



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

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 Fund performance during the period was better than the benchmark's performance by 1.92%. Where the fund achieved 17.49% in comparison with the benchmark's performance which achieved 15.57%.

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

Not applicable.

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>



Disclaimer: Past performance of the fund is no guide to future performance and the value of investments and income from them can fall as well as rise. Where included, benchmark and index data included in this document are provided for illustrative purposes only To ensure proper understanding of the product and its suitability to the investor's risk profile, it is strongly recommend that the investor read the agreement and the terms and conditions of the fund. All rights reserved to Albilad Investment Company 2021© . (Commercial Registration No. 1010240489) dated 10/07/2017 G, 10/16/1438 H, and is regulated by Saudi Arabia's Capital Market Authority (license No. 08100-37) dated 01/08/1428H 14/08/2007



ALBILAD MSCI US EQUITY ETF

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—one Year and 3 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.

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>



Disclaimer: Past performance of the fund is no guide to future performance and the value of investments and income from them can fall as well as rise. Where included, benchmark and index data included in this document are provided for illustrative purposes only To ensure proper understanding of the product and its suitability to the investor's risk profile, it is strongly recommend that the investor read the agreement and the terms and conditions of the fund. All rights reserved to Albilad Investment Company 2021© . (Commercial Registration No. 1010240489) dated 10/07/2017 G, 10/16/1438 H, and is regulated by Saudi Arabia's Capital Market Authority (license No. 08100-37) dated 01/08/1428H 14/08/2007



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).

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>



Disclaimer: Past performance of the fund is no guide to future performance and the value of investments and income from them can fall as well as rise. Where included, benchmark and index data included in this document are provided for illustrative purposes only To ensure proper understanding of the product and its suitability to the investor's risk profile, it is strongly recommend that the investor read the agreement and the terms and conditions of the fund. All rights reserved to Albilad Investment Company 2021© . (Commercial Registration No. 1010240489) dated 10/07/2017 G, 10/16/1438 H, and is regulated by Saudi Arabia's Capital Market Authority (license No. 08100-37) dated 01/08/1428H 14/08/2007

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

**INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT TO THE
UNITHOLDERS AND THE FUND MANAGER**

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

**ALBILAD MSCI US EQUITY ETF
(AN OPEN-ENDED EXCHANGE TRADED FUND MANAGED BY ALBILAD INVESTMENT COMPANY)
INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023**

Index	Page
Report on review of interim condensed financial statements	1
Interim statement of financial position	2
Interim statement of comprehensive income	3
Interim statement of changes in equity attributable to the unitholders	4
Interim statement of cash flows	5
Notes to the interim condensed financial statements	6 - 12



Report on review of interim condensed financial statements

To the Unitholders and the Fund Manager of
AlBilad MSCI US Equity ETF

Introduction

We have reviewed the accompanying interim statement of financial position of AlBilad MSCI US Equity ETF (the "Fund") as of 30 June 2023 and the related interim statements of comprehensive income, changes in equity attributable to the unitholders and cash flows for the six-month period then ended and other explanatory notes. Fund Manager is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447

10 August 2023



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

	As at 30 June 2023 (Un-audited)	As at 31 December 2022 (Audited)
Assets		
Cash and cash equivalents	4 244	1,358
Investments held at fair value through statement of income (FVSI)	14,422	31,733
Dividend receivable	7	22
Total assets	14,673	33,113
Liabilities		
Accrued management fee	4 33	14
Accruals and other liabilities	773	123
Total liabilities	806	137
Equity attributable to the unitholders	13,867	32,976
Units in issue in thousands	1,300	3,500
Equity per unit in Saudi Riyals	10.6669	9.4217

The accompanying notes from 1 to 9 form an integral part of these interim condensed financial statements.

ALBILAD MSCI US EQUITY ETF
INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
 (All amounts in Saudi Riyals '000' unless otherwise stated)

	Note	For the six-month period ended 30 June 2023	For the period from 28 March 2022 (date of commencement of operations) to 30 June 2022
Income			
Realised gain / (loss) on sale of investments held at FVSI		1,125	(4)
Unrealised fair value gain / (loss) on re-measurement of investments held at FVSI		2,482	(4,420)
Dividend income		99	188
Foreign exchange gain / (loss), net		-	(16)
Total income / (loss)		3,706	(4,252)
Expenses			
Management fee	4	(31)	(9)
Other expenses		(159)	(121)
Total expenses		(190)	(130)
Net income / (loss) for the period		3,516	(4,382)
Other comprehensive income for the period		-	-
Total comprehensive income / (loss) for the period		3,516	(4,382)

The accompanying notes from 1 to 9 form an integral part of these interim condensed financial statements.

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

	For the six-month period ended 30 June 2023	For the period from 28 March 2022 (date of commencement of operations) to 30 June 2022
Equity attributable to the unitholders at the beginning of the period	32,976	-
Total comprehensive income / (loss) for the period	3,516	(4,382)
Changes from units transactions		
Proceeds from issuances of units	16,523	35,043
Payment against redemptions of units	(39,148)	-
Net change from units transactions	(22,625)	35,043
Equity attributable to the unitholders at the end of the period	13,867	30,661

Transactions in units for the periods ended 30 June are summarized as follows:

	For the six-month period ended 30 June 2023	For the period from 28 March 2022 (date of commencement of operations) to 30 June 2022
	Units '000'	Units '000'
Units at beginning of the period	3,500	-
Units issued	1,600	3,500
Units redeemed	(3,800)	-
Net change in units	(2,200)	3,500
Units at the end of the period	1,300	3,500

The accompanying notes from 1 to 9 form an integral part of these interim condensed financial statements.

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

	For the six-month period ended 30 June 2023	For the period from 28 March 2022 (date of commencement of operations) to 30 June 2022
Cash flows from operating activities		
Net income / (loss) for the period	3,516	(4,382)
Adjustments for:		
- Unrealised (gain) / loss on re-measurement of investments held at FVSI	(2,482)	4,420
- Dividend income	(99)	(188)
	<u>935</u>	<u>(150)</u>
Net changes in operating assets and liabilities		
Investments held at FVSI	19,793	(33,749)
Accrued management fee	19	9
Accruals and other liabilities	650	121
Cash generated from / (used in) operating activities	<u>20,462</u>	<u>(33,619)</u>
Dividends received	114	158
Net cash generated from / (used in) operating activities	<u>21,511</u>	<u>(33,611)</u>
Cash flows from financing activities		
Proceeds from issuances of units	16,523	35,043
Payment against redemptions of the units	(39,148)	-
Net cash (used in) / generated from financing activities	<u>(22,625)</u>	<u>35,043</u>
Net change in cash and cash equivalents	<u>(1,114)</u>	<u>1,432</u>
Cash and cash equivalents at the beginning of the period	1,358	-
Cash and cash equivalents at the end of the period	<u>244</u>	<u>1,432</u>

The accompanying notes from 1 to 9 form an integral part of these interim condensed financial statements.

ALBILAD MSCI US EQUITY ETF
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(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 Sharia 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 request to offer and register "Albilad MSCI US Equity ETF" units on 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 Market Maker, Albilad Investment Company. 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 BASIS OF PREPARATION

These interim condensed financial statements of the Fund have been prepared in accordance with International Accounting Standard 34 – "Interim Financial Reporting" (IAS 34) as endorsed in the Kingdom of Saudi Arabia. These interim condensed financial statements should be read in conjunction with the financial statements as at and for the period from 28 March 2022 (date of commencement of operations) to 31 December 2022.

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

The principal accounting policies, estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those of the previous financial year i.e. for the period ended from 28 March 2022 (date of commencement of operations) to 31 December 2022 except for note 3 below.

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 interim 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.

The preparation of these interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets,

ALBILAD MSCI US EQUITY ETF
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
 (All amounts in Saudi Riyals '000' unless otherwise stated)

2 BASIS OF PREPARATION (continued)

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 period in which the estimates are revised and in any future periods affected. There are no areas of significant judgment or critical assumption used in the preparation of these interim condensed financial statements.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

New and amended standards adopted by the Fund

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which were effective from periods on or after 1 January 2023. Fund Manager has assessed that the amendments have no impact on the Fund's interim condensed financial statements.

- IFRS 17, 'Insurance contracts' – This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts.
- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 - The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction - requires companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- Amendment to IAS 12 - International tax reform - pillar two model rules - These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

New and amended standards not yet effective and not early adopted by the Fund

The listing of standards and interpretations issued which are applicable at a future date are as follows. The Fund intends to adopt these standards when they become effective. These amendments and standards are not expected to have any impact on the interim condensed financial statements of the Fund.

Standard/ interpretation	Description	Effective from periods beginning on or after
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024

ALBILAD MSCI US EQUITY ETF
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(All amounts in Saudi Riyals '000' unless otherwise stated)

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)

New and amended standards not yet effective and not early adopted by the Fund (continued)

Standard/ Interpretation	Description	Effective from periods beginning on or after
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	1 January 2024
IFRS S1, 'General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	1 January 2024 subject to endorsement from SOCPA
IFRS S2, 'Climate-related disclosures'	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.	1 January 2024 subject to endorsement from SOCPA

4 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.

Management fee and other expenses

On each valuation day, the Fund Manager charges the Fund, a management fee at the rate of 0.75% (2022: 0.75%) per annum of the Fund's net assets value. In addition, on a daily basis the Fund Manager charges the Fund, custody fees of 0.05% (2022: 0.05%) of the Fund's Net Asset Value of the listed and unlisted financial securities and Investment Fund Units and 0.03% (2022: 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.

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:

Related party	Nature of relationship	Nature of transaction	For the six-month period ended 30 June 2023 (Un-audited)	For the period from 28 March 2022 (date of commencement of operations) to 30 June 2022 (Un-audited)
Albilad Investment Company	Fund Manager	Management fee	31	9
Riyad Capital	Custodian of the Fund	Custody fee	4	5
Fund Board	Members of the Fund Board	Fund Board fee	2	4

ALBILAD MSCI US EQUITY ETF
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(All amounts in Saudi Riyals '000' unless otherwise stated)

4 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Transactions with related parties (continued)

Following table summarises the details of balances with related parties:

Nature of balance	Related party	As at 30 June 2023 (Un-audited)	As at 31 December 2022 (Audited)
Custody fee payable	Riyad Capital - Custodian of the Fund	1	3
Bank balances	Bank AIBilad - Parent of the Fund Manager	244	1,358
Accrued management fee	Albilad Investment Company – Fund Manager	33	14
Payable to Fund Manager	Albilad Investment Company – Fund Manager	533	-
Fund Board fee payable	Members of the Fund Board	2	3

5 FAIR VALUE ESTIMATION

The fair value of 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.

The estimated fair value of the Fund's financial assets and liabilities 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 30 June 2023:

As at 30 June 2023 (Un-audited)	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<i>Financial assets not measured at fair value</i>					
Cash and cash equivalents	244	-	-	244	244
Dividend receivable	7	-	-	7	7
<i>Financial assets measured at fair value</i>					
Investments held at FVSI	14,422	14,422	-	-	14,422
	14,673	14,422	-	251	14,673
<i>Financial liabilities not measured at fair value</i>					
Accrued management fee	33	-	-	33	33
Accruals and other liabilities	773	-	-	773	773
	806	-	-	806	806

ALBILAD MSCI US EQUITY ETF
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(All amounts in Saudi Riyals '000' unless otherwise stated)

6 FAIR VALUE ESTIMATION (continued)

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

7 FINANCIAL RISK MANAGEMENT

7.1 Financial risk factors

The financial risk management policies are consistent with those disclosed in the Fund's financial statements as at and for the period from 28 March 2022 (date of commencement of operations) to 31 December 2022 for the period ended 31 December 2022.

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 Fund is exposed to market risk due to its investment 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. If the fair value of the investments held at FVSI changed by 5%, with all other variables held constant, the income for the period would have been higher / lower by SAR 721,100.

(b) Foreign currency risk management

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 will be 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.

(c) 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 30 June 2023 and 30 June 2022, the Fund is exposed to significant credit risk on the following:

ALBILAD MSCI US EQUITY ETF
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(All amounts in Saudi Riyals '000' unless otherwise stated)

6 FINANCIAL RISK MANAGEMENT (continued)

6.1 Financial risk factors (continued)

(c) Credit risk management (continued)

	As at 30 June 2023 (Un-audited)	As at 31 December 2022 (Audited)
Cash and cash equivalents	244	1,358
Dividend receivable	7	22
	251	13,80

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.

(d) 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 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. 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.

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

	Less than 7 days	7 days to 1 month	1-12 months	More than 12 months
As at 30 June 2023 (Un-audited)				
Financial assets				
Cash and cash equivalents	244	-	-	-
Investments held at FVSI	14,422	-	-	-
Dividend receivable	7	-	-	-
	14,673	-	-	-
Financial liabilities				
Accrued management fee	-	-	33	-
Accruals and other liabilities	-	-	773	-
	-	-	806	-
Liquidity gap	14,673	-	(806)	-
As at 31 December 2022 (Audited)				
Financial assets				
Cash and cash equivalents	1,358	-	-	-
Investments held at FVSI	31,733	-	-	-
Dividend receivable	2	18	2	-
	33,093	18	2	-
Financial liabilities				
Accrued management fee	-	-	14	-
Accruals and other liabilities	-	-	123	-
	-	-	137	-
Liquidity gap	33,093	18	(135)	-

ALBILAD MSCI US EQUITY ETF
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(All amounts in Saudi Riyals '000' unless otherwise stated)

6 FINANCIAL RISK MANAGEMENT (continued)

6.1 Financial risk factors (continued)

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.

8 FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and financial liabilities as at 30 June 2023, were classified under amortized cost category except for investments held at FVSI which are classified as and measured at fair value.

9 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 interim condensed financial statements for the period was 30 June 2023.

10 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved and authorized for issuance by the Fund Board on 09 August 2023 corresponding to 22 Muharram 1445H.