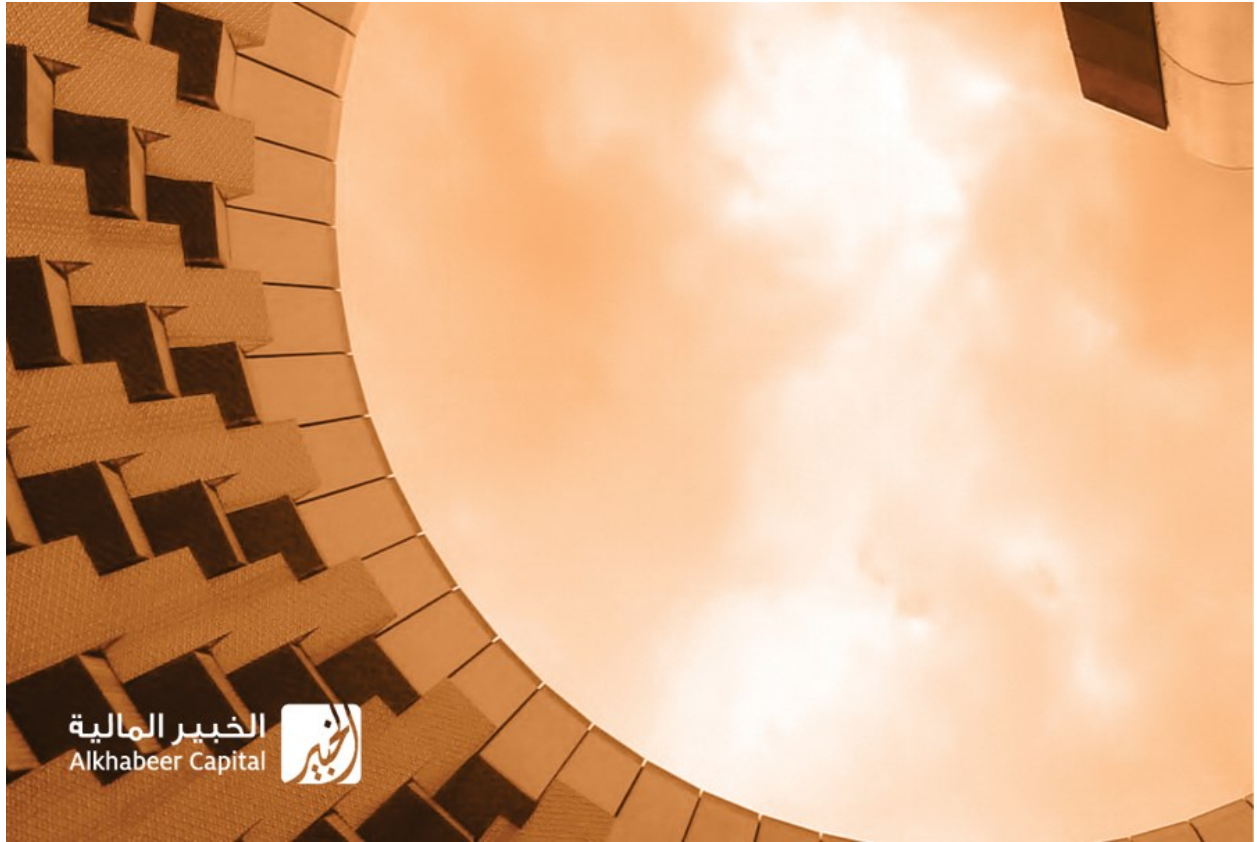




Annual Report 2023

# ALKHABEER DIVERSIFIED INCOME TRADED FUND

(A Closed-Ended Shari'a-Compliant Investment Traded Fund  
Listed on Saudi Tadawul)



الخبير المالية  
Alkabeer Capital





## **Alkhabeer Capital**

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### **Disclaimer**

This document does not constitute an offer to buy, subscribe or participate in any way in Alkhabeer Diversified Income Traded Fund, nor shall it (or any part of it) form the basis of, or be relied on, in connection with, or act as inducement to enter into any contract whatsoever. Prospective investors should read carefully Alkhabeer Diversified Income Traded Fund's Terms and Conditions and their contents related to investment risks as well as other Alkhabeer Diversified Income Traded Fund documents prior to making any investment decision. Alkhabeer Diversified Income Traded Fund documents are available on Alkhabeer Capital's website [www.alkhabeer.com](http://www.alkhabeer.com). Fund reports are also available on the Fund Manager's website. This investment is not a cash deposit with a local bank. The value of the amount invested and any other income which may arise therefrom, may increase or decrease. All prospective investors are required to make their own determination, with their own financial and legal advisors, and evaluate all risks involved. No assurance can be given that the targeted and projected results will be achieved. Moreover, past performance of Alkhabeer Diversified Income Traded Fund is not a guarantee of future performance. By investing in the Fund, the investor acknowledges having read and accepted Alkhabeer Diversified Income Traded Fund's Terms and Conditions. This investment may not be suitable for all investors. The past performance of the Fund or the past performance of the Benchmark, if any, is not an indicator of the Fund's future performance. The Fund may invest in Securities issued by the Fund Manager or any of its affiliates, commensurate with the Fund's objectives, investment policies and practices as provided in the Fund's Terms and Conditions. Alkhabeer Capital may hold a share in the Funds it manages. No assurance can be given to Unit subscribers that the absolute performance of the Fund, or its performance as compared to the benchmark, will recur or be similar to any previous performance. Moreover, no assurance can be provided by the Fund Manager concerning the achievement of the investment objectives. Subscribers shall before subscribing take into consideration the risk factors as described in the Fund's Terms and Conditions and Information Memorandum, which may adversely affect the Fund's Net Asset Value. The subscribers may lose their subscriptions in the Fund, and such loss may result in the total loss or reduction of the value of the Units. The Fund Manager or any of its affiliates shall not be liable for any loss which may be suffered by the Fund, unless such loss is caused by deliberate negligence on the part of the Fund Manager. All prospective investors shall make their own decisions or by seeking advice from their professional advisors, in respect of the legal and financial risks and taxes applicable to this Fund.

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## (A) Fund Information

### 1. Name of the Fund

Alkhabeer Diversified Income Traded Fund.

### 2. Fund Investment Objectives, Policies and Practices

- The Fund's investment objective is to generate periodic income for investors by investing in income generating assets which are compliant with the guidelines of the Shari'a Supervisory Committee.
- The Fund seeks to achieve its objectives by investing in diversified income-generating assets that are compliant with the guidelines of the Shari'a Supervisory Committee, to generate periodic income for the Fund. The Fund Manager plans to invest in Sukuk, Trade Finance Transactions, Leasing Transactions, Income Funds and Murabaha Transactions, either directly or through investment funds. Asset distribution as a percentage of the Fund's total asset value based on the last audited financial statements, is as follows:

Asset Type	Minimum	Maximum
Sukuk	0%	40%
Trade Finance Transactions	0%	40%
Leasing Transactions	0%	40%
Income Funds*	0%	25%
Cash and Murabaha Transactions**	0%	5%

\* Notes concerning investment in Income Funds:

- In the event the Income Funds invest in any of the aforementioned types of assets, the limits of investment in those Funds shall be independent of the limits specified for each type of those investments.

\*\* Notes concerning investment in Murabaha Transactions:

- In normal circumstances, the Fund Manager will not hold Cash or invest in Murabaha Transactions in excess of 5% of the Fund's Net Asset Value (NAV). However, in case of liquidation of some investments (until the Cash is re-invested), or in exceptional cases, the allocation to Cash and Murabaha Transactions may be increased up to 100% the Fund's NAV.

- Description of Asset Types and Fund Strategies:

#### Investment Type:

1. **Sukuk:** Investment shall be made in Sovereign, Quasi-Sovereign or corporate Sukuk that are issued locally and internationally by way of a public offering or private placement, and are in compliance with the Shari'a Guidelines of the Shari'a Supervisory Committee, and denominated either in Saudi Riyals or US dollars, or in any other currency pegged to the US dollar.

The Fund Manager has the right to invest in any investment-grade Sukuk issuance, with no more than 5% of the Fund's assets to be invested in sub-investment grade or non-rated Sukuk, provided that the average credit rating of

**Investment Type:**

the Sukuk portfolio is of an investment grade (i.e. BBB- / Baa3 or higher according to Standard & Poor's / Fitch or Moody's rating). In case of split ratings, the lower rating shall apply.

The Fund can invest in Sukuk through an Intermediary. The Fund Manager shall be responsible for appointing the Intermediary in accordance with the laws and regulations issued by the Capital Market Authority.

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**2. Trade Finance Transactions:** Investment in Trade Finance Transactions shall be made through a diversified portfolio of short-term and asset-backed and/or insurance-backed Trade Finance Transactions. They shall be compliant with the Shari'a Guideliness of the Shari'a Supervisory Committee spread across international markets outside the Kingdom of Saudi Arabia, and subject to the laws and regulations issued by the financial and supervisory bodies regulating these markets in the countries in which they operate. The Fund Manager will engage an Executing Broker to execute the Trade Finance Transactions. In this case, the Executing Broker shall comply with the investment guidelines as agreed upon with the Fund Manager. The Fund Manager shall be responsible for appointing the Executing Broker in accordance with the laws and regulations issued by the Capital Market Authority.

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**3. Leasing Transactions:** Investment in Leasing Transactions shall be made through a diversified portfolio consisting of medium to long-term leasing contracts that are compliant with the Shari'a Guideliness of the Shari'a Supervisory Committee, used to supply different types of equipment in multiple sectors, spread across international markets outside the Kingdom of Saudi Arabia, and subject to the laws and regulations issued by the financial and supervisory bodies regulating these markets in the countries in which they operate. These sectors include, but are not limited to, transportation, public utilities, maritime transport, cleaning and maintenance, chemicals production, food packaging, and healthcare. The Leasing Transactions are secured by the ownership of the assets for the benefit of the Fund. The Fund Manager will engage an Executing Broker to execute the Leasing Transactions. In this case, the Executing Broker shall comply with the investment guidelines as agreed upon with the Fund Manager. The Fund Manager shall be responsible for appointing the Executing Broker in accordance with the laws and regulations issued by the Capital Market Authority.

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**4. Income Funds:** Investment shall be made in Income Funds that are managed by fund managers, including the Fund Manager, licensed by the Capital Market Authority or a similar regulatory body in the event of investing in funds outside the Kingdom of Saudi Arabia, provided these Transactions are compliant with the Shari'a Guideliness of the Shari'a Supervisory Committee. These Funds invest in various income-generating asset types, including, without limitation, Trade Finance Transactions, credit financing, Leasing Transactions, Sukuk, income generating shares, and Murabaha Transactions. When investing in any of these Funds, the Fund Manager will ensure that the investment strategy of the target fund is consistent with the Fund's investment strategy. The Income Funds that may be invested in include public funds as well as funds offered

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**Investment Type:**

through private placement, provided that investment in the private funds does not exceed 25% of the Fund's Net Asset Value.

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- 5. Murabaha Transactions:** Investment in Murabaha Transactions shall be made in Saudi Riyals with banks licensed by the Saudi Central Bank operating in the Kingdom of Saudi Arabia, provided these Transactions are compliant with the Shari'a Guideliness of the Shari'a Supervisory Committee.
- 

**Dealings, methods and tools that the Fund Manager may use in making the Fund's investment decisions**

- The Fund will rely on the Fund Manager's vision and discretion based on the domestic and global economic conditions, findings of financial studies and available information on market investment opportunities. The Fund Manager will also rely on the Fundamental Analysis and valuation of each investment opportunity based on the strength of the financial position and projected returns, in addition to the analysis of the technical indices and the level of risks associated with each opportunity. Investments considered as suitable opportunities will subsequently be selected.
- The Fund Manager will rely on the analysis of the best available offerings of Trade Finance Transactions, Leasing Transactions and Murabaha Transactions, in terms of returns and the level of risks, with a view to maximizing returns and minimizing risks. This also applies to the risk-return analysis of available Sukuk and funds, such that the Sukuk and funds of reputable and creditworthy issuers are selected.
- The Fund Manager seeks to invest in any investment-grade Sukuk issuance. However, the Fund Manager shall not invest more than 5% of the Fund's assets in sub-investment grade or unrated Sukuk, provided the average credit rating of the Sukuk portfolio is of an investment grade (Baa3/BBB- or higher according to Standard & Poor's / Fitch or Moody's rating). In case of split ratings, the lower rating shall apply.
- When investing in unrated entities, such entities shall be assessed based on the internal assessment process used by the Fund Manager. The Fund Manager assesses the unrated entity based on a number of factors, including, without limitation, the credit rating of the country where the entity belongs, the creditworthiness, and the efficiency of assets and profits. The maximum limit for investing with unrated entities or instruments is 25% of the total size of the Sukuk portfolio, but not exceeding 5% of the Fund's total asset value.
- When investing in Income Funds, the Fund Manager will evaluate each fund based on the risk-return profile of each fund and the past performance of the manager of such funds, in addition to other criteria, including, without limitation, the target fund's creditworthiness and its investment policies and procedures.
- Investment decisions made by the Fund Manager shall be in line with the sound and prudent investment practices which achieve the Fund's investment objectives as stated in the Fund's Terms and Conditions and Information Memorandum. This includes that the Fund Manager acts to the best of its ability to ensure as follows:

1. That the Fund's investments are based on a careful and prudent distribution of risks, without undermining the Fund's investment objectives, policies and Terms and Conditions.
  2. That sufficient liquidity is available for the Fund to meet any expected payment request, such as accrued expenses and fees which are payable by the Fund.
- In extraordinary conditions, the Fund Manager may, at its discretion, hold more than 5% and up to 100% of the Fund's NAV in the form of cash liquidity, investments in money markets, Murabaha Transactions and/or funds investing in Murabaha Transactions.
  - Risks shall be assessed and necessary action shall be taken to ensure the best interest of the Unitholders in line with applicable laws and regulations.
  - The Fund Manager adopts a risk management policy aimed at defining and assessing the potential risks as quickly as possible, and addressing these risks to minimize their effect. The Fund Manager studies and assesses the risks involved in any assets before investment. Risks are re-assessed annually.

### **3. Income and Dividend Distribution Policy**

The Fund Manager will distribute to the Unitholders semi-annually 100% of the semi-annual profits received out of the returns on the Fund's investments, after deducting expenses from the Unitholders. This distribution, however, does not include the capital gains on the sale of the underlying investment assets, which may be reinvested in other assets or distributed in full or in part at the Fund Manager's discretion.

The Fund will distribute the dividends within forty (40) Business Days after the last day of each half year and at the end of each Gregorian year, i.e. during August and February of each Gregorian year. Any distributed cash dividends will be deposited in the Unitholder's investment account.

### **4. The Fund Manager avails Fund reports upon request, free of charge**

### **5. Description of the Fund's Benchmark**

The Fund's performance benchmark is Secured Overnight Funding Rate (SOFR) 12 month average + 300 bps.



## (B) Fund Performance

### 1. Financial Indicators as at the end of each year \*

	2021	2022	2023
FUND NAV AT THE END OF EACH FISCAL YEAR	SAR 484,469,700	SAR 470,237,783	SAR 468,996,969
FUND NAV PER UNIT AT THE END OF EACH FISCAL YEAR	SAR 10.2465	SAR 9.9455	SAR 9.9193
FUND NET ASSET VALUE PER UNIT HIGH AND LOW DURING EACH FISCAL YEAR	- Unit Value High = SAR 10.2465 - Unit Value Low = SAR 10.1462	- Unit Value High = SAR 10.0028 - Unit Value Low = SAR 9.9455	- Unit Value High = SAR 9.9489 - Unit Value Low = SAR 9.7595
NUMBER OF OUTSTANDING UNITS AT THE END OF EACH FISCAL YEAR	47,281,470 Units	47,281,470 Units	47,281,470 Units
DIVIDENDS DISTRIBUTED PER UNIT	SAR 0.43	SAR 0.54	SAR 0.56
RATIO OF EXPENDITURES	1.59%	2.61%	2.77%
RATIO OF BORROWED ASSETS TO TOTAL ASSET VALUE, EXPOSURE PERIOD AND MATURITY DATE (IF ANY)	18.86% Facilities amounting to a sum of SAR 37,509,796 for one month ended on 10 January 2022, renewable monthly. Facilities amounting to a sum of SAR 75,796,490 for three months ended on 9 March 2022.	9.33% Facilities amounting to a sum of SAR 48,754,009 for three months ended on 8 March 2023 and extended to end on 8 June 2023.	5.71% Facilities amounting to a sum of SAR 28,669,984 for three months ended on 7 March 2024 and extended to end on 8 June 2024.

### 2. Performance Record\*

#### a) Total Return for 1, 3 and 5 Years, (or Since Inception)\*

Period	For One Year	For Three Years	For Five Years	At Inception
Total Return **	5.53%	N/A	N/A	12.41%

#### b) Total Annual Return for Each of the Last Ten Fiscal Years, (or Since Inception)

Period	2021 *	2022	2023	Since Inception
Total Return **	4.26%	1.86%	5.53%	12.41%
Benchmark Performance ***	3.24%	6.42%	8.32%	18.91%
Performance Difference	1.02%	-4.56%	-2.79%	-6.50%

\* The Fund's operations started on 7 January 2021.

\*\* Total Return = NAV + Total Dividends.

\*\*\* On 16 May 2023, the Fund changed its Benchmark from 12 Month LIBOR + 300 bps to 12 month SOFR + 300 bps.



**c) Table showing service charges, commissions and fees incurred by the Fund over the year.**

Item	Amount (SAR)
Fund Operator Fees	543,670
Management Fees	5,436,698
Shari'a Supervisory Committee Fees	15,000
Custodian Fees	92,000
Auditor Fees	57,500
Directors' Remuneration (Independent Directors)	26,000
Registration Expenses	566,320
Regulatory Fees	7,500
Interest on Facilities	2,546,339
Investment Expenses	3,471,657
Other Expenses	232,940
Total Fees and Expenses of the Fund	12,995,624
Net Value of Managed Assets	468,996,969
Ratio of Total Fund Fees and Expenses to Net Value of Managed Assets	%2.77
Circumstances under which the Fund Manager decided to waive or reduce fees	N/A

\* Including Value Added Tax (VAT), where applicable.

**3. Any material changes during the period affecting the performance of the Fund, which must be disclosed**

N/A

**4. Disclosure of Annual Voting Practices**

N/A.

**5. Report of the Fund Board**

**(a) Names of the Fund Board Members and Type of Membership**

#	Director's Name	Type of Membership
1	Mr. Ammar Ahmed Saleh Shata	Chairman of the Board – Non-Independent
2	Mr. Ahmed Saud Hamza Ghouth	Director – Non-Independent
3	Mr. Hisham Omar Ali Baroum	Director – Non-Independent
4	Mr. Farouq Fouad Ahmed Ghulam	Director - Independent
5	Mr. Ahmed Abdulelah Maghrabi	Director - Independent

**(b) Brief Description of the Qualifications of the Fund Board Members**

<b>Director's Name</b>	<b>Mr. Ammar Ahmed Saleh Shata</b>
<b>Type of Membership</b>	Chairman of the Board – Non-Independent
<b>Current Position</b>	Mr. Ammar is the founder and Chairman of the Board of Alkhabeer Capital.
<b>Educational Qualifications</b>	<ul style="list-style-type: none"> <li>• He holds a master's degree in economic planning and a bachelor's degree in electrical engineering from the University of Southern California, United States of America.</li> <li>• He is also a CFA charter holder, USA.</li> </ul>
<b>Professional Experience</b>	<ul style="list-style-type: none"> <li>• He has over 30 years of experience in the fields of corporate finance, structured finance, asset management, Islamic financial product development and Islamic investment and banking services.</li> </ul>

<b>Director's Name</b>	<b>Mr. Ahmed Saud Hamza Ghouth</b>
<b>Type of Membership</b>	Director – Non-Independent
<b>Current Position</b>	Mr. Ahmed is the CEO and Board Member of Alkhabeer Capital.
<b>Educational Qualifications</b>	<ul style="list-style-type: none"> <li>• He holds a bachelor's degree in accounting from King Fahad University of Petroleum and Minerals, Dhahran, Saudi Arabia.</li> </ul>
<b>Professional Experience</b>	<ul style="list-style-type: none"> <li>• He has over 21 years of experience in corporate banking services, Islamic finance, asset management and private equity. Currently, he is a board member of several real-estate funds, private equity funds and capital market listed funds.</li> <li>• During his previous engagement with the Saudi National Bank (SNB), he gained extensive expertise in loan portfolio management and Islamic loan structuring. His responsibility to oversee the Asset Management Department at Alkhabeer Capital has exposed him further to various expertise in real estate development and income generating funds as well as equity funds.</li> </ul>

<b>Director's Name</b>	<b>Mr. Hisham Omar Ali Baroum</b>
<b>Type of Membership</b>	Director – Non-Independent
<b>Current Position</b>	Mr. Hisham is the Deputy Chief Executive Officer of Alkhabeer Capital.
<b>Educational Qualifications</b>	<ul style="list-style-type: none"> <li>• He holds a bachelor's degree in accounting from King Abdulaziz University in Saudi Arabia, and has a diploma in investment portfolio management and financial markets from the Arab Academy for Banking and Financial Sciences.</li> </ul>
<b>Professional Experience</b>	<ul style="list-style-type: none"> <li>• He has more than 20 years of experience in the management of financial institutions, management of investments and business development.</li> <li>• Prior to joining Alkhabeer Capital, he served as Executive Vice President at Elaf Group, where he was responsible for planning and strategy implementation. He began his career at the Asset Management Group of the Saudi National Bank (SNB), where he served for nine years in various roles.</li> </ul>

<b>Director's Name</b>	<b>Mr. Farouq Fouad Ahmed Gholam</b>
<b>Type of Membership</b>	Director – Independent
<b>Current Position</b>	Mr. Farouq is the Executive Director of Alpha Capital Group.
<b>Educational Qualifications</b>	<ul style="list-style-type: none"> <li>• He holds an LLM degree, specializing in international business and trade transactions from Washington College of Law, USA, and a law degree from King Abdul Aziz University, Jeddah, KSA.</li> </ul>
<b>Professional Experience</b>	<ul style="list-style-type: none"> <li>• He has more than 20 years of comprehensive experience in legal affairs, Islamic finance, investment and financial structuring.</li> <li>• He served as Executive Partner and the Head of Asset Management at Alkhabeer Capital (from August 2006 to August 2009). Prior to that, he was the Head of Product Development and Operational Risks at the Saudi National Bank (SNB), where he was responsible for launching and structuring investment funds.</li> </ul>

<b>Director's Name</b>	<b>Mr. Ahmed Abdulelah Maghrabi</b>
<b>Type of Membership</b>	Director – Independent
<b>Current Position</b>	Mr. Ahmed is a co-founder and the Vice President of Abdulelah Mohamed Ali Maghrabi Commercial Est. He is engaged in the management of the Group's Equipment and Transportation divisions. In addition, he is actively involved in developing the policies, strategies and operational plans of the Group.
<b>Educational Qualifications</b>	<ul style="list-style-type: none"> <li>• He holds a bachelor's degree in management information systems from Whittier College – California, USA, and a diploma in hotel management from the United States of America.</li> </ul>
<b>Professional Experience</b>	<ul style="list-style-type: none"> <li>• He has more than 19 years of comprehensive experience in the fields of heavy equipment, transportation and real estate development.</li> <li>• Previously, he was the Procurement Manager at Mohammed Ali Maghrabi &amp; Sons Company, where he was responsible for overseeing the construction of Le Meridian Jeddah.</li> <li>• Mr. Ahmed is a member of the Project Management Institute (PMI) and is a certified Project Management Professional (PMP).</li> </ul>

### **(c) Description of the Roles and Responsibilities of the Fund Board**

The Fund Board members have the following responsibilities:

- Approving all material contracts, decisions and reports to which the Fund is a party, including - without limitation – approving the contracts for providing management services to the Fund and the contracts for providing custody services. This, however, excludes contracts which are executed in accordance with the investment decisions related to any investments which the Fund had made or will make in the future.

- Approving a written policy on the voting rights related to the Fund's assets.
- Overseeing and, where appropriate, approving or ratifying any conflict of interest the Fund Manager has disclosed.
- Meeting at least twice annually with the Fund Manager's Compliance Officer to review the Fund's compliance with all applicable laws and regulations, including – without limitation – the requirements as stipulated in CMA's Investment Funds Regulations, as amended.
- Approving all fundamental and non fundamental changes as provided in Articles (62) and (63) of the CMA's Investment Funds Regulations prior to the Fund Manager obtaining the approval of the Unitholders and the CMA or notifying them.
- Ensuring the completeness and accuracy of the Fund's Terms and Conditions and any other document (whether contractual or otherwise), that includes disclosures related to the Fund and/or the Fund Manager and its management of the Fund, in addition to ensuring compliance of the foregoing with the provisions of CMA's Investment Funds Regulations.
- Ensuring that the Fund Manager carries out its responsibilities in the best interest of the Unitholders, in accordance with the CMA's Investment Funds Regulations, the Terms and Conditions and the Shari'a Committee's Resolutions.
- Reviewing the report on the performance evaluation and quality of services provided by parties concerned with the provision of material services to the Fund as described in Paragraph (L) of Article (9) of CMA's Investment Funds Regulations, in order to ensure that the Fund Manager carries out its responsibilities to the best interest of the Unitholders, subject to the Fund's Terms and Conditions and the provisions of CMA's Investment Funds Regulations.
- Evaluating the Fund Manager's process for dealing with risks associated with Fund assets in accordance with the Fund Manager's policies and procedures for assessment of Fund associated risks and how to deal with them.
- Acting with integrity, good intent, due care and diligence and in the best interest of the Unitholders.
- Recording minutes of meetings including all actions taken during the meetings and the decisions made by the Fund Board.
- Reviewing the report containing all complaints and action taken in relation to them as provided in Paragraph (m) of Article (9) of the Investment Funds Regulations issued by the CMA Board, the Fund's Terms and Conditions and the provisions of the Investment Funds Regulations.
- Approving the appointment of the Fund's Auditor who is nominated by the Fund Manager.

The Fund Manager shall provide all necessary information on the affairs of the Fund to all Fund Board members to enable them to carry out their duties. None of the Fund Board members may be held liable to the Unitholders for any damages, losses, costs, expenses or other obligations incurred by the Unitholder or the Fund's assets, unless caused by a deliberate act, bad intent or gross negligence on the part of the Fund Board members.

**(d) Details of the Remuneration of the Fund Board Members**

The Fund shall pay SAR 5,000 per annum to each independent director, plus an attendance fee of SAR 4,000 for each meeting. Two independent directors were appointed. Therefore, the total remuneration to be paid to both directors will be a lump sum of SAR 10,000 per annum, plus an attendance fee of SAR 4,000 per meeting to each member. It is expected that a minimum of two meetings (and a maximum of four meetings) will be held each year. Thus the total attendance fee expected to be paid to both directors will be a minimum of SAR 16,000 (and a maximum of SAR 32,000) per annum. As such, the total remuneration expected to be paid during the year to the two independent directors during the year is a minimum of SAR 26,000 (and a maximum of SAR 42,000). In addition, the Fund shall pay all actual travel and accommodation costs incurred by each independent director to attend meetings (if applicable), up to a maximum of SAR 15,000 per annum to the two independent directors. These annual costs and fees shall be calculated and paid semi-annually. Non-independent directors will not receive any fees.

**(e) Any actual or potential conflict between the interests of a Fund Board member and the Fund Board**

In its ordinary course of business, the Fund transacts with related parties. The Fund Manager and the Fund Board find that transactions with third parties are carried out under the same conditions of transacting business with other parties. Transactions with related parties are subject to the limits defined in the regulations and instructions issued by the regulatory authorities concerned in the Kingdom of Saudi Arabia. In addition, good governance best practices are also applied and adopted by the Fund Manager in the performance of its activities. The annual financial statements contain a note on financial transactions with financially related parties.

During the Fiscal Year ended 31.12.2023, the Fund Board did not find any transactions with related parties involving any event of conflict of interest. The Fund Board acknowledges that all financial transactions and contracts entered into with the Fund are subject to the policies and procedures applicable to conflict of interest.

**(f) Other Funds Managed by the Fund Board Members**

The following Fund Board members are also members of the boards of other funds managed by the Fund Manager:

<b>Board Member</b>	<b>Fund</b>	<b>Membership</b>
<b>Mr. Ammar Ahmed Saleh Shata (Director – Non-Independent)</b>	Alkhabeer Real Estate Residential Development Fund II	Chairman
	Alkhabeer Real Estate Opportunity Fund I	Chairman
	Alkhabeer Education Private Equity Fund I	Chairman
	Alkhabeer GCC Real Estate Opportunity Fund I	Chairman
	Alkhabeer Waqf Fund I	Chairman
	Alkhabeer Diversified Income Traded Fund	Chairman
	Alkhabeer REIT Fund	Chairman
	Alkhabeer Growth and Income Traded Fund	Chairman
<b>Mr. Ahmed Saud Hamza Ghouth (Director – Non-Independent)</b>	Alkhabeer Real Estate Residential Development Fund II	Director
	Alkhabeer Real Estate Opportunity Fund I	Director
	Alkhabeer Hospitality Fund I	Chairman
	Alkhabeer Real Estate Opportunity Fund II	Chairman
	Alkhabeer Education Private Equity Fund I	Director
	Alkhabeer GCC Real Estate Opportunity Fund I	Director
	Alkhabeer Education Private Equity Fund II	Chairman
	Alkhabeer Education Private Equity Fund III	Chairman
	Alkhabeer Education Private Equity Fund IV	Chairman
	Alkhabeer Education Private Equity Fund V	Chairman
	Alkhabeer Education Private Equity Fund VI	Chairman
	Alkhabeer Education Private Equity Fund VII	Chairman
	Alkhabeer Waqf Fund I	Director
	Alkhabeer Diversified Income Traded Fund	Director
	Alkhabeer REIT Fund	Director
	Alkhabeer Industrial Private Equity Fund IV	Chairman
	Alkhabeer Saudi Private Equity Fund I	Chairman
	Alkhabeer Saudi Private Equity Fund II	Chairman
	Alkhabeer Growth and Income Traded Fund	Director
	Alkhabeer Car Rental Private Equity Fund	Chairman
Alkhabeer Multi Asset Private Income Fund I	Chairman	
Alkhabeer Saudi Riyal Murabaha Fund	Chairman	
<b>Mr. Hisham Omar Ali Baroum (Director – Non-Independent)</b>	Alkhabeer Hospitality Fund I	Director
	Alkhabeer Real Estate Opportunity Fund II	Director
	Alkhabeer Education Private Equity Fund II	Director
	Alkhabeer Education Private Equity Fund III	Director
	Alkhabeer Education Private Equity Fund IV	Director
	Alkhabeer Education Private Equity Fund V	Director
	Alkhabeer GCC Real Estate Opportunity Fund I	Director
	Alkhabeer Education Private Equity Fund VI	Director
	Alkhabeer Education Private Equity Fund VII	Director
	Alkhabeer Diversified Income Traded Fund	Director
	Alkhabeer REIT Fund	Director
	Alkhabeer Diversified Income Traded Fund	Director
	Alkhabeer Saudi Private Equity Fund I	Director
	Alkhabeer Saudi Private Equity Fund II	Director
	Alkhabeer Industrial Private Equity Fund IV	Director
	Alkhabeer Car Rental Private Equity Fund	Director
	Alkhabeer Multi Asset Private Income Fund I	Director
Alkhabeer Saudi Riyal Murabaha Fund	Director	
<b>Mr. Ahmed Abdulelah Maghrabi (Director – Independent)</b>	Alkhabeer Hospitality Fund I	Director
	Alkhabeer Education Private Equity Fund II	Director
	Alkhabeer Education Private Equity Fund III	Director
	Alkhabeer Education Private Equity Fund IV	Director
	Alkhabeer Education Private Equity Fund V	Director
	Alkhabeer Education Private Equity Fund VI	Director
	Alkhabeer Education Private Equity Fund VII	Director
	Alkhabeer Diversified Income Traded Fund	Director
	Alkhabeer REIT Fund	Director
Alkhabeer WAQF Fund I	Director	

	Alkhabeer Growth and Income Traded Fund	Director
	Alkhabeer Saudi Riyal Murabaha Fund	Director
<b>Mr. Farouq Fouad Ahmed Ghulam (Director – Independent)</b>	Alkhabeer Real Estate Opportunity Fund I	Director
	Alkhabeer Diversified Income Traded Fund	Director
	Alkhabeer REIT Fund	Director
	Alkhabeer WAQF Fund I	Director
	Alkhabeer Growth and Income Traded Fund	Director

**(g) Items discussed and resolutions issued in relation thereto, including the Fund’s performance and achievement of the Fund’s objectives**

<b>Meeting</b>	<b>Main Subjects and Fund Board Resolutions</b>
<b>Meeting (No. 1-2023) on 24 May 2023</b>	<p>Review of the latest developments of the Fund’s business activities.</p> <ol style="list-style-type: none"> <li>1. Development of an internal benchmark including all underlying asset categories, and calculation of their performance against the results achieved by global fund managers in order to compare the Fund’s performance to the overall performance of those funds.</li> <li>2. Necessity of the Fund Manager’s coverage of all technical aspects related to the preparation of comparative studies, to compare between the performance of underlying Fund asset categories and the performance of similar asset categories, including without limitation (average investment term – standard deviation – return).</li> </ol>
<b>Meeting (No. 2-2023) on 7 September 2023</b>	<ol style="list-style-type: none"> <li>3. Addition of a comparison showing the correlation between the financial performance in terms of inclusion of structured financing programs, and comparison to other asset categories held by the Fund, as well as ensuring that the addition of a category does not affect the Fund Manager’s acceptable risk levels.</li> <li>4. Appointment of an advisor who is specialized in analyzing returns on investment in Fund assets, such that the returns analysis report includes without limitation: (allocation of assets – expected returns).</li> <li>5. Unanimous approval to maintain the green classification of the Fund, and to increase the number of meetings starting as of 2024 to 4 periodic meetings, instead of 2 meetings.</li> </ol>
<b>Additional Resolutions by Circulation</b>	<ol style="list-style-type: none"> <li>1. The Fund Board’s Resolution made on 03.01.2023 concerning the review of the 2022 annual report on complaints and action taken.</li> <li>2. The Fund Board’s Resolution made on 09.01.2023 concerning the review of the investor report of Alkhabeer Diversified Income Traded Fund for the fourth quarter of 2022 (quarterly report).</li> </ol>



<b>Meeting</b>	<b>Main Subjects and Fund Board Resolutions</b>
	<p>3. The Fund Board’s Resolution made on 15.01.2023 concerning the review of the report risk assessment, performance evaluation and quality of services provided by the parties concerned.</p>
	<p>4. The Fund Board’s Resolution made on 26.01.2023 concerning the approval of the proposed dividends – for the second half of 2022.</p>
	<p>5. The Fund Board’s Resolution made on 25.03.2023 concerning the approval of the financial statements and the independent auditor’s report for the year ended 31 December 2022.</p>
	<p>6. The Fund Board’s Resolution made on 26.03.2023 concerning the approval of the 2022 annual report.</p>
	<p>7. The Fund Board’s Resolution made on 11.04.2023 concerning the approval to authorize the Fund Manager to change the Fund’s current benchmark from 12 Month USD LIBOR + 300 bps to 12 Month SOFR + 300 bps.</p>
	<p>8. The Fund Board’s Resolution made on 12.03.2023 concerning the approval of the investor report of Alkhabeer Diversified Income Traded Fund for the first quarter of 2023 (quarterly report).</p>
	<p>9. The Fund Board’s Resolution made on 11.07.2023 concerning the approval of the investor report of Alkhabeer Diversified Income Traded Fund for the second quarter of 2023 (quarterly report).</p>
	<p>10. The Fund Board’s Resolution made on 31.07.2023 concerning the approval of the proposed dividends – for the first half of 2023.</p>
	<p>11. The Fund Board’s Resolution made on 10.08.2023 concerning the approval of the summary proforma financial statements (unaudited) for the six month period ending 30 June 2023.</p>
	<p>12. The Fund Board’s Resolution made on 11.10.2023 concerning the approval of Alkhabeer Diversified Income Traded Fund Investor Report for the fiscal period ending 30,09,2023 (third quarter).</p>
	<p>13. The Fund Board’s Resolution made on 25.10.2023 concerning the approval of amendments made to the Terms and Conditions Memorandum (“Memorandum”) of Alkhabeer Diversified Income Traded Fund (“Fund”).</p>

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Meeting

Main Subjects and Fund Board Resolutions

14. The Fund Board's Resolution made on 18.12.2023 concerning the verification of independence of Alkhabeer Diversified Income Traded Fund Board Members.
- 

## (C) Fund Manager

### 1. Name and Address of the Fund Manager



**Alkhabeer Capital**

CMA license 07074-37

P.O. Box 128289

Jeddah 21362

Kingdom of Saudi Arabia

Tel: +966 12 658 8888

Fax: +966 12 658 6663

CR 4030177445

www.alkhabeer.com

### 2. Name and Address of the Sub-Manager and/or Investment Advisor (if any)

N/A.

### 3. Review of Investment Activities During the Period

**Ijara:** The Fund Manager invested 35% of the Fund's assets in Ijara transactions, including several types of equipment and companies as at the end of 2023, the majority of which are in the United States of America. The Ijara portfolio is expected to generate an average total return of 6.5% per annum.

**Trade Financing:** The Fund Manager invested 28.5% of the Fund's assets in trade financing transactions with several counterparties in several sectors, the majority of which are in the European Continent. All of the executed transactions are short term in nature, and are expected to generate an average total return of 9.0% per annum.

**Sukuk:** The Fund Manager invested 6.3% of the Fund's assets in Sukuk of different credit ratings, including sovereign sukuk and corporate sukuk. They are expected to generate an average total return of 5.0%, while maintaining an investment grade weighted average portfolio's rating.

**Income Funds:** For the purposes of diversifying Fund investments, the Fund Manager invested 24% of the Fund's assets in income funds, ranging between private financing, Ijara, trade financing and securitization. They are expected to generate an annual return ranging on average between 7.0% to 8.0%.

Allocating the remaining Fund assets as cash liquidity for investing in trade finance transactions and income funds in 2024.

#### **4. Report on the Fund's Performance During the Period**

The NAV per Unit during the period from 1 January 2023 to 31 December 2023 was 1.64%, with a net total return per Unit of 5.53% (including 5.60% cash distributions).

Cash dividends were distributed to Fund Unitholders for the period from 1 January 2023 to 31 December 2023 totaling SAR 26,477,623.20, or SAR 0.56 per Unit. Thus the ratio of distributions to par value equals 5.60%.

#### **5. Details of any Changes to the Fund's Terms and Conditions During the Period**

For changes made to the Fund's Terms and Conditions, please see Appendix (1) below.

#### **6. Any other information which can enable the Unitholder to make a well founded decision based on sufficient information on the Fund's activities during the period**

N/A.

#### **7. Disclosure of the percentage management fees incurred by the Fund itself and its underlying funds**

As at 31 December 2023, the ratio of the management fees of underlying funds was 0.36%.

#### **8. Special commissions obtained by the Fund Manager during the period, clearly showing their types and uses (if any)**

N/A.

#### **9. Any statements and other information required by the Investment Funds Regulations to be included in this Report**

N/A.

#### **10. Management Term of the Person who is Registered as Fund Manager**

Since the commencement of the Fund operations on 7 January 2021.

#### **11. Disclosure of the ratio of expenses of each fund as at the end of the year, and the weighted average of the ratio of expenses of all main underlying funds (where applicable)**

The average ratio of expenses of the underlying funds was 0.63% as at the end of 2023.

## (D) Custodian

### 1. Name of and Address of the Custodian



#### **Alinma Investment Company**

CMA license 08134-37  
King Fahad Road  
P.O. Box 55560  
Riyadh 11544  
Kingdom of Saudi Arabia  
Unified Number: 8004413333  
Fax: +966 11 290 6299  
Email: [info@alinmainvest.com](mailto:info@alinmainvest.com)  
[www.alinmainvest.com](http://www.alinmainvest.com)

### 2. Brief Description of the Custodian's Obligations and Responsibilities

- Notwithstanding any delegation by the Custodian to one or more third parties under the provisions of CMA's Investment Funds Regulations or the Capital Market Institutions Regulations, the Custodian shall remain fully responsible for fulfillment of all of its obligations in accordance with the Investment Funds Regulations.
- The Custodian shall be liable to the Fund Manager and the Unitholders for the losses incurred by the Fund caused to the investment fund due to any fraud, negligence, misconduct or willful default on the part of the Custodian.
- The Custodian shall be responsible for taking custody of, and protecting the Fund's assets on behalf of unitholders, and taking all necessary administrative measures in relation to the custody of the Fund's assets.
- The Custodian shall take all necessary action to segregate the Fund's assets to be kept independently from any other assets, including the Custodian's assets and the assets of its other clients.

The Custodian may appoint one or more third parties or to any of its affiliates to act as Fund Sub-Custodian. The Custodian shall pay any fees and expenses related to the Sub-Custodian. The Custodian shall be liable in the event appointing any party (including its own affiliates) to perform any of the aforementioned duties.

## (E) Fund Operator

### 1. Name and Address of the Fund Operator



#### **Alkhabeer Capital**

CMA license 07074-37  
P.O. Box 128289  
Jeddah 21362  
Kingdom of Saudi Arabia  
Tel: +966 12 658 8888  
Fax: +966 12 658 6663  
CR 4030177445  
www.alkhabeer.com

### 2. Brief Description of the Obligations and Responsibilities of the Fund Operator

The Fund Operator shall, in relation to the Fund, perform all the administrative duties and obligations required in accordance with the Investment Funds Regulations, as well as other undertakings which may be necessary to implement and achieve the purposes, policies and objectives of the Fund. For example, without limitation:

- Keeping the books and records related to the operation of the Fund;
- Valuating the assets of the Fund.

The Fund Operator may appoint specialized sub-operators to the Fund, subject to the Fund Board's approval. They may be replaced at the Fund Manager's discretion, subject to the Fund Board's prior approval. The Fund Operator shall pay the fees and expenses of any sub-operator out of its own resources.

## (F) Auditor

### Name and Address of the Auditor



**Crowe Solutions for Professional Consulting**  
**Member of Crowe Global**  
P.O. Box 21499  
Jeddah 40097  
Kingdom of Saudi Arabia  
<https://www.crowe.com/sa>

## (G) Financial Statements

Please see Appendix (2) below.

## Appendix (1)

Current Version	Proposed Version
<p><b>Summary of the Fund</b></p>	
<p>The ZATCA registration expenses item was not previously included in the Fund Summary.</p>	<p><b>ZATCA Registration Expenses:</b> Expenses for ZATCA Registration and information declaration filings are expected to amount to a sum of SAR 15,000.</p>
<p><b>The Zakat item was not previously mentioned in the Fund Summary.</b></p>	<p><b>Zakat:</b> The Fund Manager shall also comply with the “Rules of Zakat Collection from Investors in Investment Funds”, as amended from time to time. The Fund Manager also undertakes to register the Fund with the Zakat, Tax and Customs Authority (ZATCA) for the purposes of zakat and filing requisite returns in accordance with CMA Rules and Regulations, as amended. The responsibility for the calculation and payment of zakat falls upon the Fund Unitholders. The Fund may not in any way be held liable in this respect. The Fund Manager undertakes to provide ZATCA with all reports and requirements pertaining to zakat returns within not more than 120 days after the end of the Fund’s zakat year. The Fund Manager will also provide Unitholders with zakat returns upon request in accordance with the rules. Zakat paying investors subject to these Rules holding Fund Units are required to calculate and pay zakat on those investments. The Fund Manager shall also notify ZATCA of the termination of the Fund within 60 days after the date of termination. ZATCA rules are available through the following link: <a href="https://zatca.gov.sa/en/Pages/default.aspx">https://zatca.gov.sa/en/Pages/default.aspx</a>.</p>
<p><b>4. Main Risks of Investing in the Fund</b></p>	
<p><b>Income Tax and Zakat Risks:</b> In accordance with the laws and regulations issued by ZATCA and are in effect in the Kingdom of Saudi Arabia, the Fund may have to register with ZATCA. Whereas ZATCA has not to date required CMA regulated investment funds to register for Zakat, thus making it voluntary, the laws and regulations provide that ZATCA is entitled to impose any zakat on investment funds or on investors in such funds. The zakat may be applied in the future or with retroactive effect, and may lead to the imposition of penalties for late payment of zakat. This may reduce the cash value available for the Fund’s operations and potential distributions to Unitholders. In all events, investors shall seek advice in respect of their zakat obligations related to their investments in the Fund.</p>	<p><b>4. Main Risks of Investing in the Fund</b></p> <p><b>Income Tax and Zakat Risks:</b> <b>The name of the General Authority of Zakat and Tax (GAZT) was changed to Zakat, Tax and Customs Authority (ZATCA).</b></p> <p><b>The following paragraph was added to the existing format:</b></p> <p>The Fund Manager shall also comply with the “Rules of Zakat Collection from Investors in Investment Funds”, as amended from time to time. The Fund Manager also undertakes to register the Fund with the Zakat, Tax and Customs Authority (ZATCA) for the purposes of zakat and filing requisite returns in accordance with CMA Rules and Regulations, as amended. The responsibility for the calculation and payment of zakat falls upon the Fund Unitholders. The</p>



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<p><b>Tax Withholding Risks:</b> In accordance with the Saudi Tax Laws, any payment made by a person who is a resident (whether a taxpayer or not) to a non-resident person is subject to tax in accordance with ZATCA laws and regulations related to tax withholding. Therefore, payment by any investment fund of dividend distributions to a non-resident shareholder is subject to tax withholding in a percentage to be determined by the authorities concerned. In accordance with currently recognized practices, investment funds may not make any tax withholding (with the exception of the withholding tax) on payments made by the Fund to Unitholders. Therefore, any tax withholding which may be due and payable on Fund distributions, may necessaries lead to the reduction of returns on any investment in the fund. Prospective investors should consult their tax advisors in respect of the tax effects of investing in, holding and disposing of, Fund Units.\</p>	<p><b>The name of the General Authority of Zakat and Tax (GAZT) was changed to Zakat, Tax and Customs Authority (ZATCA).</b></p>																				
<p><b>9. Compensation for Services, Commissions and Fees</b></p>																					
<p><b>The following table shows all fees and expenses and the method of calculation of compensation for services, commissions and fees, as well as the timing of their payment by the Fund:</b></p> <p>The ZATCA registration expenses item was not previously included in the fees.</p>	<p><b>The following table shows all fees and expenses and the basis of calculation of compensation for services, commissions and fees, as well as the timing of their payment by the Fund:</b></p> <table border="1" data-bbox="829 1524 1419 1680"> <thead> <tr> <th>Type of Fees</th> <th>Percentage / Amount Payable</th> <th>Basis of Calculation</th> <th>Timing of Calculation</th> <th>Basis of Payment</th> </tr> </thead> <tbody> <tr> <td>ZATCA Registration Expenses</td> <td>Expenses for ZATCA Registration and information declaration filings are expected to amount to a sum of SAR 15,000</td> <td>Lump Sum</td> <td>Payment date</td> <td>Annual</td> </tr> </tbody> </table>	Type of Fees	Percentage / Amount Payable	Basis of Calculation	Timing of Calculation	Basis of Payment	ZATCA Registration Expenses	Expenses for ZATCA Registration and information declaration filings are expected to amount to a sum of SAR 15,000	Lump Sum	Payment date	Annual										
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<p><b>(c) Hypothetical table showing the ratio of Fund costs to the Fund's total asset value at the level of the Fund and Unitholder during the</b></p>	<p><b>(c) Hypothetical table showing the ratio of Fund costs to the Fund's total asset value at the level of the Fund and Unitholder during the</b></p>																				

life of the Fund, including the ratio of recurring and non-recurring costs						life of the Fund, including the ratio of recurring and non-recurring costs																															
Hypothetical Fund Information (at the Fund's level) (SAR)		First Year		Second Year		Hypothetical Fund Information (at the Fund's level) (SAR)		First Year		Second Year																											
Hypothetical Distributions		51,681,575		52,314,075		Hypothetical Distributions		50,733,505		51,358,012																											
<b>f) Zakat and Tax:</b> As at the date of writing of the Terms and Conditions, there are no taxes due and payable by the Fund, and the Fund Manager does not pay zakat on behalf of Unitholders, and as stipulated in the Terms and Conditions, the Fund pays value added tax on fees paid for certain services received by the Fund from third parties.						<b>f) Zakat and Tax:</b> The following paragraph was added to the existing format: The Fund Manager shall also comply with the "Rules of Zakat Collection from Investors in Investment Funds", as amended from time to time. The Fund Manager also undertakes to register the Fund with the Zakat, Tax and Customs Authority (ZATCA) for the purposes of zakat and filing requisite returns in accordance with CMA Rules and Regulations, as amended. The responsibility for the calculation and payment of zakat falls upon the Fund Unitholders. The Fund may not in any way be held liable in this respect. The Fund Manager undertakes to provide ZATCA with all reports and requirements pertaining to zakat returns within not more than 120 days after the end of the Fund's zakat year. The Fund Manager will also provide Unitholders with zakat returns upon request in accordance with the rules. Zakat paying investors subject to these Rules holding Fund Units are required to calculate and pay zakat on those investments. The Fund Manager shall also notify ZATCA of the termination of the Fund within 60 days after the date of termination. ZATCA rules are available through the following link: <a href="https://zatca.gov.sa/en/Pages/default.aspx">https://zatca.gov.sa/en/Pages/default.aspx</a> .																															
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**Alkhabeer Diversified Income Traded Fund**  
**Annual Report 2023**

Fund's Total Assets						Fund's Total Assets							
<b>Recurring Fees and Expenses</b>						<b>Recurring Fees and Expenses</b>							
Ratio of Total Fees and Expenses to the Fund's Total Assets (total expense ratio)		1.53%	1.53%	1.47%	1.47%	Ratio of Total Fees and Expenses to the Fund's Total Assets (total expense ratio)		1.63%	1.63%	1.56%	1.56%		
Fund NAV before deduction at the end of the period	1,051,682,700	105,160	1,052,315,200	105,231.52		Fund NAV before deduction at the end of the period	1,050,733,505	105,073.35	1,051,358,012	105,135.80		10,861,985	108,620
Net Profit	51,682,700	5,168	52,345,200	5,232		Net Profit	50,733,505	5,073.35	51,358,012	5,135.80			
Net Profit %	5.17%		5.23%			Net Profit %	5.07%		5.14%				

**21. Fund Manager**

**(e) Description of the Fund Manager's Paid-Up Capital**

The capital of Alkhabeer Capital is SAR 894.5 million, fully paid.

**21. Fund Manager**

**(e) Description of the Fund Manager's Paid-Up Capital**

The capital of Alkhabeer Capital is SAR 894,523,230, fully paid.

**23. Custodian**

**(b) Number and Date of Issue of the Custodian's License by the CMA**

08134-37.

**23. Custodian**

**(b) Number and Date of Issue of the Custodian's License by the CMA**

09134-37.

**24. Board of Directors**

**(b) Overview of the Qualifications of the Fund Board Members**

Information on Fund Board members updated.

**(e) Any Actual or Potential Conflict of Interest between any Board Member and the Fund**

There is currently no actual or potential conflict between interests of the Fund Board members and the interests of the Fund.

**(e) Any Actual or Potential Conflict of Interest between any Board Member and the Fund**

In the event of any conflict of interest, the Fund Manager shall at all times abide by its duties towards the fund (including the obligations imposed on it under the Investment Funds Regulations issued by the Capital Market Authority). In the event of a conflict of interest, the Fund Manager will deal with all unitholders in a fair manner, and will not favor any of them over the other. The Fund's Board of Directors will seek to find a fair settlement of any disputes between the Fund and other collective investment programs that include related parties. Transactions with related parties, if any, shall be carried out on an arm's length basis. Procedures for dealing with cases of conflict of interest will be provided to unitholders based on a written request addressed to the Fund Manager. The policies and procedures

	to be followed to address conflicts of interest and any potential and/or actual conflicts of interest will be provided upon request at no charge.	
<b>(f) Other Funds Managed by Fund Board Members</b>		
Memberships of Fund Board members were updated.		
<b>Appendix (1) – Summary Financial Disclosure</b>		
The ZATCA registration expenses item was not previously included in the Summary Financial Disclosure.	<b>Type of Fees</b>	<b>Description</b>
	ZATCA Registration Expenses	Expenses for ZATCA Registration and information declaration filings are expected to amount to a sum of SAR 15,000.
The zakat item was not previously included in the Summary Financial Disclosure	<b>Type of Fees</b>	<b>Description</b>
	Auditor's Fees	The Fund shall pay the Auditor annual fees of SAR 35,000.
The zakat item was not previously included in the Summary Financial Disclosure	<b>Type of Fees</b>	<b>Description</b>
	Auditor's Fees	The Fund shall pay the Auditor annual fees of SAR 50,000.
The zakat item was not previously included in the Summary Financial Disclosure	<b>Type of Fees</b>	<b>Description</b>
	Zakat	The Fund Manager shall also comply with the "Rules of Zakat Collection from Investors in Investment Funds", as amended from time to time. The Fund Manager also undertakes to register the Fund with the Zakat, Tax and Customs Authority (ZATCA) for the purposes of zakat and filing requisite returns in accordance with CMA Rules and Regulations, as amended. The responsibility for the calculation and payment of zakat falls upon the Fund Unitholders. The Fund may not in any way be held liable in this respect. The Fund Manager undertakes to provide ZATCA with all reports and requirements pertaining to zakat returns within not more than 120 days after the end of the Fund's zakat year. The Fund Manager will also provide Unitholders with zakat returns upon request in accordance with the rules. Zakat paying investors subject to these Rules holding Fund Units are required to calculate and pay zakat on those investments. The Fund Manager shall also notify ZATCA of the termination of the Fund within 60 days after the date of termination. ZATCA rules are available through the following link: <a href="https://zatca.gov.sa/en/Pages/default.aspx..">https://zatca.gov.sa/en/Pages/default.aspx..</a>

## Appendix (2)



Smart decision. Lasting value.

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Member Crowe Global

**ALKHABEER DIVERSIFIED INCOME TRADED FUND – Expressed in Saudi Riyal**  
(Managed by Alkhabeer Capital Company)

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**ALKHABEER DIVERSIFIED INCOME TRADED FUND – Expressed in Saudi Riyal**  
(Managed by Alkhabeer Capital Company)  
**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR’S REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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<b>INDEX</b>	<b>PAGE</b>
Independent auditor’s report	1 - 5
Statement of financial position	6
Statement of profit or loss and other comprehensive income	7
Statement of changes in equity attributable to unitholders	8
Statement of cash flows	9
Notes to the financial statements	10 - 25



**Independent Auditor’s Report**

**To: The Unitholders**  
**Alkhabeer Diversified Income Traded Fund – Expressed in Saudi Riyal**  
 (Managed by Alkhabeer Capital Company)  
**Jeddah, Kingdom of Saudi Arabia**

**Opinion**

We have audited the financial statements of **Alkhabeer Diversified Income Traded Fund (“The Fund”) managed by Alkhabeer Capital Company (“The Fund Manager”)**, which comprise the statement of financial position as of December 31, 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity attributable to unitholders and the statement of cash flows for the year then ended and the accompanying notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. 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 professional code of conduct and ethics, that are endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Below is the description of each key audit matters and how our audit procedures addressed to the audit matters mentioned:

Key Audit Matters	How We Addressed Key Audit Matters
<p><b>Valuation of financial assets at fair value through profit or loss</b></p> <p>As at December 31, 2023, the carrying values of financial assets at fair value through profit or loss aggregated to SAR 145.6 million (2022: SAR 153.9 million).</p>	<ul style="list-style-type: none"> <li>• We assessed the design and implementation and tested the operating effectiveness of key controls over;               <ul style="list-style-type: none"> <li>- management’s processes for performing valuation financial assets; and</li> <li>- IT system and the data integrity of the investment portfolio information held.</li> </ul> </li> </ul>

**Independent Auditor's Report- continued**

**To: The Unitholders**

**Alkhabeer Diversified Income Traded Fund – Expressed in Saudi Riyal**

(Managed by Alkhabeer Capital Company)

**Jeddah, Kingdom of Saudi Arabia**

**Key Audit Matters - continued**

<b>Key Audit Matters</b>	<b>How We Addressed Key Audit Matters</b>
<p>The fair value of these financial assets is determined through the application of valuation techniques which often involve the exercise of judgment by management and the use of assumptions and estimates.</p> <p>Estimation uncertainty exists for those assets not traded in an active market (i.e. unquoted) and where the internal modelling techniques use:</p> <ul style="list-style-type: none"> <li>• significant observable valuation inputs (i.e. level 2 investments); and</li> <li>• significant unobservable valuation inputs (i.e. level 3 investments).</li> </ul> <p>The valuation of the Fund's financial assets in level 3 category was considered a key audit matter given the degree of complexity involved in valuing these investments and the significance of the judgments and estimates made by the management.</p> <p>Refer to note (4) to the financial statements for details of significant judgements applied in valuation of financial assets carried at fair value and note (18) which explain the investment valuation methodology used by the Fund and the critical judgments and estimates.</p>	<ul style="list-style-type: none"> <li>• We evaluated the valuation techniques, inputs and reasonableness of assumptions used by management to value financial assets.</li> <li>• Ensured of Fund's ownership of these financial assets as at December 31, 2023.</li> <li>• Obtaining reports for calculating the fair value for financial assets as at December 31, 2023 and compared it with their balances.</li> <li>• Communicate with portfolio managers and discuss the basis used to calculate the fair value of these investments.</li> <li>• We assessed the correct classifications of the financial assets within the hierarchy and also considered IFRS 9 related disclosures in the financial statements.</li> </ul>



## Independent Auditor's Report- continued

**To: The Unitholders**  
**Alkhabeer Diversified Income Traded Fund – Expressed in Saudi Riyal**  
(Managed by Alkhabeer Capital Company)  
**Jeddah, Kingdom of Saudi Arabia**

### **Other Information Included in the Fund's 2023 Annual Report**

Other information consists of the information included in the Fund's 2023 Annual Report, other than the financial statements and our report thereon.

The Fund Board of Directors are responsible for the other information. The Fund's 2023 Annual Report is expected to be made available to us after the date of this report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance regarding them.

Regarding our audit of the financial statements, our responsibility is to read the other information referred to above when it becomes available to us. In doing so, we consider whether this information is materially inconsistent with the accompanying financial statements, information obtained during our audit, or otherwise materially misstated.

When we read the annual report when it is available to us, and if we find any material misstatement therein, we are required to report on this matter to those charged with governance.

### **Responsibilities of the Fund Manager and Those Charged with Governance for the Financial Statements**

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants, the applicable provisions of the investment Funds regulation and the Funds terms and conditions, and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Fund Manager is 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 Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (the Fund Board of Directors) are responsible for overseeing the financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Independent Auditor's Report- continued**

**To: The Unitholders**

**Alkhabeer Diversified Income Traded Fund – Expressed in Saudi Riyal**  
(Managed by Alkhabeer Capital Company)  
**Jeddah, Kingdom of Saudi Arabia**

**Auditor's Responsibilities for the Audit of the Financial Statements - continued**

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 Fund Manager.
- Conclude on the appropriateness of the Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



**Independent Auditor's Report- continued**

**To: The Unitholders**  
**Alkhabeer Diversified Income Traded Fund – Expressed in Saudi Riyals**  
(Managed by Alkhabeer Capital Company)  
**Jeddah, Kingdom of Saudi Arabia**

**Auditor's Responsibilities for the Audit of the Financial Statements - continued**

Among the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



**Crowe Solutions for Professional Consulting**



**Abdullah M. AlAzem**  
**License No. (335)**

15 Ramadan 1445H (March 25, 2024)  
Jeddah, Kingdom of Saudi Arabia

**ALKHABEER DIVERSIFIED INCOME TRADED FUND**  
(Managed by Alkhabeer Capital Company)  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2023**  
(Expressed in Saudi Riyal)

		<b>As at December 31,</b>	
	Note	<b>2023</b>	2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	<b>19,750,490</b>	17,392,966
Dividends receivable	6	<b>8,763,429</b>	5,820,868
Prepaid expenses and other debit balances	7	<b>47,173,506</b>	2,840,272
Financial assets	8-b	<b>104,995,324</b>	148,454,360
<b>Total current assets</b>		<b>180,682,749</b>	174,508,466
<b>Non-current assets</b>			
Prepaid expenses and other debit balances	7	<b>4,978,363</b>	2,691,469
Financial assets	8-a,b	<b>316,598,683</b>	345,242,328
<b>Total non-current assets</b>		<b>321,577,046</b>	347,933,797
<b>Total assets</b>		<b>502,259,795</b>	522,442,263
<b>LIABILITIES AND EQUITY ATTRIBUTABLE TO UNITHOLDERS</b>			
<b>Current liabilities</b>			
Accrued expenses and other credit balances	9	<b>1,477,270</b>	371,295
Due to related parties	10	<b>3,115,572</b>	3,079,176
Credit facilities	11	<b>28,669,984</b>	48,754,009
<b>Total liabilities</b>		<b>33,262,826</b>	52,204,480
<b>EQUITY ATTRIBUTABLE TO UNITHOLDERS</b>		<b>468,996,969</b>	470,237,783
<b>Total liabilities and equity attributable to unitholders</b>		<b>502,259,795</b>	522,442,263
<b>Number of units issued (unit)</b>		<b>47,281,470</b>	47,281,470
<b>Equity per unit (SR per unit)</b>		<b>9.9193</b>	9.9455

The accompanying notes from (1) to (22) form an integral part of these financial statements.

**ALKHABEER DIVERSIFIED INCOME TRADED FUND**

(Managed by Alkhabeer Capital Company)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2023**

(Expressed in Saudi Riyal)

		<b>For the year ended</b>	
		<b>December 31,</b>	
	Note	<b>2023</b>	<b>2022</b>
Dividends from financial assets		<b>41,343,686</b>	38,950,885
Realized losses from financial assets	8-a	<b>(760,685)</b>	(7,163,731)
Unrealized losses from financial assets	8-a	<b>(1,620,402)</b>	(9,639,939)
<b>Net revenue</b>		<b>38,962,599</b>	22,147,215
<b>Expenses</b>			
Management fees	10-13	<b>(5,436,698)</b>	(5,455,996)
Administration and custody fees	10-13	<b>(635,670)</b>	(637,599)
Other expenses	12	<b>(4,370,657)</b>	(3,449,758)
<b>Total expenses</b>		<b>(10,443,025)</b>	(9,543,353)
Finance costs		<b>(2,546,339)</b>	(3,004,239)
Foreign currency exchange (loss) / gain		<b>(736,426)</b>	282,010
<b>Profit for the year</b>		<b>25,236,809</b>	9,881,633
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>25,236,809</b>	9,881,633

The accompanying notes from (1) to (22) form an integral part of these financial statements



**ALKHABEER DIVERSIFIED INCOME TRADED FUND**  
 (Managed by Alkhabeer Capital Company)  
**STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO UNITHOLDERS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
 (Expressed in Saudi Riyal)

		<b>For the year ended</b>	
		<b>December 31,</b>	
	Note	<b>2023</b>	2022
<b>Equity attributable to unitholders</b>			
Equity attributable to unitholders at the beginning of the year		<b>470,237,783</b>	484,469,700
Dividends	20	<b>(26,477,623)</b>	(24,113,550)
Comprehensive income for the year		<b>25,236,809</b>	9,881,633
<b>Equity attributable to unitholders at the end of the year</b>		<b>468,996,969</b>	470,237,783

Transactions in units for the year are summarized as follows:

		<b>For the year ended</b>	
		<b>December 31,</b>	
		<b>2023</b>	2022
<b>Number of units at the beginning and at the end of the year (unit)</b>		<b>47,281,470</b>	47,281,470

The accompanying notes from (1) to (22) form an integral part of these financial statements.

**ALKHABEER DIVERSIFIED INCOME TRADED FUND**  
(Managed by Alkhabeer Capital Company)  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
(Expressed in Saudi Riyal)

	<b>For the year ended</b>	
	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Profit for the year	<b>25,236,809</b>	9,881,633
<b>Adjustments:</b>		
Finance costs	<b>2,546,339</b>	3,004,239
Realized losses from financial assets	<b>760,685</b>	7,163,731
Unrealized losses from financial assets	<b>1,620,402</b>	9,639,939
<b>Changes in operating assets and liabilities:</b>		
Dividends receivable	<b>(2,942,561)</b>	(1,322,187)
Prepaid expenses and other debit balances	<b>(46,620,128)</b>	(1,167,401)
Accrued expenses and other credit balances	<b>975,027</b>	(66,925)
Due to related parties	<b>36,396</b>	277,963
Net change in financial assets	<b>69,721,594</b>	18,376,352
Finance cost paid	<b>(2,416,601)</b>	(2,805,370)
<b>Net cash provided by operating activities</b>	<b>48,917,962</b>	42,981,974
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>		
Proceeds from credit facilities	<b>138,885,794</b>	-
Payments of credit facilities	<b>(158,969,819)</b>	(64,552,277)
Dividends	<b>(26,476,413)</b>	(24,113,550)
<b>Net cash used in financing activities</b>	<b>(46,560,438)</b>	(88,665,827)
<b>Net change in cash and cash equivalents</b>	<b>2,357,524</b>	(45,683,853)
Cash and cash equivalents at the beginning of the year	<b>17,392,966</b>	63,076,819
<b>Cash and cash equivalents at the end of the year</b>	<b>19,750,490</b>	17,392,966

The accompanying notes from (1) to (22) form an integral part of these financial statements.

# **ALKHABEER DIVERSIFIED INCOME TRADED FUND**

(Managed by Alkhabeer Capital Company)

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023**

(Expressed in Saudi Riyal)

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### **1. THE FUND AND ITS ACTIVITIES**

Alkhabeer Diversified Income Traded Fund ("The Fund") is a Sharia compliant investment traded fund, established in accordance in the rules and regulations enforced in KSA as well as under the guidelines of Capital Market Authority ("CMA"). The Fund has been established on 7 January 2021 and managed by Alkhabeer Capital Company ("Alkhabeer Capital" or the "Fund Manager"), for the benefit of the Fund's unitholders. The Fund is ultimately supervised by the Fund Board of Directors. Alinma Investment Company acts as the Custodian of the Fund.

The objective of the Fund is to generate periodic income for investors by investing in income-generating assets that are compatible with the regulations of the Sharia Board.

The establishment of the Fund has been approved by the CMA on September 17, 2020 (corresponding to Muharram 29, 1442 H). The inception date of the Fund was January 7, 2021 (corresponding to Jamada Alawwal 23, 1442 H) and the Fund was listed on Saudi Tadawul on January 19, 2021 (corresponding to Jamada Alakhir 6, 1442 H).

In dealing with the unitholders, the Fund Manager considers the Fund as an independent entity. Accordingly, the Fund prepares its own financial statements. Furthermore, unitholders are considered owners of the assets of the Fund and distributions may be made in relation to their respective ownership in the total number of outstanding units.

The Fund's term is 99 years following the date of listing units on Saudi Tadawul. The term of the Fund may be extended at the Fund Manager's discretion subject to CMA approval.

The Fund is subject to the Sharia Boards guidelines in its investments and transactions.

### **2. REGULATORY AUTHORITY**

The Fund was established and its units are offered based on the Investment Funds Regulations issued by CMA, Resolution number 1-219-2006 dated 03/12/1427H ("Investment Funds Regulations") issued by Royal Decree No. M/30 dated 2/6/1424H and amended by the CMA Board Resolution No. 2-22-2021 dated 12/7/1442H (corresponding to 24/2/2021) to be updated with the rapid developments and changes regarding the regulations and rules of the Authority in the Kingdom of Saudi Arabia.

### **3. BASIS OF PREPARATION**

#### **Statement of compliance**

The Fund's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants, and the provisions specified by the Fund regulations issued by the CMA, the terms and conditions of the Fund and the information memorandum.

#### **Basis of measurement**

These financial statements of the Fund have been prepared on a historical cost basis except for the items that are measured at fair value, present value, net realizable value, and replacement cost in line with the accrual basis of accounting and going concern basis for the Fund.

#### **Functional and presentation currency**

The accompanying financial statements are presented in Saudi Riyal, which is the Fund's functional and presentation currency.

## **ALKHABEER DIVERSIFIED INCOME TRADED FUND**

(Managed by Alkhabeer Capital Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023 (Expressed in Saudi Riyal)**

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#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **A) New standards, amendments to standards and interpretations:**

The Fund adopted the following new standards and amendments for the first time as of January 1, 2023, and the Fund Manager believes that the amendments do not have a material impact on the Fund's financial statements.

##### **- IFRS 17 “Insurance Contracts”**

This standard replaces IFRS 4, which allows for a wider range of practices in accounting for insurance contracts.

##### **- Amendments to IAS 12 - Deferred tax relating to assets and liabilities arising from a single transaction**

Requires companies to recognize deferred tax on transactions that, upon initial recognition, result in equal amounts of deductible and taxable temporary differences.

##### **- Amendment to IAS 12 - Global Tax Reform: Model Rules for Pillar 2**

These amendments provide companies with a temporary exemption from accounting for deferred taxes arising from global tax reform. The amendments also include targeted disclosure requirements for affected companies.

##### **b) Standards issued that have not yet been effective**

The following is a statement of the new standards and amendments to the standards applied for the years beginning on or after January 1, 2024, with early application permitted, but the Fund did not apply them when preparing these financial statements. These amendments are not expected to have a material impact on the Fund's financial statements.

##### **- Amendments to IFRS 16 - Lease Obligations on a Sale and Leaseback Basis:**

These amendments include requirements for sale and leaseback transactions in IFRS 16 to clarify how the Fund accounts for sale and leaseback transactions after the date of the transaction. Sale and leaseback transactions in which some or all of the lease payments are considered to be variable lease payments depend on the index or price that is highly likely to be affected.

##### **- Amendments to IAS 1 - Non-current liabilities with commitments and classification of liabilities as current or non-current**

These amendments clarify how the conditions that the Fund must comply with during the twelve months after the reporting period affect the classification of liabilities. These amendments also aim to improve the information provided by the Fund regarding the liabilities subject to these conditions.

##### **- Amendments to IAS 7 and IFRS 7 - Supplier Financing Arrangements**

These amendments require disclosures to enhance the transparency of a supplier's financing arrangements, their effects on the Fund's liabilities and cash flows, and its exposure to liquidity risk. The disclosure requirements are the IASB's response to investor concerns that some fund supplier financing arrangements are not sufficiently visible, hampering investor analysis.

##### **- IFRS (Sustainability 1) “General requirements for the disclosure of financial information related to sustainability”**

This standard includes the basic framework for disclosing material information about material risks and opportunities related to sustainability across an organization's value chain.

## **ALKHABEER DIVERSIFIED INCOME TRADED FUND**

(Managed by Alkhabeer Capital Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023 (Expressed in Saudi Riyal)**

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#### **- IFRS (Sustainability 2) “Climate-related disclosures”**

This is the first objective standard issued that sets requirements for entities to disclose information about climate-related risks and opportunities.

#### **Fair value measurement**

The fair value represents the amount that would be received from selling an asset or paid to transfer a liability between informed parties under the same terms of business with others. The fair value measurement depends on the following conditions:

- The principal market for assets or liabilities, or
- The most advantageous market for assets and liabilities in the absence of a primary market, or
- Use discounted cash flows in the absence of a major market or the most advantageous market.

#### **Assets or liabilities measured at fair value**

- Separate assets or liabilities.
- A group of assets or a group of liabilities or a group of assets and liabilities.
- A set of accounting policies and notes that require calculating the fair value of financial and non-financial assets and liabilities.
- The Fund uses market inputs that are observable as far as possible when measuring the fair value of assets and liabilities.

The Fund determines fair value using valuation techniques. The Fund also uses the following levels which reflect the importance of inputs used in determining fair value:

- **Level 1:** quoted prices (unadjusted) in an active market for similar assets or liabilities.
- **Level 2:** valuation techniques based on inputs other than quoted prices included in Level 1 that can be observable for assets and liabilities, directly or indirectly.
- **Level 3:** valuation techniques that use inputs that have an important impact on fair value but are not based on observable inputs.

#### **Cash and cash equivalents**

Cash and cash equivalents includes cash at banks and cash at portfolios, and deposits held at call with banks with maturities of three months.

#### **Credit facilities**

Credit facilities are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the recoverable amount is recognized in profit or losses over the period of the credit facilities using the effective interest rate method. Fees paid on the establishment of credit facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be withdrawn. In this case, the fee is deferred until the withdrawal occurs.

To the extent that there is no evidence that it is probable that some or all of the facility will be withdrawn, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it belongs.

IAS 23, “Borrowing costs” requires any incremental transaction cost to be amortized using the Effective Interest Rate (EIR). The Fund accounts for finance cost (interest cost and amortization of transaction cost) as per the effective interest rate method. For floating rate loans, EIR determined at initial recognition of loan liabilities is used for the entire contract period. Borrowing cost incurred for any qualifying assets are capitalized as part of the cost of the asset.

## **ALKHABEER DIVERSIFIED INCOME TRADED FUND**

(Managed by Alkhabeer Capital Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023 (Expressed in Saudi Riyal)**

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#### **Accrued expenses and other credit balances**

Liabilities are recognized for the amount to be paid in the future for services received, whether billed by the supplier or not.

#### **Expenses**

All expenses are classified as operating expenses unless another classification is consistent with the nature of the item of expense and circumstances of the Fund.

#### **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the amount can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts and taxes.

Realized gains and losses on investments at financial assets sold are determined on a weighted average cost basis.

Dividend income is recognized in the statement of profit or loss when declared (i.e. when the Fund's right to receive the dividend is established).

The following is an explanation of the sources of revenue:

#### **Sukuk investments**

Investments are made in sovereign or quasi-sovereign sukuk or corporate sukuk offered publicly or privately, issued locally and internationally and in compliance with the regulations of the Sharia Board, and the currency of these sukuk is either the Saudi Riyals, the US dollar, or any other currency linked to the US dollar. The Fund Manager has the right to invest in any investment grade sukuk issuance, and he must not invest more than 5% of the Fund's assets in sukuk rated below investment grade, or in unrated sukuk, provided that the credit rating rate of the sukuk portfolio is an investment (Baa3-/BBB) or higher as rated by Standard & Poor's/Fitch or Moody's). In the event that the credit rating degrees vary according to the companies approved for the rating, the lower rating grade must be applied.

The Fund can invest in the sukuk by an intermediary broker, and the Fund Manager is responsible for appointing the intermediary broker in accordance with the rules and regulations issued by the Capital Market Authority.

#### **Trade finance deals**

Investments in trade finance deals are made through a diversified portfolio of short-term trade finance deals with asset guarantees and/or insurance contracts, in compliance with the Sharia Board's controls, distributed in global markets outside the Kingdom of Saudi Arabia and subject to the rules and regulations issued by the financial and supervisory bodies regulating those markets. in the countries in which you work. The Fund Manager will contract with an executing broker to carry out the trade finance deals. In this case, the implementing broker shall abide by the indicative investment controls agreed upon with the Fund Manager, and the Fund Manager shall be responsible for appointing the implementing broker in accordance with the rules and regulations issued by the Capital Market Authority.

## **ALKHABEER DIVERSIFIED INCOME TRADED FUND**

(Managed by Alkhabeer Capital Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023 (Expressed in Saudi Riyal)**

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#### **Leasing agreements**

Investments in Al-Ijarah transactions are made through a diversified portfolio consisting of medium to long-term lease contracts that are used to supply different types of equipment in multiple sectors, and are compatible with the controls of the Sharia Board and distributed in global markets outside the Kingdom of Saudi Arabia and are subject to the rules and regulations issued by the financial and supervisory bodies Regulating those markets in the countries in which they operate. These include - but are not limited to - transportation, public utilities, shipping, hygiene and maintenance, chemical production, food packaging, and health care. Al-Ijarah transactions are secured by the ownership of the assets in favor of the fund. The Fund Manager will contract with an executing broker to carry out Al-Ijarah transactions. In this case, the implementing broker shall abide by the indicative investment controls agreed upon with the Fund Manager, and the Fund Manager shall be responsible for appointing the implementing broker in accordance with the rules and regulations issued by the Capital Market Authority.

#### **Income funds**

Investments are made in income funds that are managed by fund managers, including the Fund Manager, who are licensed by the CMA or a similar entity in the event of investing in funds outside the Kingdom of Saudi Arabia, provided that they are in compliance with the Sharia Board's regulations. These funds invest in different income-generating asset classes, including "but not limited to" trade finance, credit finance, Al-Ijarah, sukuk, income-generating shares and Murabaha deals. The Fund Manager will make sure when investing in any of these funds that the investment strategy of the target fund is compatible with the investment strategy of the Fund. Income funds that can be invested in include funds offered publicly or privately, provided that the investment in private funds does not exceed 25% of the fund's net asset value.

#### **Murabaha agreements**

Murabaha transactions are invested in Saudi Riyal at banks licensed by the Saudi Arabian Monetary Agency and operating in the Kingdom of Saudi Arabia, provided that they are in compliance with the Sharia Board's regulations.

#### **Finance costs**

Finance cost is recognized in the statement of profit or loss for the year in which they are incurred.

#### **Dividends**

Interim and final dividends are recorded as liability in the period in which they are approved by the Fund Board of Directors.

#### **Zakat**

According to the rules for Zakat levy from investors in investment funds, investment funds are not obligated to pay zakat. Instead, they are only required to submit an Information declaration on the calculation of the zakat base for the fund. Therefore, no provision is made for such liabilities in these financial statements.

#### **Net equity per unit**

The net equity per unit is calculated and disclosed in the financial position by dividing the net assets of the Fund attributable to unitholders by the number of issued units.

#### **Financial instruments**

A financial instrument is any contract that results in a financial asset of one entity and a financial liability or equity instrument in another entity.

## **ALKHABEER DIVERSIFIED INCOME TRADED FUND**

(Managed by Alkhabeer Capital Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023 (Expressed in Saudi Riyal)**

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#### **Financial assets**

##### **Classification and initial recognition**

The Fund classifies its financial assets in the following measuring categories:

- Financial assets measured at fair value (either through profit or loss, or through other comprehensive income), and
- Financial assets measured at amortized cost.

Classification depends on the business model of the Fund to manage financial assets, and on the contractual terms of cash flows.

For assets that are measured at fair value, gain and losses will either be recorded in profit or loss or other comprehensive income (OCI). For investment in debt instruments, it depends on the business model in which investment is held. For investment in equity instruments, it depends on whether the Fund has made an irreversible selection at the time of initial recognition to account for the equity instruments at fair value through OCI. The Fund reclassifies debt instruments only when its business model for managing those assets changes.

At initial recognition, the Fund measures a financial asset (not classified as part of fair value through profit or loss) at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset through OCI. In the case of financial assets measured at fair value through profit or loss, the transaction costs are recorded in profit or loss.

##### **Equity instruments**

The Fund subsequently measures all equity investments at fair value. Where the Fund's management has elected to present the gains or losses from fair value on equity investments in OCI, gains or losses from fair value will not be reclassified subsequently to profit or loss. Dividends from such investments continue to be recognized in profit or loss as other income when the Fund's right to receive payments is established. Impairment losses and reversal of impairment losses on equity investments measured at FVOCI are treated separately within net assets.

Changes in the fair value of financial assets measured at fair value are recognized at fair value through profit or loss in profit or loss.

##### **Debt instruments**

Subsequent measurement of debt instruments depends on the Fund's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Fund classified its debt instruments:

- **Amortized cost**

A financial asset is measured at amortized cost if it meets the following conditions and is not classified as fair value through profit or loss:

- The asset is maintained within a business model that aims to retain assets to collect contractual cash flows.
- The contractual provisions of the financial asset give rise to cash flows on specific dates that are limited to payments of principal and commission only on the amount of principal outstanding.



## **ALKHABEER DIVERSIFIED INCOME TRADED FUND**

(Managed by Alkhabeer Capital Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023 (Expressed in Saudi Riyal)**

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#### **• Fair value through other comprehensive income (FVOCI)**

Assets that are held for collection of contractual cash flows and for selling the financial assets, are measured at fair value through other comprehensive income (FVOCI). Movements in carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains or losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from OCI to retained earnings. Realized gain or loss are recognized in profit or loss.

#### **• Financial assets measured at fair value through profit or loss**

Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through statement of profit or loss (FVTPL). A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship as part of profit or loss. It is recognized in net as gains or losses in the year it occurs. Similarly, interest income from these financial assets is included as financial interest in gains or losses.

#### **Effective interest rate method**

The effective interest rate method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash inflows through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net book value on initial recognition.

#### **Impairment**

The Fund assesses on a forward-looking basis the expected credit losses associated with its financial assets measured at amortized cost and FVOCI. The impairment methodology used depends on whether there has been a significant increase in credit risk.

#### **Financial assets at fair value through profit or loss.**

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as "held for trading" if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

#### **Financial liabilities**

##### **A financial liability is classified as follows:**

- Contractual obligation to deliver cash or another financial asset to another entity.
- Contractual obligation to exchange financial instruments with another entity under conditions that are expected to be unfavorable to the entity.
- A non-derivative contract for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments.

## **ALKHABEER DIVERSIFIED INCOME TRADED FUND**

(Managed by Alkhabeer Capital Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023 (Expressed in Saudi Riyal)**

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#### **Recognition and measurement**

All financial liabilities are recognized initially at fair value. Subsequently, it is measured at amortized cost using effective interest rate methods. The Fund's financial liabilities include accrued expenses and other credit balances and due to related parties.

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

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

#### **De-recognition of financial assets**

The Fund de-recognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognizes its retained interest in the asset and liability related to the amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognize the financial asset and also recognizes the liabilities associated with the proceeds received.

On de-recognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the amount of the consideration received and accrued is recognized in the profit or loss. In addition, on de-recognition of an investment in a debt instrument classified as at FVTOCI, the gain or loss previously recognized in the revaluation reserve is reclassified to the profit or loss. In contrast, on de-recognition of an investment in equity instrument which the Fund has elected on initial recognition to measure at FVTPL, the gains or losses are recognized in profit or loss.

The Fund's financial liabilities are de-recognized only if relieved, cancelled or expired. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable, including any non-cash assets transferred or liabilities incurred, is recognized in profit or loss.

#### **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of the Fund's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses and assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of assets or liabilities affected in future years.

#### **Fair value measurement of financial instruments**

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to the models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and price volatility risk. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

## ALKHABEER DIVERSIFIED INCOME TRADED FUND

(Managed by Alkhabeer Capital Company)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023 (Expressed in Saudi Riyal)

#### Impairment in the value of financial assets carried at amortized cost

The Fund recognizes an allowance for expected credit losses for all debt instruments not listed at fair value through profit or loss. Expected credit losses are determined on the basis of the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at approximately the effective commission rate. Expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are an integral part of the contractual terms.

#### 5. CASH AND CASH EQUIVALENTS

	2023	2022
Cash at banks	17,668,107	16,311,192
Cash at investment portfolios	2,082,383	1,081,774
	<u>19,750,490</u>	<u>17,392,966</u>

#### 6. DIVIDENDS RECEIVABLE

The balance represents the profits due to the Fund resulting from investing in financial assets that the Fund has not received up to the date of the financial statements.

#### 7. PREPAID EXPENSES AND OTHER DEBIT BALANCES

	2023	2022
Prepaid commissions	1,966,956	2,901,321
Advance to purchase investment	3,468,659	-
Other debit balances*	46,716,254	2,630,420
	<u>52,151,869</u>	<u>5,531,741</u>
Less: current portion	(47,173,506)	(2,840,272)
Non-current portion	<u>4,978,363</u>	<u>2,691,469</u>

\* Other debit balances represent investments in trade financing (Murabaha) where the maturity period has ended, subsequent to the year ended December 31, 2023. these amounts were recovered.

#### 8. FINANCIAL ASSETS

##### a- Fair value through profit or loss:

<u>December 31, 2023</u>	Sukuk investments*	Investments in funds**	Total
Balance at the beginning of the year	32,766,994	121,174,954	153,941,948
Additions	-	9,888,229	9,888,229
Disposals	-	(15,818,063)	(15,818,063)
Unrealized losses	(157,478)	(1,462,924)	(1,620,402)
Realized losses	-	(760,685)	(760,685)
Balance at the end of the year	<u>32,609,516</u>	<u>113,021,511</u>	<u>145,631,027</u>

**ALKHABEER DIVERSIFIED INCOME TRADED FUND**

(Managed by Alkhabeer Capital Company)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**  
(Expressed in Saudi Riyal)

<u>December 31, 2022</u>	Sukuk investments*	Investments in funds**	Total
Balance at the beginning of the year	76,301,844	94,450,491	170,752,335
Additions	12,293,276	55,651,918	67,945,194
Disposals	(40,284,676)	(27,667,235)	(67,951,911)
Unrealized losses	(8,379,719)	(1,260,220)	(9,639,939)
Realized losses	(7,163,731)	-	(7,163,731)
Balance at the end of the year	<u>32,766,994</u>	<u>121,174,954</u>	<u>153,941,948</u>

\* The source of fair value is the market value of the Sukuk described in the investment portfolio report.

\*\* The source of fair value is net asset value as announced by the fund manager.

**b- Amortized cost:**

<u>December 31, 2023</u>	Investments in trade financing	Leasing deals	Islamic leasing and finance 18*	Islamic leasing and finance 19*	Islamic leasing and finance 23	Total
Balance at the beginning of the year	148,454,360	62,136,598	86,320,217	37,265,528	5,578,037	339,754,740
Additions	218,458,354	613,333	-	-	-	219,071,687
Matured	(261,917,390)	(1,177,827)	(15,197,113)	(4,033,164)	(537,953)	(282,863,447)
Balance at the end of the year	<u>104,995,324</u>	<u>61,572,104</u>	<u>71,123,104</u>	<u>33,232,364</u>	<u>5,040,084</u>	<u>275,962,980</u>
					Less: current portion	<u>(104,995,324)</u>
					Non- current portion	<u>170,967,656</u>
<u>December 31, 2022</u>	Investments in trade financing	Leasing deals	Islamic leasing and finance 18*	Islamic leasing and finance 19*	Islamic leasing and finance 23	Total
Balance at the beginning of the year	138,235,898	62,155,418	106,528,180	45,064,800	6,140,079	358,124,375
Additions	271,041,434	-	-	-	-	271,041,434
Matured	(260,822,972)	(18,820)	(20,207,963)	(7,799,272)	(562,042)	(289,411,069)
Balance at the end of the year	<u>148,454,360</u>	<u>62,136,598</u>	<u>86,320,217</u>	<u>37,265,528</u>	<u>5,578,037</u>	<u>339,754,740</u>
					Less: current portion	<u>(148,454,360)</u>
					Non- current portion	<u>191,300,380</u>

\*The credit facilities are secured against the investment classified at amortized cost from Islamic leasing and finance (18) and (19) at NBK as shown in Note (11).

**9. ACCRUED EXPENSES AND OTHER CREDIT BALANCES**

	<u>2023</u>	2022
Accrued finance interest	<u>129,738</u>	198,869
Accrued professional and consulting fees	<u>137,771</u>	172,426
Other accrued expenses	<u>1,209,761</u>	-
	<u>1,477,270</u>	<u>371,295</u>

## ALKHABEER DIVERSIFIED INCOME TRADED FUND

(Managed by Alkhabeer Capital Company)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023 (Expressed in Saudi Riyal)

#### 10. RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties' transactions represent the management fees, administration fees, custody fees, and compensations to the independent Board Members.

a) Due to related parties comprise the following:

Related parties	Nature of relationship	Nature of transaction	Volume of transaction for the year ended December 31,		Balance as at December 31,	
			2023	2022	2023	2022
Alkhabeer Capital Company	Fund Manager	Management fees Administration fees Payments	<b>5,436,698</b> <b>543,670</b> <b>(5,987,999)</b>	5,455,996 545,599 (5,689,857)	<b>3,010,572</b>	3,018,203
Alinma Investment Company	Custodian	Custody Fees Payments	<b>92,000</b> <b>(34,973)</b>	92,000 (117,939)	<b>92,000</b>	34,973
Fund Board of Directors	Board of Directors	Compensation to Independent Fund Board Members Payments	<b>26,000</b> <b>(39,000)</b>	26,000 (33,836)	<b>13,000</b>	26,000
Second Diversified Income Investment Company (a one-person company)	Subsidiary of Custodian	Expenses paid on behalf of the Company Payments	<b>9,625</b> <b>(9,625)</b>	158 (158)	-	-
					<b>3,115,572</b>	<b>3,079,176</b>

b) All transactions with related parties are approved by the Fund Manager.

#### 11. CREDIT FACILITIES

On November 25, 2021, a credit facility agreement (Murabahat) was signed between the Fund and the National Bank of Kuwait in order to obtain bank financing with a maximum amount of SR 78,750,000. The balance of these facilities as of December 31, 2023 amounted to SR 28,669,984 (2022: the amount of SR 48,754,009). These facilities represent short-term Murabaha (6 months and less). The facility agreement is guaranteed against investments classified at amortized cost as shown in Note (8). These facilities are charged with financing interest according to prevailing rates. The term of these facilities expires on December 31, 2026.

#### 12. OTHER EXPENSES

	For the year ended December 31,	
	2023	2022
Investments and registration expenses	<b>3,117,750</b>	1,040,954
Commission expenses	<b>927,727</b>	907,037
Professional and consulting fees	<b>203,579</b>	955,913
Compensations to independent Fund Board of Directors (Note 10)	<b>26,000</b>	26,000
Other expenses	<b>95,601</b>	519,854
	<b>4,370,657</b>	<b>3,449,758</b>

## ALKHABEER DIVERSIFIED INCOME TRADED FUND

(Managed by Alkhabeer Capital Company)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023 (Expressed in Saudi Riyal)

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#### 13. ADMINISTRATIVE FEES AND OTHER EXPENSES

The Fund is managed by the Fund manager, management fees and expenses are calculated per the terms and conditions of the Fund as follows:

##### a) ADMINISTRATIVE FEES

The Fund administrator is entitled to receive fees equivalent to 0.1% annually (as indicated in the Fund's terms and conditions) of the net asset value that is paid semi-annually.

##### b) MANAGEMENT FEES

The Fund manager is entitled to receive fees equivalent to 1% annually (as indicated in the terms and conditions of the Fund) of the net asset value that is paid semi-annually

##### c) CUSTODY FEES

The custodian is entitled to receive a maximum fee equivalent to 0.1% (as indicated in the terms and conditions of the Fund) of the annual total assets, or a minimum of SR 100,000 per year that is paid semi-annually. According to the framework agreement for custodian services, the Fund Manager must pay the annual fees to the Custodian, which are calculated at a 1.5 point basis (0.00015) percent of the Fund's net asset value, with a minimum fee of SR 80,000 and a maximum fee of SR 100,000.

##### d) SUBSCRIPTIONS FEES

The Fund manager is entitled to receive a subscription fee of 1% of the paid and allocated subscription amounts in the event of any future proposals to increase the Fund's capital, and these subscription fees are deducted upon receipt of the subscription amount and paid to the Fund manager, in addition to the subscription amount.

#### 14. ZAKAT BASE

According to the rules for zakat levy from investors in investment funds, investment funds are not obligated to pay zakat, only to provide information declaration and calculating the fund's zakat base is submitted. This was implemented at the beginning of 2023, therefore no comparative figures are presented. The zakat base is presented as follows:

	<u>2023</u>
<b><u>Adjustment on net adjusted profit:</u></b>	
Profit as per book for the year	<u>25,236,809</u>
<b>Adjusted profit for the year</b>	<u>25,236,809</u>
<b><u>Zakat base:</u></b>	
Equity attributable to unitholders	<u>468,996,969</u>
Book value of non-current assets based on authority	<u>(2,600,000)</u>
<b>Zakat base</b>	<u>466,396,969</u>
<b>Fund's zakat base is the largest between zakat base and adjusted profit</b>	<u>466,396,969</u>
The value of zakat according to the fund's zakat base	<u>12,021,448</u>
Outstanding units	<u>47,281,470</u>
<b>The value for zakat per unit</b>	<u>0.2543</u>

## **ALKHABEER DIVERSIFIED INCOME TRADED FUND**

(Managed by Alkhabeer Capital Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023**

(Expressed in Saudi Riyal)

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#### **15. SHARIA COMPLIANCE**

The Fund operates in accordance with the provisions of Sharia law, as determined by the Sharia advisor. The Sharia advisor has reviewed the Fund's public offering document and confirmed that it is in compliance with Sharia provisions.

#### **16. LAST VALUATION DATE**

The last date for the valuation during the year is December 31, 2023.

#### **17. RISK MANAGEMENT**

The Fund's activities expose it to various financial risks, and these risks include: market risk (including currency risk, fair value risk and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Fund's overall risk management program focuses on the unpredictability of financial market conditions and seeks to minimize potential adverse effects on the Fund's financial performance.

**a) Market risk:-** Market risks represented in the following:

- **Currency risk**

Currency risk is the risk that the value of a financial instrument denominated in foreign currencies will fluctuate due to changes in foreign exchange rates, in case the Fund does not hedge its currency exposure by means of hedging instruments.

During the year, the Fund did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars and accordingly the Fund does not have material exposure to other foreign currencies during the year ended 31 December 2023. Further, since the Saudi Riyal is pegged to the US dollar, the Fund is not exposed to significant foreign currency risk.

- **Interest rate risk**

Interest rate risks is the risk that the fair value or future cash flows of a financial instrument would fluctuate as a result of changes in interest rate. The Fund is exposed to interest rate risk because the Fund borrow funds at floating interest rates. Interest rate risks are managed by the Fund by maintaining an appropriate mix between fixed interest and variable interest.

- **Other price risk**

Other price risk represents the risk resulting from the fluctuation of the fair value or future cash flows of a financial instrument as a result of changes in market prices (other than those resulting from currency risk or interest rate risk). The fund manager maintain a low percentage of investments in unrated money market instruments. To reduce the risk of any possible decline in its value.

The fund manager will also diversify investments into different sectors and financial instruments issued by different sources and in various financial markets, and to fulfill the requirements of due diligence studies.

**b) Credit risk**

Credit risk is the risk that a party will not be able to meet its obligations, resulting in a financial loss to the other party. The financial assets that are likely to expose the Fund to concentrations of credit risk are mainly cash and cash equivalents, due from a related party, and other debit balances. Cash is deposited with reputable financial institutions, and management reviews the other debit balances. Accounts receivable are shown net of expected credit loss provision (if any), which was estimated by the Fund's management based on past experience and its assessment of the current economic environment.

## ALKHABEER DIVERSIFIED INCOME TRADED FUND

(Managed by Alkhabeer Capital Company)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023 (Expressed in Saudi Riyal)

#### c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis to ensure the availability of sufficient funds. The Fund's manager monitors the liquidity requirements by ensuring that sufficient funds are available to fulfill any commitments as they arise, either through new contributions or by taking Murabahat facilities. The Fund has sufficient liquidity to meet its obligations.

<u>December 31, 2023:</u>	<u>Book value</u>	<u>Less than a year</u>	<u>More than a year</u>
<u>Non-derivative financial liabilities</u>			
Credit facilities	28,669,984	28,669,984	-
Due to related parties	3,115,572	3,115,572	-
Accrued expenses and other credit balances	1,477,270	1,477,270	-
	<u>33,262,826</u>	<u>33,262,826</u>	<u>-</u>

<u>December 31, 2022:</u>	<u>Book value</u>	<u>Less than a year</u>	<u>More than a year</u>
<u>Non-derivative financial liabilities</u>			
Credit facilities	48,754,009	48,754,009	-
Due to related parties	3,079,176	3,079,176	-
Accrued expenses and other credit balances	371,295	371,295	-
	<u>52,204,480</u>	<u>52,204,480</u>	<u>-</u>

#### 18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	<u>Book Value</u>		<u>Fair Value</u>			<u>Total</u>
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Level (1)</u>	<u>Level (2)</u>	<u>Level (3)</u>	
<u>31 December 2023:</u>						
<u>Financial Assets</u>						
Cash and cash equivalents	19,750,490	-	-	-	-	19,750,490
Dividends receivables	8,763,429	-	-	-	-	8,763,429
Financial assets	275,962,980	145,631,027	-	-	145,631,027	421,594,007
	<u>304,476,899</u>	<u>145,631,027</u>	<u>-</u>	<u>-</u>	<u>145,631,027</u>	<u>450,107,926</u>
<u>Financial Liabilities</u>						
Due to related parties	3,115,572	-	-	-	-	3,115,572
Credit facilities	28,669,984	-	-	-	-	28,669,984
Accrued expenses and other credit balances	1,477,270	-	-	-	-	1,477,270
	<u>33,262,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,262,826</u>



**ALKHABEER DIVERSIFIED INCOME TRADED FUND**

(Managed by Alkhabeer Capital Company)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Expressed in Saudi Riyal)**

	Book Value		Fair Value			Total
	Amortized Cost	Fair Value	Level (1)	Level (2)	Level (3)	
<u>31 December 2022:</u>						
<b><u>Financial Assets</u></b>						
Cash and cash equivalents	17,392,966	-	-	-	-	17,392,966
Dividends receivables	5,820,868	-	-	-	-	5,820,868
Financial assets	339,754,740	153,941,948	-	-	153,941,948	493,696,688
	<u>362,968,574</u>	<u>153,941,948</u>	<u>-</u>	<u>-</u>	<u>153,941,948</u>	<u>516,910,522</u>
<b><u>Financial Liabilities</u></b>						
Due to related parties	3,079,176	-	-	-	-	3,079,176
Credit facilities	48,754,009	-	-	-	-	48,754,009
Accrued expenses and other credit balances	371,295	-	-	-	-	371,295
	<u>52,204,480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,204,480</u>

**19. GEOGRAPHICAL OPERATING SEGMENTS**

The Fund achieves continuous investment returns, and all Fund operations are carried out inside and outside the Kingdom of Saudi Arabia. The Fund's operations are monitored by the Fund's management under one sector. The following is a statement of geographic information for local and foreign investments, as well as investment income during the year:

	Inside the Kingdom	Outside the Kingdom	Total
<b><u>December 31, 2023</u></b>			
Financial assets	<b>23,971,171</b>	<b>397,622,836</b>	<b>421,594,007</b>
Gains form financial assets	<b>500,000</b>	<b>40,843,686</b>	<b>41,343,686</b>
Realized losses from financial assets	<b>(760,685)</b>	<b>-</b>	<b>(760,685)</b>
Unrealized (losses)/ gains from financial assets	<b>(2,129,095)</b>	<b>508,693</b>	<b>(1,620,402)</b>
	<b>(2,389,780)</b>	<b>41,352,379</b>	<b>38,962,599</b>
<b><u>December 31, 2022</u></b>			
Financial assets	35,407,784	458,288,904	493,696,688
Gains form financial assets	694,949	38,255,936	38,950,885
Realized losses from financial assets	(317,270)	(6,846,461)	(7,163,731)
Unrealized losses from financial assets	(6,587,914)	(3,052,025)	(9,639,939)
	<u>(6,210,235)</u>	<u>28,357,450</u>	<u>22,147,215</u>

## **ALKHABEER DIVERSIFIED INCOME TRADED FUND**

(Managed by Alkhabeer Capital Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023**

(Expressed in Saudi Riyal)

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#### **20. DIVIDENDS**

The Fund Board of Directors approved the distribution of dividends and the details are as follows:

<u>Approval Date</u>	<u>The period paid for</u>	<u>Amount per Unit</u>	<u>Total</u>
<u>2023</u>			
January 26, 2023	July 1, 2022 to December 31, 2022	<b>0.28</b>	<b>13,238,811</b>
July 31, 2023	January 1, 2023 to June 30, 2023	<b>0.28</b>	<b>13,238,812</b>
			<u><b>26,477,623</b></u>
<u>2022</u>			
January 25, 2022	July 1, 2021 to December 31, 2021	0.25	11,820,368
August 4, 2022	January 1, 2022 to June 30, 2022	0.26	12,293,182
			<u><u>24,113,550</u></u>

#### **21. SUBSEQUENT EVENTS**

On February, 2024, the Fund's Board of Directors approved dividend distributions for the period from July 1, 2023 to December 31, 2023 in the amount of SR 0.29 per unit with total amount of SR 13,711,626.

#### **22. APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements have been approved by the Fund's Board of Directors for the year ended December 31, 2023 on 12 Ramadan 1445H (Corresponding March 22, 2024).



**Alkabeer Capital**  
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