

JADWA ARAB MARKETS EQUITY FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
Condensed Interim Financial Statements (Unaudited)
For the six-month period ended 30 June 2020
together with the
Independent Auditor's Report to the Unitholders

JADWARAB MARKETS EQUITY FUND
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(MANAGED BY JADWA INVESTMENT COMPANY)
Condensed Interim Financial Statements (Unaudited)
For the six-month period ended 30 June 2020

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Independent auditor's report on review of condensed interim financial statements

To the Unitholders of Jadwa Arab Markets Equity Fund

Introduction

We have reviewed the accompanying 30 June 2020 condensed interim financial statements of **Jadwa Arab Markets Equity Fund** (the "Fund"), managed by Jadwa Investment Company (the "Fund Manager"), which comprises:

- the condensed interim statement of financial position as at 30 June 2020;
- the condensed interim statement of comprehensive income for the six-month period ended 30 June 2020;
- the condensed interim statement of changes in net assets (equity) attributable to the Unitholders for the six-month period ended 30 June 2020;
- the condensed interim statement of cash flows for the six-month period ended 30 June 2020; and
- the notes to the condensed interim financial statements.

The Fund Manager is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and to comply with the applicable provisions of the Investment Funds Regulations issued by Capital Market Authority, the Fund's Terms and Conditions and the Information Memorandum. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.


Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information 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 30 June 2020 condensed interim financial statements of **Jadwa Arab Markets Equity Fund** are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants


Khalil Ibrahim Al Sedais
License No. 371



Date: 5 Muharram 1442H
Corresponding to: 24 August 2020

JADWA ARAB MARKETS EQUITY FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2020
(Amounts in Saudi Arabian Riyals)

	<i>Notes</i>	30 June 2020 (Unaudited)	31 December 2019 (Audited)
ASSETS			
Cash and cash equivalents	7	1,534,189	1,375,915
Investments	8	17,777,380	19,404,063
Dividend receivable		15,581	13,948
Total assets		19,327,150	20,793,926
LIABILITIES			
Management fee payable	<i>1(c), 10</i>	30,269	35,250
Accrued expenses and other liabilities		17,900	31,319
Fund Board fee payable		1,378	2,828
Total liabilities		49,547	69,397
Net assets (equity) attributable to the Unitholders (SAR)		19,277,603	20,724,529
Units in issuance (numbers):			
Class B		67,092.10	69,172.11
Class C		3,056.31	--
Net assets (equity) attributable to each unit (SAR)			
Class B		282.8463	299.6082
Class C		98.4355	--

The accompanying notes (1) to (15) form an integral part of these condensed interim financial statements.

JADWA ARAB MARKETS EQUITY FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the six-month period ended 30 June 2020
(Amounts in Saudi Arabian Riyals)

		For the six-month period ended 30 June	
	<i>Notes</i>	<u>2020</u>	<u>2019</u>
(Loss) / gain on investments, net	9	(1,114,278)	2,295,486
Dividend income		<u>312,432</u>	<u>497,770</u>
Total revenue		<u>(801,846)</u>	<u>2,793,256</u>
Management fee	1(c),10	(178,946)	(187,466)
Other operating expenses		(117,926)	(76,460)
Fund Board fee	10	(6,550)	(7,931)
Foreign exchange (loss) / gain		<u>(3,805)</u>	<u>7,484</u>
Total operating expenses		<u>(307,227)</u>	<u>(264,373)</u>
Net (loss) / profit for the period		<u>(1,109,073)</u>	<u>2,528,883</u>
Other comprehensive income for the period		<u>--</u>	<u>--</u>
Total comprehensive (loss) / income for the period		<u>(1,109,073)</u>	<u>2,528,883</u>

The accompanying notes (1) to (15) form an integral part of these condensed interim financial statements.

JADWA ARAB MARKETS EQUITY FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
CONDENSED INTERIM STATEMENT OF CHANGES IN NET ASSETS (EQUITY)
ATTRIBUTABLE TO THE UNITHOLDERS (UNAUDITED)
For the six-month period ended 30 June 2020
(Amounts in Saudi Arabian Riyals)

	For the six-month period ended 30 June	
	<u>2020</u>	<u>2019</u>
Net assets (equity) attributable to the Unitholders at beginning of the period	20,724,529	17,862,452
Net (loss) / profit for the period	(1,109,073)	2,528,883
Changes from units transactions		
Proceeds from issuance of units:		
Class B	76,995	2,408
Class C	286,027	--
Total Contributions by the Unitholders	363,022	2,408
Payments against redemption of units:		
Class B	(700,875)	(245,473)
	(700,875)	(245,473)
Net changes from units transactions	(337,853)	(243,065)
Net assets (equity) attributable to the Unitholders end of the period	<u>19,277,603</u>	<u>20,148,270</u>

	For the six-month period ended 30 June		
	<u>2020</u>		<u>2019</u>
	<u>Units B</u>	<u>Units C</u>	<u>Units B</u>
Units transactions (numbers)			
Units in issuance at beginning of the period	69,172.11	--	70,065.49
Issuance of units	314.69	3,056.31	8.38
Redemption of units	(2,394.70)	--	(901.76)
Total contribution and redemption of units	(2,080.01)	3,056.31	(893.38)
Units in issuance at end of the period	<u>67,092.10</u>	<u>3,056.31</u>	<u>69,172.11</u>

The accompanying notes (1) to (15) form an integral part of these condensed interim financial statements.

JADWA ARAB MARKETS EQUITY FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
For the six-month period ended 30 June 2019
(Amounts in Saudi Arabian Riyals)

		For the six-month period ended 30 June	
	<i>Notes</i>	<u>2020</u>	<u>2019</u>
Cash flows from operating activities			
Net (loss) / profit for the period		(1,109,073)	2,528,883
<i>Adjustments for:</i>			
Dividend income		(312,432)	(497,770)
Loss / (gain) on investments, net	9	<u>1,114,278</u>	<u>(2,295,486)</u>
		(307,227)	(264,373)
Net changes in operating assets and liabilities			
Purchase of investments		(6,317,571)	(5,434,652)
Proceeds from sale of investments		6,829,976	5,335,551
Management fee payable		(4,981)	33,817
Accrued expenses and other liabilities		(13,419)	(5,941)
Fund Board fee payable		<u>(1,450)</u>	<u>7,931</u>
Cash generated from / (used in) operations		185,328	(327,667)
Dividend received		310,799	470,918
Net cash generated from operating activities		<u>496,127</u>	<u>143,251</u>
Cash flows from financing activities			
Proceeds from issue of units		363,022	2,408
Payment made against redemption of the units		<u>(700,875)</u>	<u>(245,473)</u>
Net cash used in financing activities		<u>(337,853)</u>	<u>(243,065)</u>
Net increase / (decrease) in cash and cash equivalents		158,274	(99,814)
Cash and cash equivalents at beginning of the period		<u>1,375,915</u>	<u>467,721</u>
Cash and cash equivalents at end of the period		<u><u>1,534,189</u></u>	<u><u>367,907</u></u>

The accompanying notes (1) to (15) form an integral part of these condensed interim financial statements.

JADWA ARAB MARKETS EQUITY FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the six-month period ended 30 June 2020
(Amounts in Saudi Arabian Riyals)

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

- (a) Jadwa Arab Markets Equity Fund (the “Fund”) is an open-ended equity fund established and managed as per terms and conditions between Jadwa Investment Company (the “Fund Manager”) and the Fund Investors (the “Unitholders”). The Capital Market Authority’s (“CMA”) approval for the establishment of the Fund was granted in its letter number 443 dated Jumad Awal 9, 1428 H (corresponding to 26 May 2007). The Fund commenced its operations on 30 June 2007. The Fund has introduced Unit Class D on 24 February 2020 which is denominated in USD. As of 30 June 2020, there were no investors in Unit Class D.

The Fund aims to provide investors with long-term capital appreciation by investing in equities listed on the stock markets of Arab countries while ensuring that the selected equities are compliant with the Shariah standards approved by the Fund Manager’s Shariah Committee.

In dealing with the Unitholders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund. The administrator and custodian of the Fund is HSBC Saudi Arabia.

- (b) The Fund is governed by Investment Fund Regulations (the “Regulations”) published by Capital Market Authority (“CMA”) on 3 Dhul Hijja 1427 H (corresponding to 24 December 2006) thereafter amended (the “amended regulations”) on 16 Sha’ban 1437 H (corresponding to 23 May 2016), detailing requirements for all funds within the Kingdom of Saudi Arabia. The amended regulations came into effect from 6 Safar 1438 H (corresponding to 6 November 2016).
- (c) The management of the Fund is the responsibility of the Fund Manager. However, in accordance with the Fund’s terms and conditions, the Fund Manager can delegate or assign its duties to one or more of the financial institutions in the Kingdom of Saudi Arabia and overseas.

The Fund Manager may charge investors a subscription fee at a percentage not to exceed 3% of the subscribed amount. The subscription fee is not included in these condensed interim financial statements. Furthermore, the Fund Manager charges the Fund a management fee equal to 1.25%, 1.95%, 0.98% and 1.95% of the net assets (equity) value of Class A, Class B, Class C and Class D units respectively at each valuation day.

In addition, the Fund Manager has the right to collectively charge the Fund all other expenses related to the management of the Fund, including but not limited to audit fee and legal charges subject to limits as set out in the Fund’s terms and conditions.

2. BASIS OF ACCOUNTING

These condensed interim financial statements are prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’ (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and to comply with the applicable provisions of the Investment Fund Regulations issued by the Capital Market Authority (“CMA”), the Fund’s terms and conditions and the Information Memorandum. These condensed interim financial statements do not include all the information and disclosures required in the annual audited financial statements, and should be read in conjunction with the Fund’s annual audited financial statements for the year ended 31 December 2019.

3. BASIS OF MEASUREMENT

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

The Fund does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the condensed interim statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the six-month period ended 30 June 2020
(Amounts in Saudi Arabian Riyals)

4. FUNCTIONAL AND PRESENTATION CURRENCY

These condensed interim financial statements are presented in Saudi Arabian Riyal ("SAR"), which is the Fund's functional currency. All amounts have been rounded to the nearest SAR, unless otherwise indicated.

5. USE OF JUDGMENTS AND ESTIMATES

In preparing these condensed interim financial statements, management has made 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 estimates are recognized prospectively.

6. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual audited financial statements for the year ended 31 December 2019. A number of new standards are effective from 1 January 2020 but they do not have a material effect on the Fund's financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Fund has not early adopted any of the forthcoming new or amended standards in preparing these condensed interim financial statements.

7. CASH AND CASH EQUIVALENTS

These comprise of balances held mainly with custodian under omnibus account with a local bank having an investment grade credit rating. Cash and cash equivalents also include balances against transactions awaiting settlement.

8. INVESTMENTS

This represents investment in equity securities of companies listed in the Kingdom of Saudi Arabia and regional markets.

The composition of investments in equity securities measured at fair value through profit or loss by industry sector is summarized below:

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the six-month period ended 30 June 2020
(Amounts in Saudi Arabian Riyals)

8. INVESTMENTS (CONTINUED)

	30 June 2020			31 December 2019		
	<u>(Unaudited)</u>			<u>(Audited)</u>		
<u>Economic sectors</u>	<u>Cost</u>	<u>Fair value</u>	<u>% of fair value</u>	<u>Cost</u>	<u>Fair value</u>	<u>% of fair value</u>
Energy	2,243,630	2,461,018	13.85	2,584,605	3,079,153	15.87
Materials	1,909,807	2,230,983	12.55	1,826,447	2,076,951	10.70
Banks	1,690,447	1,880,142	10.58	2,408,616	3,318,591	17.10
Health Care Equipment and Services	2,149,640	1,774,458	9.98	1,495,068	1,132,577	5.84
Food and Beverages	1,053,174	1,410,459	7.93	1,640,600	1,719,462	8.86
Media	1,788,968	1,378,055	7.75	1,114,533	784,765	4.04
Transportation	1,067,536	1,134,521	6.38	1,668,401	2,240,812	11.55
Real Estate Management and Development	1,140,315	915,489	5.15	831,994	862,161	4.44
Commercial and Professional Services	1,108,547	907,313	5.10	1,087,449	1,167,267	6.02
Retailing	791,700	802,842	4.52	209,192	209,472	1.08
Insurance	654,985	756,647	4.264	222,572	255,283	1.32
Telecommunication Services	596,755	699,022	3.93	--	--	--
Consumer Services	324,865	601,695	3.38	1,357,157	1,699,872	8.76
Real Estate Investment Trusts	413,170	552,616	3.11	490,673	657,451	3.39
Food and Staples Retailing	92,501	272,120	1.53	93,376	200,246	1.03
	<u>17,026,040</u>	<u>17,777,380</u>	<u>100</u>	<u>17,030,683</u>	<u>19,404,063</u>	<u>100.00</u>

9. (LOSS) / GAIN ON INVESTMENTS, NET

	For the six-month period ended 30 June	
	<u>2020</u>	<u>2019</u>
Realised gain, net	507,762	920,699
Unrealised (loss) / gain, net	<u>(1,622,040)</u>	<u>1,374,787</u>
	<u>(1,114,278)</u>	<u>2,295,486</u>

10. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Fund include the Fund Manager, the Fund Board, other funds managed by the Fund Manager and key management personnel of the Fund Manager. In the ordinary course of its activities, the Fund transacts business with the Fund Manager.

In addition to transactions disclosed elsewhere in these condensed interim financial statements, the Fund entered into the following transactions with related parties during the period. These transactions were carried out on the basis of approved terms and conditions of the Fund.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the six-month period ended 30 June 2020
(Amounts in Saudi Arabian Riyals)

10. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

<u>Related party</u>	<u>Nature of relationship</u>	<u>Nature of transaction</u>	<u>For the six-month period ended 30 June</u>	
			<u>2020</u>	<u>2019</u>
Jadwa Investment Company	The Fund Manager	Management fee	<u>178,946</u>	<u>187,466</u>
The Fund Board	The Fund Board	The Fund Board compensation (independent member)	<u>6,550</u>	<u>7,931</u>

Balances arising from above transactions with related parties are as follows:

<u>Related party</u>	<u>Nature of relationship</u>	<u>Nature of balance</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
			<u>(Unaudited)</u>	<u>(Audited)</u>
Jadwa Investment Company	The Fund Manager	Management fee payable	<u>30,269</u>	<u>35,250</u>
The Fund Board	The Fund Board	Fee payable to an independent member of the Fund Board	<u>1,378</u>	<u>2,828</u>

11. LAST VALUATION DAY

The Fund's units are valued on every business days and unit price is announced on the following business day. The last valuation day for the purpose of preparation of these condensed interim financial statements was 30 June 2020 (2019: 31 December 2019).

12. FAIR VALUE MEASUREMENT

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

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

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

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

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the six-month period ended 30 June 2020
(Amounts in Saudi Arabian Riyals)

12. FAIR VALUE MEASUREMENT (CONTINUED)

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

Financial assets at fair value	30 June 2020 (Unaudited)				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Investments	17,777,380	17,777,380	--	--	17,777,380

Financial assets at fair value	31 December 2019 (Audited)				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Investments	19,404,063	19,404,063	--	--	19,404,063

For the period / year ended 30 June 2020 and 31 December 2019 respectively, there were no transfers between levels.

For financial assets and liabilities carried at amortized cost, their carrying values are a reasonable approximation of fair value.

13. IMPACT OF COVID-19

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread globally including the Kingdom of Saudi Arabia (KSA), causing disruptions to businesses and economic activity. This event has impacted the capital markets around the world including in KSA and may continue to do in the upcoming months where potentially impacting the earnings and cashflows of the Fund. Moreover, the Government of KSA through its regulatory bodies has announced several initiatives to provide necessary relief and sustenance to the economy. As the situation is fluid and rapidly evolving, Fund Manager does not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Fund. However, the Fund Manager believes that the Covid-19 pandemic has had no material impact of the Fund's reported results for the six months period ended 30 June 2020. The Fund Manager continues to monitor the situation closely and impact of this outbreak on the Fund's financial statements will be considered in the Fund's subsequent financial statements for the year ending 31 December 2020.

14. EVENTS AFTER THE END OF THE REPORTING PERIOD

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

15. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were authorized for issue by the Fund Manager on 4 Muharram 1442H (corresponding to 23 August 2020).