

**Morgan Stanley Saudi Equity Fund
(Managed by Morgan Stanley Saudi Arabia
Company)**

**UNAUDITED INTERIM CONDENSED FINANCIAL
STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW
REPORT**

30 JUNE 2024

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE UNITHOLDERS OF MORGAN STANLEY SAUDI EQUITY FUND (MANAGED BY MORGAN STANLEY SAUDI ARABIA COMPANY)

Introduction:

We have reviewed the accompanying interim condensed statement of financial position of Morgan Stanley Saudi Equity Fund (the "Fund") managed by Morgan Stanley Saudi Arabia Company (the "Fund Manager") as at 30 June 2024, and the related interim condensed statement of comprehensive income for the six-month period ended 30 June 2024, and the related interim condensed statement of changes in equity attributable to the unitholders and cash flows for the six-month period then ended, and explanatory notes. The Fund Manager is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statement consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

For Ernst & Young Professional Services



Abdullah A. Alshenaibir
Certified Public Accountant
License No. (583)



Riyadh: 2 Safar 1446H
(6 August 2024)

Morgan Stanley Saudi Equity Fund
(Managed by Morgan Stanley Saudi Arabia Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		30 June 2024 SR (Unaudited)	31 December 2023 SR (Audited)
	<i>Notes</i>		
ASSETS			
Cash and cash equivalents		5,016,489	1,012,316
Financial assets at fair value through profit or loss (FVTPL)	6	81,656,181	69,033,292
Receivables against sold securities		261,151	278,063
Dividend receivable		72,219	-
Advances and other receivable		-	2,802,650
TOTAL ASSETS		87,006,040	73,126,321
LIABILITIES			
Management fee payable	7	257,659	203,243
Accrued expenses	8	101,984	112,343
Payables against purchased securities		-	42,515
TOTAL LIABILITIES		359,643	358,101
EQUITY			
Net assets attributable to unitholders of redeemable units		86,646,397	72,768,220
TOTAL LIABILITIES AND EQUITY		87,006,040	73,126,321
Redeemable units in issue		77,684	77,314
Net asset value attributable to per unit		1,115.37	941.20

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

Morgan Stanley Saudi Equity Fund
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INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (unaudited)

For the six-month period ended 30 June 2024

		<i>For the six-month period ended</i>	
		<i>30 June 2024</i>	<i>30 June 2023</i>
	<i>Notes</i>	<i>SR</i>	<i>SR</i>
INCOME			
Net unrealized gain on financial assets at FVTPL		4,274,878	10,575,014
Net realized gain on financial assets at FVTPL		8,953,732	802,185
Dividend income		1,034,199	940,309
Other income	7	14,000	-
TOTAL INCOME		14,276,809	12,317,508
EXPENSES			
Management fees	7	510,591	347,514
Other expenses	9	288,041	194,360
TOTAL EXPENSES		798,632	541,874
NET INCOME FOR THE PERIOD		13,478,177	11,775,634
Other comprehensive income for the period		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		13,478,177	11,775,634

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

Morgan Stanley Saudi Equity Fund
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INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE
TO THE UNITHOLDERS (unaudited)

For the six-month period ended 30 June 2024

	<i>30 June 2024 SR</i>	<i>30 June 2023 SR</i>
NET ASSET VALUE (EQUITY) AT THE BEGINNING OF THE PERIOD	72,768,220	52,107,718
Net income for the period	13,478,177	11,775,634
Other comprehensive income for the period	-	-
Total comprehensive income for the period	13,478,177	11,775,634
Issue of units during the period	400,000	-
NET ASSET VALUE (EQUITY) AT THE END OF THE PERIOD	86,646,397	63,883,352

REDEEMABLE UNIT TRANSACTIONS

Transactions in redeemable units for the six-months period ended 30 June are summarised as follows:

	<i>30 June 2024 Units</i>	<i>30 June 2023 Units</i>
UNITS AT THE BEGINNING OF THE PERIOD	77,314	77,314
Issue of units during the period	370	-
Redemption of units during the period	-	-
Net change in units	370	-
UNITS AT THE END OF THE PERIOD	77,684	77,314

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

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INTERIM CONDENSED STATEMENT OF CASH FLOWS (unaudited)

For the six-month period ended 30 June 2024

	<i>For the six-month period ended</i>	
	<i>30 June 2024</i>	<i>30 June 2023</i>
	SR	SR
Operating activities		
Net income for the period	13,478,177	11,775,634
Adjustments for:		
Net unrealized gain on financial assets at FVTPL	(4,274,878)	(10,575,014)
Dividend income	(1,034,199)	(940,309)
	8,169,100	260,311
<i>Working capital changes:</i>		
Financial assets at FVTPL	(8,348,011)	(669,961)
Advances and other receivable	2,802,650	-
Receivables against sold securities	16,912	(681,257)
Management fee payable	54,416	175,762
Accrued expenses	(10,359)	2,366
Payables against purchased securities	(42,515)	161,585
Cash flows generated from / (used in) operations	2,642,193	(751,194)
Dividends received	961,980	928,658
Net cash flows generated from operating activities	3,604,173	177,464
Financing activity		
Proceeds from issuance of units	400,000	-
Net increase in cash & cash equivalents during the period	4,004,173	177,464
Cash & cash equivalents at the beginning of the period	1,012,316	1,113,638
Cash & cash equivalents at the end of the period	5,016,489	1,291,102

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

Morgan Stanley Saudi Equity Fund (Managed by Morgan Stanley Saudi Arabia Company)

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS As at 30 June 2024

1 INCORPORATION AND ACTIVITIES

Morgan Stanley Saudi Equity Fund (the “Fund”) is an open-ended investment fund created by agreement between Morgan Stanley Saudi Arabia Company (the “Fund Manager”) and investors (the “Unitholders”) in the Fund. The objective of the Fund is to seek long-term capital appreciation and returns from investments in the Saudi equity market.

The Fund has appointed HSBC Saudi Arabia Limited (the “Operator”) to act as its custodian, operator and registrar. The fees for the custodian and operating services are paid by the Fund.

The approval from the Capital Market Authority (the “CMA”) for the establishment of the Fund was obtained via letter no. RH/639 dated 15 Shaaban 1429H (corresponding to 16 August 2008). The Fund commenced operations on 6 January 2009.

The books and records of the Fund are maintained in Saudi Riyals (“SR”).

The Fund Manager’s registered office is P.O. Box 66633, Riyadh 11586, Kingdom of Saudi Arabia.

2 REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) issued by the CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) which were amended on 16 Sha’aban 1437H (corresponding to 23 May 2016) and 12 Rajab 1442 H (corresponding to 24 February 2021) and were effective from 6 Safar 1438H (corresponding to 6 November 2016) and 19 Ramadan 1442H (corresponding to 1 May 2021) respectively. These Regulations are detailing requirements for all funds within the Kingdom of Saudi Arabia.

3 STATEMENT OF COMPLIANCE

These interim condensed financial statements have been prepared in accordance with International Accounting Standards (IAS), “Interim Financial Reporting” (“IAS 34”) as endorsed in Kingdom of Saudi Arabia.

4 BASIS OF PREPARATION

These interim condensed financial statements have been prepared on a historical cost basis, except for investments at fair value through profit or loss that have been measured at fair value. The interim condensed financial statements are presented in Saudi Riyal (“SR”) which is the functional currency of the Fund.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Fund’s annual financial statements as at and for the year ended 31 December 2023. In addition, results for the six month period ended 30 June 2024 is not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

Morgan Stanley Saudi Equity Fund
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NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
(continued)

As at 30 June 2024

5 CHANGES TO MATERIAL ACCOUNTING POLICIES

5.1 New standards and amendments adopted by the Fund

The material accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the Fund's annual financial statements for the year ended 31 December 2023, except for the adoption of new standards effective as of 1 January 2024. The Fund has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

The following new and amended IFRSs, which became effective for annual periods beginning on or after 1 January 2024, have been adopted in these financial statements.

Standard, interpretation and amendments	Description	Effective date
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	Annual periods beginning on or after 1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	Annual periods beginning on or after 1 January 2024
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	Annual periods beginning on or after 1 January 2024
IFRS S1, 'General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	1 January 2024 subject to endorsement from SOC
IFRS S2, 'Climate-related disclosures'	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.	1 January 2024 subject to endorsement from SOCPA

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NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
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As at 30 June 2024

5 CHANGES TO MATERIAL ACCOUNTING POLICIES (continued)

5.2 Significant standards issued but not yet effective

Standard, interpretation and amendments	Description	Effective date
Amendment to IAS 21 – Lack of exchangeability	IASB amended IAS 21 to add requirements to help in determining whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not exchangeable. Amendment set out a framework under which the spot exchange rate at the measurement date could be determined using an observable exchange rate without adjustment or another estimation technique.	Annual periods beginning on or after 1 January 2025
Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	IASB amended to the requirements related to: setting financial liabilities using an electronic payment system; assessing contractual cash flow characteristics of financial assets including those with environmental, social and governance (ESG)-linked features.	Annual periods beginning on or after 1 January 2026
Amendments to IFRS 10 and IAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations and the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.	Effective date deferred indefinitely.
IFRS 18, Presentation and Disclosure in Financial Statements	IFRS 18 provides guidance on items in statement of profit or loss classified into five categories: operating; investing; financing; income taxes and discontinued operations. It defines a subset of measures related to an entity's financial performance as 'management-defined performance measures' ('MPMs'). The totals, subtotals and line items presented in the primary financial statements and items disclosed in the notes need to be described in a way that represents the characteristics of the item. It requires foreign exchange differences to be classified in the same category as the income and expenses from the items that resulted in the foreign exchange differences.	Annual periods beginning on or after 1 January 2027
IFRS 19 - Reducing subsidiaries' disclosures	IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19. A subsidiary may choose to apply the new standard in its consolidated, separate or individual financial statements provided that, at the reporting date it does not have public accountability and its parent produces consolidated financial statements under IFRS Accounting Standards.	Annual periods beginning on or after 1 January 2027

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NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
(continued)

As at 30 June 2024

6 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The composition of the investment portfolio on the last valuation day is summarised below:

<i>30 June 2024</i>				<i>Unrealized</i>
<i>Description</i>	<i>% of market value</i>	<i>Cost SR</i>	<i>Market value SR</i>	<i>gain/(loss) SR</i>
<u><i>Sectors</i></u>				
Banks	24.79%	17,034,345	20,243,104	3,208,759
Health Care Equipment & Services	15.64%	7,012,208	12,770,592	5,758,384
Transportation	10.15%	4,826,070	8,289,701	3,463,631
Capital Goods	8.15%	2,602,946	6,655,890	4,052,944
Materials	6.88%	5,986,181	5,617,071	(369,110)
Insurance	6.15%	2,632,588	5,019,529	2,386,941
Energy	5.21%	3,075,368	4,254,848	1,179,480
Consumer Services	4.42%	2,378,902	3,609,769	1,230,867
Food & Beverages	4.33%	2,269,620	3,534,151	1,264,531
Commercial & Professional Svc	4.02%	2,850,030	3,283,124	433,094
Real Estate	2.94%	1,773,450	2,404,005	630,555
Pharma, Biotech & Life Science	2.18%	734,400	1,779,696	1,045,296
Utilities	1.38%	455,354	1,126,506	671,152
Retailing	1.20%	556,005	980,885	424,880
Media and Entertainment	1.16%	465,287	944,136	478,849
Food & Staples Retailing	1.15%	725,560	939,239	213,679
Software & Services	0.25%	126,806	203,935	77,129
	100.00%	55,505,120	81,656,181	26,151,061
<i>31 December 2023</i>	<i>% of market value</i>	<i>Cost SR</i>	<i>Market value SR</i>	<i>Unrealized gain/(loss) SR</i>
<i>Description</i>				
<u><i>Sectors</i></u>				
Banks	31.78%	17,153,665	21,937,836	4,784,171
Health Care Equipment & Services	12.22%	4,076,563	8,433,982	4,357,419
Transportation	9.55%	4,320,682	6,589,442	2,268,760
Energy	8.66%	2,895,935	5,981,225	3,085,290
Materials	7.65%	5,821,584	5,283,164	(538,420)
Food & Beverages	6.07%	2,927,521	4,189,282	1,261,761
Capital Goods	5.59%	1,615,203	3,858,500	2,243,297
Consumer Services	4.80%	1,901,499	3,312,786	1,411,287
Commercial & Professional Svc	2.59%	1,176,681	1,788,750	612,069
Media and Entertainment	2.18%	695,652	1,507,937	812,285
Pharma, Biotech & Life Science	2.09%	752,700	1,442,675	689,975
Retailing	1.81%	583,833	1,247,051	663,218
Real Estate	1.79%	1,340,494	1,235,401	(105,093)
Software & Services	1.33%	682,590	918,802	236,212
Food & Staples Retailing	1.07%	669,943	739,043	69,100
Insurance	0.82%	542,564	567,416	24,852
	100%	47,157,109	69,033,292	21,876,183

Investments are listed on the Saudi stock exchange ("Tadawul"). The Fund Manager seeks to limit risk for the Fund by monitoring exposures in each investment sector and individual securities.

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NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
(continued)

As at 30 June 2024

7 TRANSACTIONS WITH RELATED PARTIES

Management fees

Management fee is calculated at the rate of 1.25% per annum on the net assets value of the Fund at each valuation date. Management fee expense is disclosed in the interim condensed statement of comprehensive income and management fee accrual is disclosed in interim condensed statement of financial position.

<i>Related party</i>	<i>Nature of transactions</i>	<i>Amount of transactions</i>		<i>Balance</i>	
		<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
		<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Fund Manager	Fund management fee	510,591	347,514	257,659	203,243

Board of directors

The independent directors are entitled to remuneration for their services at rates determined by the Fund's terms and conditions in respect of attending meetings of the board of directors or meetings of the Fund. Independent directors' fees are currently SR 3,000 per meeting in addition to out-of-pocket expenses incurred for attending a meeting of the board subject to a cap of SR 5,000 per month per independent director. The maximum yearly remuneration for each independent director is SR 50,000. Non-independent directors receive no remuneration from the Fund. The directors received a total remuneration of SR 6,000 during the six-month period ended 30 June 2024 (six-month period ended 30 June 2023: SR 9,918).

During the period, the fund reversed SAR 14,000 of accrued Director's fees that were recognized in the previous year. Payment to the directors (SAR 6,000) for the year-ended 31 December 2023 were less than the amount initially accrued (SAR 20,000). The reversal has been recognized as other income.

The Unitholders' account at 30 June included units held as follows:

	<i>30 June</i>	<i>30 June</i>
	<i>2024</i>	<i>2023</i>
	<i>Units</i>	<i>Units</i>
Held by the Fund Manager	8,232	8,232

8 ACCRUED EXPENSES

	<i>30 June</i>	<i>31 December</i>
	<i>2024</i>	<i>2023</i>
	<i>SR</i>	<i>SR</i>
VAT payable	46,396	38,946
Accrued audit fee	27,350	35,000
Accrued fund operating fee	10,260	8,792
Accrued custodian fee	6,840	5,861
Accrued directors' fee	3,945	17,000
Others	7,193	6,744
	101,984	112,343

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NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
(continued)

As at 30 June 2024

9 OTHER EXPENSES

	<i>For the six-month period ended</i>	
	<i>30 June 2024 SR</i>	<i>30 June 2023 SR</i>
VAT expenses	102,872	69,391
Fund operating fee	61,273	41,705
Custodian fee	40,849	28,711
Transaction fee	40,838	12,714
Audit fee	27,350	27,274
Directors' fee	9,945	9,918
Others	4,914	4,647
	<u>288,041</u>	<u>194,360</u>

10 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>As at 30 June 2024</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>No Fixed Maturity SR</i>	<i>Total SR</i>
ASSETS				
Cash and cash equivalents	5,016,489	-	-	5,016,489
Financial assets at FVTPL	-	-	81,656,181	81,656,181
Receivables against sold securities	261,151	-	-	261,151
Dividend receivable	72,219	-	-	72,219
TOTAL ASSETS	<u>5,349,859</u>	<u>-</u>	<u>81,656,181</u>	<u>87,006,040</u>
LIABILITIES				
Management fee payable	257,659	-	-	257,659
Accrued expenses	101,984	-	-	101,984
TOTAL LIABILITIES	<u>359,643</u>	<u>-</u>	<u>-</u>	<u>359,643</u>
<i>As at 31 December 2023</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>No Fixed Maturity SR</i>	<i>Total SR</i>
ASSETS				
Cash and cash equivalents	1,012,316	-	-	1,012,316
Financial assets at FVTPL	-	-	71,835,942	71,835,942
Receivables against sold securities	278,063	-	-	278,063
TOTAL ASSETS	<u>1,290,379</u>	<u>-</u>	<u>71,835,942</u>	<u>73,126,321</u>
LIABILITIES				
Management fee payable	203,243	-	-	203,243
Accrued expenses	112,343	-	-	112,343
Payables against purchased securities	42,515	-	-	42,515
TOTAL LIABILITIES	<u>358,101</u>	<u>-</u>	<u>-</u>	<u>358,101</u>

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NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
(continued)

As at 30 June 2024

11 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund has only investments at fair value through profit or loss which is measured at fair values and are classified within level 1 of the fair value hierarchy. All other financial assets and liabilities are classified as amortised cost and management believes that the fair value of all other financial assets and liabilities at the reporting date approximate their carrying values owing to their short-term tenure and the fact that these are readily liquid. There were no transfers between various levels of fair value hierarchy during the current period or prior year.

12 EVENTS SUBSEQUENT TO THE REPORTING PERIOD

In the opinion of Fund Manager, no events have occurred subsequent to the reporting date and before the issuance of these interim condensed financial statements which requires adjustment to, or disclosure, in these interim condensed financial statements.

13 LAST VALUATION DAY

The last valuation day of the period was 30 June 2024 (31 December 2023: 31 December 2023).

14 APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements are approved by the Fund's Management on 2 Safar 1446H (corresponding to 6 August 2024).