

**SAIB GCC EQUITY FUND**  
An open-ended mutual fund  
(Managed by Alistithmar for Financial Securities  
and Brokerage Company)  
**FINANCIAL STATEMENTS**  
For the year ended 31 December 2021  
together with the  
**Independent Auditor's Report to the Unitholders**



## KPMG Professional Services

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Commercial Registration No. 1010425494

Headquarters in Riyadh

## كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار  
صندوق بريد 92876  
الرياض 11663  
المملكة العربية السعودية  
سجل تجاري رقم 1010425494

المركز الرئيسي في الرياض

# Independent Auditor's Report

To the Unitholders of SAIB GCC Equity Fund

## Opinion

We have audited the financial statements of **SAIB GCC Equity Fund ("the Fund")** managed by Alistithmar for Financial Securities and Brokerage Company ("the Fund Manager"), which comprise the statement of financial position as at 31 December 2021, the statements of comprehensive income, changes in net assets (equity) attributable to the Unitholders and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in the Kingdom of Saudi Arabia").

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and to comply with the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority ("CMA"), the Fund's Terms and Conditions and the Information Memorandum 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, the Fund Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Fund Board, is responsible for overseeing the Fund's financial reporting process.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with the paid-up capital of SAR (25,000,000). Previously known as "KPMG Al Fozan & Partners Certified Public Accountants". A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس ماله (25,000,000) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي القوزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية للشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة التجاريزية محدودة بضمان. جميع الحقوق محفوظة.



**SAIB GCC EQUITY FUND**  
 An open-ended mutual fund  
**STATEMENT OF FINANCIAL POSITION**  
 As at 31 December 2021  
 (Amounts in United States Dollars)

	<i>Notes</i>	<b>31 December 2021</b>	31 December 2020
<b><u>ASSETS</u></b>			
Cash and cash equivalents	9	1,605,496	868,613
Dividend receivable		--	17,319
Investments	10	22,205,922	17,065,696
<b>Total Assets</b>		<b>23,811,418</b>	17,951,628
<b><u>LIABILITIES</u></b>			
Management fee payable	12, 14	41,373	30,336
Accrued expenses		17,429	17,354
<b>Total Liabilities</b>		<b>58,802</b>	47,690
<b>Net assets (Equity) attributable to the Unitholders</b>		<b>23,752,616</b>	17,903,938
<b>Units in issue (numbers)</b>		<b>66,564</b>	69,504
<b>Net assets (Equity) attributable to each unit (USD)</b>		<b>356.84</b>	257.60

The accompanying notes 1 to 20 form an integral part of these financial statements.

**SAIB GCC EQUITY FUND**  
An open-ended mutual fund  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2021  
*(Amounts in United States Dollars)*

	<i>Notes</i>	<b>For the year ended 31 December 2021</b>	For the year ended 31 December <u>2020</u>
<b><u>INCOME</u></b>			
Dividend income		<b>491,809</b>	402,329
Gain on investments, net	<i>11</i>	<b><u>6,827,824</u></b>	<u>1,663,364</u>
<b>Total income</b>		<b><u>7,319,633</u></b>	<u>2,065,693</u>
<b><u>EXPENSES</u></b>			
Management fee	<i>12, 14</i>	<b>(381,194)</b>	(276,806)
Custody fee		<b>(18,886)</b>	(16,000)
Other expenses	<i>13</i>	<b><u>(112,805)</u></b>	<u>(92,775)</u>
<b>Total expenses</b>		<b><u>(512,885)</u></b>	<u>(385,581)</u>
<b>Net profit for the year</b>		<b>6,806,748</b>	1,680,112
Other comprehensive income for the year		--	--
<b>Total comprehensive income for the year</b>		<b><u>6,806,748</u></b>	<u>1,680,112</u>

The accompanying notes 1 to 20 form an integral part of these financial statements.

**SAIB GCC EQUITY FUND**  
An open-ended mutual fund  
**STATEMENT OF CHANGES IN NET ASSETS (EQUITY)**  
**ATTRIBUTABLE TO THE UNITHOLDERS**  
For the year ended 31 December 2021  
*(Amounts in United States Dollars)*

	<b>For the year ended 31 December <u>2021</u></b>	For the year ended 31 December <u>2020</u>
<b>Net assets (Equity) attributable to the Unitholders at beginning of the year</b>	<b>17,903,938</b>	18,206,812
<b>Total comprehensive income for the year</b>	<b>6,806,748</b>	1,680,112
<b>Contributions and redemptions by the Unitholders:</b>		
Contributions by the Unitholders	<b>10,000</b>	250,163
Redemptions by the Unitholders	<b>(968,070)</b>	(2,233,149)
Net redemptions by the Unitholders	<b>(958,070)</b>	(1,982,986)
<b>Net assets (Equity) attributable to the Unitholders at end of the year</b>	<b><u>23,752,616</u></b>	<u>17,903,938</u>

**UNITS TRANSACTIONS** *(numbers)*

	<b>For the year ended 31 December <u>2021</u></b>	For the year ended 31 December <u>2020</u>
<b>Units in issuance at beginning of the year</b>	<b>69,504</b>	77,876
Units issued during the year	<b>28</b>	1,074
Units redeemed during the year	<b>(2,968)</b>	(9,446)
Net decrease in units	<b>(2,940)</b>	(8,372)
<b>Units in issuance at end of the year</b>	<b><u>66,564</u></b>	<u>69,504</u>

The accompanying notes 1 to 20 form an integral part of these financial statements.

**SAIB GCC Equity Fund**  
An open-ended mutual fund  
**STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2021  
*(Amounts in United States Dollars)*

	<i>Notes</i>	<b>For the year ended 31 December <u>2021</u></b>	For the year ended 31 December <u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit for the year		<b>6,806,748</b>	1,680,112
<i>Adjustment for:</i>			
Dividend income		<b>(491,809)</b>	(402,329)
		<b>6,314,939</b>	1,277,783
<b>Net changes in operating assets and liabilities</b>			
(Increase) / decrease in investments		<b>(5,140,226)</b>	320,667
Increase in management fee payable		<b>11,037</b>	138
Increase in accrued expenses		<b>75</b>	1,263
<b>Cash generated from operations</b>		<b>1,185,825</b>	1,599,851
Dividend received		<b>509,128</b>	385,010
<b>Net cash generated from operating activities</b>		<b>1,694,953</b>	1,984,861
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Contributions by the Unitholders		<b>10,000</b>	250,163
Redemptions by the Unitholders		<b>(968,070)</b>	(2,233,149)
<b>Net cash used in financing activities</b>		<b>(958,070)</b>	(1,982,986)
<b>Net increase in cash and cash equivalents</b>		<b>736,883</b>	1,875
Cash and cash equivalents at beginning of the year	9	<b>868,613</b>	866,738
<b>Cash and cash equivalents at end of the year</b>	9	<b>1,605,496</b>	868,613

The accompanying notes 1 to 20 form an integral part of these financial statements.

**SAIB GCC EQUITY FUND**  
An open-ended mutual fund  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2021  
(Amounts in United States Dollars)

**1. GENERAL**

SAIB GCC Equity Fund (the “Fund”) is an open-ended investment fund created by an agreement between Alistithmar for Financial Securities and Brokerage Company (“Alistithmar Capital” or the “Fund Manager”), a wholly owned subsidiary of The Saudi Investment Bank (the “Bank”), and the investors (the “Unitholders”). The Fund commenced its operations on 24 July 2004.

The Fund is designed for investors seeking long-term capital growth through diversified exposure to GCC, Arab markets and other Gulf countries’ equities and financial products. All income is reinvested in the Fund and is reflected in the net assets (equity) attributable to each unit.

Alistithmar Capital is the Fund Manager and Riyadh Capital Company (“Riyad Capital”) is the custodian of the Fund.

In dealing with the Unitholders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares separate financial statements of the Fund.

**2. REGULATING AUTHORITY**

The Fund is governed by the Investment Fund Regulations (the “Regulations”) published by Capital Market Authority (“CMA”) on 3 Dhul Hijja 1427 H (corresponding to 24 December 2006) thereafter amended (the “Amended Regulations”) on 16 Sha’ban 1437 H (corresponding to 23 May 2016). The Regulation was further amended (the “Amended Regulations”) on 17 Rajab 1442 H (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 1442 H (corresponding to 1 May 2021).

**3. BASIS OF ACCOUNTING**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”), and to comply with the applicable provisions of the Investment Fund Regulations issued by CMA and the Fund’s Terms and Conditions.

**4. BASIS OF MEASUREMENT**

These financial statements have been prepared on a historical cost basis, except for measurement of investments at fair value, using the accrual basis of accounting and the going concern concept.

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 their liquidity.

**5. FUNCTIONAL AND PRESENTATION CURRENCY**

These financial statements are presented in United States Dollars (“USD”), which is the Fund’s functional currency. All amounts have been rounded to the nearest USD, unless otherwise indicated.



**SAIB GCC EQUITY FUND**  
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**6. USE OF JUDGMENTS AND ESTIMATES**

In preparing these financial statements, management has made judgments and estimates 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 estimates are recognised prospectively.

**7. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**(a) *Foreign currency***

Transactions in foreign currencies are translated into USD at the exchange rate at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into USD at the exchange rate at the reporting date. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured.

Foreign currency differences arising on translation are recognised in the statement of comprehensive income as net foreign exchange gains or losses, except for those arising on financial instruments at fair value through profit or loss ("FVTPL"), which are recognised as a component of net gain from financial instruments at FVTPL.

**(b) *Revenue recognition***

**Dividend income**

Dividend income is recognised in the statement of comprehensive income on the date on which the right to receive payment of the dividend is established, it is probable that the economic benefits associated with the dividend will flow to the Fund and the amount of the dividend can be measured reliably. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which the shareholders approve the payment of a dividend. Dividend income from equity securities at FVTPL is recognised in statement of comprehensive income in a separate line item.

**Net gain from financial instruments at FVTPL**

Net gain from financial instruments at FVTPL includes all realised and unrealised fair value changes and foreign exchange differences (if any), but excludes interest and dividend income.

Net realised gain from financial instruments at FVTPL is calculated using the weighted average cost method.

**(c) *Distributions to the Unitholders***

Distribution to the Unitholders is accounted for as a deduction from net assets (equity) attributable to the Unitholders.

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**7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(d) Fee and other expenses**

Fee and other expenses are recognized in statement of comprehensive income as the related services are received.

**(e) Zakat and tax**

Under the current system of zakat and income tax in the Kingdom of Saudi Arabia, the Fund is exempt from paying any zakat and income tax. Zakat and income tax are considered to be the obligation of the Unitholders and are not provided for in these financial statements.

**(f) Provisions**

Provisions are recognized whenever there is a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**(g) Financial assets and financial liabilities**

***Recognition and initial measurement***

Financial assets and financial liabilities at FVTPL are initially recognised on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date on which they are originated.

Financial assets and financial liabilities at FVTPL are initially recognised at fair value, with transaction costs recognised in the statement of comprehensive income. Financial assets or financial liabilities not at FVTPL are initially recognised at fair value plus / (minus) transaction costs that are directly attributable to their acquisition or issue.

***Classification of financial assets***

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

***Financial asset at amortized cost***

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

***Financial asset at fair value through other comprehensive income ("FVOCI")***

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL.

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent fair value changes in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

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**7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(g) *Financial assets and financial liabilities (continued)***

*Financial asset at fair value through profit or loss ("FVTPL")*

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

*Business model assessment*

The Fund Manager makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual commission revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's manager;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Fund's original expectations, the Fund does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

*Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Commission / interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

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**7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(g) *Financial assets and financial liabilities (continued)***

In assessing whether the contractual cash flows are solely payments of principal and interest, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

**Reclassifications**

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

**Classification of financial liabilities**

The Fund classifies its financial liabilities at amortised cost using the effective interest method unless it has designated liabilities at FVTPL.

**Derecognition**

The Fund derecognises a financial asset (or where applicable, a part of a financial asset or a part of group of similar financial assets) when the contractual rights to receive the cash flows from the financial asset have expired, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

Transactions in which the Fund transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or portion of them, the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all of the risks and rewards include sale and repurchase transactions.

Transactions in which the Fund neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Fund continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Fund derecognize a financial liability when its contractual obligations are discharged or cancelled, or expired.

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**7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(g) *Financial assets and financial liabilities (continued)***

***Offsetting***

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 offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS as endorsed in the Kingdom of Saudi Arabia, or for gains and losses arising from a group of similar transactions such as in the Fund's trading activity.

**(h) *Fair value measurement***

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund measures instruments quoted in an active market as per the official closing price in the related stock exchange where the instrument is traded.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

**(i) *Cash and cash equivalents***

Cash and cash equivalents comprise deposits with banks, cash held with broker in trading account and with custodian in investment account and highly liquid financial assets with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Fund in the management of short-term commitments.

**(j) *Redeemable Units***

The Fund classified financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Fund has redeemable units in issue. On liquidation of the Fund, they entitle the holders to the residual net assets. They rank pari passu in all respects and have identical terms and conditions. The redeemable units provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund net assets at each redemption date and also in the event of the Fund's liquidation.

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**7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*(j) Redeemable Units (continued)*

Redeemable units are classified as equity as it meets all of the following conditions:

- it entitles the holder to a pro-rata share of the Fund's net assets in the event of the Fund's liquidation;
- it 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;
- apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

Incremental costs directly attributable to the issue or redemption of redeemable units are recognized directly in equity as a deduction from the proceeds or part of the acquisition cost.

**8. NEW STANDARDS**

*a) New IFRS standards, IFRIC interpretations and amendments thereof, adopted by the Fund*

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) have been effective from 1 January 2021 and accordingly adopted by the Fund, as applicable:

<u>Standards / Amendments</u>	<u>Description</u>
Amendments to IFRS 16	Leases for COVID -19 rent related concessions
Amendments to IFRS 7, IFRS 4 and IFRS 16	IBOR Benchmark Reform – Phase 2

The adoption of the amended standards and interpretations applicable to the Fund did not have any significant impact on these financial statements.

*b) Standards issued but not yet effective*

A number of amendments and standards are effective for the period beginning after 1 January 2022 and earlier application is permitted; however, the Fund has not early applied these new amendments and standards in preparing these financial statements.

The following new or amended standards are not expected to have a significant impact on the Fund's financial statements:

<u>Standards / Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
Amendments to IAS 37	Onerous contracts – Cost of fulfilling a contract	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022

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**8. NEW STANDARDS (CONTINUED)**

*b) Standards issued but not yet effective (continued)*

<u>Standards / Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
Amendments to IAS 1 and IAS 8	Improvement in accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	1 January 2023
Amendments to IFRS 3	Reference to Conceptual Framework	1 January 2022
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to IAS 1	Classification of liabilities as current or non- current	1 January 2024
IFRS 17	Insurance Contracts	1 January 2023

**9. CASH AND CASH EQUIVALENTS**

	<b>31 December 2021</b>	31 December 2020
Cash in trading account	<b>308,527</b>	335,833
Cash with custodian	<b>1,296,969</b>	532,780
	<b><u>1,605,496</u></b>	<u>868,613</u>

**10. INVESTMENTS**

<b>Equity securities:</b>	<b>31 December 2021</b>	31 December 2020
Investment at FVTPL	<b><u>22,205,922</u></b>	<u>17,065,696</u>

The table below summarizes the Fund's exposure to listed equity securities measured at FVTPL within the various industry sectors:

	<b>31 December 2021</b>		<b>31 December 2020</b>	
	<b>Carrying Amount</b>	<b>Fair value</b>	<b>Carrying Amount</b>	<b>Fair value</b>
Financial services	<b>7,988,407</b>	<b>11,147,423</b>	7,352,635	6,834,314
Materials	<b>3,362,727</b>	<b>3,700,752</b>	2,872,928	3,264,820
Industrial	<b>1,709,305</b>	<b>1,680,131</b>	242,091	313,883
Health care	<b>895,448</b>	<b>1,153,765</b>	693,673	857,999
Real estate	<b>962,511</b>	<b>983,799</b>	1,359,779	1,310,141
Energy	<b>827,208</b>	<b>831,468</b>	709,151	704,122
Communication services	<b>743,897</b>	<b>795,781</b>	391,588	480,435
Information Technology	<b>486,932</b>	<b>606,891</b>	--	--
Transport	<b>480,436</b>	<b>449,723</b>	331,202	398,614
Utilities	<b>429,571</b>	<b>476,766</b>	317,932	431,335
Consumer discretionary	<b>392,747</b>	<b>379,423</b>	1,007,001	1,344,578
Consumer staples	--	--	966,845	1,125,455
	<b><u>18,279,189</u></b>	<b><u>22,205,922</u></b>	<u>16,244,825</u>	<u>17,065,696</u>

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**10. INVESTMENTS (CONTINUED)**

The geographical exposure of investments is as follows:

	<b>31 December 2021</b>		<b>31 December 2020</b>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Kingdom of Saudi Arabia	<b>14,678,591</b>	<b>17,750,552</b>	12,180,687	13,365,998
United Arab Emirates	<b>2,133,850</b>	<b>2,632,768</b>	2,462,102	2,243,592
Kuwait	<b>1,466,748</b>	<b>1,822,602</b>	1,602,036	1,456,106
	<b><u>18,279,189</u></b>	<b><u>22,205,922</u></b>	<u>16,244,825</u>	<u>17,065,696</u>

**11. GAIN ON INVESTMENTS, NET**

	<b>For the year ended 31 December</b>	
	<u>2021</u>	<u>2020</u>
Realised gain, net	<b>2,901,091</b>	842,493
Unrealised gain, net	<b>3,926,733</b>	820,871
	<b><u>6,827,824</u></b>	<u>1,663,364</u>

**12. MANAGEMENT FEE**

As per the terms and conditions of the Fund, the Fund pays a management fee to the Fund Manager equal to 1.75% per annum of the net assets value at each valuation date. Additionally, administration expenses paid by the Fund Manager on behalf of the Fund are reimbursed by the Fund.

**13. OTHER EXPENSES**

	<b>For the year ended 31 December</b>	
	<u>2021</u>	<u>2020</u>
Securities transaction cost	<b>34,020</b>	26,655
Legal and professional fee	<b>12,666</b>	12,666
Fund Board fee	<b>1,600</b>	1,600
Exchange (gain) / loss	<b>(857)</b>	17,970
Miscellaneous expenses	<b>65,376</b>	33,884
	<b><u>112,805</u></b>	<u>92,775</u>



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**14. TRANSACTIONS WITH RELATED PARTIES**

The related parties of the Fund includes the Fund Manager and the Fund Board. The Fund transacts with its related parties in the ordinary course of its business.

In addition to transactions disclosed elsewhere in these financial statements, related party transactions and balances resulting from these transactions are as follows:

**Transactions with related parties:**

<u>Related party</u>	<u>Nature of relationship</u>	<u>Nature of transaction</u>	<u>For the year ended 31 December</u>	
			<u>2021</u>	<u>2020</u>
Alistithmar Capital	The Fund Manager	Management fee	<b>381,194</b>	276,806
		Securities transaction costs	<b>34,020</b>	26,655
The Fund Board	The Fund Board	The Fund Board Fee	<b>1,600</b>	1,600

**Balances with related parties:**

<u>Related party</u>	<u>Nature of relationship</u>	<u>Nature of balance</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Alistithmar Capital	The Fund Manager	Cash in trading account	<b>308,527</b>	335,833
		Management fee payable	<b>41,373</b>	30,336
		Accrued expenses	<b>15,866</b>	15,733

**15. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

The table below sets out the classification of the carrying amounts of the Fund's financial assets and financial liabilities into categories of financial instruments:

<u>31 December 2021</u>		<u>Amortized cost</u>	<u>FVTPL</u>
<b><u>Financial Assets</u></b>			
Cash and cash equivalents		<b>1,605,496</b>	--
Investments		--	<b>22,205,922</b>
<b>Total Assets</b>		<b>1,605,496</b>	<b>22,205,922</b>
<b><u>Financial Liabilities</u></b>			
Management fee payable		<b>41,373</b>	--
Accrued expenses		<b>17,429</b>	--
<b>Total Liabilities</b>		<b>58,802</b>	--
<u>31 December 2020</u>		<u>Amortized cost</u>	<u>FVTPL</u>
<b><u>Financial Assets</u></b>			
Cash and cash equivalents		868,613	--
Dividend receivable		17,319	--
Investments		--	17,065,696
<b>Total Assets</b>		<b>885,932</b>	<b>17,065,696</b>
<b><u>Financial Liabilities</u></b>			
Management fee payable		30,336	--
Accrued expenses		17,354	--
<b>Total Liabilities</b>		<b>47,690</b>	--

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**16. FINANCIAL RISK MANAGEMENT**

***Exposure***

Risk management is an integral part of the investment and the operational process. Risk management can be distinguished in financial risk management, operational risk management and independent risk measurement. Financial risk management encompasses all elements of the investment process. A number of risk management systems allow the Fund Manager to notice any deviations from intended positioning and targets. Operational risk management encompasses the four areas of potential losses: processes, systems, people and external events. Risk management is an independent function, which is functionally separated from the operational department and portfolio management.

The Risk Management department is primarily responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager and is ultimately responsible for the overall risk management of the Fund.

The Fund has exposure to the following risks from financial instruments:

- credit risk;
- liquidity risk;
- market risk; and
- operational risk

***Risk management framework***

The Fund maintains positions in non-derivative financial instruments in accordance with its investment management strategy. The Fund's investment portfolio comprises of listed equities in GCC markets.

The Fund Manager has been given discretionary authority to manage the assets in line with the Fund's investment objectives. Compliance with the target asset allocations and the composition of the portfolio are monitored by the Fund Manager on a daily basis. In instances where the portfolio has diverged from target asset allocations, the Fund Manager is obliged to take actions to rebalance the portfolio in line with the established targets, and within prescribed time limits.

***Credit risk***

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund.

The Fund is exposed to credit risk on its balance held in trading account, balance with custodian and dividend receivable. For risk management reporting purposes, the Fund considers and aggregates all elements of credit risk exposure such as individual obligor default risk, country risk and sector risk.

The Fund's policy over credit risk is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the certain credit standards.

Credit risk is monitored on a regular basis by the Fund Manager to ensure it is in line with the investment guidelines of the Fund.

The Fund's activities may give rise to settlement risk. 'Settlement risk' is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed.

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**16. FINANCIAL RISK MANAGEMENT (CONTINUED)**

*Credit risk (continued)*

For all of transactions, the Fund mitigates this risk by conducting settlements through a regulated broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

The table below shows the maximum exposure to credit risk for the component of the statement of financial position:

	<b>31 December 2021</b>	31 December 2020
Cash and cash equivalents	<b>1,605,496</b>	868,613
Dividend receivable	<b>--</b>	17,319
	<b><u>1,605,496</u></b>	<u>885,932</u>

The Fund does not have a formal internal grading mechanism. Credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Credit risks are generally managed on the basis of external credit ratings of counterparties.

Allowance for impairment

The Fund has investments in only equity securities classified as FVTPL. Hence, no impairment allowance is recorded in these financial statements as per IFRS 9. The Fund's cash and cash equivalents are held mainly with counterparties having sound credit rating. Credit risk relating to is considered to be not significant.

*Liquidity risk*

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Fund Manager's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including estimated redemption of units, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's terms and conditions provide for the subscriptions and redemptions of units twice a week and it is, therefore, exposed to the liquidity risk of meeting Unitholders' redemptions at any time.

The Fund Manager monitors the liquidity requirements on a regular basis and seeks to ensure that sufficient funds are available to meet any commitments as they arise.

The Fund's investments in listed securities are considered to be readily realisable because they are actively traded on GCC stock exchanges and Tadawul.

The Fund manages its liquidity risk by investing predominantly in securities that it expects to be able to liquidate within a short period of time.

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**16. FINANCIAL RISK MANAGEMENT (CONTINUED)**

***Market risk***

Market risk is the risk that changes in market prices – such as commission rates, foreign exchange rates and equity prices – will affect the Fund's income or the fair value of its holdings in financial instruments.

The Fund's strategy for the management of market risk is driven by the Fund's investment objectives as per the Fund's terms and conditions. The Fund's market risk is managed on a timely basis by the Fund Manager in accordance with the policies and procedures in place. The Fund's market positions are monitored on a timely basis by the Fund Manager.

***Currency Risk***

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates.

The Fund invests in financial instruments and enters into transactions that are denominated in currencies other than its functional currency, primarily in Saudi Arabian Riyals (SAR), United Arab Emirates Dirham (AED) and Kuwaiti Dinar (KWD). Consequently, the Fund is exposed to risk that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the fair value or future cash flows of the Fund's financial assets or financial liabilities denominated in currencies other than USD.

The Fund's currency risk is managed on a timely basis by the investment manager in accordance with the policies and procedures in place. The Fund's currency positions and exposures are monitored on a daily basis by the Fund Manager.

At the reporting date, the carrying amount of the Fund's financial assets net of financial liabilities held in individual foreign currencies, expressed in USD are as follows:

	<b>31 December 2021</b>		<b>31 December 2020</b>	
	<b>Amount in USD</b>	<b>%</b>	<b>Amount in USD</b>	<b>%</b>
SAR	<b>19,032,494</b>	<b>79.98</b>	13,810,078	77.38
AED	<b>2,632,777</b>	<b>11.06</b>	2,305,016	12.92
KWD	<b>2,131,119</b>	<b>8.96</b>	1,730,514	9.70
	<b>23,796,390</b>	<b>100.00</b>	17,845,608	100.00

***Equity price risk***

Equity price risk is the risk that the value of financial instruments will fluctuate because of changes in market prices.

The Fund's investments are susceptible to equity price risk arising from uncertainties about future prices. The Fund Manager manages this risk through diversification of its investment portfolio in terms of geographical distribution and industry concentration.

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**16. FINANCIAL RISK MANAGEMENT (CONTINUED)**

Sensitivity analysis

The table below sets out the effect on net assets attributable to the Unitholders of a reasonable possible weakening in the individual equity market prices of 10% at reporting date. This is calculated based on the Beta of the Fund as measured in-house by the Fund Manager. Beta calculates the responsiveness of the Fund's price to changes in S&P GCC Composite Index. The estimates are made on an individual investment basis. The analysis assumed that all other variables, in particular interest and foreign currency rates, remain constant.

	<b>31 December</b>	31 December
	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>Effect on net assets in USD</b>		
Net gain or loss on investments held at FVTPL	<b>1,998,533</b>	1,518,847
<b>Effect on % of net assets attributable to the Unitholders</b>		
Net gain or loss on investments held at FVTPL	<b>8.41%</b>	8.48%

A strengthening in the individual equity market prices of 10% would have resulted in an equal but opposite effect to the amounts shown above.

Commission rate risk

Commission rate risk arises from the possibility that the changes in commission rates will affect either the fair values or the future cash flows of financial instruments. The Fund Manager monitors daily positions to ensure that it is maintained within established gap limits, if any. The Fund does not have commission bearing financial assets or financial liabilities. Hence, the Fund is not subject to commission rate risk.

***Operational risk***

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities with financial instruments, either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior.

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 the Unitholders.

The primary responsibility for the development and implementation of control over operational risks rests with the Risk Management team. This responsibility is supported by the development of overall standard for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- documentation of controls and procedures;
- requirements for:
  - appropriate segregation of duties between various functions, roles and responsibilities;
  - reconciliation and monitoring of transactions; and
  - periodic assessment of operational risks faced
- the adequacy of controls and procedures to address the risks identified;
- compliance with regulatory and other legal requirements;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance if this is effective
-

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**17. FAIR VALUES OF FINANCIAL INSTRUMENTS**

The Fund measures certain financial instruments at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

***Valuation models***

The fair values of financial instruments that are traded in active markets are based on prices obtained directly from an exchange on which the instruments are traded or obtained from a broker that provides an unadjusted quoted price from an active market for identical instruments.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Fund values equity securities that are traded on a stock exchange at their last reported prices. To the extent that equity securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy, hence the Fund's assets recorded at fair value have been categorized based on fair value hierarchy Level 1.

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**17. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)**

***Fair value hierarchy – Financial instruments measured at fair value***

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognised in the statement of financial position. All below fair value measurements are recurring.

	31 December 2021			Total
	Level 1	Level 2	Level 3	
Investments	<u>22,205,922</u>	<u>--</u>	<u>--</u>	<u>22,205,922</u>

  

	31 December 2020			Total
	Level 1	Level 2	Level 3	
Investments	<u>17,065,696</u>	<u>--</u>	<u>--</u>	<u>17,065,696</u>

During the period, there has been no transfer in fair value hierarchy.

Other financial instruments such as cash and cash equivalents, dividends receivable, management fee payable and accrued expenses are short-term financial assets and financial liabilities whose carrying amounts are approximate to their fair value. Cash and cash equivalents are classified under level 1 while the remaining financial assets and liabilities are classified under level 3.

**18. LAST VALUATION DAY**

The last valuation day of the year was 31 December 2021 (2020: 31 December 2020).

**19. EVENTS AFTER THE END OF THE REPORTING PERIOD**

There are no events subsequent to the statement of financial position date which require adjustments of or disclosure in the financial statements or notes thereto.

**20. APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were approved by the Fund Manager on 21 Sha'ban 1443H (corresponding to 24 March 2022).