

SAUDI FRANSI CAPITAL FIXED INCOME FUND CLASS A

Annual Report - 2022

Public
Internal Use

السعودي الفرنسي كابيتال
Saudi Fransi Capital



CONTENT

- INVESTMENT FUND INFORMATION
- FUND PERFORMANCE
- FUND MANAGER
- CUSTODIAN
- Fund Operator
- AUDITOR
- FINANCIAL STATEMENTS

A. INVESTMENT FUND INFORMATION

1. Name of investment fund.

Saudi Fransi Capital Fixed Income Fund Class A

2. Investment objectives and policies

Objectives of the Fund

Investment objective would be to generate income and capital appreciation through investment in Sharia compliant sukuk, trade finance transactions, money market funds, money market transactions and bank deposits including but not limited to Murabaha, Wakala, Mudarba and Musharaka transactions and Sharia compliant structured products, notes and asset backed securities diversified by geography, issuer, rating, profit rate and maturity.

Investment Policies

- The fund will invest in the following instruments:
- Sharia compliant sukuk issued by sovereign and corporate issuers located in Saudi Arabia, Gulf Cooperation Council (GCC) and Global Markets denominated in US Dollar and Saudi Riyal, which may be either listed in an exchange or unlisted (in the form of private placements). The sukuk may be of different tenors (short, medium or long) and include perpetuals as well as callable sukuk.
- Sharia compliant money market transactions and bank deposits including but not limited to Murabaha, Wakala, Mudarba and Musharaka transactions and Sharia compliant structured products, structured notes and asset backed securities.
- Sharia Compliant trade finance transactions in Saudi Arabia, Gulf Cooperation Council (GCC) and Global markets subject to applicable limits as defined in Section 3 (d) denominated in SAR, USD and other currencies.
- The underlying investments of the fund are primarily in SAR. The fund's investments may be in different currencies other than the fund's currency, the Saudi Riyal, in line with the investment strategy.
- Public investment funds units with a similar strategy that are compatible with Sharia standards and licensed by the Capital Market Authority or a similar regulatory authority outside the Kingdom with a similar level of risk.
- Structured products and structured notes.

3. Distribution of income and gain policy

The fund manager has the right to distribute the income to the unit owners on a semi-annual basis. Any cash distributions by the fund will be according to the fund manager's absolute discretion based on the fund's performance and market conditions.

The fund manager has the right not to distribute income according to the fund's performance and market conditions and in exceptional cases, which are cases that the fund manager believes may affect the fund's assets or objectives negatively as a result of any of the economic factors such as deflation, inflation, low oil prices and/or political such as In the event of a change in the laws in the countries in which the Fund invests its assets and/or changing regulations, such as changing legislation and accounting systems.

The fund manager has the right to distribute the income at the end of February and August of each year. Distributed income is due to all registered unit owners as on the last valuation day in the months of February and August, and the cash dividends are deposited in the specific investment accounts of unit owners available with the fund manager. The fund manager announces whether or not distributions are approved or not, immediately through the fund manager's website and the Saudi Market (Tadawul) website, one working day after the due date.

The cash dividends will be deposited in the investment accounts of the unit holders available with the fund manager within a period of 20 business days.

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

Ideal Ratings Global Sukuk Active Index-Price Return, obtained by the fund manager from Ideal Ratings.

B. FUND PERFORMANCE

1. Financial highlights for the last 3 years

	2022	2021	2020
Net Asset Value (NAV)	23,807,796	N/A	N/A
NAV per Unit	9.98	N/A	N/A
Highest NAV per Unit	10.13	N/A	N/A
Lowest NAV per Unit	9.72	N/A	N/A
Number of Units	2,386,200	N/A	N/A
Income Distribution per Unit	0.0798	N/A	N/A
Expense Ratio	0.54%	N/A	N/A
percentage of borrowed assets from the total asset value	-	N/A	N/A
results of comparing the performance of the benchmark of the fund with performance of the fund.	Over Performed	N/A	N/A

2. Performance record

a. Total Annualized Return for 1 Year, 3 Years, 5 Years, and Since Inception

	1 Year	3 Years	5 Years	Since Inception
Total Return	0.61%	NA	NA	0.61%

b. Total Annual Returns for Each of the Past 10 Years or Since Inception

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total return	0.61%	NA	NA	NA	NA	NA	NA	NA	NA	NA

c. Fund Fees and Expenses

	Amount (SAR)
Tadawul Registration Fees	883.68
Regulatory Fees	1,166.18
Auditor Fee Expense	6,186.89
Remuneration of the Board of Directors	580.68
Benchmark Fees	5,764.40
Trading Expenses	-
Funding Fees	-
Other	19,509.76
Custody Fee	11,088.24
Management Fee	155,060.93
VAT on Management Fee	32,336.70
Shariah Audit Fee Expense	
Total Expense Ratio %	0.54%

3. Material Changes to Terms and Conditions

- None

4. Exercise of Annual Voting Rights

- None

5. Fund's Board Annual Report

A. The members of the Fund Board of Directors are as follows.

Member Name	Member Classification
Mr. Ehab Talib Ahmed Farhan	Chairman, Non-Independent
Mr. Abdullah Sulaiman Abdulaziz Al-Oraini	Vice-Chairman, Non-Independent
Mr. Muhammad Fathallah Abdul-Khaleq Al-Bukhari	Member, Independent

Public

B. A brief about of the fund board members' qualifications

■ Mr. Ehab Talib Ahmed Farhan – Head of the Private Banking at the Banque Saudi Fransi, Wealth Management at Saudi Fransi Capital, with 13 years of experience in consulting services with the National Bank in the field of the global stock exchange and investment products. He joined Banque Saudi Fransi in 2005 as Head of the Investment Department of the Jeddah City Department. He was appointed as the Head of Wealth Management in charge at the Saudi Fransi Capital in May 2015, then joined the Saudi Fransi Capital as Head of Wealth Management until May of 2018, holder of a Bachelor's degree in Business Administration, class 1995, and a qualified financial planner certificate from the Arab Monetary Agency - Banking Institute in the year 2004.

■ Mr. Abdullah Sulaiman Abdulaziz Al-Oraini – The Head of Brokerage at the Saudi Fransi Capital Company, with 14 years of experience in the banking sector in the Kingdom, Mr. Abdullah became the Head of Brokerage in the Saudi Fransi Capital Company in 2011. He was appointed as the Head of Brokerage in 2014 at Saudi Fransi Capital. Holds a Bachelor's degree in International Business Administration from King Saud University, class of 1999.

■ Mr. Muhammad Fathallah Abdul-Khaleq Al-Bukhari – With more than 25 years of experience in the banking and investment sector inside and outside the Kingdom, holding a Bachelor's degree in English Literature from King Saud University in 1972. Mr. Mohamed is currently retired, and his last position was Director of Conformity and Compliance at the Arab National Investment Company in 2011.

■ Mr. Hani Ibrahim Ahmed Obaid – A partner in Invest Corp., with 11 years of experience in the banking and investment sector inside the Kingdom. Mr. Hani became the Fund Manager at Banque Saudi Fransi in 2004. He joined Morgan Stanley in 2008 as Vice President of Private Wealth Management, and in 2012 he became a partner in Invest Corp. Holds a Bachelor's degree in Technology Management from Wentworth University of Technology.

C. Description of the roles and responsibilities of the Fund Board.

- Approve all contracts, decisions, and substantial reports to which the fund is a party.
- Adopt a written policy regarding voting rights related to the fund's assets.
- Supervise, and when appropriate, approve or ratify any conflicts of interest disclosed by the Fund Manager in accordance with the investment funds regulations.
- Meeting at least twice annually with the Compliance Officer with the Fund Manager and/or the Compliance Committee and the competent Anti-Money Laundering and Counter-Terrorism Financing Officer, to ensure that the Fund Manager complies with all applicable regulations and bylaws.
- Approval of any recommendation submitted by the liquidator, if appointed, according to the investment funds regulations.
- Ensure that the fund terms and conditions, the information memorandum, and any other document, whether it is a contract or otherwise, is complied with by the Investment Funds Regulations.
- Ensuring that the Fund Manager fulfils its responsibilities in the interest of the unitholders in accordance with the fund terms and conditions, and the provisions of the investment funds regulations.
- Work with honesty, goodwill, interest, care and diligence in the interests of the Fund and its unitholders.
- Take minutes of the meetings that includes all the minutes of the meetings and the decisions made by the Board.

D. Details on the remuneration of fund board members.

The Fund's Board of Directors' remuneration encompass all the funds of Saudi Fransi Capital, which is supervised by the Board, knowing that these fees will be changed annually, as each share of these funds will be allocated based on the size and proportion of the asset on pro-rata basis, and they are calculated cumulatively on each calendar day and deducted on an annual basis.

The annual maximum sum of the fees and expenses of members of the Board of Directors of all the funds of Saudi Fransi Capital is estimated at SAR 60,000.00 (sixty thousand Saudi Riyals). The Fund's share of this fee is estimated at SAR 23,760.15 per year.

It is also worth noting that the Fund's share of these fees will change annually according to the Fund's assets (increase or decrease), and that each independent member will receive an amount of SAR 15,000.00 (fifteen thousand Saudi riyals) per meeting with a maximum of two meetings per year which is the minimum number of Fund board meetings for all the funds of Saudi Fransi Capital.

- E. A statement of any conflict or potential conflict of interest between the interests of a fund board member and the interests of the fund. A statement showing all the funds boards that the relevant board member is participating in.

There is no actual or potential conflict of interest between the interests of the fund board member and the interests of the fund.

- F. Statement of all fund's board member participates in

The Fund's Board members participate in other fund boards under the management of Saudi Fransi Capital as follows:

Fund Name	Ehab Farhan	Abdullah AlOraini	Hani Obaid	Muhammad Bukhari
Al-Badr Murabaha Fund - US Dollars	Chairman	Member	Independent Member	Independent Member
US Dollar Money Market Fund	Chairman	Member	Independent Member	Independent Member
Al-Saffa Saudi Equity Trading Fund	Chairman	Member	Independent Member	Independent Member
Al Qasr GCC Real Estate and Construction Equity Trading Fund	Chairman	Member	Independent Member	Independent Member
Al-Badr Murabaha Fund - SAR	Chairman	Member	Independent Member	Independent Member
Saudi Riyal Money Market Fund	Chairman	Member	Independent Member	Independent Member
Saudi Istithmar Equity Fund	Chairman	Member	Independent Member	Independent Member
Al-Danah GCC Equity Trading Fund	Chairman	Member	Independent Member	Independent Member
Saudi Fransi Capital Saudi Equity Income Fund	Chairman	Member	Independent Member	Independent Member
Saudi Fransi Capital Income Fund	Chairman	Member	Independent Member	Independent Member
Saudi Fransi GCC IPO Fund	Chairman	Member	Independent Member	Independent Member
Saudi Fransi Capital Fixed Income Fund Class (A)	Chairman	Member	Independent Member	Independent Member
Saudi Fransi Capital Fixed Income Fund Class (B)	Chairman	Member	Independent Member	Independent Member
Taleem REIT	Member	-	Independent Member	Independent Member
Bonyan REIT	-	-	Independent Member	-

- G. The following is a summary of the key decisions approved and the matters discussed by the Fund Board:

- Review of new market developments
- Fund's performance review
- Fund's compliance with all applicable rules and regulations
- Acceptance of the independent board members

C. FUND MANAGER

1. Name and address of the fund manager

Public

2. Names and addresses of sub-manager and/or investment adviser

None

3. A Review of Investment Activities

The inflation levels in 2022 has continuous to rise in the United States to record levels, with that the US Federal Reserve has worked on raising interest rates at a higher pace during 2022. This had a positive reflect on the money market and fixed income markets, as the markets received the decision in offering higher deposit rates, which resulted in an improved performance of managed money market funds.

During the year, the pace of local issuances in Saudi riyals of sukuk and bonds increased with the continuation of monthly issuances by the National Debt Management Center, which increased trading activity in the primary and secondary market for sukuk and bonds.

4. Fund's Performance

	2022
Saudi Istithmar Equity Fund	0.61%
Benchmark Performance	-5.49%

The Fund Overperformed the benchmark 610 bps.

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

- New External Auditor

6. Any other information that would enable unitholders to make an informed judgment about the Fund's activities

None

7. Investment in Other Investment Funds

During the year the Fund invested in Riyadh SAR Trade Fund and Al Rajhi Commodity Fund-SAR, the Fund has fully redeemed all its investment in other investment funds before end of the year.

8. Special Commission received by the fund manager during the period

The fund receives a 20% discount on management fees for Riyadh SAR Trade Fund and a 20% discount on management fees for Al Rajhi Commodity Fund-SAR.

9. Any other data and information required by the Regulations

- Fund Manager's Subscriptions in Units in an Investment Fund
None
- Conflicts of Interest
None
- Breach of Investment Limitations

- Non –Compliance with Article IFR-41 (E-5):

The fund held 10.21% versus 10.00% of the fund NAV in Jarir Marketing Co, This breach has occurred due to changes in the market circumstance that is beyond the control of the fund manager. This breach was rectified on 10 March 2022 Incorrect Valuation or Pricing

- Incorrect Valuation or Pricing
None

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

Since the inception of the fund.

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

- Al Rajhi Commodity SAR Fund 0.16%
- Riyadh SAR Trade Fund 0.007%

D. CUSTODIAN

1. Name and address of custodian.

HSBC Saudi Arabia Limited
Head Office: Olaya - Al-Mrooj 7267
P.O. Box: 2255 Riyadh 12283, Saudi Arabia
Phone +966 92000 5920 - Fax +966 11 299 2385
Website: www.hsbcSaudi.com
Email: saudiArabia@hsbc.com

2. Duties and Responsibilities

- The Custodian is responsible for its obligations in accordance with the provisions of the Investment Funds Regulations, whether it fulfils its responsibilities directly or assigns it to a third party under the provisions of the Investment Funds Regulations or the list of authorized persons.
- The Custodian is liable towards the Fund Manager and unitholders for the losses of the Fund resulting from its fraud, shortcoming, misbehavior or deliberate negligence.
- The Custodian is responsible for preserving and protecting the Fund's assets for the benefit of unitholders, and it is also responsible for taking all necessary administrative measures in relation to preserving the Fund's assets.

E. Fund Operator

1. Name and address of operator

HSBC Saudi Arabia Limited
Head Office: Olaya - Al-Mrooj 7267
P.O. Box: 2255 Riyadh 12283, Saudi Arabia
Phone +966 92000 5920 - Fax +966 11 299 2385
Website: www.hsbcSaudi.com
Email: saudiArabia@hsbc.com

2. Duties and Responsibilities

- Operation of the Fund
- The fund operator is responsible for evaluating the fund's assets
- The fund operator shall be responsible for the pricing of the units and responsible for the erroneous valuation or pricing
- The fund operator is responsible for the full and fair evaluation of the fund's assets
- The fund operator shall prepare, maintain and update a register of unit holders
- Maintain books and records related to the operation of the fund
- Maintain a record of all issued and canceled units, and an updated record showing the fund's existing units balance
- The fund operator is responsible for the process of distributing profits to unit holders
- The fund operator is responsible for executing and regulating all subscription and redemption requests

F. AUDITOR

1. Name and address of auditor

Price Waterhouse Coopers
Head Office: Kingdome Tower, King Fahad Road
P.O Box 8282, Riyadh 11482, Saudi Arabia
Phone: +966.11.2110400 - Fax: +966.11.2110401
Website: www.pwc.com/middle-east

The Fund's Reports are available upon request free of charge. These reports are also available on the fund manager's website for free www.sfc.sa and on the Saudi Stock Exchange (Tadawul)

Saudi Fransi Capital (Closed Joint Stock Company owned by Banque Saudi Fransi) – Commercial Registration 1010231217 – Authorized and Regulated by the Capital Market authority (CMA) under license 11153-37

G. FINANCIAL STATEMENTS

**SAUDI FRANSI CAPITAL FIXED INCOME
FUND
(Managed by Saudi Fransi Capital Company)**

**FINANCIAL STATEMENTS
TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT
FOR THE PERIOD FROM 8 APRIL 2022 TO 31 DECEMBER 2022**

SAUDI FRANSI CAPITAL FIXED INCOME FUND
(Managed by Saudi Fransi Capital Company)

FINANCIAL STATEMENTS

For the period from 8 April 2022 to 31 December 2022

INDEX	PAGE
Independent auditor's report	1-2
Statement of financial position	3
Statement of comprehensive income	4
Statement of changes in equity attributable to the Unitholders	5
Statement of cash flows	6
Notes to the financial statements	7-17



Independent auditor's report to the Unitholders and the Fund Manager of Saudi Fransi Capital Fixed Income Fund

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saudi Fransi Capital Fixed Income Fund (the "Fund") as at 31 December 2022, and its financial performance and its cash flows for the period from 8 April 2022 to 31 December 2022 in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of comprehensive income for the period from 8 April 2022 to 31 December 2022;
- the statement of changes in equity attributable to the Unitholders for the period from 8 April 2022 to 31 December 2022;
- the statement of cash flows for the period from 8 April 2022 to 31 December 2022; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

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

Responsibilities of Fund Manager and Fund Board for the financial statements

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

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



Independent auditor's report to the Unitholders and the Fund Manager of Saudi Fransi Capital Fixed Income 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 Fund Manager's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Fund Manager.
- Conclude on the appropriateness of Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers

Bader I. Benmohareb
License Number 471

March 30, 2023

SAUDI FRANSI CAPITAL FIXED INCOME FUND
(Managed by Saudi Fransi Capital Company)

STATEMENT OF FINANCIAL POSITION

		<i>As at 31 December 2022</i>
	<i>Note</i>	<i>SR</i>
<u>ASSETS</u>		
Cash and cash equivalents	7	4,103,964
Investments at amortized cost	8	137,125,520
Prepayments and other assets		11,693
TOTAL ASSETS		141,241,177
<u>LIABILITIES</u>		
Management fee payable	10	97,637
Accruals and other liabilities		60,299
TOTAL LIABILITIES		157,936
Equity attributable to the Unitholders (Class A)		23,807,796
Equity attributable to the Unitholders (Class B)		117,275,445
Units in issue (Class A)		2,386,200
Units in issue (Class B)		11,778,326
Equity per unit in Saudi Riyals (Class A)		9.9773
Equity per unit in Saudi Riyals (Class B)		9.9569

The accompanying notes from 1 to 16 form an integral part of these financial statements.

SAUDI FRANSI CAPITAL FIXED INCOME FUND
(Managed by Saudi Fransi Capital Company)

STATEMENT OF COMPREHENSIVE INCOME

		<i>For the period from 8 April to 31 December 2022</i>
	<i>Note</i>	<i>SR</i>
<u>INCOME</u>		
Special commission income		1,409,729
Other income		17,399
		<u>1,427,128</u>
<u>EXPENSES</u>		
Management fees	10	(1,148,844)
Other expenses	11	(226,667)
		<u>(1,375,511)</u>
NET INCOME FOR THE PERIOD		<u>51,617</u>
OTHER COMPREHENSIVE INCOME		-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>51,617</u>

The accompanying notes from 1 to 16 form an integral part of these financial statements.

SAUDI FRANSI CAPITAL FIXED INCOME FUND

(Managed by Saudi Fransi Capital Company)

STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE UNITHOLDERS

*For the period from
8 April to
31 December
2022
SR*

**EQUITY ATTRIBUTABLE TO THE UNITHOLDERS
AT THE BEGINNING OF THE PERIOD**

-

CHANGES FROM OPERATIONS

Total comprehensive income for the period 51,617

Dividends paid – Class A (388,218)

Dividends paid – Class B (1,336,782)

CHANGES FROM UNIT TRANSACTIONS

Proceeds from units sold – Class A 48,660,750

Proceeds from units sold – Class B 180,736,668

Value of units redeemed- Class A (24,213,399)

Value of units redeemed- Class B (62,427,395)

Net change from unit transactions 142,756,624

**EQUITY ATTRIBUTABLE TO THE UNITHOLDERS
AT THE END OF THE PERIOD**

141,083,241

Of which:

Class A 23,807,796

Class B 117,275,445

Transactions in units during the year are summarised as follows:

*For the period from 8 April to
31 December 2022*

UNITS AT THE BEGINNING OF THE PERIOD

Class A - Class B -

Units sold 4,866,075 18,089,285

Units redeemed (2,479,875) (6,310,959)

Net change in units 2,386,200 11,778,326

UNITS AT THE END OF THE PERIOD 2,386,200 11,778,326

The accompanying notes from 1 to 16 form an integral part of these financial statements.

SAUDI FRANSI CAPITAL FIXED INCOME FUND
(Managed by Saudi Fransi Capital Company)

STATEMENT OF CASH FLOWS

	<i>For period from 8 April to 31 December 2022 SR</i>
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income for the year	51,617
Changes in operating assets and liabilities:	
Investments measured at amortized cost	(137,125,520)
Prepayments and other assets	(11,693)
Management fee payable	97,637
Accruals and other liabilities	60,299
Net cash used in operating activities	<u>(136,927,660)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from units sold	229,397,418
Payment against units redeemed	(86,640,794)
Dividend distribution	(1,725,000)
Net cash generated from financing activities	<u>141,031,624</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,103,964
Cash and cash equivalents at the beginning of the period	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>4,103,964</u></u>

The accompanying notes from 1 to 16 form an integral part of these financial statements.

SAUDI FRANSI CAPITAL FIXED INCOME FUND
(Managed by Saudi Fransi Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the period from 8 April 2022 to 31 December 2022

1. GENERAL

Saudi Fransi Capital Fixed Income Fund (the “Fund”) is an open-ended public investment fund established based on an agreement between Saudi Fransi Capital Company (the “Fund Manager”) and the investors (the “Unitholders”). The Fund commenced its operations on 6 Ramadan 1443H (corresponding to 8 April 2022).

The objective of the Fund is to achieve capital and income development by investing in Sukuk that comply with the criteria of the Fund's Shariah Compliant.

During the period, the Fund updated its terms and conditions, which have been approved by the Capital Market Authority “CMA” on 6 Muharram 1444H (corresponding to 4 August 2022).

The Fund Manager of the Fund is Saudi Fransi Capital Company. The Custodian and Fund Administrator of the Fund is HSBC Saudi Arabia.

2. REGULATORY AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) issued by the Capital Market Authority (CMA) on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) and amended by resolution of the Board of the Capital Market Authority on 12 Rajab 1442H (corresponding to 24 February 2021) effective from 19 Ramadan 1442H (corresponding 1 May 2021) by the New Investment Fund Regulations (“Amended Regulations”) published by the Capital Market Authority on 17 Rajab 1442H (corresponding to 1 March 2021) detailing requirements for all funds within the Kingdom of Saudi Arabia.

3. BASIS OF PREPARATION

3.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared 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”).

Assets and liabilities in the statement of financial position are presented in the order of liquidity.

An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 13.

3.2 BASIS OF MEASUREMENT

These financial statements are prepared under the historical cost convention, using the accrual basis of accounting.

3.3 FUNCTIONAL CURRENCY

These financial statements are presented in Saudi Riyal (“SR”), which is the Fund’s functional and presentation currency.

3.4 SUBSCRIPTION/REDEMPTION

Subscription / redemption requests are accepted every Monday and Wednesday. The equity value of the Fund for the purpose of purchase or sale of units is determined by dividing the total equity (fair value of the Fund’s assets minus Fund’s liabilities) of the Fund by the total number of outstanding Fund units.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 8 April 2022 to 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are stated below.

Financial instruments

Initial recognition

The Fund records financial asset or a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument.

At initial recognition, financial assets or financial liabilities are measured at their fair value. In the case of financial assets or financial liabilities not at fair value through profit or loss, its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount.

Classification

The Fund classifies its financial assets under the following categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI); and
- Amortised cost.

These classifications are on the basis of business model of the Fund for managing the financial assets, and contractual cash flow characteristics.

The Fund measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in either profit or loss or other comprehensive income. For investments in equity instruments, this will depend on whether the Fund has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Fund classifies all financial liabilities as subsequently measured at amortised cost using the effective interest rate method.

Derecognition of financial instruments

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognizes its retained interest in the asset and associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of the transferred financial asset, the Fund continues to recognize the financial asset and also recognizes a collateralized financing for the proceeds received.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Fund assesses on a forward-looking basis the expected credit losses ("ECL") associated with its financial assets, carried at amortised cost, the ECL is based on a 12-month ECL and lifetime ECL. The 12-month ECL is the portion of lifetime ECLs that results 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.

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 recognised net assets or the change in the fair value of the recognised and unrecognised 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 recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund.
- The effect of substantially restricting or fixing the residual return to the redeemable shareholders.

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 recognised in equity 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 Fund has two class of redeemable units Class (A) and Class (B). Both classes are different in terms of the fees and charges applicable to Classes (A) and (B).

Class (A) unitholders pay management fees of 0.50% of the Fund's assets after deduction of other expenses and accrued liabilities.

Class (B) unitholders pay management fees of 0.75% of the Fund's assets after deduction of other expenses and accrued liabilities.

All Unitholders of all classes enjoy equal rights and are treated equally by the Fund Manager.

The issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions.

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

NOTES TO THE FINANCIAL STATEMENTS

For the period from 8 April 2022 to 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

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 the 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 reporting year.

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 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. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are discussed in Note 12.

Trade date accounting

The Fund follows trade date accounting for all purchases and sales of financial assets (i.e. the date that the Fund commits to purchase or sell the assets).

Cash and cash equivalents

Cash and cash equivalent include accounts maintained with Banque Saudi Fransi (the "bank") and the Custodian.

SAUDI FRANSI CAPITAL FIXED INCOME FUND

(Managed by Saudi Fransi Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the period from 8 April 2022 to 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised 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 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 passage of time is recognised 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 and other payables

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

The undiscounted value of all financial liabilities of the Fund at the reporting date approximate to their carrying values due to the fact that all are to be settled within one year from the reporting date, accordingly, the said liabilities are not recognised at amortized cost.

Management fees

Fund management fee is payable at an agreed rate with the Fund Manager. The Fund Manager will charge a management fee of 0.5% (Class A) and 0.75% (Class B) per annum plus applicable VAT on the net asset value accrued daily and paid on a monthly basis.

Expenses

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

Zakat and income tax

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

Equity value per unit

Equity value per unit as disclosed in the statement of financial position is calculated by dividing the equity attributable to the Unitholders of the Fund by the number of units in issue at year end.

5. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

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

Going concern

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

SAUDI FRANSI CAPITAL FIXED INCOME FUND

(Managed by Saudi Fransi Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the period from 8 April 2022 to 31 December 2022

6. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

New standards, interpretations and amendments adopted by the Fund

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which were effective from periods on or after 1 January 2022. The Fund Manager has assessed that the amendments have no significant impact on the Fund's financial statements.

- Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the practical expedient
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16

New Standards, interpretations and amendments not yet effective

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

Standard / Interpretation	Description	Effective from periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	Disclosure of Accounting Policies	1 January 2023
Amendment to IAS 8	Definition of accounting estimate	1 January 2023
IFRS 17, 'Insurance contracts'	New Insurance standard	1 January 2023
Amendments to IAS12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

7. CASH AND CASH EQUIVALENTS

	31 December
	2022
	SR
Bank balances (See note below)	183,428
Cash with custodian	3,920,536
	4,103,964

The bank balances represent the cash in a current account maintained with Banque Saudi Fransi (Note 10).

The Fund Manager has conducted a review as required under IFRS 9 and based on such an assessment, the effect of expected credit loss ('ECL') allowance against the carrying value of cash and cash equivalents is insignificant as the balances are held with investment grade credit rated financial institutions and therefore no ECL has been recognised in these financial statements.

SAUDI FRANSI CAPITAL FIXED INCOME FUND
 (Managed by Saudi Fransi Capital Company)
 NOTES TO THE FINANCIAL STATEMENTS
 For the period from 8 April 2022 to 31 December 2022

8. INVESTMENTS MEASURED AT AMORTISED COST

Investments measured at amortised costs are comprised of the following:

	<i>31 December 2022 SR</i>
Money market placements (see note “a” below)	12,003,200
Investment in Sukuk (see note “b” below)	125,122,320
	<u>137,125,520</u>

a.) Money market placements are composed of the following:

31 December 2022

<i>Remaining maturity</i>	<i>% of Value</i>	<i>Cost SR</i>
Up to 1 month	100	12,003,200
	100	<u>12,003,200</u>

b.) Sukuk carry floating commission rate plus margin. The carrying value of Sukuk is as follows:

	<i>31 December 2022 SR</i>
Carrying value	125,122,320
	<u>125,122,320</u>

The composition of investment in sukuk by maturity as at each year-end is set out below

	<i>31 December 2022 SR</i>
3-5 years	125,122,320
	<u>125,122,320</u>

The Fund Manager has conducted a review as required under IFRS 9. Based on the assessment, the Fund Manager believes that there is no need for any significant impairment loss against the carrying value of net investment measured at amortised cost at the reporting date.

9. SPECIAL COMMISSION INCOME

	<i>For the period from 8 April 2022 to 31 December 2022 SR</i>
Income from money market placements	3,200
Income from investment in Sukuk	1,406,529
	<u>1,409,729</u>

SAUDI FRANSI CAPITAL FIXED INCOME FUND
(Managed by Saudi Fransi Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the period from 8 April 2022 to 31 December 2022

10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties include Saudi Fransi Capital Company ("the Fund Manager"), Banque Saudi Fransi (the Bank and the shareholder of the Fund Manager), the Fund Board, affiliates of the Fund Manager and the funds managed by the Fund Manager.

In the ordinary course of its activities, the Fund transacts business with related parties.

The Fund pays the Fund Manager a management fee calculated at an annual rate of 0.5% per annum for Class A Unitholders and 0.75% per annum for Class B Unitholders plus applicable taxes calculated on the total equity value on daily basis and paid on a monthly basis. The fee is intended to compensate the Fund Manager for management and administration of the Fund.

Related party transactions for the years ended and balances are as follows:

<i>Name of related party</i>	<i>Nature of transactions</i>	<i>Amount of transactions</i>	<i>Balance Receivable / (Payable)</i>
		<i>For the period from 8 April to 31 December 2022 SR</i>	<i>As at 31 December 2022 SR</i>
Saudi Fransi Capital Company	Management fee	1,148,844	97,637
Board of Directors	Brokerage fee	5,963	1,013
Banque Saudi Fransi	Annual remuneration	2,691	1,253
	Bank balance	-	183,428

The units in issue at 31 December 2022, include 31,018 units held by the employees of Banque Saudi Fransi and Saudi Fransi Capital Company.

11. OTHER EXPENSES

		<i>For the period from 8 April 2022 to 31 December 2022 SR</i>
	<i>Note</i>	
Fund administrator fees		82,534
Custody fees		51,383
Audit fees		28,670
Benchmark fees		26,712
CMA fees		5,404
Tadawul Registration fee		4,095
Directors fee	10	2,691
Other expenses		25,178
		<u>226,667</u>

SAUDI FRANSI CAPITAL FIXED INCOME FUND

(Managed by Saudi Fransi Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the period from 8 April 2022 to 31 December 2022

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value as the carrying amount is a reasonable approximation of fair value. The fair value of investments measured at FVTPL are based on quoted prices in active markets and are therefore classified within Level 1.

	<i>Carrying value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
31 December 2022					
Investments measured at amortized cost	137,125,520	136,674,913	-	-	136,674,913

During the period from 8 April 2022 to 31 December 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements.

13. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
31 December 2022			
ASSETS			
Cash and cash equivalents	4,103,964	-	4,103,964
Investments measured at amortised cost	-	137,125,520	137,125,520
Other assets	11,693	-	11,693
TOTAL ASSETS	4,115,657	137,125,520	141,241,177
LIABILITIES			
Management fee payable	97,637	-	97,637
Accruals and other liabilities	60,299	-	60,299
TOTAL LIABILITIES	157,936	-	157,936

14. FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

The Fund's objective in managing risk is the protection of Unitholder's value. Risk is inherent in the Fund's activities and is managed through a process of ongoing risk identification, measurement and monitoring. 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 equity price risk), credit risk and liquidity risk arising from the financial instruments it holds.

Risk management

The Fund Manager is primarily responsible for identifying and controlling risks.

Risk measurement and reporting system

Monitoring and controlling risks is primarily set up to be performed based on limits as specified in the Investment Fund Regulations. These limits reflect the business strategy and the market environment of the Fund. In addition, the Compliance Department of the Fund Manager monitors the exposures against the approved limits.

SAUDI FRANSI CAPITAL FIXED INCOME FUND

(Managed by Saudi Fransi Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the period from 8 April 2022 to 31 December 2022

14. FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk mitigation

The Fund's investment guidelines as specified in Terms and Conditions, Information memorandum and fact sheet 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 policies and procedures include guidelines to focus on maintaining a diversified portfolio based on the recommendations of Investment Committee.

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.

The Fund Manager seeks to limit its credit risk by monitoring credit exposure, credit ratings 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.

	<i>31 December 2022 SR</i>
Cash and cash equivalents	4,103,964
Investments measured at amortised cost	137,125,520
	<u>141,229,484</u>

Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates, equity prices and interest rates, will affect the Fund's income or cash flows. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return. The fund is not exposed to market risk.

Currency risk

Currency risk is the risk that the value of a financial instrument may fluctuate due to change in foreign exchange rates. The financial instruments of the Fund are denominated in Saudi Arabia Riyals. Accordingly, the Fund is not exposed to any currency risk.

14. FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 securities are considered to be readily realizable as they are all listed on Tadawul. 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.

In addition to the above, the Fund can potentially utilize an overdraft facility offered by the Fund Manager to meet liquidity requirements.

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.

15. LAST VALUATION DAY

The last valuation day for the purpose of preparation of these financial statements for the period ended was 31 December 2022.

16. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Fund Board on 5 Ramadhan 1444H (corresponding to 27 March 2023).