

**ALJAZIRA JAPANESE EQUITIES FUND**  
**Open-Ended Fund**  
**(Managed by Aljazira Capital Company)**  
**Interim Condensed Financial Statements (Unaudited)**  
**For the six-month period ended 30 June 2021**  
Together with the  
**Independent Auditor's Review Report to the Unitholders**

**ALJAZIRA JAPANESE EQUITIES FUND**  
**Open-Ended Fund**  
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**INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)**  
**For the six-month period ended 30 June 2021**

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	PAGES
INDEPENDENT AUDITOR'S REVIEW REPORT TO THE UNITHOLDERS	2
INTERIM STATEMENT OF FINANCIAL POSITION	3
INTERIM STATEMENT OF COMPREHENSIVE (LOSS) / INCOME	4
INTERIM STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS	5
INTERIM STATEMENT OF CASH FLOWS	6
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS	7 - 16

## INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

**TO THE UNITHOLDERS OF  
ALJAZIRA JAPANESE EQUITIES FUND  
MANAGED BY ALJAZIRA CAPITAL COMPANY**

### INTRODUCTION

We have reviewed the accompanying interim statement of financial position of Aljazira Japanese Equities Fund (the "Fund") managed by Aljazira Capital (the "Fund Manager") as at 30 June 2021 and the related interim statements of comprehensive (loss) / income, changes in net assets (Equity) attributable to the unitholders and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed financial statements"). Management 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") that is 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 Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements 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 that are 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 that is endorsed in the Kingdom of Saudi Arabia.

For Al-Bassam & Co.

**Ibrahim Ahmed Al-Bassam**  
Certified Public Accountant  
License No. 337



**11 Muharram 1443H  
19 August 2021G  
Riyadh, Kingdom of Saudi Arabia**

**ALJAZIRA JAPANESE EQUITIES FUND**  
**Open-Ended Fund**  
(Managed by Aljazira Capital Company)  


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**INTERIM STATEMENT OF FINANCIAL POSITION**  
As at 30 June 2021  
(Amounts in United States Dollars)

	<b>Notes</b>	<b>30 June 2021 (Un-audited)</b>	<b>31 December 2020 (Audited)</b>
<b>ASSETS</b>			
Cash and cash equivalents	4	2,025,693	1,827,706
Investments carried at fair value through profit or loss (FVPL)	5	78,066,569	82,030,459
Dividend receivable		151,406	-
Due to related party	6	42,259	-
Receivable against sale of investments		-	217,274
Prepayments and other receivables		1,009,665	-
<b>TOTAL ASSETS</b>		<b>81,295,592</b>	<b>84,075,439</b>
<b>LIABILITIES</b>			
Management fee payable	6	383,343	270,885
Payable to unitholders on account of redemption		-	511,233
Accrued expenses and other liabilities		1,064,398	1,029,795
<b>TOTAL LIABILITIES</b>		<b>1,447,741</b>	<b>1,811,913</b>
<b>NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS</b>		<b>79,847,851</b>	<b>82,263,526</b>
Units in issue (in numbers)	7	344,586	340,147
<b>Net Asset (Equity) Value per unit</b>		<b>231.72</b>	<b>241.85</b>

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

**ALJAZIRA JAPANESE EQUITIES FUND****Open-Ended Fund****(Managed by Aljazira Capital Company)****INTERIM STATEMENT OF COMPREHENSIVE (LOSS) / INCOME****For the six-month period ended 30 June 2021****(Amounts in United States Dollars)**

	<b>Notes</b>	<b>30 June 2021 (Un-audited)</b>	<b>30 June 2020 (Un-audited)</b>
<b><u>Income</u></b>			
Net (loss) / gain from investments carried at FVTPL	8	(3,111,331)	863,462
Dividend income		466,030	498,924
Other income		-	61
		<u>(2,645,301)</u>	<u>1,362,447</u>
<b><u>Expenses</u></b>			
Management and custody fees	6	724,163	509,385
Other expenses		110,874	177,481
		<u>835,037</u>	<u>686,866</u>
<b>Net (loss) / income for the period</b>		<b>(3,480,338)</b>	<b>675,581</b>
Other Comprehensive income		-	-
<b>Total comprehensive (loss) / income for the period</b>		<b>(3,480,338)</b>	<b>675,581</b>

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

**ALJAZIRA JAPANESE EQUITIES FUND**

Open-Ended Fund

(Managed by Aljazira Capital Company)

**INTERIM STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS**

For the six-month period ended 30 June 2021

(Amounts in United States Dollars)

	<b>30 June 2021</b> <b>(Un-audited)</b>	<b>30 June 2020</b> <b>(Un-audited)</b>
Net assets (Equity) attributable to the Unitholders at beginning of the period	82,263,526	69,501,045
Total comprehensive (loss) / income for the period	(3,480,338)	675,581
<b>Changes from unit transactions</b>		
Issuance of units	5,883,549	6,694,766
Redemption of units	(4,818,886)	(10,284,234)
Net changes from unit transactions	1,064,663	(3,589,468)
Net assets (Equity) attributable to the Unitholders at end of the period	79,847,851	66,587,158

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

**ALJAZIRA JAPANESE EQUITIES FUND**  
**Open-Ended Fund**  
(Managed by Aljazira Capital Company)  


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**INTERIM STATEMENT OF CASH FLOWS**  
For the six-month period ended 30 June 2021  
(Amounts in United States Dollars)

	<b>Notes</b>	<b>30 June 2021</b> <b>(Un-audited)</b>	<b>30 June 2020</b> <b>(Un-audited)</b>
<b><u>Cash flows from operating activities:</u></b>			
Net (loss) / income for the period		(3,480,338)	675,581
Adjustments for:			
- Unrealized loss / (gain) from investments carried at FVTPL	8	6,652,538	(3,228,936)
		<u>3,172,200</u>	<u>(2,553,355)</u>
<b><u>Net changes in operating assets and liabilities:</u></b>			
Investments carried at FVTPL		(2,688,648)	5,082,132
Receivable against sale of investments		217,274	889,643
Dividend receivable		(151,406)	(47,724)
Due to related party		(42,259)	-
Prepayments and other receivables		(1,009,665)	-
Management fee payable		112,458	(21,389)
Accrued expenses and other liabilities		34,603	40,075
Net cash (used in) / generated from operating activities		<u>(355,443)</u>	<u>3,389,382</u>
<b><u>Cash flows from financing activities:</u></b>			
Proceeds from issuance of units		5,883,549	6,694,766
Redemption of units		(5,330,119)	(9,997,518)
Net cash generated from / (used in) financing activities		<u>553,430</u>	<u>(3,302,752)</u>
<b>Net change in cash and cash equivalents:</b>			
		197,987	86,630
Cash and cash equivalents at beginning of the period		<u>1,827,706</u>	<u>1,604,323</u>
Cash and cash equivalents at end of the period		<u>2,025,693</u>	<u>1,690,953</u>
<b>Supplementary information</b>			
Payable to unitholders on account of redemption		<u>-</u>	<u>286,716</u>

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

## **ALJAZIRA JAPANESE EQUITIES FUND**

### **Open-Ended Fund**

(Managed by Aljazira Capital Company)

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## **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2021

(Amounts in United States Dollars)

### **1 LEGAL STATUS AND PRINCIPAL ACTIVITIES**

Aljazira Japanese Equities Fund (the "Fund") is an open-ended, Saudi Investment Fund established and managed through an agreement between Aljazira Capital Company – a Saudi Closed Joint Stock Company (the "Fund Manager") and the investors (the "unitholders") in the Fund. The Fund Manager is a wholly owned subsidiary of Bank Aljazira (the "Bank"). The Capital Market Authority ("CMA") approval to continue issuing units to public was granted vide its letter no 7720/5 dated 12 Muharram 1431H (corresponding to 29 December 2009). The Fund commenced its operations on 17 April 2000.

The Fund operates under the terms and conditions contained in its prospectus with the prime objective of providing the investors with the opportunities to invest in Shariah compliant investment securities listed in diversified global markets with a long-term capital growth. The Fund's net income is re-invested in the Fund, which is reflected in the net assets (equity) attributable to each unit.

The Fund is administered by Maples Fund Services (the "Administrator"). The Fund's assets are held in the custody of Northern Trust Securities (the "Custodian"). Nomura Islamic Asset Management SDN BHD act as a Sub Fund Manager to the Fund. Fee paid to the Sub Fund Manager is borne by the Fund Manager.

The Fund is governed by the Investment Fund Regulations (the "Regulations") published by CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) thereafter amended on 16 Sha'ban 1437H (corresponding to 23 May 2016). The regulation was further amended (the "Amended Regulations") on 17 Rajab 1442H (corresponding to 1 March 2021) detailing requirements for all funds within the Kingdom of Saudi Arabia. The Amended Regulations have effective dates starting from 19 Ramadan 1442H (corresponding to 1 May 2021).

### **2 BASIS OF PREPARATION**

#### **2.1. Statement of compliance**

These interim condensed financial statements of the Fund have been prepared in accordance with International Accounting Standard (IAS) 34 - Interim Financial Reporting that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by the Saudi Organization for Certified Public Accountants (SOCPA) and should be read in conjunction with the Fund's last annual financial statement for the year ended 31 December 2020. The results for the six-month period ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

#### **2.2. Basis of measurement**

These interim condensed financial statements have been prepared on a historical cost basis, except for investments that are measured at fair value.

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.

#### **2.3. Functional and presentation currency**

Items included in these interim condensed financial statements are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). These interim condensed financial statements are presented in United States Dollar (USD) which is the Fund's functional and presentation currency.

#### *Transactions and balances*

Foreign currency transactions are translated into USD using the exchange rates prevailing at the date of transactions. Foreign currency assets and liabilities are translated into USD using the exchange rates prevailing at date of the interim statement of financial position. Foreign exchange gains and losses, if any, arising from translation are included in the interim statement of comprehensive (loss) / income.

## ALJAZIRA JAPANESE EQUITIES FUND

### Open-Ended Fund

(Managed by Aljazira Capital Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2021

(Amounts in United States Dollars)

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 New standards, interpretations and amendments

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used and disclosed in the annual financial statements of the Fund for the year ended 31 December 2020. There are new standards, amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed financial statements of the Fund.

There are several other amendments and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's interim condensed financial statements. In the opinion of the Fund's Board, these will have no significant impact on the interim condensed financial statements of the Fund. The Fund intends to adopt those amendments and interpretations, if applicable.

#### 3.2 Critical accounting estimates and assumptions

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, 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 recognized in the period in which the estimates are revised and in any future periods affected.

In the process of applying the Fund's accounting policies, management has made the following estimate and judgment which is significant to these interim condensed financial statements:

##### 3.2.1 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 management is not aware of any material uncertainties that may cast significant doubt on the Fund's ability to continue as a going concern. Accordingly, these interim condensed financial statements have been prepared on a going concern basis.

### 4 CASH AND CASH EQUIVALENTS

	Notes	30 June 2021 (Un-audited)	31 December 2020 (Audited)
Cash at Bank	4.1, 6	79,015	488,455
Cash with Custodian	4.2, 6	1,946,678	1,339,251
		<u>2,025,693</u>	<u>1,827,706</u>

4.1. Cash at Bank is held in current accounts with Bank Aljazira, a related party (Also see Note 1). The Fund does not earn profit on these current accounts.

4.2. These funds are placed with the Custodian (Also see Note 1) and the Fund earns profit on these balances.

**ALJAZIRA JAPANESE EQUITIES FUND****Open-Ended Fund**

(Managed by Aljazira Capital Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2021

(Amounts in United States Dollars)

**5 INVESTMENTS CARRIED AT FVTPL**

Investments in equity instruments carried at FVTPL comprise of the following:

Industry sector	30 June 2021 (Un-audited)		
	Cost	Fair value	%
Pharmaceuticals	7,259,102	10,514,156	13.47
Electronics	5,549,796	10,086,206	12.92
Semiconductors	3,603,756	8,616,361	11.04
Retail	4,639,812	7,681,488	9.84
Chemicals	5,084,497	7,460,237	9.56
Cosmetics/Personal Care	4,046,878	4,403,674	5.64
Commercial Services	1,601,828	4,190,997	5.37
Building Materials	1,903,939	3,830,878	4.91
Hand/Machine Tools	1,979,730	3,682,564	4.72
Automobile and Parts	2,303,559	2,495,103	3.20
Machinery-Diversified	2,008,367	2,448,182	3.14
Leisure Time	1,340,228	2,185,420	2.80
Internet	886,141	2,077,353	2.66
Environmental Control	1,051,956	1,935,587	2.48
Distribution/Wholesale	1,347,724	1,739,169	2.23
Computers	1,154,126	1,325,527	1.70
Transportation	1,179,248	1,199,675	1.54
Healthcare-Products	233,732	1,088,443	1.39
Food	378,552	578,631	0.74
Home Builders	407,070	526,918	0.67
<b>Total</b>	<b>47,960,041</b>	<b>78,066,569</b>	<b>100.00</b>

  

Industry sector	31 December 2020 (Audited)		
	Cost	Fair value	%
Electric and electronics	10,087,243	19,324,336	23.56
Pharmaceuticals	8,467,804	16,280,029	19.85
Construction and engineering	7,683,470	13,153,606	16.04
Retail	3,955,236	9,410,182	11.47
Chemical	3,683,889	6,318,534	7.70
Telecommunication and technology	1,807,909	4,043,657	4.93
Automobile and parts	2,821,644	2,645,449	3.22
Consumer products	442,074	653,319	0.80
Others	6,322,124	10,201,347	12.44
<b>Total</b>	<b>45,271,393</b>	<b>82,030,459</b>	<b>100.00</b>

**6 RELATED PARTIES TRANSACTIONS AND BALANCES****Management fee and other expenses**

For management services, the Fund pays quarterly management fees at an annual rate of 1.50% of the net assets (equity) of the Fund attributable to Unitholders, at each valuation date, as set out in the Fund's terms and conditions.

The Fund pays performance fees at a rate of 20% on the specified benchmark criteria as per the Fund's terms and conditions.

The Fund Manager recovers from the Fund any other expenses incurred on behalf of the Fund such as board compensation, Shariah supervisory board compensation and other similar charges. These expenses are not expected to exceed an annual rate of 0.25% of the value of Fund's net assets (equity) calculated on a daily basis.

**ALJAZIRA JAPANESE EQUITIES FUND****Open-Ended Fund**

(Managed by Aljazira Capital Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2021

(Amounts in United States Dollars)

**6 RELATED PARTIES TRANSACTIONS AND BALANCES (CONTINUED)***Transactions with related parties*

During the period, the Fund entered into the following significant transactions with related parties in the ordinary course of its business. These transactions were carried out on the basis of approved terms and conditions of the Fund.

Related parties	Nature of relationship	Nature of transaction	30 June 2021 (Un-audited)	30 June 2020 (Un-audited)
Aljazira Capital Company	Fund Manager	Management and custody fees	724,163	509,385
		Performance fee received	86,363	80,989
Bank Aljazira	Affiliate	Bank charges	430	305
Fund's Board	Key executive	Board remuneration	2,127	2,123

Certain units of the Fund are subscribed by an affiliate of the Fund Manager and other funds managed and administered by the Fund Manager, the details of which are as follows:

Related parties and nature of relationship	30 June 2021 (Un-audited)	31 December 2020 (Audited)
<i>(Unit in numbers)</i>		
<b>Affiliate</b>		
Aljazira Takaful Taawuni Company	275,169	282,820
<b>Funds managed by the Fund Manager</b>		
Aljazira Diversified Aggressive Fund	32,035	28,513
Aljazira Diversified Balanced Fund	9,106	6,340
Aljazira Diversified Conservative Fund	5,392	1,547

*Balances with related parties*

Related parties	Nature of relationship	Nature of transaction	30 June 2021 (Un-audited)	31 December 2020 (Audited)
Bank Aljazira	Affiliate	Cash at bank	79,015	488,455
Northern Trust Securities	Custodian	Cash held	1,946,678	1,339,251
Aljazira Capital Company	Fund Manager	Advance for expenses on behalf of Fund	42,259	-
		Management fee payable	383,343	270,885
		Performance fee payable *	-	863,632
		Redemption payable	-	511,233
Fund's Board	Key executive	Remuneration payable *	6,358	12,767

\* Classified in interim statement of financial position under accrued expenses and other liabilities.

**ALJAZIRA JAPANESE EQUITIES FUND****Open-Ended Fund**

(Managed by Aljazira Capital Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2021

(Amounts in United States Dollars)

**7 UNIT TRANSACTIONS**

Transactions in units for the period / year are summarized as follows:

	<u>30 June 2021</u> (Un-audited)	<u>31 December 2020</u> (Audited)
	<i>(Unit in numbers)</i>	
Units at beginning of the period / year	340,147	365,646
Units issued during the period / year	24,433	60,097
Units redeemed during the period / year	(19,994)	(85,596)
Net change in units	4,439	(25,499)
Units at end of the period / year	<u>344,586</u>	<u>340,147</u>

**8 NET GAIN / (LOSS) FROM INVESTMENTS CARRIED AT FVTPL**

	<u>30 June 2021</u> (Un-audited)	<u>30 June 2020</u> (Un-audited)
Unrealized (loss) / gain on revaluation of investments	(6,652,538)	3,228,936
Realised gain on disposal of investments	3,541,207	(2,365,474)
	<u>(3,111,331)</u>	<u>863,462</u>

**9 FINANCIAL INSTRUMENTS BY CATEGORY**

<u>30 June 2021 (Un-audited)</u>	<u>Amortized cost</u>	<u>FVTPL</u>
<b>Assets as per interim statement of financial position</b>		
Cash and cash equivalents	2,025,693	-
Investments carried at FVTPL	-	78,066,569
Dividend receivable	151,406	-
Due to related party	42,259	-
<b>Total</b>	<u>2,219,358</u>	<u>78,066,569</u>
Management fee payable	383,343	-
Accrued expenses and other liabilities	1,064,398	-
<b>Total</b>	<u>1,447,741</u>	<u>-</u>
<b>31 December 2020 (Audited)</b>		
	<u>Amortized cost</u>	<u>FVTPL</u>
<b>Assets as per statement of financial position</b>		
Cash and cash equivalents	1,827,706	-
Investments carried at FVPL	-	82,030,459
Receivable against sale of investments	217,274	-
<b>Total</b>	<u>2,044,980</u>	<u>82,030,459</u>
Management fee payable	270,885	-
Payable to unitholders on account of redemption	511,233	-
Accrued expenses and other liabilities	1,029,795	-
<b>Total</b>	<u>1,811,913</u>	<u>-</u>

**ALJAZIRA JAPANESE EQUITIES FUND****Open-Ended Fund**

(Managed by Aljazira Capital Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2021

(Amounts in United States Dollars)

**10 FINANCIAL RISK MANAGEMENT**

The objective of the Funds is to safeguard its 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, liquidity risk and operational 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 is 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***(i) Foreign exchange 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's significant investments in equity instruments carried at fair value through profit or loss are exposed to the foreign exchange risk in following currencies:

Currency	Country	30 June 2021 (Un-audited)		31 December 2020 (Audited)	
		Fair value	%	Fair value	%
JPY	Japan	78,066,569	100	82,030,459	100
		<b>78,066,569</b>	<b>100</b>	<b>82,030,459</b>	<b>100</b>

The effect on the net assets (equity) value (as a result of the change in the fair value of investments as at 30 June 2021 and 31 December 2020) due to a reasonably possible change in equity indices based on the industry concentration, with all other variables held constant is as follows:

Currency	Country	30 June 2021 (Un-audited)		31 December 2020 (Audited)	
		Potential reasonable change %	Effect on NAV	Potential reasonable change %	Effect on NAV
JPY	Japan	+/- 1%	780,666	+/- 1%	820,305

*(i) Commission rate risk*

Commission rate risk is the risk that the value of the future cash flows of a financial instrument or fair values of fixed coupon financial instruments will fluctuate due to changes in market commission rates.

The Fund is not subject to commission rate risk, as it does not have any commission bearing financial instruments.

**ALJAZIRA JAPANESE EQUITIES FUND**

Open-Ended Fund

(Managed by Aljazira Capital Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2021

(Amounts in United States Dollars)

**10 FINANCIAL RISK MANAGEMENT (CONTINUED)***(iii) 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 financial instruments that the Fund holds. The Fund closely monitors the price movement of its investments in financial instruments. As of the interim statement of financial position date, the Fund has equity investments in listed equity securities (Note 5).

The effect on the net assets (equity) value (as a result of the change in the fair value of significant investments as at 30 June 2021 and 31 December 2020) due to a reasonably possible change in equity indices based on the industry concentration, with all other variables held constants is as follows:

	30 June 2021 (Un-audited)		31 December 2020 (Audited)	
	Potential reasonable change %	Effect on NAV	Potential reasonable change %	Effect on NAV
Pharmaceuticals	+/- 1%	105,142	+/- 1%	162,800
Electric and electronics	+/- 1%	100,862	+/- 1%	193,243
Semiconductors	+/- 1%	86,164	+/- 1%	-
Retail	+/- 1%	76,815	+/- 1%	94,102
Chemicals	+/- 1%	74,602	+/- 1%	63,185
Cosmetics/Personal Care	+/- 1%	44,037	+/- 1%	-
Commercial Services	+/- 1%	41,910	+/- 1%	-
Building Materials	+/- 1%	38,309	+/- 1%	-
Hand/Machine Tools	+/- 1%	36,826	+/- 1%	-
Automobile and parts	+/- 1%	24,951	+/- 1%	26,454
Machinery-Diversified	+/- 1%	24,482	+/- 1%	-
Leisure Time	+/- 1%	21,854	+/- 1%	-
Internet	+/- 1%	20,774	+/- 1%	-
Environmental Control	+/- 1%	19,356	+/- 1%	-
Distribution/Wholesale	+/- 1%	17,392	+/- 1%	-
Computers	+/- 1%	13,255	+/- 1%	-
Transportation	+/- 1%	11,997	+/- 1%	-
Healthcare-Products	+/- 1%	10,884	+/- 1%	-
Food	+/- 1%	5,786	+/- 1%	-
Home Builders	+/- 1%	5,269	+/- 1%	-
Consumer products	+/- 1%	-	+/- 1%	6,533
Telecommunication and technology	+/- 1%	-	+/- 1%	40,437
Construction and Engineering	+/- 1%	-	+/- 1%	131,536
Others	+/- 1%	-	+/- 1%	102,013

**ALJAZIRA JAPANESE EQUITIES FUND**

Open-Ended Fund

(Managed by Aljazira Capital Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2021

(Amounts in United States Dollars)

**10 FINANCIAL RISK MANAGEMENT (CONTINUED)****(a) Credit risk**

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

It is the Fund's policy to enter into financial instrument contracts with reputable counterparties. The Fund seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Fund is exposed to credit risk for its cash and cash equivalents, dividends receivable, due from a related party and other receivables. Bank balances are placed with reputable financial institutions; hence the credit risk is minimal. For other assets, credit risk is also low.

***Credit ratings***

The credit quality of the Fund's bank balance is assessed with reference to external credit ratings which, in all cases, are above investment-grade rating. The bank balances along with credit ratings are tabulated below:

<b>Rating of financial institution</b>	<b>30 June 2021 (Un-audited)</b>	<b>31 December 2020 (Audited)</b>
<b>Cash and cash equivalents</b>		
baa3	79,015	488,455
Unrated	1,946,678	1,339,251

**(b) 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 Saudi business day and it is, therefore, exposed to the liquidity risk of meeting Unitholder redemptions on these days. The Fund's financial liabilities primarily consist of payables which are expected to be settled within one month from the interim statement of financial position date.

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by taking short term loans from the Fund Manager.

**ALJAZIRA JAPANESE EQUITIES FUND****Open-Ended Fund**

(Managed by Aljazira Capital Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2021

(Amounts in United States Dollars)

**10 FINANCIAL RISK MANAGEMENT (CONTINUED)****(c) Liquidity risk (continued)**

	<b>30 June 2021</b>		
	<b>(Un-audited)</b>		
	<b>Less than 1 year</b>	<b>More than 1 year</b>	<b>Total</b>
Cash and cash equivalents	2,025,693	-	2,025,693
Investments carried at FVTPL	78,066,569	-	78,066,569
Dividend receivable	151,406	-	151,406
Due from a related party	42,259	-	42,259
<b>Total</b>	<b>80,285,927</b>	<b>-</b>	<b>80,285,927</b>
Management fee payable	383,343	-	383,343
Accrued expenses and other liabilities	1,064,398	-	1,064,398
<b>Total</b>	<b>1,447,741</b>	<b>-</b>	<b>1,447,741</b>

  

	<b>31 December 2020</b>		
	<b>(Audited)</b>		
	<b>Less than 1 year</b>	<b>More than 1 year</b>	<b>Total</b>
Cash and cash equivalents	1,827,706	-	1,827,706
Investments carried at FVTPL	82,030,459	-	82,030,459
Receivable against sale of investments	217,274	-	217,274
<b>Total</b>	<b>84,075,439</b>	<b>-</b>	<b>84,075,439</b>
Management fee payable	270,885	-	270,885
Payable to unitholders on account of redemption	511,233	-	511,233
Accrued expenses and other liabilities	1,029,795	-	1,029,795
<b>Total</b>	<b>1,811,913</b>	<b>-</b>	<b>1,811,913</b>

**(c) 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.

**11 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 carrying value less impairment provision, if any, of financial instrument carried at amortized cost are assumed to approximate their fair values.

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.

**ALJAZIRA JAPANESE EQUITIES FUND**

**Open-Ended Fund**

**(Managed by Aljazira Capital Company)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

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**For the six-month period ended 30 June 2021**

**(Amounts in United States Dollars)**

**11 FAIR VALUE ESTIMATION (CONTINUED)**

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equity instruments. The Fund does not adjust the quoted price for these instruments.

Fund classifies all of its financial assets, except for those carried at amortized cost, at fair value as level 1.

For assets and liabilities that are measured at fair value on a recurring basis, the Fund identifies transfers between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole), and deems transfers to have occurred at the end of the reporting period during which the change has occurred. During the period, there was no transfer in fair value hierarchy for the financial assets held at fair value through profit or loss.

Other financial instruments such as, cash and cash equivalents are short-term financial asset whose carrying amount approximate their fair value, because of their short-term nature and the high credit quality of counterparty. For all other financial assets and liabilities, the carrying value is an approximation of fair value.

**12 EVENTS AFTER THE END OF THE REPORTING PERIOD**

There has been no significant event after the interim statement of financial position date, which in the opinion of the management requires recognition or disclosure in the interim condensed financial statements.

**13 LAST VALUATION DAY**

The last valuation day for the purpose of preparation of these interim condensed financial statements was 28 June 2021 (2020: 31 December 2020). There is no material change in the net assets (equity) attributable to each unit of the Fund between last valuation day and its financial period end i.e. 30 June 2021.

**14 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

These interim condensed financial statements were approved and authorized for issue by the Fund's Board on 11 Muharram 1443H corresponding to 19 August 2021G.