

Annual Report  
(Alawal Invest US Dollar Murabaha Fund)  
2022

\* All reports are available upon request free of charge.

## Table of Contents

- **Fund Information**
- **Fees and Expenses**
- **Fund Manager**
- **Custodian**
- **Auditor**
- **Financial Statements**

## (A) Fund Information

### 1- Fund Name

Alawal Invest US Dollar Murabaha Fund

### 2- Investment Objectives and Policies

This Fund is an open-ended investment fund denominated in US Dollar and the objective of which is to achieve investment returns with a low risk degree by investing in Murabaha operations and Sukuk in cooperation with locally renowned financial institutions (in the Kingdom of Saudi Arabia), regionally (GCC countries) or internationally outside the Kingdom of Saudi Arabia and GCC countries (in accordance with the Islamic Sharia standards approved by the Fund Supervisory Committee). Investment in the issued securities may include the investment funds issued or managed by Alawal Invest Saudi Arabia or affiliates thereof subject to maintenance of a high degree of liquidity that enables investors to obtain their investments during a short time span since the Fund is held an optimal tool for cash and liquidity management.

### 3- Income & Gains Distribution Policy

No income shall be distributed, but rather the investment income and gains shall be added to the Fund's assets so that the income and gains shall be reinvested and reflected on the unit price.

### 4- Description of the Fund's Benchmark

The fund's performance is measured against an average performance of SOFR Overnight + 0.05575%.

#### (a) Fund Performance

##### • Fund Performance During the Past Three Years (USD)

	2020	2021	2022
Net Asset Value at the end of the year	25,701,409	22,968,460	17,798,463
Net Asset Value per Unit at the end of the year	15.1462	15.163	15.3689
Highest Net Asset Value per Unit	15.1462	15.1630	15.3689
Lowest Net Asset Value per Unit	15.0121	14.2387	15.1630
Number of Issued Units at the end of the Year	1,696,998	1,515,168	1,158,306.37
Value of Distributed Dividends per unit (if any)	-	-	-
Expenses Ratio	0.39%	0.42%	0.45%
Percentage of Assets Borrowed from the Asset Value, Exposure Period and Maturity Date	-	-	-

- **Fund Returns**

	<b>One Year</b>	<b>Three Years</b>	<b>Five Years</b>	<b>Since Inception</b>
<b>Fund Returns (Annualized)</b>	1.36%	0.79%	1.25%	1.80%
<b>Benchmark Returns</b>	3.88%	1.50%	1.75%	2.03%

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Fund Returns (Annualized)</b>	0.09%	0.15%	0.23%	0.57%	0.64%	1.70%	2.20%	0.90%	0.11%	1.36%

- **Fees and Expenses**

<b>Type of Expenses or Commission (Including VAT, if any)</b>	<b>Value in SAR</b>	<b>Percentage according to Fund Asset Average</b>
Fund Management Fees	60,191	0.29%
Custodian fees	1,635	0.01%
Auditor's Fees	9,697	0.05%
Administrative Services Fees	12,038	0.06%
Board of Directors Fees	4,211	0.02%
CMA Fees	2,000	0.01%
Tadawul Fees	1,533	0.01%
Sharia Purification Fees	-	-
Other Expenses	1,190	0.01%

### 3- Material changes that affected the Fund performance

There were no material changes during 2022.

### 4- Annual Voting Practices

None

### 5- Fund Board of Directors' Annual Report

#### (a) Names and Types of Membership of the Board Members:

- Hamad Ibrahim Al-Washmi, Chairman of the Board of Directors, (a non-independent Board member);
- Tariq Saad Abdul Aziz Al-Tuwaijri, (an independent Board member);
- Ali Saleh Al-Othaim, (an independent Board member);
- Abdulrahman Al-Mudaimigh, (an independent Board member); and
- Rehab Saleh Al-Khudair, (a non-independent Board member).

Names of Members of the Fund's Board of Directors	Experience and qualifications	Current position
<b>Hamad Ibrahim Al-Washmi (Chairman of the Board of Directors – Non-Independent Member)</b>	<ul style="list-style-type: none"> <li>- Chief Risk and Compliance Officer, HSBC Saudi Arabia (2021)</li> <li>- Member of Audit Committee, Najm Insurance Co. (2020)</li> <li>- Head of Compliance, HSBC Saudi Arabia (2018)</li> <li>- Head of Customer Experience, SABB Customer Experience Department, SABB Bank (2016)</li> <li>- International Assignment with the Global Compliance Department, HSBC Holdings PLC, London, United Kingdom (2016)</li> <li>- Head of RBWM Compliance, Compliance Department, SABB (2014)</li> <li>- Senior Manager, Business Performance &amp; Planning – Retail Banking &amp; Wealth Management, SABB (2010)</li> <li>- Manager Business Performance &amp; Planning, SABB (2009)</li> <li>- Relationship Manager – Large Corporate and Government Entities, Arab National Bank (2003)</li> <li>- Consumer Loans Credit Officer, Arab National Bank (2002)</li> <li>- Recommendation &amp; Call Verification Units Supervisor, Arab National Bank (2002)</li> <li>- Package Account Unit Supervisor, Arab National Bank (2002)</li> <li>- Showroom Manager, Jarir Bookshop (2000)</li> <li>- MBA, University of San Diego, School of Business Administration, San Diego (2009)</li> <li>- Bachelor of Science in Business Administration (2000)</li> </ul>	Chief Compliance Officer, Al Rajhi Bank (2023)
<b>Rehab Alkhudair (Non-Independent Member)</b>	<ul style="list-style-type: none"> <li>- Chief Operating Officer Asset Management, HSBC Saudi Arabia (2020)</li> <li>- Senior Investment Performance Analysis Manager– Asset Management Department, HSBC Saudi Arabia (2019)</li> <li>- Performance Analyst – Asset Management Department, HSBC Saudi Arabia (2016)</li> <li>- Assistant Performance Analyst – Asset Management Department, HSBC Saudi Arabia (2014)</li> <li>- Assistant Manager, Regulatory Compliance, HSBC Saudi Arabia (2014)</li> <li>- Assistant Financial Analyst - Treasury &amp; Investments, Riyadh Bank (2012)</li> <li>- Master Degree in Finance Management, Durham University, United Kingdom (2013)</li> <li>- BBA, Finance (with honors degree), Al Yamamah University, Saudi Arabia (2010)</li> </ul>	Chief Operating Officer Asset Management, Alawal Invest (2022)
<b>Tariq Saad Abdul-Aziz Al-Tuwaijri (Independent Member)</b>	<ul style="list-style-type: none"> <li>- Director of Equity Investments at Nessel Holding Company (2010)</li> <li>- Deputy General Executive President of Mediation at Wasatah Capital Company (2008)</li> <li>- Senior Mediator at Al Jazeera Capital (2004)</li> <li>- Relations Director - Banking Services of Samba Financial</li> </ul>	Head of the Nomination and Compensation Committee, Non-Independent Member of the

	Group (1998) - Bachelor of Business Administration from the Open Arabian University (2015) - General Institute of Technical Education and Vocational Training, Diploma of Business Administration (2010)	Board of Directors of Thoub Al Asil Company and Member of the Saudi Economics Association (2018)
<b>Ali Saleh Ali Al-Othaim (Independent Member)</b>	- Member of the Board Directors of Al Khair Capital (2012) - Member of the Board of Directors of the Chamber of Commerce and Industry, Riyadh (2003) - Member of the Board of Directors of Al Othaim Commercial Group (1998) - Deputy President of Al Othaim Jewelry (formerly) (1994) - Bachelor of Business Administration, Major: Financial Management, King Saud University (1998)	Businessman
<b>Abdulrahman Ibrahim Al-Mudaimigh (Independent Member)</b>	- Board member of National Building and Marketing Company (2019) - Chairman of Future Ceramics (2019) - Board member of National Gypsum Company (2019) - Board member of Impact Capital Company (2019) - Board member of FIPCO (2019) - Board member of AL Maather REIT Fund (2017) - CEO of Watar Partners for Business Trading Company (2017) - Acting CEO of Bawan Company (2016) - Deputy President of Business Development for Bawan Company (2011) - Founding partner, General Manager of Bina Holding Company (2007) - Senior credit analyst for the Industrial Development Fund (2004) - MBA from London Business School (2018) - Bachelor degree in Financial Management from Prince Sultan University (2004)	Executive partner of Watar Partners for Business Trading Company (2017)

## (B) Roles and Responsibilities of the Fund Board of Directors

Responsibilities of the Fund Board Members include without limitation:

- Approving all contracts, decisions and material reports to which the Fund is a party.
- Approving a written policy with regard to the voting rights in respect of Fund assets.
- Supervising and, where appropriate, approving any conflict of interest disclosed by the Fund Manager pursuant to Article (13) of the IFR.
- Holding, twice a year at least, a meeting with the Conformity and Compliance Committee at the Fund Manager, or the officer in charge of Conformity and Compliance at the Fund Manager, in order to review compliance by the Fund with all relevant laws and regulations.
- Recognizing any recommendation raised by the liquidator, in case a liquidator is appointed.

- Ensuring completion and accuracy of the Fund Terms and Conditions and any other document involving disclosures in connection with the Fund and the Fund Manager as well as its management of the Fund and the amended Investment Funds Regulations.
- Ensuring that the Fund Manager is fulfilling its responsibilities in a way realizing the interests of the Unitholders pursuant to the Fund Terms and Conditions, and the amended provisions of the Investment Funds Regulations.
- Working honestly, in good faith, and exerting diligence, skill and care, and in a way realizing the interests of the Unitholders.
- Recording the minutes of meetings showing all the occurrences affecting the meetings and decisions taken by the Board.
- Approving delegating the powers and authorities of the Fund Manager to other financial institutions in order to function as adviser, sub-manager, custodian, agent or mediator after having obtained the approval by CMA.
- Approving the appointment of the Auditor.
- Approving the services authorized by the Manager in respect of keeping the books, subscription, redemption, sale and purchase and financial transfers, confirmation and information affecting the investments in response to the subscribers' inquiries. Assuming the tasks of follow-up and control of the Fund's performance, and ensuring that the Fund Manager carries out its responsibilities in a way realizing the interests of the Unitholders, pursuant to the Terms and Conditions of the Fund, the Information Memorandum, the relevant documentation and the provisions of the Investment Fund Regulations.

**(D) Particulars of the Fund Board Members' Remuneration**

Remuneration of the Board independent members shall be paid by the Fund. The Fund will pay any expenses of the Fund Board of Directors.

**(E) Statement of any real or potential conflict of interest between the interests of a Fund board member and those of the Fund**

There is no real or potential conflict between the interest of any Board member and the interests of the Fund.

**(f) All Fund Boards of Directors in which the relevant Board Member participates:**

Fund Name	Hamad Al-Washmi	Rehab Al-Khudair	Tariq Al-Tuwaijri	Ali Saleh Al-Othaim	Abdulrahman Al-Mudaimigh
Alawal Invest Saudi Riyal Murabaha Fund	√	√	√	√	√
Alawal Invest US Dollar Murabaha Fund	√	√	√	√	√
Alawal Invest Saudi Equity Fund	√	√	√	√	√
Alawal Invest Saudi Equity Income Fund	√	√	√	√	√
Alawal Invest Saudi Financial Institutions Equity Fund	√	√	√	√	√
Alawal Invest Saudi Companies Equity Fund	√	√	√	√	√
Alawal Invest Saudi Industrial Companies	√	√	√	√	√

<b>Equity Fund</b>					
<b>Alawal Invest Saudi Construction and Cement Equity Fund</b>	√	√	√	√	√
<b>Alawal Invest Global Equity Index Fund</b>	√	√	√	√	√
<b>Alawal Invest GCC Equity Fund</b>	√	√	√	√	√
<b>Alawal Invest China and India Equity Freestyle Fund</b>	√	√	√	√	√
<b>Alawal Invest Multi-Assets Defensive Fund</b>	√	√	√	√	√
<b>Alawal Invest Multi-Assets Balanced Fund</b>	√	√	√	√	√
<b>Alawal Invest Multi-Assets Growth Fund</b>	√	√	√	√	√
<b>Alawal Invest Saudi Freestyle Equity Fund</b>	√	√	√	√	√
<b>Alawal Invest MSCI Tadawul 30 Saudi ETF</b>	√	√	√	√	√
<b>Alawal Invest Sukuk Fund</b>	√	√	√	√	√
<b>Alawal Invest GCC Equity Income Fund</b>	√	√	√	√	√

**G- Subjects Discussed and Resolutions passed thereon including the fund Performance and Attainment of its Objectives**

Subject	Approval Description	Meeting Date
Fund management Migration	Updating the fund's board of directors with the process of transferring the fund's management from HSBC Saudi Arabia to Alawal Invest.	20 March 2022
Fund performance	Discussed fund performance in comparison with other competitors.	20 March 2022
Changes in Terms and Conditions	The fund's board of directors approved changes in the terms and conditions.	20 March 2022
Financial Statement preparation	The fund's board of directors approved to continue with Ernst & Young as fund auditor.	17 November 2022
Service Providers Assessment	The Fund's Board of Directors approved the Service Providers post assessment.	17 November 2022

Risk Procedures	The fund's board of directors has approved risk procedures to manage non-financial risks	17 November 2022
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### C) Fund Manager

Alawwal Invest Saudi Arabia

#### 1- Address

Head Office, Olaya Street  
 Riyadh 11431-1467,  
 Kingdom of Saudi Arabia,  
 Unified Number: +966114163133  
 Fax: +966 112169102  
 Website: [www.Alawwalinvest.com](http://www.Alawwalinvest.com)

#### 2- Fund Sub-Manager and/or Investment Advisor (if any)

Not Applicable

#### 3- Investment activities during the period

During the year of 2022, Alawwal Invest US Dollar Murabaha Fund ('Fund') continued to take new exposures in USD denominated Murabaha deposits. At the end of period, the underlying investment exposures in the Fund were only through Murabaha Deposits.

#### 4- Report on the fund performance during the period

During the year of 2022, the SOFER Overnight Financing index continued to post an increasing trend, with the SOFER Overnight Financing index increasing from around 0.05% at beginning of 2022 to around 4.30% at the end of the year. The Fund continued to have exposure to short-duration Murabaha deposits. Year-to-date, on an annualized basis, the Fund returned 1.36%, whereas, the benchmark returned 3.88% for the same period

#### 5- Any Changes made to the terms and conditions of the fund during the period

Date	Change
3-Mar-22	Update of the terms and conditions to comply with annex (1) of the Investment Funds Regulations.
8-May-22	To comply with the instructions from the banking regulators to change the index from LIBOR to SOFR.
26-Jul-22	Correcting typo mistakes
18-Sep-22	Change the fund manager from HSBC Saudi Arabia to Alawwal Invest Company.

6-Any additional information that may enable unit holders to make informed decisions that are based on sufficient information about the fund activities during the period

None

7- Percentage of management fees calculated on the fund itself and other funds that the fund is investing in (if the fund is substantially investing in other investment funds)

Funds	Fees
<b>Murabaha Funds</b>	
Alawal Invest SAR Murabaha Fund	0.70%

8- Any special commissions received by fund manager during the period (if any)

Not Applicable

9- Any other data or information that shall be included in this report according to investment fund regulations

None

10- Management term of the person recorded as the fund manager

Two Years

11- Expense ratio of each underlying fund at the end of the year and weighted average expense ratio of all underlying funds

Underlying Fund Name	Expense Ratio
Alawal Invest Saudi Riyal Murabaha Fund	0.48%

Simple Average Expense Ratio of all underlying funds is 0.48%

#### (D) Custodian

Albilad Capital Company

#### 1- Address

Albilad Capital, Head Office  
King Fahd Road, P.O. Box: 140, Riyadh 11411,  
Kingdom of Saudi Arabia  
Uniform No. 920003636  
Fax: +966112906299  
Website: [www.albilad-capital.com](http://www.albilad-capital.com)

**(2) Concise Description of the Custodian's main roles and responsibilities**

- Take custody of the assets of the Investment Fund;
- Open a separate account under its name with a local bank in favor of the Fund;
- Segregate the Fund's assets and register Fund securities under its name for the benefit of the Investment Fund;
- Maintain all necessary documents to support the performance of its contractual responsibilities towards the Fund.
- Deposit all cash belonging to the Fund into the relevant bank account; and
- Manage the Fund cash i.e. deduct the investment amounts and Fund expenses in accordance with the Fund's Terms and Conditions and the Information Memorandum.
- The Custodian shall be liable to the Fund Manager and Unitholders for its obligations pertaining to any losses caused to the Investment Fund due to the Custodian fraud, negligence, willful misconduct or default.
- The Custodian shall be liable for taking custody of, and protecting the Fund's assets on behalf of Unitholders.
- The Custodian shall be liable for taking all necessary administrative measures in relation to the custody of the Fund's assets.

**(E) Fund Operator**

Alawal Invest

**1- Address**

Head Office, Olaya Street  
Riyadh 11431-1467,  
Kingdom of Saudi Arabia,  
Unified Number: +966114163133  
Fax: +966 112169102  
Website: [www.Alawalinvest.com](http://www.Alawalinvest.com)

**(2) Concise Description of the Fund Operator main roles and responsibilities**

- The Fund Operator shall be responsible for operating the Fund; the Fund Operator shall:
- Keep the books and records related to the Fund operation;
- Prepare and update the unit subscribers record and maintain it in the Kingdom according to the Investment Fund Regulations;
- Be liable for the distribution of dividends, if any, according to the distribution policy provided for under the Terms and Conditions;
- Conclude the subscription and redemption procedures provided for under these Terms and Conditions; and
- Fully and fairly evaluate the Fund assets and calculate the Fund unit price.

**(F) Auditor:**

Ernst & Young & Co.  
Olaya Street, 14<sup>th</sup> Floor, Al Faisaliah Office Tower, Riyadh,  
P.O. Box 12212,  
Kingdom of Saudi Arabia

Telephone: + 9662159898

**(G) Financial Statements**

Attached

**Alawwal Invest US Dollar Murabaha Fund**  
**(Formerly known as HSBC US Dollar Murabaha Fund)**

**(Managed by Alawwal Invest)**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2022**



Ernst & Young Professional Services (Professional LLC)  
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)  
Head Office  
Al Faisaliah Office Tower, 14<sup>th</sup> Floor  
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## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF ALAWWAL INVEST US DOLLAR MURABAHA FUND (FORMERLY KNOWN AS HSBC US DOLLAR MURABAHA FUND)

### Opinion

We have audited the financial statements of Alawwal Invest US Dollar Murabaha Fund (Formerly Known as HSBC US Dollar Murabaha Fund) (the "Fund"), managed by Alawwal Invest Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity attributable to the unitholders and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

### Basis for Opinion

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

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process.



## INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF ALAWWAL INVEST US DOLLAR MURABAHA FUND (FORMERLY KNOWN AS HSBC US DOLLAR MURABAHA FUND) (CONTINUED)

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF ALAWWAL INVEST US DOLLAR MURABAHA FUND (FORMERLY  
KNOWN AS HSBC US DOLLAR MURABAHA FUND) (CONTINUED)**

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

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

for Ernst & Young Professional Services

Fahad M. Al-Toaimi  
Certified Public Accountant  
License No. 354



Riyadh: 7 Ramadan 1444H  
(29 March 2023)

Alawwal Invest US Dollar Murabaha Fund  
(Formerly Known as HSBC US Dollar Murabaha Fund)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Note</i>	<i>31 December 2022 USD</i>	<i>31 December 2021 USD</i>
<b>ASSETS</b>			
Cash and cash equivalents	5	<b>211,539</b>	553,533
Financial assets at amortized cost	6	<b>16,817,028</b>	21,520,486
Financial assets at fair value through profit or loss (FVTPL)	7	<b>801,282</b>	905,547
<b>TOTAL ASSETS</b>		<b>17,829,849</b>	22,979,566
<b>LIABILITIES</b>			
Management fee payable	8	<b>4,760</b>	723
Accrued expenses and other payables		<b>26,626</b>	10,383
<b>TOTAL LIABILITIES</b>		<b>31,386</b>	11,106
<b>EQUITY</b>			
Net assets attributable to unitholders of redeemable units		<b>17,798,463</b>	22,968,460
<b>TOTAL LIABILITY AND EQUITY</b>		<b>17,829,849</b>	22,979,566
Redeemable units in issue		<b>1,159,306</b>	1,515,168
Net asset value attributable per unit		<b>15.35</b>	15.16

The attached notes 1 to 14 form an integral part of these financial statements.

Alawwal Invest US Dollar Murabaha Fund  
(Formerly Known as HSBC US Dollar Murabaha Fund)

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2022

	Note	31 December 2022 USD	31 December 2021 USD
<b>INCOME</b>			
Realized gain on financial assets at FVTPL		<b>64,281</b>	59,684
Unrealized loss on financial assets at FVTPL	7	<b>(52,370)</b>	(55,728)
Special commission income from financial assets at amortised cost		<b>345,217</b>	118,174
<b>TOTAL INCOME</b>		<b>357,128</b>	122,130
<b>EXPENSES</b>			
Management fees	8	<b>60,191</b>	77,904
Impairment charge (reversal of) for expected credit losses		<b>(2,656)</b>	4,399
Other expenses		<b>32,304</b>	18,874
<b>TOTAL EXPENSES</b>		<b>89,839</b>	101,177
<b>NET INCOME FOR THE YEAR</b>		<b>267,289</b>	20,953
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent years:</i>		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>267,289</b>	20,953

The attached notes 1 to 14 form an integral part of these financial statements.

Alawwal Invest US Dollar Murabaha Fund  
(Formerly Known as HSBC US Dollar Murabaha Fund)

STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE UNITHOLDERS

For the year ended 31 December 2022

	2022 USD	2021 USD
<b>EQUITY AT THE BEGINNING OF THE YEAR</b>	<b>22,968,460</b>	25,701,409
Net income for the year	267,289	20,953
Issue of units during the year	45,657	5,356,778
Redemption of units during the year	(5,482,943)	(8,110,680)
Net changes	(5,437,286)	(2,753,902)
<b>EQUITY AT THE END OF THE YEAR</b>	<b>17,798,463</b>	22,968,460
	<u>Units</u>	<u>Units</u>
<b>REDEEMABLE UNIT TRANSACTIONS</b>		
<b>Transactions in redeemable units during the year are summarised as follows:</b>		
<b>UNITS AT THE BEGINNING OF THE YEAR</b>	<b>1,515,168</b>	1,696,998
Issue of units during the year	3,008	353,456
Redemption of units during the year	(358,870)	(535,286)
Net decrease in units	(355,862)	(181,830)
<b>UNITS AT THE END OF THE YEAR</b>	<b>1,159,306</b>	1,515,168

The attached notes 1 to 14 form an integral part of these financial statements.

Alawwal Invest US Dollar Murabaha Fund  
(Formerly Known as HSBC US Dollar Murabaha Fund)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 USD	2021 USD
<b>Operating activities</b>		
Net income for the year	267,289	20,953
<i>Adjustments to reconcile net income / (loss) to net cash flows from operating activities:</i>		
Movement in unrealized gain on financial assets at FVTPL	52,370	(3,956)
Impairment charge (reversal of) for expected credit losses	(2,656)	4,399
	<u>317,003</u>	<u>21,396</u>
<i>Working capital adjustments:</i>		
Investments measured at amortized cost	5,436,114	(291,849)
Investments measured at FVTPL	51,895	-
Accrued expenses	16,243	10,383
Management fee payable	4,037	(126)
	<u>5,825,292</u>	<u>(260,196)</u>
Net cash flows from / (used in) operating activities		
<b>Financing activities</b>		
Proceeds from issuance of units	45,657	5,356,778
Payment on redemption of units	(5,482,943)	(8,110,680)
	<u>(5,437,286)</u>	<u>(2,753,902)</u>
Net cash flows used in financing activities		
<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>388,006</b>	<b>(3,014,098)</b>
Cash and cash equivalents at the beginning of the year	12,653,533	15,667,631
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>13,041,539</b>	<b>12,653,533</b>
<b><u>Operational cash flows from special commission income:</u></b>		
Special commission income received	<u>231,331</u>	<u>91,640</u>
<b>Cash and cash equivalents comprise of:</b>		
	2022 USD	2021 USD
Bank balance	5,329	519,283
Balance with custodian	206,210	34,250
	<u>211,539</u>	<u>553,533</u>
<b>Total cash and cash equivalents</b>		

The attached notes 1 to 14 form an integral part of these financial statements.

# Alawwal Invest US Dollar Murabaha Fund (Formerly Known as HSBC US Dollar Murabaha Fund)

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

### 1. INCORPORATION AND ACTIVITIES

Alawwal Invest US Dollar Murabaha Fund (formerly known as HSBC US Dollar Murabaha Fund) (“the Fund”) is an investment fund established through the agreement between Alawwal Invest (“the Fund Manager”) and the investors (“the Unitholders”). The address of the Fund Manager is as follows:

Alawwal Invest, Head Office  
Olaya Main Street P.O. Box 1467  
Riyadh – 11431  
Kingdom of Saudi Arabia

The objective of the Fund is to seek capital appreciation and potential for capital preservation through participation in a professionally managed portfolio of short-term US Dollar deposits, placements, and monetary instruments. The funds are invested in accordance with Shariah Investment Guidelines as determined by Shariah Supervisory Committee.

The Fund is managed by the Fund Manager. The Fund Administration function is carried out by a department within HSBC Saudi Arabia that has reporting line and control structures, which are independent of the Asset management business. Albilad Capital is the custodian of the Fund. All income is reinvested in the Fund and is reflected in the unit price.

The Fund Manager has made certain revisions to the Terms and Conditions of the Fund. The latest update was approved by the CMA on 18 September 2022.

Further to the announcement made in May 2021, HSBC Saudi Arabia transferred their Asset Management, Retail Brokerage and Retail Margin Lending businesses (together, the “Transferring Businesses”) on 15 September 2022. Effective from the end of business hours of 15 September 2022, Alawwal Invest became the fund manager of the transferred funds.

### 2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) issued by the CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) and effective from 6 Safar 1438H (corresponding to 6 November 2016) by the New Investment Fund Regulations (“Amended Regulations”) published by the CMA on 16 Sha’aban 1437H (corresponding to 23 May 2016) detailing requirements for all funds within the Kingdom of Saudi Arabia. The Regulations were further Amended by Resolution of the Board of the Capital Market Authority Number 2-22-2021 Dated 12 Rajab 1442H, (Corresponding to 24 February 2021G (the “Amended Regulations”). The amended regulations are effective from 19 Ramadan 1442 (corresponding to 1 May 2021).

### 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), as 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 KSA”) and applicable provisions of Investment Fund Regulations issued by the board of Capital Market Authority and the funds terms and conditions and information memorandum.

#### 3.2 Basis of preparation

The financial statements are prepared under the historical cost convention, using the accruals basis of accounting except for investments held at FVTPL that are measured at fair value. These financial statements are presented in US Dollars (“USD”), which is the Fund’s functional currency. All financial information presented has been rounded to the nearest USD.

#### 3.3 Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Fund’s annual financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Fund has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

**3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.3 Significant accounting policies (continued)**

The following are the significant accounting policies applied by the Fund in preparing its financial statements.

***Cash and cash equivalents***

Cash and cash equivalents in the statement of financial position comprise cash on hand and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as “cash and cash equivalents”.

For the purpose of the statement of cash flows, cash and cash equivalents includes balances held with bank and the custodian.

***Financial instruments***

***(i) Classification***

In accordance with IFRS 9, the Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if:

- a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or
- b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking or
- c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

***Financial assets***

The Fund classifies its financial assets as subsequently measured at amortized cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset
- Financial assets measured at amortized cost  
A debt instrument is measured at amortized cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows 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.
- Financial assets measured at fair value through profit or loss (FVTPL)  
A financial asset is measured at fair value through profit or loss if:
  - i. Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding (SPPI); and
  - ii. It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
  - iii. At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Alawwal Invest US Dollar Murabaha Fund  
(Formerly Known as HSBC US Dollar Murabaha Fund)

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

**3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.3 Significant accounting policies (continued)**

*(i) Classification (continued)*

- The Fund investments includes investment in mutual fund instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price.

*Financial liabilities*

- Financial liabilities measured at fair value through profit or loss (FVTPL)  
A financial liability is measured at FVTPL if it meets the definition of held for trading. The Fund does not hold any financial liabilities measured at FVTPL.
- Financial liabilities measured at amortized cost  
This category includes all financial liabilities, other than those measured at fair value through profit or loss.

*(ii) Recognition*

The Fund recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

*(iii) Initial measurement*

Financial assets and financial liabilities at FVTPL are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognized directly in profit or loss.

Financial assets and liabilities (other than those classified as at FVTPL) are measured initially at their fair value including any directly attributable incremental costs of acquisition or issue.

*(iv) Subsequent measurement*

After initial measurement, the Fund measures financial instruments which are classified as at FVTPL, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at FVTPL in the statement of comprehensive income. Special commission income and dividends earned or paid on these instruments are recorded separately in special commission income or expense and dividend income or expense in the statement of comprehensive income.

*(v) Derecognition of financial instruments*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Fund's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

**3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.3 Significant accounting policies (continued)**

*(v) Derecognition of financial instruments(continued)*

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of the Fund's continuing involvement. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

*(vi) Offsetting of financial instruments*

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

*(vii) Impairment of financial assets*

The Fund assesses on a forward-looking basis the Expected Credit Losses("ECL") associated with its financial assets, carried at amortized cost, the ECL is based on a 12-month ECL and lifetime ECL. The 12-month ECL is the portion of lifetime the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

***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. 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

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.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in financial statements at fair value on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each year. The Fund determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

Alawwal Invest US Dollar Murabaha Fund  
(Formerly Known as HSBC US Dollar Murabaha Fund)

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

**3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.3 Significant accounting policies (continued)**

*(vii) Impairment of financial assets (continued)*

At each reporting date, the Fund analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Fund's accounting policies. For this analysis, the Fund verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Fund also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

**Trade date accounting**

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

**Provisions**

Provisions are recognized when the Fund has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as finance costs.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured.

**Accrued expenses**

Liabilities are recognized for amounts to be paid in the future for services received, whether billed by the suppliers or not. These are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method.

**Redeemable units**

Redeemable units are classified as equity instruments when:

- The redeemable units entitle the Unitholder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation
- The redeemable units are in the class of instruments that is subordinate to all other classes of instruments
- All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features
- The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the Unitholder's rights to a pro rata share of the Fund's net assets
- The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the profit or loss, the change in the 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

In addition to the redeemable shares having all of the above features, the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund
- The effect of substantially restricting or fixing the residual return to the redeemable shareholders

Alawwal Invest US Dollar Murabaha Fund  
(Formerly Known as HSBC US Dollar Murabaha Fund)

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

**3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.3 Significant accounting policies (continued)**

*(vii) Impairment of financial assets (continued)*

- The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have all the features, or meet all the conditions set out, to be classified as equity, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognized in net assets attributable to the Unitholders. If the redeemable units subsequently have all the features and meet the conditions to be classified as equity, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.
- The issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions.

No gain or loss is recognized in the statement of comprehensive income on the purchase, issuance or cancellation of the Fund's own equity instruments.

*Net assets value per unit*

The net asset value per unit as disclosed in the statement of financial position is calculated by dividing the net assets of the Fund by the number of units outstanding at year end.

*Management fees*

Fund management fees are recognized on an accrual basis and charged to the statement of comprehensive income. Fund management fees are charged at agreed rates with the Fund Manager and as stated in the Terms and Conditions of the Fund.

*Net gain or loss on financial assets and liabilities at FVTPL*

Net gains or losses on financial assets and liabilities at FVTPL are changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as at FVTPL and exclude commission and dividend income and expenses.

Unrealized gains and losses comprise changes in the fair value of financial instruments for the year and from reversal of the prior year's unrealized gains and losses for financial instruments, which were realized in the reporting year. Realized gains and losses on disposals of financial instruments classified as at FVTPL are calculated using the weighted average cost method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

*Dividend income*

Dividend income is recognized in the statement of comprehensive income on the date on which the right to receive the payment for dividend is established. 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 designated as at FVTPL is recognized in the statement of comprehensive income in a separate line item.

*Foreign currencies*

Transactions in foreign currencies are translated into USD at the exchange rate at the dates of the transactions. Foreign exchange gains and losses arising from translation are included in profit or loss.

Monetary assets and liabilities denominated in foreign currencies are retranslated into USD at the exchange rate at the reporting date.

Foreign currency differences arising on retranslation are recognized in the statement of comprehensive income as net foreign exchange losses.

Alawwal Invest US Dollar Murabaha Fund  
(Formerly Known as HSBC US Dollar Murabaha Fund)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

**3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.3 Significant accounting policies (continued)**

*(vii) Impairment of financial assets (continued)*

**Expenses**

Expenses are measured and recognized as expenses on an accrual basis in the year in which they are incurred.

**Zakat and income tax**

Zakat and income tax is the obligation of the Unitholders and is not provided for in these financial statements.

***New standards, amendments and interpretations adopted by the Fund***

<b>Standards</b>	<b>Description</b>	<b>Mandatory effective date</b>
IFRS 1	First-time adoption of International Financial Reporting Standards: Subsidiary as a first-time adopter	1 January 2022
IFRS 9	Financial instruments: Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
IAS 41 Agriculture	Taxation in fair value measurements	1 January 2022
Amendments to IAS 37	Onerous contracts: costs of fulfilling a contract	1 January 2022

***Standards issued but not yet effective and not early adopted***

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below. The Fund intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Based on the Fund's assessment, the below standards are not expected to have potential impacts on the reported numbers and disclosures.

<b>Standards</b>	<b>Description</b>	<b>Mandatory effective date</b>
IFRS 17	Insurance contracts	1 January 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2024
Amendments to IAS 8	Disclosure of accounting policies	
Amendments to IAS 8	Definition of accounting estimates	1 January 2023
Amendments to IAS 12	Deferred tax on leases and decommissioning obligations	1 January 2023

**4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the Fund's financial statements in conformity with the International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, may differ from the related actual results.

Alawwal Invest US Dollar Murabaha Fund  
(Formerly Known as HSBC US Dollar Murabaha Fund)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

**4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

*Going concern*

The Fund Board, in conjunction with the Fund Manager made an assessment of the Fund's ability to continue as a going concern and are satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, they are not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

*Fair value measurement*

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price (mid-price), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are discussed in Note 3.

**5. CASH AND CASH EQUIVALENTS**

	<i>31 December 2022</i>	<i>31 December 2021</i>
	<i>USD</i>	<i>USD</i>
Cash and cash equivalents	<b>211,539</b>	553,533
Placement with banks (with original maturity of less than 90 days)	<b>12,830,000</b>	12,100,000
<b>Total cash and cash equivalents for statement of cash flows</b>	<b>13,041,539</b>	12,653,533

**6. FINANCIAL ASSETS MEASURED AT AMORTISED COST**

	<i>31 December 2022</i>	<i>31 December 2021</i>
	<i>USD</i>	<i>USD</i>
Murabaha placements with original maturity of less than 90 days	<b>12,830,000</b>	12,100,000
Murabaha placements – maturing between 90 and 360 days	<b>3,850,000</b>	9,400,000
	<b>16,680,000</b>	21,500,000
Accrued special commission income	<b>140,420</b>	26,534
Allowance for expected credit losses	<b>(3,392)</b>	(6,048)
	<b>16,817,028</b>	21,520,486

Alawwal Invest US Dollar Murabaha Fund  
(Formerly Known as HSBC US Dollar Murabaha Fund)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

**6. FINANCIAL ASSETS MEASURED AT AMORTISED COST (continued)**

These assets are classified as stage 1 and movement in the allowance for expected credit losses is as follows:

	31 December 2022	31 December 2021
	<i>USD</i>	<i>USD</i>
Balance at beginning of the year	<b>6,048</b>	1,649
Charge (reversal of) for the year	<b>(2,656)</b>	4,399
Balance at the end of the year	<b>3,392</b>	6,048

The methodology and assumptions applied by the Fund in estimating the ECL on the Murabaha placements are based on using the Moody's rating scales which are then adjusted for country specific data based on where the Murabaha placements are, forward looking estimates and macroeconomic variables such as expected GDP growth, to determine the ECL as at the end of the reporting period.

Financial assets measured at amortised cost are composed of the following:

<u>31 December 2022</u>	% Of	Cost
Remaining maturity	Value	USD
<b>Up to 1 month</b>	<b>26%</b>	<b>4,400,000</b>
<b>1-3 months</b>	<b>51%</b>	<b>8,430,000</b>
<b>3-6 months</b>	<b>23%</b>	<b>3,850,000</b>
	<b>100%</b>	<b>16,680,000</b>

<u>31 December 2021</u>	% Of	Cost
Remaining maturity	Value	USD
Up to 1 month	17%	3,700,000
1-3 months	39%	8,400,000
3-6 months	44%	9,400,000
	100%	21,500,000

**7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)**

The composition of the financial assets at fair value through profit or loss in investment funds at the year end is summarised below:

	31 December 2022			31 December 2021		
	<i>Cost USD</i>	<i>Market Value USD</i>	<i>Unrealized gain USD</i>	<i>Cost USD</i>	<i>Market Value USD</i>	<i>Unrealized gain USD</i>
Alawwal Invest Saudi Riyal Murabaha Fund	<b>797,924</b>	<b>801,282</b>	<b>3,358</b>	849,819	905,547	55,728
<b>Total</b>	<b>797,924</b>	<b>801,282</b>	<b>3,358</b>	849,819	905,547	55,728

Alawwal Invest US Dollar Murabaha Fund  
(Formerly Known as HSBC US Dollar Murabaha Fund)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

**8. TRANSACTIONS WITH RELATED PARTIES**

*A. Transactions and balances with Fund Manager and board of directors*

In the ordinary course of its activities, the Fund transacts business with related parties. Related party transactions are governed by limits set by the regulations issued by CMA. All the related party transactions are undertaken at mutually agreed prices and approved by the Fund Manager. These transactions were carried out on the basis of approved Terms and Conditions of the Fund.

During the year, the Fund entered into the following transactions with related parties in the ordinary course of business:

Related party	Nature of transactions	Amount of transactions		Balance	
		31 Dec 2022 USD	31 Dec 2021 USD	31 Dec 2022 USD	31 Dec 2021 USD
Fund Manager	Management fee*	60,191	<b>77,904</b>	4,760	<b>723</b>
Fund Administrator	Administration fee	12,038	<b>7,107</b>	930	<b>1,106</b>
	Income on Murabaha placements		<b>533</b>		-
Board of Directors	BOD Fee	<b>4,200</b>	<b>2,365</b>	<b>4,211</b>	<b>2,365</b>

\*The fund management fees included VAT amount of USD 7,851 (2021: USD 10,161).

The Fund Manager charges to the Fund on each Valuation Day, management fees at a rate of 0.25% of Net assets value (2021: 0.65 % of Net assets value), these management fees represent maximum rates as per approved terms and conditions.

Subscription fee up to 2% is not considered in the financial statement of the Fund, as investment to the Fund are always net of subscription fees. The Fund does not charge any redemption fees on redemption of units.

*B. Transactions and balances with Funds managed by the Fund Manager*

Following mutual funds managed by the Fund Manager had transactions in units of the Fund:

Fund name	Year	Amount / Unit	31 December USD
	<b>2022</b>	<b>Amounts</b>	<b>4,483,678</b>
		<b>Units</b>	<b>291,737</b>
Alawwal Invest Multi-Assets Defensive Fund	<i>2021</i>	Amounts	<b>4,423,609</b>
		Units	<b>291,737</b>

**9. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Fund has investments at fair value through profit or loss which is measured at fair values and are classified within level 3 of the fair value hierarchy. All other financial assets and liabilities are classified as amortized cost and management believes that the fair value of all other financial assets and liabilities at the reporting date approximate their carrying values owing to their short-term tenure and the fact that these are readily liquid. There were no transfers between various levels of fair value hierarchy during the current year or prior year.

**Fair value hierarchy**

The following table provides the fair value measurement hierarchy of the Fund's financial assets as at 31 December 2022 and 31 December 2021. There are no other financial assets and financial liabilities measured at fair value.

Alawwal Invest US Dollar Murabaha Fund  
(Formerly Known as HSBC US Dollar Murabaha Fund)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

9. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	<i>Total</i>	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
<i>As at 31 December 2022</i>				
<i>Financial assets measured at amortised cost</i>	<b>16,817,028</b>	-	-	<b>16,817,028</b>
<b>Financial assets at FVOCI</b>	<b>801,282</b>	-	<b>801,282</b>	-
<b>Total</b>	<b>17,618,310</b>	-	-	<b>16,817,028</b>
<i>As at 31 December 2021</i>				
<i>Financial assets measured at amortised cost</i>	21,520,486	-	-	21,520,486
<i>Financial assets at FVOCI</i>	905,547	-	905,547	-
<b>Total</b>	<b>22,426,033</b>	-	<b>905,547</b>	<b>21,520,486</b>

There were no transfers between Level 1 and Level 2 fair value measurements during the year, and no transfers into or out of Level 3 fair value measurements during the year.

10. MATURITY ANALYSIS OF ASSETS AND LIABILITY

The table below shows an analysis of assets and liability according to when they are expected to be recovered or settled respectively:

	<i>Less than 1month USD</i>	<i>1 to 3 Months USD</i>	<i>3 months to 1 year USD</i>	<i>Total USD</i>
<i>As at 31 December 2022</i>				
<b>ASSETS</b>				
<i>Financial assets measured at amortised cost</i>	<b>4,400,000</b>	<b>8,430,000</b>	<b>3,850,000</b>	<b>16,680,000</b>
<b>Total commission -bearing assets</b>	<b>4,400,000</b>	<b>8,430,000</b>	<b>3,850,000</b>	<b>16,680,000</b>
<b>LIABILITY</b>				
<i>Total commission – bearing liabilities</i>	-	-	-	-
<b>Total commission rate gap</b>	<b>4,400,000</b>	<b>8,430,000</b>	<b>3,850,000</b>	<b>16,680,000</b>
<i>As at 31 December 2021</i>				
<b>ASSETS</b>				
<i>Financial assets measured at amortised cost</i>	3,700,000	8,400,000	9,400,000	21,500,000
<i>Total commission -bearing assets</i>	3,700,000	8,400,000	9,400,000	21,500,000
<b>LIABILITY</b>				
<i>Total commission – bearing liabilities</i>	-	-	-	-
<b>Total commission rate gap</b>	<b>3,700,000</b>	<b>8,400,000</b>	<b>9,400,000</b>	<b>21,500,000</b>

Alawwal Invest US Dollar Murabaha Fund  
(Formerly Known as HSBC US Dollar Murabaha Fund)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

**11. FINANCIAL RISK MANAGEMENT**

*Introduction*

The Fund's objective in managing risk is the creation and protection of unitholder's value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing risk identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund is exposed to market risk (which includes foreign currency risk and special commission rate risk), credit risk and liquidity risk arising from the financial instruments it holds.

*Risk management*

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

*Risk measurement and reporting system*

Monitoring and controlling risks is primarily set up to be performed based on limits established by the Board of Directors. These limits reflect the business strategy, including the risk that the Fund is willing to accept and the market environment of the Fund. In addition, the Fund monitors and measures the overall risk in relation to the aggregate risk exposure across all risks type and activities.

*Risk mitigation*

The Fund's terms and conditions has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

*Concentration risk*

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets. Concentrations of foreign exchange risk may arise if the Fund has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together.

In order to avoid excessive concentrations of risk, the Fund's terms and conditions include specific guidelines to focus on maintaining a diversified portfolio. The Fund Manager manages excessive risk concentrations when they arise. Note 5 to the financial statements shows the Fund's concentration of investment portfolio.

*Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. 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 the counterparties. The Fund Manager seeks to limit its credit risk by monitoring credit exposure and by dealing with reputed counterparties.

The following table shows the Fund's maximum exposure to credit risk for components of the statement of financial position.

	31 December 2022 USD	31 December 2021 USD
Cash and cash equivalents	<b>211,539</b>	553,533
Investments held at amortized cost	<b>16,820,420</b>	21,526,534
	<b>17,031,959</b>	22,080,067

Alawwal Invest US Dollar Murabaha Fund  
(Formerly Known as HSBC US Dollar Murabaha Fund)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

**11. FINANCIAL RISK MANAGEMENT (continued)**

*Credit risk (continued)*

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 the counterparties.

*Liquidity risk*

Liquidity risk is the risk that the Fund will encounter difficulty in releasing funds to meet commitments associated with financial liabilities that are settled by delivering cash or another financial asset.

The Fund's terms and conditions provide for the terms of subscriptions and redemptions of units, and it is, therefore, exposed to the liquidity risk of meeting Unitholder redemptions. The Fund's investments are considered to be readily realizable. 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 undiscounted value of all financial liabilities of the Fund at the reporting date approximate to their carrying values and all are to be settled within one year from the reporting date.

*Market risk*

Market risk is the risk that changes in market prices - such as foreign exchange rates, special commission rates and mutual fund 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 objective as per 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 views the USD as its functional currency. The Fund's financial assets and liabilities are denominated in USD and the Fund is not exposed to significant currency risk.

*Special commission rate risk*

The sensitivity analysis reflects how net assets (equity) attributable to the Unitholders would have been affected by changes in relevant risk variable that were reasonably possible at the reporting date.

Management has determined that a fluctuation in commission rates of 10 basis points is reasonably possible, considering the economic environment in which the Fund operates. The table below sets out the effect on the Fund's net assets (equity) attributable to the Unitholders of a reasonably possible increase of 10 basis points in commission rates at 31 December. The impact of such an increase or reduction has been estimated by calculating the fair value changes of the fixed-interest debt securities and other fixed-interest-bearing assets, less liabilities. The impact is primarily from the decrease in the fair value of fixed income securities. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

<b>Effect on net assets (equity)</b>	<b>2022</b>	<b>2021</b>
	<b>USD</b>	<b>USD</b>
Net assets (equity) attributable to the Unitholders	<b>2,798</b>	5,024

**12. LAST VALUATION DAY**

The last valuation day of the year was 31 December 2022 (2021: 30 December 2021).

**13. APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were approved by the Fund's management on 6 Ramadan 1444 H (corresponding to 28 March 2023)