view to protecting the interests of unitholders, limit the number of units to be redeemed on any one day to 10% of the total number of units in issue.

Net assets attributable to unitholders

Net assets attributable to unitholders represent a liability in the statement of financial position, carried at the redemption amount that would be payable at the period/year end date if the unitholder exercised the right to redeem the units in the Fund.

Number of units in issue

	For the period from 1 January 2023 to 1 September 2023 (date of termination) Units	For the year ended 31 December 2022 Units
Number of units in issue at the end of the period/year		
- "A" class units	-	38,664
- "I" class units	-	257,368
	<u> </u>	<u> </u>
	For the period from 1 January 2023 to 1 September 2023 (date of termination) US\$	For the year ended 31 December 2022 US\$
Net assets attributable to unitholders		
- "A" class units	-	957,553
- "I" class units	-	6,620,974
	<u> </u>	<u> </u>
Net assets attributable to unitholders per unit		
- "A" class units	-	24.77
- "I" class units	-	25.73
	<u> </u>	<u> </u>

AXA CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS

6 Financial risk management

The Fund is exposed to market price risk, interest rate risk, credit and counterparty risk, liquidity risk and currency risk arising from the financial instruments it holds. The risk management policies employed by the Fund to manage these risks are summarised below.

(a) Market price risk

Market price risk is the risk that the fair value or future cash flows of financial instrument will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

The investments of the Fund are subject to market fluctuations and there can be no assurance that investments will appreciate in value, therefore presenting a risk of loss of capital. Due to the nature of the Fund's investment objective, its key component of market risk is market price risk..

The Fund's market price risk is managed through active selection of a mix of equity and fixed income funds as well as asset allocation decisions between the two asset classes based on the Manager's view of the market.

The investments held as at 1 September 2023 (date of termination) were disposed subsequently and the Fund did not hold any investments and was not exposed to market price risk. As a result, no market exposure and sensitivity analysis are presented. As at 31 December 2022, the overall market exposures and the asset allocations were as follows:

Investment funds:	Number of Investee funds	31 December 2022	
		Fair value US\$	% of net assets
Fixed income funds	6	6,182,263	81.58%
Global equity funds	6	1,303,881	17.20%
		<u>7,486,144</u>	<u>98.78%</u>

Details of investments exceeding 10% of net assets of the Fund as at 31 December 2022 were as follows:

Investment funds	31 December 2022	
	Fair value US\$	% of net assets
AXA World Funds - Asian Short Duration Bonds M Class	969,716	12.80%
AXA World Funds – Global Responsible Aggregate (formerly known as AXA World Funds - Global Sustainable Aggregate) I (Hedged) Class [#]	2,169,663	28.63%
AXA World Funds - Global Strategic Bonds I Class	2,216,756	29.25%

[#] The investment funds are not authorised in Hong Kong and not available to the public in Hong Kong.

AXA CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS

6 Financial risk management (Continued)

(a) Market price risk (continued)

As at 31 December 2022, Investee Funds of US\$7,007,215 held by the Fund are managed by AXA Investment Managers Asia Limited, the Manager of the Fund, or AXA Investment Managers Paris, the Sub-Investment Manager of the Fund, or AXA Investment Managers UK Limited, a fellow subsidiary of the Manager with the remaining managed by third party fund managers.

If the reference index¹ of the Fund at 31 December 2022 had increased/decreased by 5% with all other variables held constant, net assets attributable to unitholders would have increased/decreased by approximately US\$358,272.

The Manager has used their view of what would be a "reasonable possible shift" in each key market to estimate the change for use in the market sensitivity analysis above.

Disclosures above are shown in absolute terms, changes and impacts could be positive or negative.

The Fund's investments in Investee Funds are subject to the terms and conditions of the respective Investee Fund's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those Investee Funds. The Manager makes investment decisions after extensive due diligence of the underlying fund, its strategy and the overall quality of the underlying fund's manager. All of the Investee Funds in the investment portfolio are managed by portfolio managers who are compensated by the respective Investee Funds for their services. Such compensation generally consists of an asset based fee and is reflected in the valuation of the Fund's investments in each of the Investee Funds.

The right of the Fund to request redemption of its investments in Investee Funds is on every business day.

The exposure to investments in Investee Funds at fair value by strategy employed is disclosed in the above table. These investments are included in investments in the statement of financial position.

The Fund's holding in a third party Investee Fund, as a percentage of the Investee Fund's total net asset value, will vary from time to time dependent on the volume of subscriptions and redemptions at the Investee Fund level. It is possible that the Fund may, at any point in time, hold a majority of an Investee Fund's total units in issue.

The Fund's maximum exposure to loss from its interests in Investee Funds is equal to the total fair value of its investments in Investee Funds.

Once the Fund has disposed of its shares in an Investee Fund, the Fund ceases to be exposed to any risk from that Investee Fund.

Reference index:

¹ 7% MSCI Zhong Hua + 2% MSCI Pacific ex Japan + 3% TOPIX + 4% S&P500 + 4% MSCI Europe + 60% Bloomberg Global Aggregate OECD (Currency Hedged) + 20% 6-month LIBID.

AXA CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS

6 Financial risk management (Continued)

(a) Market price risk (continued)

The Fund's investment strategy entails trading in other funds on a regular basis. Total purchases in Investee Funds was US\$1,663,067 (year ended 31 December 2022: US\$7,539,650) and total sales in Investee Funds was US\$9,150,612 (year ended 31 December 2022: US\$9,160,700) during the period from 1 January 2023 to 1 September 2023 (date of termination), of which total purchases of US\$742,389 (year ended 31 December 2022: US\$6,492,225) and total sales of US\$7,753,315 (year ended 31 December 2022: US\$8,592,163) were in Investee Funds managed by AXA Investment Managers Asia Limited, the Manager of the Fund, or AXA Investment Managers Paris, the Sub-Investment Manager of the Fund, or AXA Investment Managers UK Limited, a fellow subsidiary of the Manager. As at 1 September 2023 (date of termination) and 31 December 2022, there were no capital commitment obligations. There were no amounts due to Investee Funds for unsettled purchases as at 1 September 2023 (date of termination) and 31 December 2022.

For the period from 1 January 2023 to 1 September 2023 (date of termination), total net gains on investments in Investee Funds were US\$124,338 (year ended 31 December 2022: net losses US\$1,092,232), of which US\$126,243 (year ended 31 December 2022: US\$1,092,899) were in Investee Funds managed by AXA Investment Managers Asia Limited, the Manager of the Fund or AXA Investment Managers Paris, the Sub-Investment Manager of the Fund, or AXA Investment Managers UK Limited, a fellow subsidiary of the Manager.

(b) Interest rate risk

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

The Fund is indirectly exposed to interest rate risk in respect of the underlying fixed income funds it held. The investments held as at 1 September 2023 (date of termination) were disposed subsequently and the Fund did not hold any investments. Therefore, no sensitivity analysis is presented.

Any excess cash and cash equivalents were invested at short-term market interest rates. The Fund's exposure to market interest rates on its cash deposits is considered minimal.

AXA CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS

6 Financial risk management (Continued)

(c) Currency risk

Currency risk is the risk that the fair value of financial instruments will fluctuate due to changes in foreign exchange rates. The Fund holds assets and liabilities denominated in currencies other than its functional currency, United States dollar, and is therefore exposed to currency risk with respect to these currencies. The Manager considers there is limited currency risk to the Hong Kong dollar which is a linked currency with the United States dollar.

Currency position is monitored by the Manager on a daily basis and reviewed on a weekly basis.

The table below summarises the Fund's net exposure to different major currencies except for Hong Kong dollar which is a linked currency with the United States dollar:

As at 1 September 2023 (date of termination)

	EUR	JPY
	US\$	US\$
Non-monetary	39,049	144,945

As at 31 December 2022

	EUR	JPY
	US\$	US\$
Non-monetary	197,604	230,049

The table below summarises the impact of increase or decrease of key exchange rates on the exposures tabled above, to which the Fund was exposed. The analysis was based on the assumption that the exchange rates had increased/decreased by 10% with all other variables held constant as at 31 December 2022. The investments held as at 1 September 2023 (date of termination) were disposed subsequently and the Fund did not hold any investments and was not exposed to currency risk. As a result, no sensitivity analysis is presented.

As at 31 December 2022	Impact on net assets	Impact on net assets
	EUR	JPY
	US\$	US\$
Non-monetary	19,760	23,005

The Manager has used their view of what would be a "reasonable possible shift" in the exchange rates to estimate the change for use in the currency risk sensitivity analysis above.

Disclosures above are shown in absolute terms, changes and impacts could be positive or negative.

(d) Credit and counterparty risk

Credit risk is the risk that an issuer or counterparty will be unable to pay amounts in full when due. The Fund invests only in unit trusts and Exchange Traded Funds ("ETFs"), and therefore the Fund is exposed to the credit risk to the custodian of the unit trusts and ETFs. All the custodians of the unit trusts and ETFs are reputable financial institutions.

AXA CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS

6 Financial risk management (Continued)

(d) Credit and counterparty risk (continued)

All transactions in ETFs are settled on a delivery versus payment basis using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made when the Fund's custodian bank has received payment. For a purchase, payment is made once the ETFs have been received by the Fund's custodian bank. The trade will fail if either party fails to meet their obligation.

The Fund's financial assets which are potentially subject to concentrations of credit risk consist principally of bank deposits and assets held with the custodian.

As at 1 September 2023 (date of termination) and 31 December 2022, all the cash at bank and investments are placed with The Hongkong and Shanghai Banking Corporation Limited and HSBC Institutional Trust Services (Asia) Limited respectively, which have the credit rating of AA- from Fitch.

The Fund measures credit risk and expected credit losses using probabilities of default, exposure at default and loss given default. The Manager considers both historical analysis and forward looking information in determining any expected credit loss. As at 1 September 2023 (date of termination) and 31 December 2022, all other receivable, amounts due from brokers, and cash at bank are held with counterparties with a credit rating of AA- or higher and are due to be settled within 1 month. The Manager considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

The maximum exposure to credit risk at 1 September 2023 (date of termination) and 31 December 2022 is the carrying amount of the financial assets as shown on the statement of financial position.

None of the assets is impaired nor past due not impaired.

(e) Offsetting and amounts subject to master netting arrangements and similar agreements

The Fund did not enter into any offsetting, enforceable master netting arrangements and similar agreements during the period from 1 January 2023 to 1 September 2023 (date of termination) and year ended 31 December 2022.

No financial assets and liabilities of the Fund were subject to offsetting under the master netting arrangement as at 1 September 2023 (date of termination) and 31 December 2022.

(f) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in settling a liability, including a redemption request.

The Fund is exposed to redemptions activities on each dealing day. The Fund invests the majority of its assets in collective investment funds that can be readily disposed of subject to a maximum of 10% of the respective collective investment funds. Also the Manager is able, by the provisions in the offering document to defer settlement of redemptions of significant size to facilitate an orderly disposition of investments as is in the interests of the remaining unitholders.

AXA CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS

6 Financial risk management (Continued)

(f) Liquidity risk (continued)

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the period end date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month US\$	1-3 months US\$	Over 3 months US\$
As at 1 September 2023 (date of termination)			
Amount payable on redemption	4,691,463	-	-
Other payable and accrued expenses	11,415	-	-
Total financial liabilities	<u>4,702,878</u>	<u>-</u>	<u>-</u>
As at 31 December 2022			
Other payable and accrued expenses	3,167	-	15,048
Net assets attributable to unitholders	7,578,527	-	-
Total financial liabilities	<u>7,581,694</u>	<u>-</u>	<u>15,048</u>

Units are redeemed on demand at the holder's option. However, the Manager does not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as the holders of these instruments typically retain them for the medium to long-term. As at 1 September 2023 (date of termination), there was nil (31 December 2022: 1) unitholder holding over 10% of the total net assets.

As at 1 September 2023 (date of termination), the Fund held cash at bank of US\$2,487,690 (31 December 2022: US\$108,788) that are immediately available upon demand. Other liquid assets of US\$2,215,188 (31 December 2022: US\$7,487,954) and other payable and accrued expenses of US\$11,415 (31 December 2022: US\$3,167), and amount payable on redemption of US\$4,691,463 (31 December 2022: US\$nil) that are expected to be recovered or settled within one month.

(g) Fair value estimation

The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the period end date. The Fund utilises the last traded market price for both financial assets and liabilities.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

AXA CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS

6 Financial risk management (Continued)

(g) Fair value estimation (continued)

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

As at 1 September 2023 (date of termination) and 31 December 2022, the financial assets at fair value through profit or loss comprise investments in investment funds that have been fair valued in accordance with the policies set out in Note 2(b). The units of some of the investment funds are not publicly traded; redemption can only be made by the Fund on the redemption dates and subject to the required notice periods specified in the offering documents of these investment funds. The rights of the Fund to request redemption of its investments in these investment funds are daily redemptions. The Fund may be materially affected by the actions of other investors who have invested in these investment funds in which the Fund has invested.

If the investment funds are not traded in an active market, their fair value will be determined using valuation techniques. The value is primarily based on the latest available redemption price of these investment funds' units as reported by the administrators of such investment funds. The Fund may make adjustments to the value based on considerations such as: liquidity of the investment fund or its underlying investments, the value date of the net asset value provided, any restrictions on redemptions and the basis of accounting.

HKFRS 13 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

AXA CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS

6 Financial risk management (Continued)

(g) Fair value estimation (continued)

The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Fund's investments (by class) measured at fair value at period/year ended 1 September 2023 (date of termination) and 31 December 2022:

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Financial assets at fair value through profit or loss As at 1 September 2023 (date of termination)				
Assets				
- Investment funds	122,532	-	-	122,532
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2022				
Assets				
- Investment funds	7,486,144	-	-	7,486,144
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The investments held as at 1 September 2023 (date of termination) were disposed subsequently and the Fund did not hold any investments.

Investments, whose values are based on quoted market prices in active markets, and therefore classified within level 1, include actively traded investment funds. The Fund does not adjust the quoted price for these instruments.

The investment funds that are classified in level 2 were fair valued using the net asset value of the investment funds, as reported by the respective investment funds' administrators. For these investment funds, the Manager believes the Fund could have redeemed its investments at the net asset value per unit at the period end date.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. The Fund did not hold any investments classified in level 3 as of 1 September 2023 (date of termination) and 31 December 2022.

There is no transfer between levels for the period from 1 January 2023 to 1 September 2023 (date of termination) and year ended 31 December 2022. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

Assets and liabilities included in the statement of financial position, except for investments, are carried at amortised cost; their carrying values are a reasonable approximation of fair value as at 1 September 2023 (date of termination) and 31 December 2022.

AXA CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS

6 Financial risk management (Continued)

(h) Capital risk management

The capital of the Fund is represented by the net assets attributable to unitholders. The amount of net assets attributable to unitholders can change significantly as the Fund is subject to subscriptions and redemptions on every business day at the discretion of unitholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain or adjust the capital structure, the Fund's policy is to perform the following:

- monitor the level of subscriptions and redemptions relative to the liquid assets; and
- redeem and issue units in accordance with the Trust Deed of the Fund.

The Manager monitors capital on the basis of the value of net assets attributable to unitholders.

7 Transaction costs

Transaction costs are costs incurred to acquire/dispose financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. The details of transaction costs are shown below:

	For the period from 1 January 2023 to 1 September 2023 (date of termination) US\$	For the year ended 31 December 2022 US\$
Broker commission	388	620
Other transaction costs	17	4
	<u>405</u>	<u>624</u>

8 Financial assets at fair value through profit or loss

The investments held as at 1 September 2023 (date of termination) were disposed subsequently and the Fund did not hold any investments. As at 1 September 2023 (date of termination) and 31 December 2022, the Fund invested in the following investment type:

	1 September 2023 (date of termination)		
	Fair value US\$	Cost US\$	% of net assets
Investments funds	<u>122,532</u>	<u>121,432</u>	<u>NA</u>
	31 December 2022		
	Fair value US\$	Cost US\$	% of net assets
Investments funds	<u>7,486,144</u>	<u>7,644,835</u>	<u>98.78%</u>

AXA CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS

9 Net gains/(losses) on financial assets at fair value through profit or loss

	For the period from 1 January 2023 to 1 September 2023 (date of termination) US\$	For the year ended 31 December 2022 US\$
Realised (losses)/gains on sales of investments	(38,149)	530,413
Change in unrealised gains/(losses) in value of investments	162,487	(1,622,645)
Net gains/(losses) on financial assets at fair value through profit or loss	<u>124,338</u>	<u>(1,092,232)</u>

10 Transactions with related parties and connected persons

In addition to those disclosed in Note 4, Note 6(a) and Note 6(d), the Fund had the following transactions with related parties and connected persons. Connected Persons of the Manager, the investment delegate, Trustee/Custodian, Directors of the Fund are those as defined in the Code on Unit Trusts and Mutual Funds issued by the Securities and Futures Commission of Hong Kong. All such transactions were entered into in the ordinary course of business and on normal commercial terms. To the best of Manager's knowledge, the Fund did not have any other transactions with connected persons except for those disclosed:

- (a) As at 1 September 2023 (date of termination), the Fund placed bank deposits of US\$2,487,690 (31 December 2022: US\$108,788) with The Hongkong and Shanghai Banking Corporation Limited, the holding company of the Trustee as stated in the statement of financial position.
- (b) For the period from 1 January 2023 to 1 September 2023 (date of termination) and year ended 31 December 2022, the Fund earned interest income on bank deposits and incurred interest expenses on bank overdraft amounted to US\$2,276 (year ended 31 December 2022: US\$606) and US\$nil (year ended 31 December 2022: US\$102) respectively from The Hongkong and Shanghai Banking Corporation Limited, the holding company of the Trustee as stated in the statement of profit or loss and other comprehensive income.
- (c) During the period from 1 January 2023 to 1 September 2023 (date of termination) and year ended 31 December 2022, the Fund had the following transactions with the Trustee:

	For the period from 1 January 2023 to 1 September 2023 (date of termination) US\$	For the year ended 31 December 2022 US\$
Custodian fee	71	26
Bank charges	430	1,120
Transaction handling fee	602	1,840
Transfer agent transaction fee	400	1,075
Out-of-pocket expenses	104	306
Taxation service charges	4,682	2,797
SFC reporting fee	631	2,392

AXA CAPITAL STABLE FUND

NOTES TO THE FINANCIAL STATEMENTS

10 Transactions with related parties and connected persons (Continued)

Custodian fee relates to safekeeping of investments. Transaction handling fee relates to fee on purchases and sales of investments. Transfer agent transaction fee relates to processing of subscription, redemption, switching and transfer transactions. Taxation service charges relates to the payment made in relation to taxation services provided by the Trustee. The above fees were included in "custodian fee and bank charges" or "other operating expenses" respectively in the statement of profit or loss and other comprehensive income.

- (d) As refer to Note 1, all costs and expenses relating to the termination of the Fund and the subsequent withdrawal of SFC authorization of the Fund will be borne by the Manager. During the period from 1 January 2023 to 1 September 2023 (date of termination), the termination expenses borne and payable by the Manager are as follows:

	For the period from 1 January 2023 to 1 September 2023 (date of termination) US\$
Transfer agent transaction fee	875
Auditor's remuneration	4,809
Transaction handling fee	1,522
Custodian transaction fee	1,155
Termination fee	10,000

11 Soft commission arrangements

For the period from 1 January 2023 to 1 September 2023 (date of termination) and year ended 31 December 2022, the Manager and its connected persons did not enter into any soft commission arrangements with brokers relating to dealing in the assets of the Fund.

12 Subsequent events

Subsequent to the period from 1 January 2023 to 1 September 2023 (date of termination), the investments of US\$122,532 held as at 1 September 2023 (date of termination) were fully disposed, and the amounts payable on redemption of USD4,691,463 were fully settled on 7 September 2023.

13 Approval of the financial statements

The financial statements were approved for issue by the Trustee and the Manager on 7 December 2023.

AXA CAPITAL STABLE FUND

**INVESTMENT PORTFOLIO (UNAUDITED)
AS AT 1 SEPTEMBER 2023 (DATE OF TERMINATION)**

Holdings	Investments	Place of domicile/ incorporation	Fair value US\$	% of net assets
	Investment funds			
	Asia Pacific excluding Japan²			
448	AXA IM Pacific Ex-Japan Equity QI M Class [#]	Ireland	22,369	N/A ²
	China and Hong Kong²			
991	AXA Greater China Multi-Factor Advantage Fund M Class	Hong Kong	97,551	N/A ²
	Japan²			
216	AXA IM Japan Equity M Class [#]	Ireland	2,612	N/A ²
	Total investments		<u>122,532</u>	<u>N/A²</u>
	Total cost of investments		<u>121,432</u>	

[#] The investment funds are not authorised in Hong Kong and not available to the public in Hong Kong.

² The investments held as at 1 September 2023 (date of termination) were disposed subsequently and the Fund did not hold any investments.

AXA CAPITAL STABLE FUND

MOVEMENT IN INVESTMENT PORTFOLIO (UNAUDITED) FOR THE PERIOD FROM 1 JANUARY 2023 TO 1 SEPTEMBER 2023 (DATE OF TERMINATION)

Investments	Holdings as at 1 January 2023	Additions	Disposals	Holdings as at 1 September 2023 (date of termination)
Investments funds				
AXA Greater China Multi-Factor Advantage Fund M Class	4,735	1,274	(5,018)	991 ²
AXA IM Japan Equity M Class [#]	21,425	11,992	(33,201)	216 ²
AXA IM Pacific Ex-Japan Equity QI M Class [#]	2,961	2,018	(4,531)	448 ²
AXA IM US Equity QI M Class [#]	3,630	1,129	(4,759)	-
AXA World Funds - ACT Green Bonds I (Hedged) Class [#]	3,200	-	(3,200)	-
AXA World Funds - Asian High Yield Bonds M Class	820	1,405	(2,225)	-
AXA World Funds - Asian Short Duration Bonds M Class	7,955	-	(7,955)	-
AXA World Funds - Framlington Sustainable Europe M Class [#]	718	329	(1,047)	-
AXA World Funds - Global Strategic Bonds I Class	16,475	-	(16,475)	-
AXA World Funds - Global Responsible Aggregate (formerly known as AXA World Funds – Global Sustainable Aggregate) I (Hedged) Class [#]	13,256	407	(13,663)	-
ICBC CSOP S&P New China Sectors ETF	7,826	1,936	(9,762)	-
Lyxor Fed Funds USD Dollar Cash UCITS ETF – ACC [#]	-	3,429	(3,429)	-
SPDR Bloomberg 1-3 month T-Bill ETF [#]	4,560	5,783	(10,343)	-

[#] The investment funds are not authorised in Hong Kong and not available to the public in Hong Kong.

² The investments held as at 1 September 2023 (date of termination) were disposed subsequently and the Fund did not hold any investments

AXA CAPITAL STABLE FUND

GENERAL INFORMATION

Manager

AXA Investment Managers Asia Limited

Suites 3603-05, 36/F, One Taikoo Place, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong

Sub-Investment Manager

AXA Investment Managers Paris

Tour Majunga, La Defense 9, 6, Place de la Pyramide, 92800 Puteaux, France

Directors of the Manager

AXA Investment Managers Asia Limited

Caroline PORTEL ép. LE CAM (appointed on 30 June 2023)

Julian McKenzie

Laurent Michel Werner Caillot (resigned on 30 June 2023)

Lam Chung Han, Terence

Tse Ka Bun, Kevin

Trustee and Registrar

HSBC Institutional Trust Services (Asia) Limited

1 Queen's Road Central, Hong Kong

Auditor

Ernst & Young (appointed on 12 June 2023)

27/F One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong

PricewaterhouseCoopers (retired on 1 June 2023)

22nd Floor, Prince's Building, Central, Hong Kong

Status of Fund

Authorised by the Securities and Futures Commission in Hong Kong. Investors should note that such authorisation is not a recommendation or endorsement of the Fund nor does it guarantee the commercial merits of the Fund or its performance. It does not mean the Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. In addition, the price of units and the performance of investments may go down as well as up and that past performance may not be indicative of future performance.

Legal Adviser

Deacons

5th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong

AXA Investment Managers Asia Limited

For further information on AXA Investment Managers Asia Limited, please contact customer service hotline at (852) 2285 2000.