

**Annual Report 2020**

**Samba Capital Global Equity Fund**

**Fund Manager**  
**Samba Capital & Investment Management Company**  
CR 1010237159,  
CMA Authorization No. 07069-37  
Kingdom Center, Olaya  
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## I. Investment Fund Information

- 1) **Fund Name** Samba Capital Global Equity Fund
- 2) **Investment Objective, policies and practices**

The Fund aims to achieve long term capital growth through Investment in the global equity markets. The Fund invests in the Global equities and/or exchange traded funds (ETFs) which are listed in international markets. The benchmark of the fund is MSCI AC World index.

The Fund follows a disciplined investment approach that focuses on sector and stock fundamentals and valuation levels. In addition, the Fund follows a research focused investment style and invests in a blend of value and growth stocks. Furthermore, the Fund operates within a strong compliance and risk management environment.
- 3) **Distribution of income and gain policy**

The Fund does not make cash distributions.
- 4) Please note that the Fund's reports are available upon request free of charge.

## II. Fund Performance

1)

(Amounts in USD)	2018	2019	2020
a) Net Asset Value (31 December)	2,039,030	2,495,908	2,771,553
b) Net Asset Value per Unit (31 December)	15.90	19.81	22.54
c) Highest NAV / Unit	18.98	19.77	22.50
Lowest NAV / Unit	15.14	15.89	13.49
d) Number of Units in Issue (31 December)	128,280	125,998	122,957
e) Income Distribution per Unit – Gross	N/A	N/A	N/A
Income Distribution per Unit – Net	N/A	N/A	N/A
f) Expense Ratio%	0.86%	0.73%	0.07%

2)

	1 year	3 years	5 years	Since inception
a) Total Return %	13.84%	25.72%	59.22%	124.97%

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
b) Annual Total Return %	6.10	14.25	18.27	1.85	-3.24	5.46	20.09	-11.17	24.32	13.84

c) Fees and Expenses	2020 (USD)
Management fees	19,885
Dealing fees	15
Other expenses	1,838
Total expenses	21,738
Total Expense Ratio	0.78%

Note: \*For detailed table of other expenses paid refer to the financial disclosures section of the Fund's terms and conditions  
The Fund manager has neither waived nor given any rebate of fees during the year.

- d) Basis for calculating the performance data and assumptions used are consistently applied.

- 3) There were no material changes that occurred during the period that affected the performance of the Fund.
- 4) **Annual voting practices:** Samba Capital, as a representative of the securities owned by Samba Capital Global Equity Fund, did not attend any annual general meetings during the year. The voting right policy is available on Samba Capital website.(Website link : [www.sambacapital.com](http://www.sambacapital.com))
- 5) **Fund Board Annual Report**

The Fund Board of Samba Capital Global Equity Fund is pleased to present its annual report for the fiscal year ended December 31<sup>st</sup>, 2020.

#### **Performance Overview**

On the last valuation day the Fund's unit's price stood at USD 22.96 as of the end of 2020 as compared to USD 19.76 as of December 31<sup>st</sup>, 2019. The Fund's return for 2020 was 13.8% while the benchmark returned 14.3% for the same period.

#### **Economic and Market Overview**

GCC equities ended 2020 with a decline on the back of worries from COVID-19 impact on their economies. The GCC markets top performer was the Qatar Exchange Index (0.1%) followed by Abu Dhabi General Index (-0.6%). On the other hand, the bottom performer in the GCC markets was the Dubai Financial Market General Index (-9.9%) followed by the Muscat Securities MSM 30 Index (-8.2%).

#### **Topics discussed and Resolutions (if any)**

The Fund Board has performed its duties and responsibilities as per the Fund's terms and conditions. The Board has held two meetings, which took place on June 29, 2020 and December 15, 2020. Following were the items discussed and decisions that were taken during the fund board meetings held in 2020:

##### **Approved resolutions**

- Approved the Financial Statements of the Fund, fund interim and annual reports.
- Approved the renewal of material contracts.
- Approved the changes to the terms and conditions of the fund and confirming compliance with Investment Fund Regulations and the Terms and Conditions.
- Approved the renewal of fund's auditor.
- Approved written policy regarding voting rights related to the Fund's Assets.

##### **Topics discussed**

- Review of SC funds' and Peers' funds' performance, market outlook, Cash level, AUM and asset allocation.
- Review of achievement of Fund objectives, policies and limitations in line with T&Cs in order to ensure that the Fund Manager carries out its obligations in the best interest of the unitholders.
- Related party disclosures.
- Review and approval of conflicts of interests disclosed by the Fund Manager.
- The number of funds supervised by the board.

#### Other

- Two Separate meetings with the Compliance officer & MLRO of Samba Capital were held where the Board has been updated on the following observations raised by CMA inspection during the years 2019 & 2020. Samba Capital has undertaken the CAPs covering its investment funds as applicable:
  - Custody appointment.
    - The GCC accounts opening is in process by the HSBC custodian and progressing steadily.
    - The required additional docs were signed by SC CEO and sent to HSBC custodian and presented to the Exchange. It remains to open accounts for unitholders from Qatar, as work is being done with Tadawul Qatar to find a legal solution to open accounts.
  - Account Opening Agreement for clients holding units in SC investment Funds (Creation of new serial of investment accounts) (Asked for extension from CMA till Q2/2021)
  - Investment breach in Al-Razeen USD occurred due to client redemption (organic breach).
    - CMA letter addressed to SC Chairman is received which concludes the findings as follows:
      - ✓ Delay in Notifying CMA with Fund's Board Member Resignation - Non-Compliance with Article 38 (h)(1) of the IFR.
      - ✓ Absence of fund limit breach notification to the Authority - Non-Compliance with Article 52 (b) of the IFR
      - ✓ Absence of fund limit breach Notification to Compliance - Non-Compliance with Article 52 (c) of the IFR
      - ✓ Lapse in Unitholders Suitability - Non-Compliance with Article 43 (a) of the APR.
- The fund manager has provided all the information to the Fund board members to carry out its duties.

### III. Fund Manager

#### 1) Name and address of the Fund Manager:

Samba Capital & Investment Management Company  
Kingdom Center, Olaya  
P.O. Box 220007, Riyadh 11311  
Kingdom of Saudi Arabia

#### 2) Names and addresses of sub-manager and/or investment adviser (if any):

The Fund neither had has a sub-manager nor an investment adviser.

#### 3) Review of the investment activities during the period:

The Fund's activities were carried out as per the Fund's investment objective, Fund's terms and conditions guidelines, and applicable rules and regulations. Moreover, the Fund continued to maintain an adequate levels of diversification while endeavoring to achieve its investment objective and complying with internal limits as well as regulatory guidelines.

#### 4) Investment fund's performance during the period:

Samba Capital Global Equity Fund's 2020 return was 13.84% while its benchmark, MSCI AC World Index, returned 14.34%. The performance of the Fund is presented below:

Cumulative returns	Samba Capital Global Equity Fund Return %	Benchmark Return % (MSCI AC World Index)
1 year	13.84	14.34
3 year	25.72	25.98
5 year	59.22	60.44
Since inception	124.97	129.93

**5) Details of any changes on the Terms and Conditions, Memorandum of Information or documents of the Fund during the period:**

Below were the changes made to the Fund's terms and conditions during the year 2020:

Changes	Details
Fund board member Resignation Mr. Mohammed Jazzar	Clause 10 of IM : Delete Mr. Mohammed Jazzar from the fund board members in section 10 of IM
Fund board member Resignation Mr. Saleh Al-Sugair	Clause 10 of IM : Delete Mr. Saleh Al-Sugair from the fund board members in section 10 of IM
Appointing fund board member Mr. Ammar Bakheet	Clause 10 of IM : Appointing Mr. Ammar Bakheet as fund board member in section 10 of IM
Appointing fund board member Mr. Abdulaziz Al-Khurayef	Clause 10 of IM : Appointing Mr. Abdulaziz Al-Khurayef as fund board member in section 10 of IM
Appointing fund board member Mr. Syed Taj Ahmad	Clause 10 of IM : Appointing Mr. Syed Taj Ahmad as fund board member in section 10 of IM
Fund board member Resignation Mr. Irfan Said	Clause 10 of IM : Delete Mr. Irfan Said from the fund board members in section 10 of IM
Appointing fund board member Mr. Ali Al-Hawas	Clause 10 of IM : Appointing Mr. Ali Al-Hawas as fund board member in section 10 of IM
Adjust the VAT in T&Cs and IM	Adjust the VAT from 5% to 15% in T&Cs and IM
Adding the part contain the ability of return part or all the management fees to any of Unitholder	The possibility of returning part or all of the fund's management fees to any of the unitholders during the period of their holding of the units in the fund ,was added in the information memorandum, paragraph 17 b
Adjust the VAT in T&Cs and IM	Amend the VAT from 5% to become in writing ( Value added tax ) instead of 15% in T&Cs and IM

*Note: These changes were duly approved by the Fund Board, CMA and unitholders were informed by notifications.*

**6) Samba Capital has included all necessary information that would enable unitholders to make an informed judgement about the Fund's activities during the period.**

**7) Samba Capital Global Equity Fund has invested in the following funds in 2020.**

Fund Name	Fund Name
ISHARES GLOBAL COMM SERVICES	ISHARES GLOBAL MATERIALS ETF
ISHARES GLOBAL CONSUMER DISC	ISHARES GLOBAL REIT ETF

ISHARES GLOBAL CONSUMER STAP	ISHARES GLOBAL TECH ETF
ISHARES GLOBAL ENERGY ETF	ISHARES GLOBAL UTILITIES ETF
ISHARES GLOBAL FINANCIALS ET	ISHARES MSCI ACWI ETF
ISHARES GLOBAL HEALTHCARE ET	ISHARES US REAL ESTATE ETF
ISHARES GLOBAL INDUSTRIALS E	

8) **No special commission was received by the Fund Manager during the period.**

9) **Others:**

- These have been no conflict of interest situation that required the Fund Board's approval in 2020.
- Samba Capital has not invested in Samba Capital Global Equity Fund during 2020.
- The ratio of aggregate fees for the year 2020 to the average net asset value is presented in section II.
- The T&Cs mention that the fund can invest in Equities and/or ETF. However, the Fund since inception has only invested in ETFs. The Fund will be classified as Fund of Funds under the revised Investment Fund regulations.
- The unit price mechanism has been adjusted to comply with the updated IFR of announcing on the business day following the dealing day.

#### IV. Custodian

1) **Name and address of custodian:**

HSBC SAUDI ARABIA  
7267 Olaya Al Morooj, Riyadh 12283-2255, KSA

**Brief description of the duties and responsibilities of custodian:** they include but are not limited to settlement of cash, settlement of trades, transfer of shares, maintaining corporate actions, printing confirmation for reconciliation, taking custody of assets of the Fund managed by Samba Capital.

2) **Samba Capital has:**

- Issued, transferred and redeemed the units in accordance with the provisions of the Investment Funds Regulations and the Fund's terms and conditions.
- Valued and calculated the price of units in accordance with the provisions of the Investment Funds Regulations, the Fund's terms and conditions and the information memorandum.
- Not breached any of the investment restrictions, limitations and borrowing powers applicable to the Investment Fund Regulations, except if any mentioned in III (9).

#### V. Auditor

1) **Name and address of auditor :**

PricewaterhouseCoopers  
Kingdom Center, 21st Floor  
PO Box 8282, Riyadh, 11482  
Kingdom of Saudi Arabia  
[www.pwc.com](http://www.pwc.com)  
+966 (11) 211 0400

**2) The Auditor's opinion is: "**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Samba Capital Global Equity Fund (the "Fund") as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

For more details, please refer to the Auditor's report in attachment (Appendix I)

**VI. Financial Statements**

Financial statements prepared as per the SOCPA standards are presented in Appendix-1 with signed independent auditor's report.

**Disclaimer:**

Samba Capital is authorized by the Capital Market Authority. Samba Capital does not guarantee the performance of any investment. The value of an investment in the Fund is variable and may increase or decrease. The Fund could be subject to high volatility due to the composition of its investments. The Fund's past performance or the Benchmark's past performance is not necessarily a guide or predictor of the Fund's future performance. There is no guarantee to the unit holders that the Fund's absolute performance or its performance relative to the Benchmark will be repeated or similar to the previous performance. The prices or value or income of the units of the Fund may decrease and the investor may get back less than the amount invested. The income of the Fund from investment in securities may fluctuate and a part of the capital invested may be used to pay that income. The Fund invests in foreign currency denominated securities and therefore is exposed to foreign exchange risk that may have an adverse effect on the price, value or income of the Fund. Investment in investment funds is not a deposit with any bank. Investors may be exposed to loss of funds when investing in investment funds. The Fund Manager is not obliged to accept the redemption request of the units at the value of the offering. The value of the units and their revenues are subject to fluctuations. The investment may not be suitable for all recipients of the advertisement; Samba Capital recommends that if they have any doubts, they should seek advice from their investment adviser. Fees and charges apply as per Terms and Conditions. Please refer to the T&Cs for more details on the risks involved while investing in the Fund. To obtain a copy of the T&Cs, information memorandum, fund reports to unitholders and financial statements, please visit our website [www.sambacapital.com](http://www.sambacapital.com) or call 800 755 7000 or visit your nearest Samba Capital investment center. Samba Capital or its affiliates may invest into the Fund and has or may have a position or holding in the securities concerned or in related securities. Samba Capital also carries on other independent securities business such as Corporate Finance, Investment Banking, Brokerage and Principal Investment. Samba Capital or its affiliates may be provide or may have provided in the past 12 months, significant advice or securities business services to the issuers of securities, in which the Fund may invest from time to time or of related securities.

Samba Capital & Investment Management Company, CR 1010237159, CMA Authorization No. 07069-37 - Head Office: Kingdom Tower, Olaya, Riyadh, Saudi Arabia P.O. Box 220007, Riyadh 11311 - Phone: 966 11 211 7700 - Fax: 966 11 211 7799



**Appendix-1 (Financial Statements)**

**Samba Capital Global Equity Fund**

**Financial Statements and  
Independent Auditor's Report  
for the Year Ended December 31, 2020**

**FINANCIAL STATEMENTS**

For the year ended December 31, 2020

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## *Independent auditor's report to the unitholders and the Fund Manager of Samba Capital Global Equity Fund*

### *Report on the audit of the financial statements*

#### *Our opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Samba Capital Global Equity Fund (the "Fund") as at December 31, 2020, 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 issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

#### **What we have audited**

The Fund's financial statements comprise:

- the statement of financial position as at December 31, 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity attributable to unitholders for the year then ended;
- the statement of cash flows for the year then ended; 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 in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### *Responsibilities of the Fund Manager and those charged with governance for the financial statements*

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with 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 Fund Regulations issued by the Capital Market Authority, and the Fund's terms and conditions and the Information Memorandum, and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Fund Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Fund's financial reporting process.



## *Independent auditor's report to the unitholders and the Fund Manager of Samba Capital Global Equity 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 scepticism 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 Manager's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 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.

**PricewaterhouseCoopers**

Bader I. Benmohareb  
License Number 471

April 6, 2021  
(Sha'aban 24, 1442H)



**STATEMENT OF FINANCIAL POSITION**

As at December 31, 2020 and 2019

	<i>Notes</i>	<b>2020 USD</b>	<b>2019 USD</b>
<b>ASSETS</b>			
Cash and cash equivalents		<b>112,313</b>	86,635
Investments at fair value through income statement (FVIS)	4	<b>2,689,194</b>	2,453,014
Dividends receivable		-	246
<b>TOTAL ASSETS</b>		<b>2,801,507</b>	2,539,895
<b>LIABILITIES</b>			
Management fee payable	5	<b>5,751</b>	5,122
Other liabilities		<b>24,203</b>	38,865
<b>TOTAL LIABILITIES</b>		<b>29,954</b>	43,987
<b>EQUITY ATTRIBUTABLE TO UNITHOLDERS</b>		<b>2,771,553</b>	2,495,908
Units in issue		<b>122,957</b>	125,998
Per unit value		<b>USD 22.54</b>	USD 19.81

The accompanying notes from 1 to 11 form an integral part of these financial statements.

**STATEMENT OF COMPREHENSIVE INCOME**

Year Ended December 31, 2020 and 2019

	<i>Notes</i>	<i>2020 USD</i>	<i>2019 USD</i>
<b>INVESTMENT INCOME</b>			
Gain on investments at FVIS, net	6	<b>298,196</b>	497,576
Dividend and other income		<b>26,709</b>	39,805
<b>TOTAL INCOME</b>		<b>324,905</b>	537,381
<b>EXPENSES</b>			
Management fee	5	<b>19,885</b>	18,447
Others		-	18,170
<b>TOTAL EXPENSES</b>		<b>19,885</b>	36,617
<b>NET INCOME FOR THE YEAR</b>		<b>305,020</b>	500,764
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>305,020</b>	500,764

The accompanying notes from 1 to 11 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO UNITHOLDERS**

Year Ended December 31, 2020 and 2019

	<i><b>2020</b></i> <i><b>USD</b></i>	<i><b>2019</b></i> <i><b>USD</b></i>
<b>EQUITY AT THE BEGINNING OF THE YEAR</b>	<b>2,495,908</b>	<b>2,039,030</b>
<b>CHANGES FROM OPERATIONS</b>		
Total comprehensive income for the year	<b>305,020</b>	<b>500,764</b>
<b>CHANGES FROM UNIT TRANSACTIONS</b>		
Proceeds from unit sold	<b>63,000</b>	<b>42,532</b>
Value of units redeemed	<b>(92,375)</b>	<b>(86,418)</b>
Net change from unit transactions	<b>(29,375)</b>	<b>(43,886)</b>
<b>EQUITY AT THE END OF THE YEAR</b>	<b>2,771,553</b>	<b>2,495,908</b>

**UNIT TRANSACTIONS**

Transactions in units for the year are summarised as follows:

	<i><b>2020</b></i> <i><b>Units</b></i>	<i><b>2019</b></i> <i><b>Units</b></i>
<b>UNITS AT THE BEGINNING OF THE YEAR</b>	<b>125,998</b>	<b>128,280</b>
Units sold	<b>3,282</b>	<b>2,494</b>
Units redeemed	<b>(6,323)</b>	<b>(4,776)</b>
Net change in units	<b>(3,041)</b>	<b>(2,282)</b>
<b>UNITS AT THE END OF THE YEAR</b>	<b>122,957</b>	<b>125,998</b>

The accompanying notes from 1 to 11 form an integral part of these financial statements.



**STATEMENT OF CASH FLOWS**

Year Ended December 31, 2020 and 2019

	<i>Note</i>	<b>2020 USD</b>	<b>2019 USD</b>
<b>OPERATING ACTIVITIES</b>			
Net income for the year		<b>305,020</b>	500,764
Adjustment for:			
Unrealised gain on investments at FVIS	6	<b>(277,769)</b>	(489,291)
		<b>27,251</b>	11,473
Changes in operating assets and liabilities:			
Investments at FVIS, net		<b>41,589</b>	16,387
Dividends receivable		<b>246</b>	660
Management fee payable		<b>629</b>	544
Other liabilities		<b>(14,662)</b>	7,212
<b>Net cash generated from operating activities</b>		<b>55,053</b>	36,276
<b>FINANCING ACTIVITIES</b>			
Proceed from units sold		<b>63,000</b>	42,532
Value of units redeemed		<b>(92,375)</b>	(86,418)
<b>Net cash used in financing activities</b>		<b>(29,375)</b>	(43,886)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>25,678</b>	(7,610)
Cash and cash equivalents at the beginning of the year		<b>86,635</b>	94,245
<b>CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>112,313</b>	86,635

The accompanying notes from 1 to 11 form an integral part of these financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2020 and 2019

**1 GENERAL**

Samba Capital Global Equity Fund (the Fund) is a public open-ended investment fund with the objective of long-term capital growth. The Fund invests in the Global equities and/or exchange traded funds (ETFs) which are listed in international markets. All income is reinvested in the Fund and is reflected in the unit price.

The Fund is managed by Samba Capital & Investment Management Company (the Manager), a wholly owned subsidiary of Samba Financial Group (the Bank).

**2 REGULATING AUTHORITY**

The Fund is governed by the Investment Fund Regulations (the Regulations) published by the Capital Market Authority (CMA) in the Kingdom of Saudi Arabia on 3 Dhul Hijjah 1427H (corresponding to December 24, 2006) as amended by the resolution of the CMA Board on 16 Sha'aban 1437H (corresponding to May 23, 2016).

**3 SIGNIFICANT ACCOUNTING POLICIES**

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

**3.1 Basis of preparation**

These financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

***Functional and presentation currency***

Items included in these financial statements are measured using the currency of the primary economic environment in which the Fund operates (the functional currency). These financial statements are presented in US Dollars (USD) which is the Fund's functional and presentation currency.

***Accounting convention***

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investments at fair value through income statement (FVIS). Assets and liabilities are presented in order of liquidity.

**3.2 Use of estimates in the preparation of the financial statements**

The preparation of financial statements in conformity with IFRS 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 any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The measurement of the expected credit loss (ECL) allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the Year Ended December 31, 2020 and 2019

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.2 Use of estimates in the preparation of the financial statements (continued)**

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing a group of similar financial assets for the purposes of measuring ECL.

The impact of ECL on the equity of the Fund is insignificant as the substantial exposure of the Fund is held at FVIS as at the reporting date.

**3.3 Cash and cash equivalents**

Cash and cash equivalents as referred to in the statement of cash flows comprise current accounts with banks.

**3.4 Financial instruments**

**3.4.1 Measurement methods**

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the instrument. The Fund records its investments on a 'trade date' basis.

At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVIS, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVIS are expensed in the statement of comprehensive income. Immediately after initial recognition, an ECL allowance is recognised for financial assets measured at amortised cost, as described in Note 3.5, which results in an accounting loss being recognised in the statement of comprehensive income when an asset is newly originated. The financial liabilities are subsequently measured at amortised cost unless it has been designated at FVIS.

**3.4.2 Classification and measurement of financial assets at FVIS**

**Equity instruments**

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Fund classifies its financial assets at FVIS. The Fund subsequently measures all equity investments at FVIS, except where the Manager has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income (FVOCI). The Fund's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade. When this election is used, fair value gains and losses are recognised in other comprehensive income (OCI) and are not subsequently reclassified to the statement of comprehensive income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in the statement of comprehensive income when the Fund's right to receive payments is established.

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.5 Impairment of financial assets**

The Fund assesses on a forward-looking basis the ECL associated with its financial assets carried at amortised cost. The Fund recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Fund does not have significant assets carried at amortised cost and the impact of ECL on the equity in respect of these assets is not significant at the reporting date.

**3.6 De-recognition of financial instruments**

A financial asset is derecognized, when the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition. In instances where the Fund is assessed to have transferred a financial asset, the asset is derecognized if the Fund has transferred substantially all the risks and rewards of ownership. Where the Fund has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Fund has not retained control of the financial asset. The Fund recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expires.

**3.7 Foreign currencies**

Transactions in foreign currencies are translated into US Dollars, which is the functional and presentation currency of the Fund, at the rates of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at the rates of exchange ruling at that date. Resulting exchange gains and losses, if any, are taken to the statement of comprehensive income.

**3.8 Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**3.9 Accrued expenses and other payables**

Accrued expenses and other payables are recognised initially at fair value and subsequently measured at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the Year Ended December 31, 2020 and 2019

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.10 Redeemable units**

The net asset value (equity) of the Fund's portfolio is determined on Monday and Wednesday (Valuation Day) of each week's closing prices. The unit price is calculated by subtracting the liabilities from the total assets value, then dividing the equity by the number of units outstanding on a Valuation Day.

The Fund classifies its redeemable units as an equity instrument, if the redeemable units have all of the following features:

- It entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.
- The instrument is in the class of instruments that is subordinate to all other classes of instruments.
- All financial instruments in the class of instruments that are subordinate to all other classes of instruments have identical features.
- The instrument does not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Fund's net assets.
- The total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the income statement, 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.

The Fund's redeemable units meet the definition of puttable instruments classified as equity instruments under IFRS and accordingly, are classified as equity instruments.

**3.11 Revenue recognition**

Realised gains and losses on sale of investments are determined on a weighted average cost basis. Dividend income is recognised when the right to receive dividends is established. Special commission income, if any, is recognised on an effective yield basis.

**3.12 Provisions**

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

**3.13 Zakat and income tax**

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

**3.14 Accounting standards effective during the year**

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments which were effective from January 1, 2020 but does not have significant impact on the financial statements of the Fund.

- Amendments to IFRS 3: Definition of a Business
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the Year Ended December 31, 2020 and 2019

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)****3.15 Accounting standards issued but not yet effective**

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments which were effective from period on or after January 1, 2021. The Fund has opted not to early adopt these pronouncements and they do not have a significant impact on the financial statements of the Fund.

- Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions.
- Amendments to IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9.
- Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2.
- Amendments to IAS 1, Presentation of financial statements' on classification of liabilities.
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16.
- IFRS 17, 'Insurance contracts'.

**4 INVESTMENTS AT FAIR VALUE THROUGH INCOME STATEMENT(FVIS)**

The geographical exposures of investments at FVIS as at December 31 are as follows:

	<b>December 31, 2020</b>		<b>December 31, 2019</b>	
	<b>Cost</b>	<b>Market value</b>	<b>Cost</b>	<b>Market value</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
<b>Conventional Exchange Traded Funds with geographical exposures in</b>				
United States of America	1,939,687	<b>2,689,194</b>	1,981,276	2,453,014
	<u>1,939,687</u>	<u><b>2,689,194</b></u>	<u>1,981,276</u>	<u>2,453,014</u>

**5 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 the ordinary course of business, the Fund transacts with the related parties. The principal related parties of the Fund are the Fund Manager, the Bank and the Fund Board.

The Fund pays a management fee calculated at an annual rate of 0.75% (2019: 0.75%) on the net asset value at the end of each Valuation Day. The Bank acts as one of the Fund's bankers, cash at bank includes USD 29,191 (2019: USD 13,483) held with the Bank. Dividend and other income includes special commission income received from the Bank. Other expenses for the year include USD Nil (2019: USD 89) towards the Fund Board remuneration.

**6 GAIN ON INVESTMENTS AT FAIR VALUE THROUGH INCOME STATEMENT, NET**

	<b>2020</b>	<b>2019</b>
	<b>USD</b>	<b>USD</b>
Realised gain	<b>20,427</b>	8,285
Unrealised gain	<b>277,769</b>	489,291
	<u><b>298,196</b></u>	<u>497,576</u>

## **7 RISK MANAGEMENT**

The Manager has in place policies and procedures to identify risks affecting the Fund's investments and to ensure that such risks are addressed as soon as possible, which include conducting a risk assessment at least once a year. The Manager also applies a prudent spread of risk while taking into consideration the Fund's investment policies, the Term and Conditions, and the Information Memorandum. Furthermore, the Manager makes every effort to ensure that sufficient liquidity is available to meet any anticipated redemption request. The Board of the Fund plays a role in ensuring that the Manager fulfils its responsibilities to the benefit of the Unitholders in accordance with the provisions of the Investment Funds Regulations, the Terms and Conditions and the Information Memorandum.

### **7.1 Financial risk factors**

The Fund's activities are primarily exposed to market risk in addition to the other risks like liquidity and credit risk.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

#### *(a) Market risk*

##### *(i) Equity price risk*

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

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

The effect on the statement of comprehensive income (as a result of the change in the fair value of equity instruments held at FVIS as at December 31, 2020) due to a 10% change in the equity indices, keeping all other variables held constant is USD 268,919 (2019: USD 245,301).

Geographic concentration of the investment portfolio of the Fund, is disclosed in note 4.

##### *(ii) Special commission rate risk*

Special commission rate risk arises from the possibility that changes in market special commission rates will affect future profitability or the fair value of the financial instruments. As the Fund is not carrying any special commission bearing investments, the Fund is not subject to significant special commission rate risk.

##### *(iii) 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's financial assets and liabilities are denominated in US Dollars and the Fund is not exposed to any currency risks.

#### *(b) Liquidity risk*

Liquidity risk is the risk that the Fund will encounter difficulty in realising funds to meet commitments associated with financial liabilities.

The Fund arranges for the subscriptions and redemptions of units on a scheduled basis and is therefore exposed to the liquidity risk of meeting unit holder redemptions. The Manager monitors liquidity requirements on a regular basis and seeks to ensure that sufficient funds are available to meet commitments as they arise. The Fund's financial liabilities are payable within 3 months.

#### *(c) 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. Currently, the Fund is not exposed to any significant credit risk. The bank balances are held with banks which have investment grade credit ratings.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the Year Ended December 31, 2020 and 2019

**7 RISK MANAGEMENT (Continued)**

**7.2 Capital risk management**

The capital of the Fund is represented by the equity attributable to unitholders. The amount of equity attributable to unitholders can change significantly on each Valuation Day, as the Fund is subject to subscriptions and redemptions at the discretion of unitholders on every Valuation Day, as well as changes resulting from the Fund's performance. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unitholders, provide benefits to other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund.

The Fund Board and the Manager monitor capital on the basis of the value of equity attributable to unitholders.

**7.3 Fair value estimation**

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 Fund uses following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The estimated fair value of the Fund's financial assets and liabilities is not considered to be significantly different from their carrying values. The fair value of investments held at FVIS are based on quoted prices in active markets, and are therefore classified within Level 1.

**8 FINANCIAL INSTRUMENTS BY CATEGORY**

All financial assets and financial liabilities as at December 31, 2020 and 2019 were classified under amortised cost category except for investments at FVIS which are classified as and measured at fair value.

**9 LAST VALUATION DAY**

The last Valuation Date for the purpose of preparation of these financial statements was December 31, 2020 (2019: December 31, 2019).

**10 IMPACTS OF COVID-19**

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by the Government to contain the virus have affected economic activity. The management has taken several measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for employees (such as social distancing and working from home) and securing the supply of materials that are essential to the operations.

At this stage, the impact on the Fund's business has not been significant and based on experience to date, the management expects this to remain the case. The Fund operates in global capital markets which are stabilising and the Fund can still provide an opportunity for gains to its Unitholders. The management will continue to follow the Government policies and advice and, in parallel, will do its utmost to continue the Fund's operations in the best and safest way possible without jeopardising the health of its employees.

**11 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved and authorized for issue by the Fund Board on April 4, 2021 (corresponding to 22 Sha'ban 1442H).