



## ALBILAD MSCI US EQUITY ETF

### A) Investment Fund Information

1) Name of investment fund

Albilad MSCI US Equity ETF

2) Investment objectives, policies and polices

The Investment objectives of the investment fund: The Fund seeks to achieve long-term growth and capital gains through the Passive Management of a Basket of US stocks that comply with the Shariah Supervisory Committee Standards and are listed in the US Market, seeking to achieve a high performance level that simulates the performance of the Benchmark Index before calculating any dividends, fees or expenses.

3) Distribution of income and gain policy

Not applicable

4) the fund's Reports are available upon request free of charge

5) Description of the fund's benchmark and the service provider's website (if any)

a MSCI USA Islamic Index (USD) "MSCI Islamic Index A Series".

### B) Fund Performance

1) Comparative table covering the last 3 financial years (or since inception)

\* Trading date for the fund was Mar 2022

	2022
the fund net assets value at the end of each financial year	33,113,000
the fund net assets value per unit at the end of each financial year	9.42
highest net asset value per unit for each financial year.	10.12
lowest net asset value per unit for each financial year.	8.48
the number of units in issue at the end of each financial year.	3,500
income distribution per unit	-
expense ratio.	1.55%
Percentage of borrowed assets from the total asset value, the period of their exposure period and due date (if any)	-
Results of comparing the performance of the benchmark with the performance of the fund	4.76%

#### Albilad Capital Headquarters:

Telephone: +966 920003636  
Fax: +966 11 2906299  
PO Box: 140 Riyadh 11411, Saudi Arabia

#### For more information contact us at:

Asset Management  
Telephone: +966 11 2039888  
Fax: +966 11 2039899  
Website: <http://www.albilad-capital.com/En/AssetManagement>



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2. Performance Record

The total return for one year, three years and five years (and since inception (where applicable))

\* Trading date for the fund was Mar 2022

	1Year	3 Years	5 Years	Since Inception
<b>total return</b>	-5.56%	-	-	-5.56%

The Annual total return for each of the last 10 financial years (or since inception)

	Since Inception	2022
<b>Annual total return</b>	-5.56%	-5.56%

A table showing actual fees and fund expenses paid by the investment fund during the year. The Total Expense Ratio should also be clearly disclosed. If there are any circumstances in which a fund manager may elect to waive or rebate any fees, this must also be disclosed.

	Net Value	Expenses Ratio to Average NAV
Subscription Fees	-	-
Management Fees	104,348	%0.32
Purification Fees	20,562	%0.06
Audit Fees	38,582	%0.12
Custody Fees	12,000	%0.04
Board Member Remuneration	3,000	%0.01
Publishing Fees	7,395	%0.02
Regulatory Fees	7,500	%0.02
Benchmark Fees	8,874	%0.03
VAT	21,439	%0.07
Dealing Expenses	-	-
Fund Administration Fees	68,000	%0.21
Other Expenses	207,300	%0.64
Edaa Expenses	-	-
Listing Fees	-	-
<b>Total Expenses</b>	<b>499,000</b>	<b>% 1.55</b>

Fund Manager did not waive any fees during 2022

3.If there were material changes that occurred during the period and that affected the performance of the fund, these changes must be clearly disclosed

Not applicable

4.Disclosure of the exercise of annual voting rights and it must include the issuer's name and the date of the General Assembly and the subject of the vote and the decision to vote (agree / disagree / abstain from voting)

No general assembly has been attended.

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5) The fund's board annual report including but not limited to:

A) Names of the fund board members, and indicating membership type

1- Zaid bin Muhammad Saad Al-Mufraih	non-independent Chairman of the Board of Directors
2- Haytham bin Sulaiman Al-Suhaimi	non-independent member of the Board of Directors
3- Waleed Bin Ateeq	independent member of the Board of Directors
4- Omar Ali Bassal	independent member of the Board of Directors

B) A brief about the fund board member's qualifications.

1. Mr. Zaid bin Muhammad Saad Al-Mufraih (Chairman of the Board of Directors)

Country Chief Financial Officer, more than 15 years of experience in the financial markets. He previously held several leadership positions in the banking and financial services sector in the Kingdom, through which he gained experience to lead investment organizations through the tasks and responsibilities assigned to him professionally and professionally.

2. Mr. Haytham bin Sulaiman Al-Suhaimi (non-independent member of the Board of Directors)

He holds a master's degree in investment science and financing risks from the University of Westminster in London, United Kingdom, held several positions in management work at SAPIN UAE, and subsequent experiences since 2015 in Jadwa Investment and then Albilad Capital as a financial analyst in investment banking, private equity and business development. (Member of the Board of Directors and Vice President of Business Development at Albilad Capital)

3. Waleed Bin Ateeq (independent member of the Board of Directors)

Masters in finance from Saint Mary's University in Canada, and Bachelors in Economics with a Minor in Business Administration from The Ohio State University in the United States of Albilad MSCI US Tech ETF 46 America. More than 16 years of experience in finance, investment, insurance and risk management. He held several positions as Insurance Supervisor at the Saudi Central Bank (SAMA), Senior Investment Performance Analyst at the Saudi Central Bank (SAMA), Chief Financial Officer at Allianz Saudi Fransi Cooperative Insurance Company, and currently serves as Deputy Chief Financial Officer at Saudi Re Cooperative Reinsurance Company.

4. Mr. Omar Ali Bassal (independent member of the Board of Directors)

Master of Business Administration, Financial Management and Statistics, with honours, Mr. Omar has more than ten years of experience in the financial field and is currently the Director of Asset Management at the Mohammed Ibrahim Al-Subaie & Sons Company.

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Asset Man  
Telephone  
+966 11 2  
Fax:  
+966 11 2  
Website:  
http://ww  
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## ALBILAD MSCI US EQUITY ETF

### C) Description of the roles and responsibilities.

The responsibilities of the fund's board members include, but are not limited to the following:

- Approval of all substantial contracts, decisions and reports to which the fund is a party, including, but not limited to, approval of contracts for the provision of management services to the fund and custody services contracts. This does not include contracts concluded in accordance with investment decisions regarding any investments made or to be made by the fund. In the future.
- Adopting a written policy regarding voting rights related to the fund's assets
- Approval of the appointment of the fund's external auditor to be nominated by the fund manager
- Supervising and, when appropriate, approving and approving any conflicts of interest disclosed by the fund manager
- Meeting at least twice annually with the Fund Manager's Compliance and Compliance Committee or its Compliance Officer to review the fund's compliance with all relevant laws, regulations and regulations.
- Ensuring the probability and accuracy of the terms and conditions of the fund, the information memorandum, and any other document (whether it is a contract or otherwise) that includes disclosures related to the fund, the fund manager and its management of the fund, in addition to ensuring that the foregoing is consistent with the provisions of the investment funds regulations.
- Ensure that the fund manager carries out his responsibilities in the interest of unit holders in accordance with the provisions of the investment funds regulations, the fund's terms and conditions and the information memorandum.
- Ensure that the fund manager is committed to disclosing material information for unit holders and other stakeholders
- Acting with honesty, good faith, concern, skill, diligence and diligence for the benefit of the fund and the unit holders. The duties of fund include the duty of sincerity, attention and reasonable diligence.
- Record meeting minutes showing the proceedings of the meetings and the decisions taken by the council.

### D) Details on the remuneration of the fund board members

All independent board members of the fund board shall be granted a remuneration of SAR 40,000 annually maximum . (SAR 20,000 per independent member) for all meetings attended during the year for funds' managed by Albilad Capital, distributed equally on all mutual funds except Real estate funds. Remuneration shall be calculated on every valuation date cumulatively and will be deducted and paid once a year.

### E) A statement of any conflict or potential conflict of interest between the interests of a fund board member and the interests of the fund.

There are no practical activities or interests of the fund manager or members of its board of directors that are likely to conflict with their responsibilities or performance towards the fund, and if any, they will be disclosed.

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F) A statement showing all the funds boards that the relevant board member is participating in.

Fund Name	Zaid Al-mufarih	Haytham Al-Suhaimi	Waleed Bin Ateeq	Omar Bassal
Albilad Pure	Chairman of Board of Directors	Non-independent member	independent member	independent member
Saudi Equity Fund				
Albilad SAR Murabaha Fund	Chairman of Board of Directors	Non-independent member	independent member	independent member
Albilad Kuwait Equity Fund	Chairman of Board of Directors	Non-independent member	independent member	independent member
Albilad Saudi Income Fund	Chairman of Board of Directors	Non-independent member	independent member	independent member
Albilad GCC Income Fund	Chairman of Board of Directors	Non-independent member	independent member	independent member
Albilad Fund of REIT Funds	Chairman of Board of Directors	Non-independent member	independent member	independent member
Albilad Investment Fund 2	Chairman of Board of Directors	Non-independent member	independent member	independent member
Nusaned Fund		Non-independent member		
Albilad Saudi Sovereign Sukuk	Chairman of Board of Directors	Non-independent member	independent member	independent member
ETF				
Albilad Gold ETF	Chairman of Board of Directors	Non-independent member	independent member	independent member
Albilad Diversified SAR Fund	Chairman of Board of Directors	Non-independent member	independent member	independent member
Albilad Hospitality Fund in Mak-	Chairman of Board of Directors		independent member	
kah Al-Mukarramah				
Dahia Investment Fund	Chairman of Board of Directors		independent member	
Al Wasat Commercial Complex II	Chairman of Board of Directors		independent member	
Fund				
Canary Al-Khuzami Compound	Chairman of Board of Directors		independent member	
Real Estate Fund				
Ensan Endowment Investment	Chairman of Board of Directors		independent member	
Fund				
Medical Village Fund 1	Chairman of Board of Directors		independent member	
Al Muzdalafa Real Estate Com-	Chairman of Board of Directors		independent member	
pound Fund				
Safa Najd Fund	Chairman of Board of Directors		independent member	
Albilad MSCI US Equity ETF	Chairman of Board of Directors	Non-independent member	independent member	independent member
Bilad Alawali Real Estate Fund I	Chairman of Board of Directors		independent member	

G) The topics discussed and issued resolutions, as well as the fund performance and fund achievement of its objective

Two board meeting were held during 2022. the first meeting take place at 29 June 2022 and the second meeting was at December 27, these are most points were discussed:

- The latest developments in the local and the global markets.
- Fund performance
- Fund board evaluation

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## C) Fund Manager

### 1) Name and address of the fund manager

Al-Bilad Investment Company "Al-Bilad Capital

King Fahd Branch Road - OLAYA 8162

Unit No. 22

Riyadh 12313-3701

Saudi Arabia.

Phone: 8001160002 Fax: (966+) 112906299

Al-Bilad Investment Company website: [www.albilad-capital.com](http://www.albilad-capital.com)

### 2) Names and addresses of sub-manager and/or investment advisor (if any)

Not applicable

### 3) Review of the investment activities during the period

Not applicable

### 4) A report of investment fund performance during the period

The benchmark's performance during the period was better than the fund's performance by 4.76%. Where the fund achieved -5.5% in comparison with the benchmark's performance which achieved -10.32%

### 5) Details of any material changes to the Fund's Terms and Conditions

- Updating the fund's board of directors
- Updating the fund manager's board of directors

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6) Any other information that would enable unitholders to make an informed judgement about the fund's activities during the period

Not applicable

7) Any other information that would enable unitholders to make an informed judgment about the fund's activities during the period

Not applicable

8) A statement on any special commission received by the fund manager during the period, clearly identifying what they are and the manner in which they were utilized

Not applicable

9) Any other data and other information required by these Regulations to be included in this report.

Not applicable

10) Period for the management of the person registered as fund manager

Since Mar 2022—Nine Months

11) A disclosure of the expense ratio of each underlying fund at the end of year and the weighted average ratio of all underlying funds that invested in

Not applicable

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## D) Custodian

### 1) Name and address of custodian

Riyad Capital is a company licensed under the Capital Market Authority License No. (07070-37)

Granada Oasis

2414 Al-SHUHADA District, Unit No. 69

Riyadh 13241-7279,

Saudi Arabia

Phone: +4865898/966114865866

Fax: +966114864859

Email: rcss@riyadcapital.com

### 2) Brief description of its duties and responsibilities

- The custodian is responsible for his obligations in accordance with the provisions of the Investment Funds Regulations, whether he performs his responsibilities directly or entrusts them to a third party under the provisions of the Investment Funds Regulations and the Saudi Stock Exchange Institutions Regulations. The custodian is responsible towards the fund manager and unit holders for the losses of the fund resulting from its fraud, negligence, misconduct or intentional default.
- The custodian is responsible for preserving and protecting the fund's assets for the benefit of the unit holders, and he is also responsible for taking all necessary administrative procedures in relation to preserving the fund's assets.
- The fund's assets are owned by the fund's unit holders collectively, and it is not permissible for the fund manager, sub-fund manager, custodian, sub-custodian, counselor or distributor to have any interest in the fund's assets or any claim therein, unless the fund manager or manager is The sub-fund, the custodian, the sub-custodian, the advising provider, or the distributor is the owner of the fund's units, within the limits of its ownership, or these claims were permitted under the provisions of the investment funds regulations and to be disclosed in the terms and conditions
- With the exception of the fund units owned by the fund manager, sub-fund manager, custodian, sub-custodian, counselor or distributor, and within the limits of what the debtor owns, the creditors of the fund manager, sub-fund manager, custodian or custodian, counselor or distributor may have no right to any claims or dues in the fund's money or assets

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## E) Fund Operator

### 1) Name and address of Fund Operator

Albilad Investment Company "Albilad Capital"

8162 King Fahd Branch Road - Olaya

Unit No. 22

Riyadh 12313-3701

Kingdom of Saudi Arabia.

Telephone: 920003636 FAX: +966112906299

### 2) Brief description of its duties and responsibilities

1. The fund operator must establish a register of unitholders and must maintain it in the Kingdom.
2. The fund operator must maintain at least the following information in the register:
  - The name, address and contact numbers of each unitholder
  - The national identification number, residence number (Iqama), passport number or commercial registration number of the unitholder when applicable, or any other identification as determined by the Authority
  - The nationality of the unitholder
  - The date on which the unitholder was registered in the register
  - Details of all transactions in relation to units conducted by each unitholder
  - The current balance of the number of units (including fractions of a unit) held by each unitholder
  - Any restriction or right attached to units owned by the unitholder

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3. The fund operator must update the register of unitholders immediately to reflect changes to information referred to in Paragraph 2 above
4. The fund operator shall be responsible for the process of dividends distribution to unitholders.
5. The fund operator must process requests for subscriptions or redemption at the price calculated at the next valuation point following the deadline for submission of requests for subscription or redemption.
6. A fund operator must be obliged to meet subscription or redemption requests, subject to any provisions to the contrary in the public Fund's Terms and Conditions or in these Regulations.
7. The fund operator must pay the unitholder proceeds of redemption no later than the close of business on the fifth day at the latest of the following the valuation point at which the price for the redemption was determined.
8. The fund operator shall be responsible for valuing the assets of the public fund. In so doing, the fund operator shall conduct a full and fair valuation.
9. The assets of a public fund must be valued by the fund operator each dealing day at such time as specified in the Terms and Conditions of such public fund, and for the duration not exceeding one day from the deadline for submission of requests for subscription or redemption.
10. The fund operator must comply with the provisions of Annex (5) of these Regulations in relation to valuation of the public funds.
11. The fund operator shall be responsible for calculating the price of the units in a public fund that it operates. The price of units for subscriptions and redemptions on any dealing day shall be calculated by reference to the net asset value per unit of the public fund at the valuation point on the relevant dealing day.
12. The fund operator must state the Unit prices to at least four decimal places.
13. The fund operator must record each instance where an asset of the public fund is valued incorrectly or the price of a unit is calculated incorrectly
14. The fund operator must compensate all harmed unitholders (including former unitholders) as soon as reasonably practicable for all valuation or pricing errors

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## E) Auditor

### 1) Name and address of auditor

PricewaterhouseCoopers

Kingdom of Saudi Arabia P.O. B. 8282 Riyadh 11482

Phone: +966112110400

Fax: +966112110401

Website: [www.pwc.com](http://www.pwc.com)

## F) Financial Statements

Financial statements for the annual accounting period of the investment fund has been prepared in accordance with SOCPA standards. (Financial Statements attached)

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**ALBILAD MSCI US EQUITY ETF  
(AN OPEN-ENDED EXCHANGE TRADED FUND  
MANAGED BY ALBILAD INVESTMENT COMPANY)**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS AND THE FUND MANAGER**

**FOR THE PERIOD FROM 28 MARCH 2022 (DATE OF COMMENCEMENT  
OF OPERATIONS) TO 31 DECEMBER 2022**

**ALBILAD MSCI US EQUITY ETF  
(AN OPEN-ENDED EXCHANGE TRADED MANAGED BY ALBILAD INVESTMENT COMPANY)  
FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 28 MARCH 2022 (DATE OF COMMENCEMENT OF OPERATIONS) TO  
31 DECEMBER 2022**

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# Independent auditor's report to the unitholders and Fund Manager of AlBilad MSCI US Equity ETF

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## *Our opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of AlBilad MSCI US Equity ETF (the "Fund") as at 31 December 2022, and its financial performance and its cash flows for the for the period from 28 March 2022 (date of commencement of operations) to 31 December 2022 in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

## **What we have audited**

The Fund's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of income and other comprehensive income for the period from 28 March 2022 (date of commencement of operations) to 31 December 2022;
- the statement of changes in equity attributable to the unitholders for the period from 28 March 2022 (date of commencement of operations) to 31 December 2022;
- the statement of cash flows for the period from 28 March 2022 (date of commencement of operations) to 31 December 2022; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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

## **Independence**

We are independent of the Fund and Fund Manager in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

## *Our audit approach*

### **Overview**

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Key Audit Matter	Valuation of investments at fair value through statement of income (FVSI)
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where Fund Manager made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Fund, the accounting processes and controls, and the industry in which the Fund operates.



## Independent auditor's report to the unitholders and Fund Manager of AlBilad MSCI US Equity ETF

### 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 period. 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.

Key audit matter	How our audit addressed the Key audit matter
<p><b>Valuation of investments held at fair value through statement of income ("FVSI")</b></p> <p>As at 31 December 2022, the Fund held investments in listed securities amounting to Saudi Riyals 31.7 million which have been classified as held at fair value through statement of income ("FVSI"). These investments are carried at fair value with the corresponding fair value change recognized in the statement of income. The fair value of these investments is determined through obtaining market observable prices, as these are actively traded.</p> <p>The valuation of the Fund's investments at FVSI is considered a key audit matter due to the significance of such investments to the Fund's financial statements.</p> <p><i>Refer to Note 2.6.2 to the accompanying financial statements for the accounting policy for investments and Note 5 for related disclosure of investments held at FVSI.</i></p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"><li>• Agreed the carrying value of investments held at FVSI to the underlying list of investments;</li><li>• Obtained market prices as at 31 December 2022 from external sources for a sample of investments held by the Fund, recalculated the fair value of these investments as at 31 December 2022 and compared these to the values included in the list of investments; and</li><li>• Assessed the adequacy of the disclosures in the financial statements.</li></ul>

### Other information

Fund Manager is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Fund Board.

### Responsibilities of Fund Manager and the Fund Board for the financial statements

Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority and the Fund's terms and conditions, and for such internal control as 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, 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 Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Fund Board is responsible for overseeing the Fund's financial reporting process.

## Independent auditor's report to the unitholders and Fund Manager of AlBilad MSCI US Equity ETF

### *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.

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 scepticism throughout the audit. We also:

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

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

We also provide the Fund Board 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Fund Board, we determine those matters that were of most significance in the audit of the financial statements of 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.

**PricewaterhouseCoopers**



Mudaffal A. Ali  
License Number 447



30 March 2023

**ALBILAD MSCI US EQUITY ETF**  
**STATEMENT OF FINANCIAL POSITION**  
 (All amounts in Saudi Riyals '000' unless otherwise stated)

	Note	As at 31 December 2022
<b>Assets</b>		
Cash and cash equivalents	4	1,358
Investments held at fair value through statement of income (FVSI)	5	31,733
Dividend receivable		22
<b>Total assets</b>		<b>33,113</b>
<b>Liabilities</b>		
Accrued management fee	6	14
Accruals and other liabilities		123
<b>Total liabilities</b>		<b>137</b>
<b>Equity attributable to the unitholders</b>		<b>32,976</b>
<b>Units in issue in thousands</b>		<b>3,500</b>
<b>Equity per unit in Saudi Riyals</b>		<b>9.4217</b>

The accompanying notes from 1 to 12 form an integral part of these financial statements.

**ALBILAD MSCI US EQUITY ETF**  
**STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME**  
 (All amounts in Saudi Riyals '000' unless otherwise stated)

	Note	For the period from 28 March 2022 (date of commencement of operations) to 31 December 2022
<b>Loss</b>		
Realised loss on sale of investments held at FVSI		(618)
Unrealised FV loss on re-measurement of investments held at FVSI	5	(1,320)
Dividend income		372
Foreign exchange loss, net		(14)
Other income		12
<b>Total loss</b>		<u>(1,568)</u>
<b>Expenses</b>		
Management fee	6	(120)
Other expenses	7	(379)
<b>Total expenses</b>		<u>(499)</u>
<b>Net loss for the period</b>		(2,067)
Other comprehensive income for the period		<u>-</u>
<b>Total comprehensive loss for the period</b>		<u>(2,067)</u>

The accompanying notes from 1 to 12 form an integral part of these financial statements.

**ALBILAD MSCI US EQUITY ETF**  
**STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE UNITHOLDERS**  
 (All amounts in Saudi Riyals '000' unless otherwise stated)

**For the period from  
 28 March 2022 (date  
 of commencement  
 of operations) to  
 31 December 2022**

<b>Equity attributable to the unitholders at the beginning of the period</b>	-
Total comprehensive loss for the period	(2,067)
<b>Changes from unit transactions</b>	
Proceeds from issuance of units	35,043
Payment against redemptions of units	-
Net change from unit transactions	35,043
<b>Equity attributable to the unitholders at the end of the period</b>	32,976

Transactions in units for the period from 28 March 2022 to 31 December are summarized as follows:

**For the period from  
 28 March 2022 (date  
 of commencement  
 of operations) to  
 31 December 2022**  
**Units '000'**

<b>Units at the beginning of the period</b>	-
Units issued	3,500
Units redeemed	-
Net change in units	3,500
<b>Units at the end of the period</b>	3,500

The accompanying notes from 1 to 12 form an integral part of these financial statements.

**ALBILAD MSCI US EQUITY ETF**  
**STATEMENT OF CASH FLOWS**  
(All amounts in Saudi Riyals '000' unless otherwise stated)

	Note	For the period from 28 March 2022 (date of commencement of operations) to 31 December 2022
<b>Cash flows from operating activities</b>		
Net loss for the period		(2,067)
Adjustments for:		
- Unrealised FV loss on re-measurement of investments held at FVSI	5	1,320
- Dividend income		(372)
		<u>(1,119)</u>
Net changes in operating assets and liabilities		
Investments held at FVSI		(33,053)
Accrued management fee		14
Accruals and other liabilities		123
Cash used in operating activities		<u>(34,035)</u>
Dividend received		350
Net cash used in operating activities		<u>(33,685)</u>
<b>Cash flow from financing activity</b>		
Proceeds from issuance of units		<u>35,043</u>
Net cash generated from financing activity		<u>35,043</u>
<b>Net change in cash and cash equivalents</b>		
Cash and cash equivalents at the beginning of the period		<u>-</u>
<b>Cash and cash equivalents at the end of the period</b>	4	<u><u>1,358</u></u>

The accompanying notes from 1 to 12 form an integral part of these financial statements.

**ALBILAD MSCI US EQUITY ETF  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 28 MARCH 2022 (DATE OF COMMENCEMENT OF OPERATIONS) TO  
31 DECEMBER 2022**

(All amounts in Saudi Riyals '000' unless otherwise stated)

**1 LEGAL STATUS AND PRINCIPAL ACTIVITIES**

AlBilad MSCI US Equity ETF (the "Fund") is an open-ended exchange traded fund established and managed by AlBilad Investment Company ("the Fund Manager"), a subsidiary of Bank AlBilad (the "Bank") for the benefit of the Fund's unitholders (the "unitholders"). The objective of the Fund is to achieve long-term growth and capital gains through the Passive Management of a Basket of US stocks that comply with the Shariah Supervisory Committee Standards and are listed in the US Market, seeking to achieve a high performance level that simulates the performance of the Benchmark Index before calculating any dividends, fees or expenses.

The activities of the Fund conform to the rules and controls set by the Shariah Board.

In dealing with the unitholders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund. Furthermore, unitholders are considered to be beneficial owners of the assets of the Fund. The management of the Fund is the responsibility of the Fund Manager.

Riyad Capital is the "Custodian" of the Fund.

In December 2021, the Capital Market Authority (CMA) approved Albilad Investment Company's request to offer and register "AlBilad MSCI US Equity ETF" units on Saudi Stock Exchange (Tadawul) as Exchange Traded Fund (ETF). The Fund started trading on Tadawul as an ETF on 25 Sha'ban 1443H (corresponding to 28 March 2022, with the symbol 9406).

According to the terms and conditions of the Fund, its first annual financial period starts from the commencement date of its operations i.e. 25 Sha'ban 1443H (corresponding to 28 March 2022). The first annual financial statements are for the period from 28 March 2022 to 31 December 2022. According to the terms and conditions of the Fund, the financial statements for the subsequent period will be prepared from 1 January 2023 to 31 December 2023.

The Fund is governed by the Investment Funds Regulations ("IFR") published by the Capital Market Authority ("CMA") on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) as amended by the resolution of the CMA Board on 12 Rajab 1442H (corresponding to 24 February 2021).

**1.1 PRIMARY MARKET OPERATION (ISSUANCE AND REDEMPTION OF UNITS)**

The primary market operations are only carried out by the Fund Manager and authorized by Albilad Investment Company (Market Maker). The Issuance and Redemption activities are done on the basis of blocks of exchange traded fund (ETF) units (for the Fund, one block equals 100,000 ETF Units), referred to Issuance and Redemption of Units respectively. The process of issuance and redemption of ETF units is on an in-kind basis whereby the Fund Manager and the Market Maker interexchange ETF Units of the Fund and the basket of assets, through the Custodian, for the purpose of issuance and redemption of ETF units. The issued units are then freely floated on Tadawul for public trading.

**2 SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below.

**2.1 Basis of preparation**

The financial statements of the Fund 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 Organisation for Chartered and Professional Accountants ("SOCPA").

The financial statements have been prepared on a historical cost convention, except for the valuation of investments held at fair value through statement of income (FVSI).

The Fund does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of liquidity.

The Fund can recover or settle all its assets and liabilities within 12 months from the reporting date.

**ALBILAD MSCI US EQUITY ETF  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 28 MARCH 2022 (DATE OF COMMENCEMENT OF OPERATIONS) TO  
31 DECEMBER 2022**

(All amounts in Saudi Riyals '000' unless otherwise stated)

**2 SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.2 Significant accounting estimates and judgments**

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected. There are no areas of significant judgment or critical assumption used in the preparation of these financial statements.

**Going concern**

The Fund Manager has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the Fund Manager is not aware of any material uncertainties that may cast significant doubt on the Fund's ability to continue as a going concern.

**2.3 Changes in accounting policy and disclosures**

**(i) New standards effective in current year**

The International Accounting Standard Board (IASB) has the following amendments to accounting standards, which were effective from 1 January 2022, but do not have any significant impact on the financial statements of the Fund.

- Amendments to IAS 37 - 'Provisions, contingent liabilities and contingent assets' specify which costs a fund includes when assessing whether a contract will be loss-making.
- Amendments to IAS 16 - 'Property, plant and equipment' prohibit a fund from deducting from the cost of property, plant and equipment amounts received from selling items produced while the fund is preparing the asset for its intended use. Instead, a fund will recognise such sales proceeds and related cost in statement of income.
- Amendments to IFRS 3 - 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

**(ii) Accounting standards issued but not yet effective**

The International Accounting Standard Board (IASB) has issued following standards and amendments which are effective from periods beginning on or after 1 January 2023. The Fund has opted not to early adopt these pronouncements and they are not expected to have a significant impact on the financial statements of the Fund.

<b>Standard / Interpretation</b>	<b>Description</b>	<b>Effective from periods beginning on or after</b>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023

**ALBILAD MSCI US EQUITY ETF  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 28 MARCH 2022 (DATE OF COMMENCEMENT OF OPERATIONS) TO  
31 DECEMBER 2022**

(All amounts in Saudi Riyals '000' unless otherwise stated)

**2 SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.4 Functional and presentation currency**

Items included in these financial statements are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). The functional currency of the Fund is US Dollars (USD). These financial statements are presented in Saudi Riyals ("SAR") which is the Fund's presentation currency. All financial information presented in SAR has been rounded to the nearest thousand.

*Transactions and balances*

Foreign currency transactions are translated into SAR using the exchange rates prevailing at the date of transactions. Foreign currency assets and liabilities are translated into SAR using the exchange rates prevailing at reporting date. Foreign exchange gains and losses, if any, arising from translation are included in the statement of comprehensive income.

**2.5 Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise balance with Bank AlBilad and balance held in a custodian account with Riyad Capital. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

**2.6 Financial instruments**

**2.6.1 Measurement methods**

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument i.e. Trade date.

At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through statement of income (FVSI), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVSI are expensed in the statement of income. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost, which results in an impairment loss being recognised in the statement of income when an asset is newly originated.

**2.6.2 Classification and measurement of financial instruments**

The Fund classifies its equity instruments at FVSI and other financial assets at amortised cost. The classification requirements for equity and debt instruments are described below:

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's equity.

The Fund classifies its investments as held at FVSI. The Fund subsequently measures all equity investments at FVSI, except where the Fund Manager has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income (FVOCI). The Fund's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to the statement of income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in the statement of income when the Fund's right to receive dividend is established.

The subsequent unrealised revaluation gain / loss on investment held at FVSI is recognised in statement of income. Currently the Fund's investment in shares is classified as FVSI.

**ALBILAD MSCI US EQUITY ETF  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 28 MARCH 2022 (DATE OF COMMENCEMENT OF OPERATIONS) TO  
31 DECEMBER 2022**

(All amounts in Saudi Riyals '000' unless otherwise stated)

**2 SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.6 Financial instruments** (continued)

**2.6.2 Classification and measurement of financial instruments** (continued)

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective.

Classification and subsequent measurement of debt instruments depend on:

- The Fund's business model for managing the asset; and
- The cash flow characteristics of the asset.

Based on the business model and cash flow characteristics, the debt financial assets can be classified as held at amortised cost, FVSI and FVOCI.

**2.6.3 Impairment of financial assets held at amortised cost**

The Fund assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt financial assets carried at amortised cost. The Fund recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Under IFRS 9, loss allowances is measured on either of the following bases:

- a) 12-month ECLs: these ECLs that result from possible default events within the 12 months after the reporting date; and
- b) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date.

**2.6.4 De-recognition of financial instruments**

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

- a) Transferred substantially all of the risks and rewards of the asset or
- b) Neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

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

**ALBILAD MSCI US EQUITY ETF  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 28 MARCH 2022 (DATE OF COMMENCEMENT OF OPERATIONS) TO  
31 DECEMBER 2022**

(All amounts in Saudi Riyals '000' unless otherwise stated)

**2 SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.6 Financial instruments** (continued)

**2.6.5 Financial liabilities**

All financial liabilities are initially recognised at fair value less transaction cost except for financial liabilities measured at FVSI where transaction cost, if any, are not deducted from the fair value measurement at initial recognition and are included in the statement of income. The Fund classifies its financial liabilities at amortised cost unless it has designated liabilities at FVSI.

**2.7 Trade date accounting**

Regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e., the date that the Fund commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the marketplace.

**2.8 Offsetting of financial instruments**

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

**2.9 Accruals and other liabilities**

Liabilities are recognised for amounts to be paid for goods or serviced received whether or not billed to the Fund. Accruals and other liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective commission rate method.

**2.10 Equity attributable to the unitholders**

Equity attributable to unitholders is equity and is made up of units issued and retained earnings.

**(a) Redeemable Units**

The Fund classifies its redeemable units as an equity instrument if the redeemable units have all of the following features:

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

In addition - in order to classify instruments as equity - the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised equity or the change in the fair value of the recognised and unrecognised equity of the Fund.
- The effect of substantially restricting or fixing the residual return to the instrument holders.

The Fund's redeemable participating units meet the definition of puttable instruments classified as equity instruments under IAS 32.16 A-B and accordingly, are classified as equity instruments.

**ALBILAD MSCI US EQUITY ETF  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 28 MARCH 2022 (DATE OF COMMENCEMENT OF OPERATIONS) TO  
31 DECEMBER 2022**

(All amounts in Saudi Riyals '000' unless otherwise stated)

**2 SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.10 Equity attributable to the unitholders** (continued)

The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have any of the features or meet all the conditions set out in paragraphs 16A and 16B of IAS 32, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity attributable to unitholders. If the redeemable units subsequently have all the features and meet the conditions set out in paragraphs 16A and 16B of IAS 32, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification. The subscription and redemption of redeemable units are accounted for as equity transactions as long as units are classified as equity.

**(b) Trading in the units**

Units of the Fund are available for purchasing only in the Kingdom of Saudi Arabia at Tadawul by natural and corporate persons. The equity value of the Fund is determined on every Sunday to Thursday ("Valuation Day") by dividing the net value of assets (fair value of total assets minus liabilities) by the total number of outstanding units on the relevant Valuation Day.

**2.11 Taxation**

Taxation is the obligation of the unitholders and therefore, no provision for such liability is made in these financial statements.

**2.12 Zakat**

Zakat is the obligation of the unitholders and therefore, no provision for such liability is made in these financial statements.

**2.13 Value added tax (VAT)**

Output VAT related to revenue is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of services to customers. The other entities that transact business with the Fund withhold taxes or recover VAT on services rendered to the Fund. As the Fund cannot recover these amounts, these are expensed in the statement of income.

**2.14 Revenue recognition**

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

Dividend income is recognised when the Fund's right to receive dividends is established.

Realised gain on disposal of investments held at FVSI is measured as the difference between the sales proceeds and the carrying value before disposal.

In accordance with the Sharia Board's resolutions, income prohibited by Sharia received by the Fund is excluded from the determination of income and is recorded as other liabilities in the statement of financial position. Such amount is determined based on the information available to the Fund Manager on the nature of earnings of investees upon the preparation of these financial statements. Income prohibited by Sharia is paid to charities on a quarterly basis.

**2.15 Management fee**

Management fee is calculated at rate mentioned in terms and conditions of the Fund and is payable quarterly in arrears.

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**2 SIGNIFICANT ACCOUNTING POLICIES** (continued)

**2.16 Other expenses**

Other expenses are charged at rates / amounts within limits mentioned in terms and conditions of the Fund.

**2.17 Equity value per unit**

The Equity value per unit as disclosed in the statement of financial position is calculated by dividing the equity of the Fund by the number of units outstanding at period end.

**3 MANAGEMENT FEE, AND OTHER CHARGES**

On each valuation day, the Fund Manager charges the Fund, a management fee at the rate of 0.75% per annum of the Fund's net assets value which includes custody fees 0.05% of the Fund's Net Asset Value of the listed and unlisted financial securities and Investment Fund Units and 0.03% of the Fund's Net Asset Value of the Money Markets, to be calculated on each Calendar day and deducted on a monthly basis.

The Fund Manager also recovers from the Fund any other expenses incurred on behalf of the Fund such as audit and legal fees, and other similar charges.

**4 CASH AND CASH EQUIVALENTS**

	Note	As at 31 December 2022
Balance with custodian	6	1,358
		<u>1,358</u>

**5 INVESTMENTS HELD AT FVSI**

The Fund invests primarily in US stocks that comply with the Shariah Supervisory Committee Standards and are listed in the US Market. The sector-wise portfolio of investments held at FVSI is summarized as follows:

	As at 31 December 2022
Consumer, non-cyclical	9,610
Energy	6,415
Technology	4,199
Industrial	3,288
Health care	2,298
Basic materials	1,409
Communications	1,052
Consumer, cyclical	1,000
Information technology	955
Financial	520
Materials	482
Medical	153
Utilities	141
Real estate	116
Pharmaceutical	95
	<u>31,733</u>

The movement of investment held at FVSI during the year is as follows:

	31 December 2022
Opening	-
Purchase of investments	73,735
Sale of investments	(40,682)
Unrealised FV (loss) on re-measurement of investments held at FVSI, net	(1,320)
<b>Closing</b>	<u>31,733</u>

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**6 RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties comprise the Fund Manager, Custodian, other funds managed by the Fund Manager, Fund Board, key management personnel and any businesses which are controlled, either directly or indirectly, by the unitholders or over which they exercise significant influence ("affiliate"). The Fund enters into transactions in the normal course of business with these parties at prices and terms agreed between the parties.

**Transactions with related parties**

In the ordinary course of its activities, the Fund transacts business with related parties. Related party transactions are in accordance with the terms and conditions of the Fund. All the related party transactions are approved by the Fund Board.

Following table contains the details of transactions with related parties:

<b>Related party</b>	<b>Nature of relationship</b>	<b>Nature of transaction</b>	<b>For the period from 28 March 2022 (date of commencement of operations) to 31 December 2022</b>
AlBilad Investment Company	Fund Manager	Management fee	<b>120</b>
Riyad Capital	Custodian of the Fund	Custody fee	<b>12</b>
Fund Board	Members of the Fund Board	Fund Board fee	<b>3</b>

Following table summarises the details of balances with related parties:

<b>Nature of Balance</b>	<b>Related Party</b>	<b>As at 31 December 2022</b>
Custody fee payable	Riyad Capital - Custodian of the Fund	<b>3</b>
Investment account	Riyad Capital - Custodian of the Fund	<b>1,358</b>
Accrued management fee	AlBilad Investment Company – Fund Manager	<b>14</b>
Fund Board fee payable	Members of the Fund Board	<b>3</b>

**7 OTHER EXPENSES**

		<b>For the period from 28 March 2022 (date of commencement of operations) to 31 December 2022</b>
	<b>Note</b>	
Administrative expenses		<b>68</b>
Fund Board fee	6	<b>3</b>
Custody fee	6	<b>12</b>
Other expenses		<b>296</b>
		<b>379</b>

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**8 FINANCIAL RISK MANAGEMENT**

**8.1 Financial risk factors**

The objective of the Fund is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unitholders and to ensure reasonable safety to the unitholders.

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

The Fund Manager is responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager and is ultimately responsible for the overall management of the Fund.

Monitoring and controlling risks are primarily set up to be performed based on the limits established by the Fund Board. The Fund has its Terms and Conditions document that set out its overall business strategies, its tolerance of risks and its general risk management philosophy and is obliged to take actions to rebalance the portfolio in line with the investment guidelines.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

**(a) Market risk**

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange risk, commission rate risk and price risk.

The Fund is exposed to market risk due to its investment in equities held at FVSI. The Fund Manager closely monitors the price movement of its financial instruments in US Markets. The Fund's Portfolio Constituents are evaluated according to the latest closing of the US Market. Accordingly, the indicative Unit price announced in the Market will reflect the closing price of the Market on the preceding day, which may be different from the Unit trading price. The Fund manages the risk through diversification of its investment portfolio by investing in various industry sectors.

**(i) Price risk**

Price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements.

The price risk arises primarily from uncertainty about the future prices of the financial instruments that the Fund holds. The Fund has investment in equity which are classified as held at FVSI. The Fund Manager closely monitors the price movement of its financial instruments listed at Saudi Exchange. The Fund manages the risk through diversification of its investment portfolio by investing in various industry sectors.

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**8 FINANCIAL RISK MANAGEMENT** (continued)

**8.1 Financial risk factors** (continued)

**(a) Market risk** (continued)

(i) Price risk (continued)

Industry concentration of the investment portfolio of the Fund, is disclosed in the table below:

<b>Industry sector</b>	<b>As at 31 December 2022</b>	
	<b>% of total market value</b>	<b>Market value</b>
Consumer, non-cyclical	30.29	9,610
Energy	20.22	6,415
Technology	13.24	4,199
Industrial	10.37	3,288
Health care	7.25	2,298
Basic materials	4.45	1,409
Communications	3.32	1,052
Consumer, cyclical	3.16	1,000
Information technology	3.01	955
Financial	1.64	520
Materials	1.52	482
Medical	0.49	153
Utilities	0.45	141
Real estate	0.37	116
Pharmaceutical	0.30	95
	<b>100</b>	<b>31,733</b>

The effect on the equity value (as a result of change in fair value of investments as at 31 December) due to a reasonably possible change in equity indices based on the industry concentration, with all other variables held constant is as follows:

<b>Industry sector</b>	<b>As at 31 December 2022</b>	
	<b>Potential reasonable change %</b>	<b>Effect on NAV</b>
Consumer, non-cyclical	+/-5	+/-481
Energy	+/-5	+/-321
Technology	+/-5	+/-210
Industrial	+/-5	+/-164
Health care	+/-5	+/-115
Basic materials	+/-5	+/-70
Communications	+/-5	+/-53
Consumer, cyclical	+/-5	+/-50
Information technology	+/-5	+/-48
Financial	+/-5	+/-26
Materials	+/-5	+/-24
Medical	+/-5	+/-8
Utilities	+/-5	+/-7
Real estate	+/-5	+/-6
Pharmaceutical	+/-5	+/-5
		<b>+/-1,588</b>

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**8 FINANCIAL RISK MANAGEMENT** (continued)

**8.1 Financial risk factors** (continued)

**(a) Market risk** (continued)

(ii) Foreign currency risk

Foreign exchange risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in foreign currency.

The Fund trades in Saudi Riyal, while most of the Fund's Investments are denominated in US Dollar. Currently, SAR is pegged to US Dollar therefore the Fund is not exposed to foreign exchange risk. Consequently, no foreign currency sensitivity analysis has been presented.

(iii) Commission rate risk

Special commission rate risk arises from the possibility that changes in the market's special commission rates will affect future profitability or the fair value of financial instruments. The Fund is not subject to special commission rate risks, as it does not have any financial instruments that carry special commission.

**(b) Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund. As at 31 December 2022, the Fund is exposed to significant credit risk on the following:

	<b>31 December 2022</b>
Cash and cash equivalents	<b>1,358</b>
Dividend receivable	<b>22</b>
	<b>1,380</b>

Cash and cash equivalents are held with the financial institutions with investment grade credit rating, therefore the impact of expected credit losses on these balances is insignificant.

**(c) Liquidity risk**

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund's terms and conditions provide for subscription and redemption of units on every Valuation Day and it is, therefore, exposed to the liquidity risk of meeting redemptions at any time. The Fund's FVSI securities are considered to be readily realisable and they can be liquidated at any time. However, the Fund Manager has established certain liquidity guidelines for the Fund and monitors liquidity requirements on a regular basis to ensure sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by obtaining financing from the related parties of the Fund settles its financial liabilities relating to accrued management fee and other expenses on quarterly basis.

The expected maturity of the assets and liabilities of the Fund is less than 12 months.

**Interest rate and liquidity risk management**

The Fund is not exposed to interest rate risk as it does not have any interest bearing financial assets. Ultimate responsibility for liquidity risk management rests with the Fund Manager, which has established an appropriate liquidity risk management framework for the management of the Fund's short, medium and long-term funding and liquidity management requirements. The Fund manages liquidity risk by maintaining adequate reserves, banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

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**8 FINANCIAL RISK MANAGEMENT** (continued)

**8.1 Financial risk factors** (continued)

**(c) Liquidity risk** (continued)

**Interest rate and liquidity risk management** (continued)

The maturity profile of financial assets and liabilities is as follows:

<b>As at 31 December 2022</b>	<b>Less than 7 days</b>	<b>7 days to 1 month</b>	<b>1-12 months</b>	<b>More than 12 months</b>
<b>Financial assets</b>				
Cash and cash equivalents	1,358	-	-	-
Investments held at FVSI	31,733	-	-	-
Dividend receivable	2	18	2	-
	<b>33,093</b>	<b>18</b>	<b>2</b>	<b>-</b>
<b>Financial liabilities</b>				
Accrued management fee	-	-	14	-
Accruals and other liabilities	-	-	123	-
	-	-	137	-
<b>Liquidity gap</b>	<b>33,093</b>	<b>18</b>	<b>(135)</b>	<b>-</b>

**(d) Operational risk**

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to Unitholders.

**8.2 Capital risk management**

The capital of the Fund is represented by the equity attributable to holders of redeemable units. The amount of equity attributable to holders of redeemable units can change significantly on each Valuation Day, as the Fund is subject to subscriptions and redemptions at the discretion of unitholders on every Valuation Day, as well as changes resulting from the Fund's performance. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain the capital structure, the Fund's policy is to monitor the level of subscriptions and redemptions relative to the assets it expects to be able to liquidate and adjust the amount of dividend distributions the Fund pays to redeemable units.

The Fund Board and Fund Manager monitor capital on the basis of the value of equity attributable to redeemable unitholders.

**9 FAIR VALUE ESTIMATION**

The fair value for financial instruments traded in active markets is based on quoted market prices at the close of trading on the financial reporting date. Instruments for which no sales were reported on the valuation day are valued at the most recent bid price.

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

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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**9 FAIR VALUE ESTIMATION (continued)**

The estimated fair value of the Fund's financial assets and liabilities is not carried at fair value, is not considered to be significantly different from their carrying values. The fair value of investments held at FVSI are based on quoted prices in active markets and are therefore classified within Level 1.

The following table analyses within the fair value hierarchy the Fund's assets and liabilities (by class) at 31 December 2022:

As at 31 December 2022	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
<b>Financial assets not measured at fair value</b>					
Cash and cash equivalents	1,358	-	-	1,358	1,358
Dividend receivable	22	-	-	22	22
<b>Financial assets measured at fair value</b>					
Investments held at FVSI	31,733	31,733	-	-	31,733
	<b>33,113</b>	<b>31,733</b>	-	<b>1,380</b>	<b>33,113</b>
<b>Financial liabilities not measured at fair value</b>					
Accrued management fee	14	-	-	14	14
Accruals and other liabilities	123	-	-	123	123
	<b>137</b>	-	-	<b>137</b>	<b>137</b>

**10 FINANCIAL INSTRUMENTS BY CATEGORY**

As at 31 December 2022	Amortised cost	FVSI
<b>Financial assets as per statement of financial position</b>		
Cash and cash equivalents	1,358	-
Dividend receivable	22	-
Investments held at FVSI	-	31,733
<b>Total</b>	<b>1,380</b>	<b>31,733</b>
<b>Financial liabilities as per statement of financial position</b>		
Accrued management fee	14	-
Accruals and other liabilities	123	-
<b>Total</b>	<b>137</b>	-

**11 LAST VALUATION DAY**

In accordance with the Terms and Conditions of the Fund, the last valuation day for the purpose of the preparation of these financial statements for the year was 31 December 2022. (2021: 31 December 2021).

**12 APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were approved by the Fund Board 29 March 2023.