

**JADWA SAUDI EQUITY FUND**  
**An open-ended mutual fund**  
**(MANAGED BY JADWA INVESTMENT COMPANY)**  
**FINANCIAL STATEMENTS**  
For the year ended 31 December 2020  
together with the  
**Independent Auditor's Report to the Unitholders**

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## KPMG Professional Services

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## كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار  
صندوق بريد ٩٢٨٧٦  
الرياض ١١٦٦٣  
المملكة العربية السعودية  
المركز الرئيسي

سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

# Independent Auditor's Report

## To the Unitholders of Jadwa Saudi Equity Fund

### Opinion

We have audited the financial statements of **Jadwa Saudi Equity Fund** (the "Fund") managed by Jadwa Investment Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2020, the statements of comprehensive income, changes in net assets (equity) attributable to the Unitholders and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

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

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the professional code of conduct and ethics that are 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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 IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and to comply with the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority ("CMA"), 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.

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

### 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

KPMG professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (15,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة منقولة، مسجلة في المملكة العربية السعودية، رأس مالها (١٥,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة التجاريزية محدودة بضمان. جميع الحقوق محفوظة.

# Independent Auditor's Report

To the Unitholders of Jadwa Saudi Equity Fund (continued)

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement 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 the 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, then 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 of **Jadwa Saudi Equity Fund** (the "Fund").

**KPMG Professional Services**

  
**Khalil Ibrahim Al Sedais**  
License No. 371



Date: 19 Sha'ban 1442H  
Corresponding to: 1 April 2021

**JADWA SAUDI EQUITY FUND**  
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**(MANAGED BY JADWA INVESTMENT COMPANY)**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2020**  
*(Amounts in Saudi Arabian Riyals)*

	<i>Notes</i>	<b>31 December 2020</b>	31 December 2019
<b>ASSETS</b>			
Cash and cash equivalents		<b>36,108,832</b>	29,478,251
Investments	7	<b>425,034,125</b>	375,369,235
Dividend receivable		<b>--</b>	315,843
<b>Total assets</b>		<b><u>461,142,957</u></b>	<u>405,163,329</u>
<b>LIABILITIES</b>			
Management fee payable	1(c), 8	<b>629,087</b>	590,378
Accrued expenses and other liabilities		<b>198,429</b>	113,316
Fund Board fee payable	8	<b>--</b>	2,828
<b>Total liabilities</b>		<b><u>827,516</u></b>	<u>706,522</u>
<b>Net assets (equity) attributable to the Unitholders (SAR)</b>		<b><u>460,315,441</u></b>	<u>404,456,807</u>
<b>Units in issuance (numbers)</b>			
Class A		<b><u>1,092,068.18</u></b>	<u>850,149.36</u>
Class B		<b><u>482,090.33</u></b>	<u>612,140.14</u>
Class C		<b><u>32,734.81</u></b>	<u>20,692.06</u>
<b>Net assets (equity) value attributable to each unit (SAR)</b>			
Class A		<b><u>195.9476</u></b>	<u>165.9509</u>
Class B		<b><u>497.4903</u></b>	<u>424.5899</u>
Class C		<b><u>198.3228</u></b>	<u>167.4643</u>

**JADWA SAUDI EQUITY FUND**  
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**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2020**  
*(Amounts in Saudi Arabian Riyals)*

		<b>For the year ended 31 December</b>	
	<i>Notes</i>	<u><b>2020</b></u>	<u><b>2019</b></u>
Gain on investments, net	7.1	<b>63,618,999</b>	97,236,153
Dividend income		<b>10,402,677</b>	17,605,041
<b>Total revenue</b>		<b>74,021,676</b>	114,841,194
Management fee	1(c), 8	<b>(6,576,971)</b>	(7,557,388)
Other operating expenses		<b>(1,472,436)</b>	(1,256,574)
Fund Board fee	8	<b>(13,172)</b>	(10,828)
<b>Total operating expenses</b>		<b>(8,062,579)</b>	(8,824,790)
<b>Net profit for the year</b>		<b>65,959,097</b>	106,016,404
<b>Other comprehensive income for the year</b>		--	--
<b>Total comprehensive income for the year</b>		<b>65,959,097</b>	106,016,404

**JADWA SAUDI EQUITY FUND**  
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**STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE**  
**UNITHOLDERS**  
**For the year ended 31 December 2020**  
*(Amounts in Saudi Arabian Riyals)*

	<b>For the year ended 31 December</b>	
	<u><b>2020</b></u>	<u><b>2019</b></u>
<b>Net assets (equity) attributable to the Unitholders at beginning of the year</b>	<b>404,456,807</b>	488,730,494
<b>Net profit for the year</b>	<b>65,959,097</b>	106,016,404
<i>Contributions and redemptions by the Unitholders</i>		
<b>Proceeds from issuance of units:</b>		
Class A	<b>113,142,372</b>	60,000,000
Class B	<b>55,098,783</b>	89,954,061
Class C	<b>3,738,282</b>	2,975,786
	<b>171,979,437</b>	152,929,847
<b>Payment made against redemption of units:</b>		
Class A	<b>(68,588,539)</b>	(216,083,800)
Class B	<b>(111,636,165)</b>	(123,326,108)
Class C	<b>(1,855,196)</b>	(3,810,030)
	<b>(182,079,900)</b>	(343,219,938)
<b>Total contribution and redemption of units</b>	<b>(10,100,463)</b>	(190,290,091)
<b>Net assets (equity) attributable to the Unitholders</b>	<b>460,315,441</b>	404,456,807

The accompanying notes (1) to (14) from an integral part of these financial statements

**JADWA SAUDI EQUITY FUND**  
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**STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS (CONTINUED)**  
**For the year ended 31 December 2020**

	<u>31 December 2020</u>				<u>31 December 2019</u>			
<b>Units transactions</b> <i>(numbers)</i>	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>	<u>Total</u>	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>	<u>Total</u>
Units in issuance at the beginning of the year	850,149.36	612,140.13	20,692.05	1,482,981.54	1,892,528.50	702,573.61	25,270.56	2,620,372.67
Units issued	613,721.67	132,709.29	23,459.18	769,890.14	399,044.46	233,373.79	20,347.37	652,765.62
Units redeemed	(371,802.85)	(262,759.09)	(11,416.42)	(645,978.36)	(1,441,423.60)	(323,807.26)	(24,925.87)	(1,790,156.73)
<b>Units in issuance at the end of the year</b>	<u>1,092,068.18</u>	<u>482,090.33</u>	<u>32,734.81</u>	<u>1,606,893.32</u>	<u>850,149.36</u>	<u>612,140.14</u>	<u>20,692.06</u>	<u>1,482,981.56</u>

The accompanying notes (1) to (14) from an integral part of these financial statements



**JADWA SAUDI EQUITY FUND**  
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**STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2020**  
*(Amounts in Saudi Arabian Riyals)*

		<b>For the year ended 31 December</b>	
	<i>Note</i>	<u><b>2020</b></u>	<u><b>2019</b></u>
<b>Cash flows from operating activities</b>			
Net profit for the year		<b>65,959,097</b>	106,016,404
<i>Adjustments for:</i>			
Dividend income		<b>(10,402,677)</b>	(17,605,041)
Gain on investments, net	7.1	<b>(63,618,999)</b>	(97,236,153)
		<u><b>(8,062,579)</b></u>	<u>(8,824,790)</u>
<b>Net changes in operating assets and liabilities</b>			
Purchase of investments		<b>(249,704,499)</b>	(247,618,124)
Proceeds from sale of investments		<b>263,658,608</b>	443,899,435
Management fee payable		<b>38,709</b>	(83,303)
Accrued expenses and other liabilities		<b>85,113</b>	(33,695)
Fund Board fee payable		<b>(2,828)</b>	(5,172)
Dividend received		<b>10,718,520</b>	17,599,805
<b>Net cash generated from operating activities</b>		<u><b>16,731,044</b></u>	<u>204,934,156</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of units		<b>171,979,437</b>	152,929,847
Payment made against redemption of the units		<b>(182,079,900)</b>	(343,219,938)
<b>Net cash used in financing activities</b>		<u><b>(10,100,463)</b></u>	<u>(190,290,091)</u>
<b>Net increase in cash and cash equivalents</b>		<b>6,630,581</b>	14,644,065
Cash and cash equivalents at beginning of the year		<b>29,478,251</b>	14,834,186
<b>Cash and cash equivalents end of the year</b>		<u><b>36,108,832</b></u>	<u>29,478,251</u>

The accompanying notes (1) to (14) from an integral part of these financial statements

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**1. GENERAL INFORMATION**

- (a) Jadwa Saudi 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 31 December 2007. As approved by CMA vide their letter No. 16/5696/5/3 dated 02/06/2019 the existing units in the Fund were converted into three different unit classes, i.e. ‘Unit Class A’, Unit Class B” and Unit Class C”. During the current year, the terms & conditions of the Fund were amended to create 'Unit Class D' effective from 24 February 2020. As at 31 December 2020, no "Unit Class D" have been issued.

The Fund aims to provide investors with long-term capital appreciation by investing in Saudi equities listed on the Saudi stock market which 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.

- (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 of the Fund is Jadwa Investment Company and administrator and custodian of the Fund is HSBC Saudi Arabia.

The Fund Manager charges the Fund a management fee of 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.

Furthermore, the Fund Manager may charge investor a subscription fee for a percentage not to exceed 3% of the subscribed amount. Subscription fee is not included in these financial statements.

**2. BASIS OF ACCOUNTING**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) that are as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (“SOCPA”) and to comply with the applicable provisions of the Investment Fund Regulations issued by CMA, the Fund’s terms and conditions and the Information Memorandums.

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**3. BASIS OF MEASUREMENT**

The financial statements have been prepared on a historical cost convention, except for the 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 statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

**4. FUNCTIONAL AND PRESENTATION CURRENCY**

These 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 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 financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. 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) *Dividend income***

Dividend income is recognized in statement of comprehensive income on the date on which the right to receive payment is established. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which the shareholders approve the payment of a dividend. Dividend income from equity securities designated as at fair value through profit or loss ("FVTPL") is recognized in statement of comprehensive income in a separate line item.

**b) *Zakat / taxation***

Under the current system of zakat and income tax in the Kingdom of Saudi Arabia, the Fund is exempt from paying any zakat and income tax. Zakat and income tax are considered to be the obligation of the Unitholders and are not provided in the accompanying financial statements.

The Value Added Tax ("VAT") applicable for fees and expenses are recognized in the statement of comprehensive income.

**c) *Provisions***

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

**d) *Management fee***

Management fee is recognized in the statement of comprehensive income as the related services are performed.

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**6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**e) *Cash and cash equivalents***

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Fund in the management of short-term commitments.

**f) *Financial assets and liabilities***

***Classification of financial assets***

On initial recognition, a financial asset is classified and measured at amortized cost, fair value through other comprehensive income ("FVOCI") or FVTPL.

***Financial asset at amortized cost***

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

***Financial asset at fair value through other comprehensive income ("FVOCI")***

A financial asset is measured at fair value through FVOCI only if it meets both of the following conditions and is not designated as at FVTPL.

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principle and interest on the principle amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund Manager may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

***Financial asset at fair value through profit or loss ("FVTPL")***

All financial assets not classified as measured at amortized cost or FVOCI are measure at FVTPL.

***Business model assessment***

The Fund Manager assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice.
- how the performance of the portfolio is evaluated and reported to the Fund Manager;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realized.

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**6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f) *Financial assets and liabilities (continued)***

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Fund's original expectations, the Fund does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

***Classification of financial liabilities***

The Fund classifies its financial liabilities at amortised cost unless it has designated liabilities at FVTPL

***Recognition and initial measurement***

Financial assets at FVTPL are initially recognized on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated.

Financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition issue.

***Subsequent measurement***

Financial assets at FVTPL are subsequently measured at fair value. Net gains or losses including any foreign exchange gains and losses, are recognized in profit or loss in 'gains / (losses) on investments, net' in the statement of comprehensive income.

Financial assets and financial liabilities at amortized cost are subsequently measured at amortized cost using effective interest method and is recognized in statement of comprehensive income. Any gain or loss on de-recognition is also recognized in statement of comprehensive income. The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principle repayments, plus or minus the cumulative amortizing using effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

***Derecognition***

The Fund derecognizes a financial asset when the contractual rights to the cash flow from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of the financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognized in statement of comprehensive income. Any interest in such transferred financial assets that is created or retained by the Fund is recognized as a separate asset or liability.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
*(Amounts in Saudi Arabian Riyals)*

**6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f) *Financial assets and liabilities (continued)***

The Fund enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all of the risk and rewards are retained, then the transferred assets are not derecognized.

The Fund derecognize a financial liability when its contractual obligations are discharged or cancelled, or expire.

**g) *Fair value measurement***

***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 has legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle them liability simultaneously.

Income and expenses are presented on a net basis for gain and losses from financial instruments at FVTPL and foreign exchange gains and losses.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

When available, the Fund measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund measures instruments quoted in an active market as per the official closing price in the related stock exchange where the instrument is traded.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Fund recognizes transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

**h) *Distributions to the Unitholders***

Distribution to the Unitholders is accounted for as a deduction from net assets (equity) attributable to the Unitholders. An interim dividend is recognized as a liability in the period in which it is irrevocably declared by the Fund Board. A final dividend is recognized as a liability in the period in which it is approved by the Fund Board.

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**6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**i) Redeemable Units**

The Fund classified financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Fund has redeemable units in issue. On liquidation of the Fund, they entitle the holders to the residual net assets. They rank pari passu in all respects and have identical terms and conditions. The redeemable units provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund net assets at each redemption date and also in the event of the Fund's liquidation.

Redeemable units are classified as equity as it meets all of the following conditions:

it entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;

- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- the instrument does not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

**j) Standards issued but not yet effective**

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

<u>Standards / Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
Amendments to IAS 37	Onerous contracts – Cost of fulfilling a contract	1 January 2022
Amendments to IFRS 16	Leases for COVID -19 rent related concessions	1 June 2020
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IFRS 3	Reference to Conceptual Framework	1 January 2022
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023

Furthermore, the Capital Market Authority, on March 1, 2021, has issued certain amendments to the Investment Funds Regulations and Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority. These amendments have effective dates starting from May 1, 2021. The Fund Manager is currently in the process of evaluating the impact, if any, of these amendments on the Fund's financial statements.

**7. INVESTMENTS**

	<u>Note</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Equity securities			
- FVTPL	10	<u>425,034,125</u>	<u>375,369,235</u>

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**7. INVESTMENTS (CONTINUED)**

**7.1** Below are the details of gain on investments:

	<b>For the year ended 31 December</b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>
Realized gain on investments at FVTPL, net	<b>33,287,228</b>	80,417,275
Unrealized gain on investments at FVTPL, net	<b>30,331,771</b>	16,818,878
	<b><u>63,618,999</u></b>	<u>97,236,153</u>

**8. RELATED PARTY TRANSACTIONS AND BALANCES**

The related parties of the Fund include the Fund Manager and other funds managed by 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 financial statements, the Fund entered into the following transactions with the related parties during the year. These transactions were carried out on the basis of approved terms and conditions of the Fund.

<b><u>Related party</u></b>	<b><u>Nature of relationship</u></b>	<b><u>Nature of transactions</u></b>	<b>For the year ended 31 December</b>	
			<b><u>2020</u></b>	<b><u>2019</u></b>
Jadwa Investment Company	The Fund Manager	Management fee	<b><u>6,576,971</u></b>	<u>7,557,388</u>
		Redemption of units	<b><u>--</u></b>	<u>83,719,554</u>
Jadwa REIT Saudi Fund	A fund managed by the Fund Manager	Purchase of investment	<b><u>5,062,197</u></b>	<u>22,764,434</u>
		Sale of investment	<b><u>5,117,491</u></b>	<u>11,957,065</u>
The Fund Board	The Fund Board	The Fund Board compensation (independent member)	<b><u>13,172</u></b>	<u>10,828</u>

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

<b><u>Related party</u></b>	<b><u>Nature of relationship</u></b>	<b><u>Nature of balances</u></b>	<b><u>31 December 2020</u></b>	<b><u>31 December 2019</u></b>
Jadwa Investment Company	The Fund Manager	Management fee payable	<b><u>629,087</u></b>	<u>590,378</u>
The Fund Board	The Fund Board	Fee payable to an independent member of the Fund Board	<b><u>--</u></b>	<u>2,828</u>



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**9. FINANCIAL INSTRUMENTS BY CATEGORY**

<b><u>31 December 2020</u></b>	<b>Amortized cost</b>	<b>FVTPL</b>
<i>Financial assets</i>		
Cash and cash equivalents	36,108,832	--
Investments	--	425,034,125
<b>Total assets</b>	<b>36,108,832</b>	<b>425,034,125</b>
<i>Financial liabilities</i>		
Management fee payable	629,087	--
Accrued expenses and other liabilities	198,429	--
<b>Total liabilities</b>	<b>827,516</b>	<b>--</b>
<b><u>31 December 2019</u></b>	<b>Amortized cost</b>	<b>FVTPL</b>
<i>Financial assets</i>		
Cash and cash equivalents	29,478,251	--
Investments	--	375,369,235
Dividend receivable	315,843	--
<b>Total assets</b>	<b>29,794,094</b>	<b>375,369,235</b>
<i>Financial liabilities</i>		
Management fee payable	590,378	--
Accrued expenses and other liabilities	113,316	--
Fund Board fee payable	2,828	--
<b>Total liabilities</b>	<b>706,522</b>	<b>--</b>

**10. FINANCIAL RISK MANAGEMENT**

**Exposure**

Risk management is an integral part of the investment and the operational process. Risk management can be distinguished in financial risk management, operational risk management and independent risk measurement. Financial risk management encompasses all elements of the investment process. A number of risk management systems allow the Fund Manager to notice any deviations from intended positioning and targets. Operational risk management encompasses the four areas of potential losses: processes, systems, people and external events. Risk measurement is an independent function, which is functionally separated from the operational department and portfolio management.

The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. The risk management system is an ongoing process of identification, measurement, monitoring and controlling risk.

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**10. FINANCIAL RISK MANAGEMENT (CONTINUED)**

The Risk Management department is primarily responsible for identifying and controlling risks. The Fund Manager and is ultimately responsible for the overall risk management of the Fund.

The COVID-19 pandemic continues to disrupt global markets as many geographies are experiencing a “second wave” of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of the Kingdom of Saudi Arabia (“the Government”) however has managed to successfully control the outbreak to date, owing primarily to the unprecedented yet effective measures taken by the Government, following which the Government has ended the lockdowns and has taken phased measures towards normalization.

Recently, a number of COVID-19 vaccines have been developed and approved for mass distribution by various governments around the world. The Government has also approved a vaccine which is currently available for healthcare workers and certain other categories of people and it will be available to the masses in general during 2021. Despite the fact that there are some uncertainties around the COVID-19 vaccine such as how long the immunity last, whether vaccine will prevent transmission or not etc.; however, the testing results showed exceptionally high success rates. Hence, the Fund continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time and is closely monitoring its exposures.

The Fund has exposure to the following risks from financial instruments:

- a) market risk;
- b) credit risk;
- c) liquidity risks; and
- d) operational risk.

The Fund primarily aims to invest in a diversified portfolio consisting of listed equities in Saudi markets. The nature and extent of the financial instruments outstanding at the Statement of Financial Position date and the risk management policies employed by the Fund are discussed below. The Fund Manager has been given discretionary authority to manage the assets in line with the Fund’s investment objectives. Compliance with the target asset allocations and the composition of the portfolio are monitored by the portfolio management team on a regular basis.

obliged to take actions to rebalance the portfolio in line with the established targets and within prescribed limits.

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**

‘Market Risk’ is the risk that changes in market prices – such as commission rates, foreign exchange rates, equity prices and credit spreads – will affect the Fund’s income or the fair value of its holdings in financial instruments.

The Fund’s strategy for the management of market risk is driven by the Fund’s investment objective as per the Fund’s terms and conditions.

The Fund’s market risk is managed by the Fund Manager in accordance with the policies and procedures in place. The Fund’s market positions are monitored on a daily basis by the portfolio management team.

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**10. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**a) Market risk (*continued*)**

*ii. Foreign exchange risk / currency risk*

Foreign currency risk arises as the value of future transactions, recognized monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates.

The Fund primarily transacts in SAR, which is the functional currency of the Fund and accordingly does not have exposure to currency risk.

*iii. Commission rate risk*

Commission rate risk arises from the possibility that the changes in commission rates will affect either the fair values or the future cash flows of financial instruments.. The Fund is not subject to commission rate risk on its investments.

*iv. Other price risk*

Other price risk' is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from commission rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer or factors affecting all instruments traded in the market.

'Equity risk' is the risk that the Fund is exposed to the volatility of the fair value of the equity securities it holds. The fair value of individual securities may fluctuate as a result of e.g. company specific news, broad market movements, commission rate risk or foreign currency movements. The Fund Manager continuously monitors the (potential) determinants of the value of the securities held and the total portfolio value. As such, risk management is an integral part of investment management which comprises security selection and portfolio construction. The exposures in various stocks, and economic sectors are frequently monitored, measured and managed against the norms which have been defined for those exposures.

The Fund is exposed to equity securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. The Fund's policy is to manage price risk through diversification and selection of securities within specified limits set by the Fund's terms and conditions. A summary analysis of investments by nature is presented below. All of the Fund's equity investments are publicly traded and overall market position is monitored on team.

**Exposure**

The Fund Manager monitors the concentration of risk for equity investments based on counterparties with economic sector and geographic location. The Fund's equity investments are concentrated in the following counterparties.

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**10. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**a) Market risk (*continued*)**

<u>Name of investee / security</u>	<b>31 December 2020</b>		
	<u>Cost</u>	<u>Fair value</u>	<u>% of fair value to total equity investment</u>
Al Rajhi Banking and Investment Corporation	37,645,125	54,409,168	12.81
Saudi Arabian Oil Company	38,322,322	38,363,360	9.03
Advanced Petrochemicals Company	25,168,470	35,013,798	8.24
Saudi Basic Industries Corporation	23,454,257	24,809,335	5.84
Dr Sulaiman Al Habib Medical Services Group	9,532,165	20,335,803	4.78
Jadwa REIT Saudi Fund*	13,855,552	20,215,258	4.76
National Petrochemical Company	14,425,336	20,172,276	4.75
Saudi Telecom Company	17,020,528	20,048,098	4.72
Saudi Dairy and Foodstuff Company	10,469,476	18,182,150	4.28
Yanbu National Petrochemical Company	10,563,980	16,606,652	3.91
Saudi Research and Marketing Company	14,062,670	15,599,049	3.67
Al Mouwasat Medical Services Company	7,903,516	14,086,350	3.31
Bupa Arabia For Cooperative Insurance Company	10,403,462	13,791,981	3.24
Saudi Industrial Investment Group	10,166,753	12,832,735	3.02
Aldrees Petroleum and Transport Services Company	7,085,766	12,078,279	2.84
National Gypsum Company	8,215,756	10,635,394	2.50
The National Shipping Company of Saudi Arabia	7,894,427	10,455,777	2.46
Savola Group Company	8,580,545	9,819,923	2.31
Almarai Company	8,230,666	9,214,691	2.17
Saudi Indian Company for Cooperative Insurance	9,149,598	8,798,800	2.07
National Company for Learning and Education	3,583,829	7,528,545	1.77
Saudi Airlines Catering Company	8,543,384	7,186,183	1.69
Abdullah Al-Othaim Markets Company	2,269,196	5,737,339	1.35
Bank Al-Jazira	4,648,328	4,437,123	1.04
Jarir Marketing Company	2,205,333	4,398,118	1.03
Bindawood Holding Company	3,295,296	4,084,794	0.96
Bawan Company	3,346,347	3,417,338	0.80
Yamamah Saudi Cement Company	2,712,600	2,775,808	0.65
<b>Total</b>	<b>322,754,683</b>	<b>425,034,125</b>	<b>100.00</b>

\* A Fund managed by the Fund Manager.

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**10. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**a) Market risk (*continued*)**

<u>Name of investee / security</u>	31 December 2019		
	Cost	Fair value	% of fair value to total equity investment
Al Rajhi Banking and Investment Corporation	48,837,828	70,191,726	18.70
Saudi Arabian Oil Company	33,049,668	32,939,186	8.78
The National Shipping Company of Saudi Arabia	16,339,920	22,489,960	5.99
Seera Group Holding	18,081,295	22,133,323	5.90
Alujain Corporation	18,306,925	21,782,880	5.80
Jadwa REIT Saudi Fund*	12,696,697	17,012,262	4.53
Saudi Airlines Catering Company	14,357,277	16,101,975	4.29
Savola Group Company	17,086,410	15,804,538	4.21
Saudia Dairy and Foodstuff Company	9,715,946	15,100,228	4.02
Saudi Research and Marketing Group	12,061,127	13,073,103	3.48
Bank Aljazira	10,503,047	13,045,952	3.48
National Company for Learning and Education	9,810,436	11,291,394	3.01
Advanced Petrochemical Company	11,200,266	10,000,190	2.66
Saudi Ceramic Company	5,528,183	9,405,606	2.51
Aldrees Petroleum and Transport Services Company	4,285,440	9,087,125	2.42
Saudi Vittrified Clay Pipe Company	7,931,306	8,378,515	2.23
United Wire Factories Company	7,176,261	7,453,776	1.99
Almarai Company	8,489,059	7,419,753	1.98
Saudi Industrial Investment Group	6,709,121	7,375,200	1.96
Yanbu Cement Company	5,228,819	6,640,999	1.77
Al Mouwasat Medical Services Company	4,478,103	6,347,440	1.69
Leejam Sports Company	4,017,572	6,265,867	1.67
Eastern Province Company	3,911,551	5,783,508	1.54
BUPA Arabia for Cooperative Insurance Company	4,740,555	5,692,314	1.52
Jarir Marketing Company	2,718,849	5,594,136	1.49
Abdullah Al-Othaim Markets Company	2,956,302	4,960,742	1.32
Maharah Human Resources Company	3,203,601	3,997,537	1.06
Total	303,421,564	375,369,235	100.00

\* A Fund managed by the Fund Manager.

The Fund also manages its exposure to price risk by analyzing the investment portfolio by economic sector. The Fund's policy is to concentrate the investment portfolio in sectors where the Fund Manager believes the Fund can maximize the returns derived for the level of risk to which the Fund is exposed. The table below is a summary of the significant economic sector concentrations within the equity securities portfolio.

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**10. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**a) Market risk (*continued*)**

<b>31 December 2020</b>			
<u>Economic sectors</u>	<u>Cost</u>	<u>Fair value</u>	<u>% of fair value to total equity investment</u>
Materials	94,707,152	122,845,999	28.90
Energy	53,302,515	60,897,416	14.33
Banks	42,293,453	58,846,291	13.85
Food and beverages	18,700,142	37,216,763	8.76
Health care equipment and services	17,435,681	34,422,153	8.10
Insurance	19,553,060	22,590,781	5.31
Real estate investment trusts	13,855,552	20,215,258	4.76
Telecommunication services	17,020,528	20,048,098	4.72
Media	14,062,670	15,599,049	3.67
Food and staples retailing	14,145,037	9,822,133	2.31
Consumer services	3,583,829	7,528,545	1.77
Commercial and professional services	8,543,384	7,186,183	1.69
Retailing	2,205,333	4,398,118	1.03
Capital goods	3,346,347	3,417,338	0.80
<b>Total</b>	<b>322,754,683</b>	<b>425,034,125</b>	<b>100.00</b>

  

<b>31 December 2019</b>			
<u>Economic sectors</u>	<u>Cost</u>	<u>Fair value</u>	<u>% of fair value to total equity investment</u>
Banks	59,340,875	83,237,678	22.18
Materials	65,992,432	76,820,674	20.47
Energy	53,675,028	64,516,271	17.19
Consumer services	31,909,303	39,690,584	10.57
Food and beverages	18,205,005	22,519,981	6.00
Food and staples retailing	20,042,712	20,765,280	5.53
Commercial and professional services	17,560,878	20,099,512	5.35
Real estate investment trusts	12,696,697	17,012,262	4.53
Media	12,061,127	13,073,103	3.48
Insurance	7,459,404	11,286,450	3.01
Health care equipment and services	4,478,103	6,347,440	1.69
<b>Total</b>	<b>303,421,564</b>	<b>375,369,235</b>	<b>100.00</b>

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**10. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**a) Market risk (*continued*)**

The Fund Manager monitors and manages the price risk on a regular basis.

The table below summarizes the sensitivity of the Fund's net assets (equity) attributable to the Unitholders to equity price movements as at 31 December. The analysis is based on the assumptions that the relevant index decreased by 1% (2019: 1%), with all other variables held constant, and that the fair value of the Fund's equity investments moved according to their historical correlation with the relevant index. This represents management's best estimate of a reasonable possible shift in the relevant index, having regard to the historical volatility of the relevant index. The impact below arises from the reasonable possible change in the fair value of equities.

<b>Effect on net assets (equity) attributable to the Unitholders</b>	<b>31 December 2020</b>		<b>31 December 2019</b>	
	<b>%</b>	<b>SAR</b>	<b>%</b>	<b>SAR</b>
Investments	<b>(0.78)</b>	<b>(3,588,151)</b>	<b>(0.70)</b>	<b>(2,821,198)</b>

A strengthening in the relevant index of 1% at reporting date would have resulted in an equal but opposite effect to the amounts shown above.

**b) Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from cash and cash equivalents and dividend receivable if any. For risk management reporting purposes, the Fund considers and aggregates all elements of credit risk exposure such as individual obligor default risk, counter party risk and sector risk etc. The Fund's policy over credit risk is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the certain credit standards.

The Fund's credit risk is monitored on a regular basis by portfolio management team to ensure it is in line with the investment guidelines of the Fund.

The Fund's activities may give rise to settlement risk. "Settlement risk" is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed.

For almost all of transactions, the Fund mitigates this risk by conducting settlements through a regulated stock exchange to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

The table below shows the maximum exposure to credit risk for the component of the statement of financial position:

	<b>31 December 2020</b>	<b>31 December 2019</b>
Cash and cash equivalents	<b>36,108,832</b>	29,478,251
Dividend receivable	<b>--</b>	315,843
	<b>36,108,832</b>	<b>29,794,094</b>

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**10. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**b) Credit risk (*continued*)**

*Analysis of credit quality*

The Fund's cash and cash equivalents are held mainly with a custodian held under an omnibus account with a local bank having sound credit rating. Cash and cash equivalents also include balances due to be received against sales transactions awaiting settlement. Credit risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the regulated stock exchange used.

The Fund has not offset any financial asset and financial liabilities in the statement of financial position. The Fund does not have enforceable master netting or similar arrangement that covers similar financial instruments.

**Allowance for impairment**

The Fund does not have any impairment of financial assets, so no impairment allowance is provided in these financial statements.

**c) Liquidity risk**

'Liquidity risk' is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets.

The Fund's policy and the Fund Manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including estimated redemptions of units, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's terms and conditions provide for subscription and redemption of units on every Saudi business day and it is, therefore, exposed to the liquidity risk of meeting the Unitholder redemptions on these days. The Fund's financial liabilities primarily consist of payables which are expected to be settled within one month from the statement of financial position date.

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by taking short term loans.

The Fund's investments in listed securities are considered to be readily realizable because they are listed and actively traded on a local stock exchange.

The Fund manages its liquidity risk by investing predominantly in securities which are expected to be liquidated within short period of time.

**d) Operational risk**

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.



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**(MANAGED BY JADWA INVESTMENT COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**10. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**d) Operational risk (*continued*)**

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to unitholders.

The primary responsibility for the development and implementation of control over operational risks rests with the Risk Management Team. This responsibility is supported by the development of overall standard for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- documentation of controls and procedures;
- requirements for:
  - o appropriate segregation of duties between various functions, roles and responsibilities;
  - o reconciliation and monitoring of transactions; and
  - o periodic assessment of operational risks faced,
- the adequacy of controls and procedures to address the risks identified;
- compliance with regulatory and other legal requirements;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance if this is effective.

**11. 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 calculates fair values of equity securities that are actively traded on an approved stock exchange 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.

Listed equity securities are valued using quoted prices in an active market for an identical instrument (Level 1 measurement).

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**11. FAIR VALUE MEASUREMENT (CONTINUED)**

The fair value of investments in the unlisted open-ended investment funds is determined either using unadjusted net asset value (Level 2 valuation) or by applying a discount to the net asset value (Level 3 valuation). The unadjusted net asset value is used when the units in a fund are redeemable at the reportable net asset value at, or approximately at, the measurement date. If this is not the case, then net asset value is used as a valuation input and an adjustment is applied for lack of marketability/restricted redemptions. This adjustment is based on management judgment after considering the period of restrictions and the nature of the underlying investments.

***Carrying amounts and fair value***

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 recognized in the statement of financial position. All fair value measurements below are recurring.

<u>Financial assets at fair value</u>	<b>31 December 2020</b>				
	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Investments</b>	<b><u>425,034,125</u></b>	<b><u>425,034,125</u></b>	<b><u>--</u></b>	<b><u>--</u></b>	<b><u>425,034,125</u></b>
<b>31 December 2019</b>					
<u>Financial assets at fair value</u>	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Investments</b>	<b><u>375,369,235</u></b>	<b><u>375,369,235</u></b>	<b><u>--</u></b>	<b><u>--</u></b>	<b><u>375,369,235</u></b>

For the years ended 31 December 2020 and 31 December 2019, 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.

**12. EVENTS AFTER THE END OF THE REPORTING PERIOD**

There is no event subsequent to the statement of financial position date which require adjustment of or disclosure in the financial statement or notes thereto.

**13. LAST VALUATION DAY**

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

**14. APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were authorized for issue by the Fund Manager on 18 Sha'ban 1442H (corresponding to 31 March 2021).