

13. INVESTMENTS IN LISTED SECURITIES AND NET RESULT FROM FINANCIAL INVESTMENTS

	31-Dec-17	31-Dec-16
Financial investments at fair value through profit or loss	326,565	18,979
Equity derivative collateral	265,541	-
Financial assets at fair value through profit or loss related to financial investments	11,923	-
Financial liabilities at fair value through profit or loss related to financial investments	(10,934)	-
	593,095	18,979

A. Financial investments at fair value through profit or loss

The Group obtains exposure to listed real estate companies by holding direct, physical listed securities. As at 31 December 2017, the Group held a portfolio of listed securities fair valued at €326,565 thousand (2016: €18,979 thousand). The portfolio is focused towards liquid counters in developed markets, with a strong emphasis on companies which dominate regionally. Over 95% of the investments in physical listed securities are held in three listed real estate companies: Unibail, Westfield and Klepierre.

The highest holding of financial investments was in Unibail shares, which represented 1.1% of the respective entity's equity. The percentage of holding does not meet the definition of control as defined by IFRS, therefore it does not meet the requirement to consolidate the entity.

The listed securities measured at fair value being the quoted closing price at the reporting date and are categorised as Level 1 investments, according to IFRS 13 - Fair value measurement. Realised and unrealised gains and losses arising from changes in the fair value of these investments are recognised in profit or loss in the period in which they arise.

Attributable transaction costs are recognised in the Statement of Comprehensive Income as incurred.

B. Financial assets and financial liabilities at fair value through profit or loss

In addition to directly, physically held listed securities, the Group utilises equity swap derivatives to obtain exposure mainly to listed real estate companies.

An equity swap is an exchange of future cash flows between two parties. The principal counterparties, the prime brokers, are Morgan Stanley, Goldman Sachs and BoA Merrill Lynch. The streams of payments in an equity swap are known as the legs. One leg is the payment stream of the performance of an equity security over a specified period, which is based on the specified notional value or a number of shares. The second leg contains a funding leg which serves as the determinant of the cost associated with the underlying exposure. The funding leg accrues interest based on the notional exposure underlying the equity swap at the benchmark rate plus a spread agreed for the particular currency and with the respective prime broker.

The Group is required to place cash as collateral (named "Equity derivative collateral" in the financial statements) under the equity swaps that is held with prime brokers.

As the equity swaps qualify as derivatives, the gross investment and liability exposures are not separately recognised and only the net fair value is recognised in the statement of financial position. The Group's equity swap derivatives position as at 31 December 2017 is presented below:

	Financial assets	Financial liability	Total
Gross exposure - value of underlying listed investments	401,438	449,823	851,261
Funding leg	(389,515)	(460,757)	(850,272)
Fair value in the statement of financial position	11,923	(10,934)	989

The financial investments are not considered as long-term strategic investments and are expected to be sold in short term; therefore these have been accounted as financial assets at fair value through profit or loss and classified as current assets.

The Group's strategy is to sell investments in listed securities, held directly or through equity swap derivatives, to partially fund the acquisition and development pipeline during 2018.