

JADWA GLOBAL SUKUK 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

JADWA GLOBAL SUKUK FUND
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Financial Statements
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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 Global Sukuk Fund

Opinion

We have audited the financial statements of **Jadwa Global Sukuk 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 مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (١٥,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي للوزان وشركاه محاسبون ومراجعون قانونيون". و هي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

Independent Auditor's Report

To the Unitholders of Jadwa Global Sukuk 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 Global Sukuk Fund** (the "Fund").

KPMG Professional Services



Khalil Ibrahim Al Sedais
License No. 371

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



JADWA GLOBAL SUKUK FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2020
(Amounts in USD)

	<i>Notes</i>	31 December 2020	31 December 2019
ASSETS			
Cash and cash equivalents		669,399	4,338,802
Investments	7	41,540,215	21,265,953
Accrued special commission income		374,278	182,871
Total assets		42,583,892	25,787,626
LIABILITIES			
Management fee payable	1(c), 8	19,980	22,853
Accrued expenses and other liabilities		18,537	10,122
Fund Board fee payable	8	--	754
Total liabilities		38,517	33,729
Net assets (equity) attributable to the Unitholders (USD)		42,545,375	25,753,897
Units in issuance (numbers)			
Class A		277,817.03	--
Class B		91,784.52	182,705.15
Class C		9,964.62	6,865.26
Net asset (equity) value attributable to each unit (USD)			
Class A		102.7528	--
Class B		140.6491	136.9750
Class C		109.3347	106.0197

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

JADWA GLOBAL SUKUK FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020
(Amounts in USD)

		For the year ended	
		31 December	
	<i>Notes</i>	<u>2020</u>	<u>2019</u>
(Loss) / gain on investments, net	7.1	(64,842)	387,019
Special commission income		<u>1,090,089</u>	<u>1,165,774</u>
		<u>1,025,247</u>	<u>1,552,793</u>
Total revenue			
Management fee	1(c), 8	(187,864)	(270,861)
Other operating expenses	1(c)	(80,144)	(79,585)
Fund Board fee	8	(3,512)	(2,888)
Foreign exchange loss		(1,200)	(709)
Total operating expenses		<u>(272,720)</u>	<u>(354,043)</u>
Net profit for the year		<u>752,527</u>	<u>1,198,750</u>
Other comprehensive income for the year		--	--
Total comprehensive income / (loss) for the year		<u>752,527</u>	<u>1,198,750</u>

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

JADWA GLOBAL SUKUK FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE
UNITHOLDERS
For the year ended 31 December 2020
(Amounts in USD)

	For the year ended	
	31 December	
	<u>2020</u>	<u>2019</u>
Net assets (equity) attributable to the Unitholders at beginning of the year	25,753,897	42,321,906
Net profit for the year	752,527	1,198,750
<i>Contributions and redemptions by the Unitholders</i>		
Proceeds from issuance of units:		
Class A	28,094,529	--
Class B	2,733,723	11,351,930
Class C	665,159	792,430
	<u>31,493,411</u>	<u>12,144,360</u>
Payments against redemption of units:		
Class A	--	(20,874,950)
Class B	(15,111,258)	(8,914,856)
Class C	(343,202)	(121,313)
	<u>(15,454,460)</u>	<u>(29,911,119)</u>
Net assets (equity) attributable to the Unitholders at end of the year	<u>42,545,375</u>	<u>25,753,897</u>

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

JADWA GLOBAL SUKUK FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS (CONTINUED)
For the year ended 31 December 2020

	31 December 2020				31 December 2019			
Units transactions (<i>numbers</i>)								
<u>Units in issuance</u>	<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	--	182,705.15	6,865.26	189,570.41	204,596.15	164,545.27	507.55	369,648.97
Units issued	277,817.03	19,663.29	6,314.26	303,794.59	--	84,110.23	7,508.37	91,618.60
Units redeemed	--	(110,583.92)	(3,214.90)	(113,798.83)	(204,596.15)	(65,950.35)	(1,150.66)	(271,697.16)
Units in issuance at end of the year	<u>277,817.03</u>	<u>91,784.52</u>	<u>9,964.62</u>	<u>379,566.17</u>	<u>--</u>	<u>182,705.15</u>	<u>6,865.26</u>	<u>189,570.41</u>

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

JADWA GLOBAL SUKUK FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2020
(Amounts in USD)

		For the year ended 31 December	
	<i>Note</i>	<u>2020</u>	<u>2019</u>
Cash flows from operating activities			
Net profit for the year		752,527	1,198,750
<i>Adjustments for:</i>			
Special commission income		(1,090,089)	(1,165,774)
Loss / (Gain) on investments, net	7.1	64,842	(387,019)
		<u>(272,720)</u>	<u>(354,043)</u>
Net changes in operating assets and liabilities			
Purchase of investments		(29,229,581)	(6,115,486)
Proceeds from sale of investments		8,890,477	27,077,538
Management fee payable		(2,873)	(12,819)
Accrued expenses and other liabilities		8,415	1,829
Fund Board fee payable		(754)	(1,379)
Special commission income received		898,682	1,273,721
Net cash (used in) / generated from operating activities		<u>(19,708,354)</u>	<u>21,869,361</u>
Cash flows from financing activities			
Proceeds from issue of units		31,493,411	12,144,360
Payment made against redemption of units		(15,454,460)	(29,911,119)
Net cash generated from / (used in) financing activities		<u>16,038,951</u>	<u>(17,766,759)</u>
Net (decrease) / increase in cash and cash equivalents		(3,669,403)	4,102,602
Cash and cash equivalents at beginning of the year		4,338,802	236,200
Cash and cash equivalents at end of year		<u>669,399</u>	<u>4,338,802</u>

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

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020
(Amounts in USD)

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

- a) Jadwa Global Sukuk Fund (the “Fund”) is a fixed income 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 859 dated Shawal 16, 1428 H (corresponding to 3 October 2007). The Fund commenced its operations on 8 October 2007. The Fund has three different unit classes, i.e. ‘Unit Class A’, ‘Unit Class B’, ‘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 diversifies its investments in a Shariah compliant portfolio of sovereign, quasi-sovereign and corporate sukuk. Excess cash which the Fund may have from time to time is invested in short-term Murabaha deposits.

- b) 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 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).

The Fund Manager of the Fund is Jadwa Investment Company and administrator and custodian of the Fund is HSBC Saudi Arabia.

- 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 investor a subscription fee at a percentage not to exceeding 3% of the subscribed amount. Subscription fee is not included in these financial statements. The Fund Manager charges the Fund a management fee at 0.50%, 0.75%, 0.375%, and 0.75% of the 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 financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by 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 Memorandum.

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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 USD, which is the Fund's functional currency. All amounts have been rounded to the nearest USD, 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. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying value of assets in the year ended 31 December 2020 is included in Note 11 and relates to the determination of fair value of financial instruments with significant unobservable inputs.

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) *Foreign currency translation*

Transactions in currencies other than functional currencies are translated into USD at the exchange rate at the dates of the transactions.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Monetary assets and liabilities denominated in foreign currencies are retranslated into USD at the exchange rate at the reporting date. Foreign currency differences arising on retranslation are recognized in statement of comprehensive income as net foreign exchange gains / losses, except for those arising on financial instruments at FVTPL which are recognized as a component of net gain from financial instruments at FVTPL.

b) *Functional currency*

'Functional currency' is the currency of the primary economic environment in which the Fund operates. If indicators of the primary economic environment are mixed, then management uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The majority of the Fund's investments and transactions are denominated in USD. Investor subscriptions and redemptions are determined based on equity value, and received and paid in USD. The expenses (including management fees, custodian fees and administration fees) are denominated and paid in USD. Accordingly, management has determined that the functional currency of the Fund is USD.

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6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) *Special commission income and expense*

Special commission income and expense presented in the statement of comprehensive income comprise commission on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis.

The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument:

- to the carrying amount of the financial assets; or
- the amortised cost of the financial liability.

In calculating special commission income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the assets is not credit impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, special commission income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of special commission income reverts to the gross basis.

d) *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.

e) *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.

f) *Management fee*

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

g) *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.

h) *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:

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(Amounts in USD)

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Financial assets and liabilities (continued)

- 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 measured 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.

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.

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(Amounts in USD)

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Financial assets and liabilities (continued)

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Commission’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund’s claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

Classification of financial liabilities

The Fund classifies its financial liabilities at amortized 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.

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(Amounts in USD)

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Financial assets and liabilities (continued)

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 derecognized) 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.

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.

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.

i) Fair value measurement

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

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

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 on-going basis. The Fund measures instruments quoted in an active market as per the official closing price in the related 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.

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6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) 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.

k) 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.

l) 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 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

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6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Standards issued but not yet effective

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

	<i>Note</i>	31 December 2020	31 December 2019
Sukuk:			
- FVTPL	<i>10</i>	41,540,215	21,265,953

7.1 Below are the details of (loss) / gain on investments:

	For the year ended 31 December	
	2020	2019
Realized loss on investments at FVTPL, net	(161,330)	(712,118)
Unrealized gain on investments at FVTPL, net	96,488	1,099,137
	64,842	387,019

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 related parties during the year. These transactions were carried out on the basis of approved terms and conditions of the Fund.

Related party	Nature of relationship	Nature of transactions	For the year ended 31 December	
			2020	2019
Jadwa Investment Company	The Fund Manager	Management fee (8.1)	187,864	270,861
		Redemption of units	--	20,874,950
		Subscription of units	--	1,874,950
Fund Board	The Fund Board	The Fund Board Compensation (independent members)	3,512	2,888

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8. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

<u>Related party</u>	<u>Nature of relationship</u>	<u>Nature of balances</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Jadwa Investment Company	The Fund Manager	Management fee payable	<u>19,980</u>	<u>22,853</u>
The Fund Board	The Fund Board	Fee payable to an independent member of the Fund Board	<u>--</u>	<u>754</u>

8.1 The Unitholder's account as at 31 December 2020 include 14,104.75 units (31 December 2019: 14,104.75 units) held by the Fund Manager.

8.2 As at the reporting date, a member of the Fund Board (appointed with effect from August 2020) held 512.49 units.

9. FINANCIAL INSTRUMENTS BY CATEGORY

<u>31 December 2020</u>	<u>Amortized cost</u>	<u>FVTPL</u>
<i>Financial assets</i>		
Cash and cash equivalents	669,399	--
Investments	--	41,540,215
Accrued commission income	374,278	-
Total assets	<u>1,043,677</u>	<u>41,540,215</u>
<i>Financial liabilities</i>		
Management fee payable	19,980	--
Accrued expenses and other liabilities	18,537	--
Total liabilities	<u>38,517</u>	<u>--</u>
<u>31 December 2019</u>	<u>Amortized cost</u>	<u>FVTPL</u>
<i>Financial assets</i>		
Cash and cash equivalents	4,338,802	--
Investments	--	21,265,953
Accrued commission income	182,871	--
Total assets	<u>4,521,673</u>	<u>21,265,953</u>
<i>Financial liabilities</i>		
Management fee payable	22,853	--
Accrued expenses and other liabilities	10,122	--
Fund Board fee payable	754	--
Total liabilities	<u>33,729</u>	<u>--</u>

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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 Risk Management department is primarily responsible for identifying and controlling risks. The Fund Manager 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 risks;
- b) liquidity risk;
- c) credit risk; and
- d) operational risk.

Risk management framework

Financial instruments and associated risks

The Fund primarily aims to invest in a diversified portfolio consisting of Sukuk in local and international 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 Portfolio Management team of 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.

In instances where the portfolio has diverged from target asset allocations, the Fund Manager is obliged to take actions to rebalance the portfolio in line with the established targets and within prescribed limits.

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10. FINANCIAL RISK MANAGEMENT (CONTINUED)

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, security prices and credit spreads – will affect the Fund’s income or the fair value of its holdings in financial instruments.

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 of the Fund Manager.

i) 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 invests in financial instruments and enters into transactions that are denominated in currencies other than its functional currency, primarily in SAR. Consequently, the Fund is exposed to risk that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the fair value or future cash flows of the Fund’s financial assets or financial liabilities denominated in currencies other than USD.

The Fund’s currency risk is managed on a timely basis by the Fund Manager in accordance with the policies and procedures in place. The Fund’s currency positions and exposures are monitored on a daily basis by the Fund Manager

When the Fund Manager formulates a view on the future direction of foreign exchange rates and the potential impact on the Fund, the Fund Manager factors that into its portfolio allocation decisions. While the Fund has direct exposure to volatility in foreign exchange rates, it may also be indirectly affected by the impact of foreign exchange rate changes on the earnings of certain companies in which the Fund invests, even if those companies’ securities are denominated in USD. For that reason, the below sensitivity analysis may not necessarily indicate the total effect on the Fund’s net assets (equity) attributable to holders of redeemable units of future movements in foreign exchange rates.

The table below summarizes the Fund’s assets and liabilities, which are denominated in USD.

Exposure

At the reporting date, the carrying amount of the Fund’s net financial assets and financial liabilities held in individual foreign currencies, expressed in USD and as a percentage of its net assets (equity), were as follows.

<u>Currency</u>	<u>31 December 2020</u>		<u>31 December 2019</u>	
	<u>Amount in USD</u>	<u>% of net assets (equity)</u>	<u>Amount in USD</u>	<u>% of net assets (equity)</u>
SAR	<u>3,963,550</u>	<u>9.32</u>	<u>4,631,801</u>	<u>17.98</u>

Sensitivity analysis

The table below sets out the decrease in net assets net asset (equity) attributable to the Unitholders in case currencies other than the functional currency i.e. SAR weaken by 0.50% relative to USD. The analysis assumes that all other variables, in particular commission rates, remain constant.

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10. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Market risk (*continued*)

Effect in amounts of USD (decrease)

<u>Currency</u>	31 December 2020	31 December 2019
SAR	(19,818)	(23,159)

Effect in % of net assets (equity) attributable to the Unit holders (decrease)

<u>Currency</u>	31 December 2020	31 December 2019
SAR	(0.05)	(0.09)

Strengthening of currencies other than the functional currency i.e. SAR relative to USD will result in an equal but opposite effect on the net assets (equity) attribute to Unitholders.

ii) Cash flow and fair value 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 holds fixed commission securities (sukuk) that exposes that Fund to fair value commission rate risk. The Fund also holds variable commission sukuk that exposes the Fund to cash flow commission rate risk. The Fund Manager manages the Fund's risk exposures in order to optimize long term returns.

The portfolio management team of the Fund Manager monitors risk exposures on a daily basis.

If the commission rate risk is not in accordance with the Fund's terms and conditions, then the Fund Manager is required to rebalance the portfolio within a reasonable period of time of each determination of such occurrence.

Exposure

A breakdown of the investments based on the type of commission rate on sukuk is as follows:

	31 December 2020			31 December 2019		
	Cost	Market value		Cost	Market value	
	In USD	In USD	%	In USD	In USD	%
Fixed rate	37,527,059	37,584,836	90.48	15,122,844	15,116,083	71.08
Floating rate	3,956,777	3,955,379	9.52	6,183,218	6,149,870	28.92
	41,483,836	41,540,215	100.00	21,306,062	21,265,953	100.00

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10. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Market risk (*continued*)

Mismatch of commission rate sensitive assets and liabilities

A summary of the Fund's commission rate gap position analyzed by the earlier of contractual re-pricing or maturity date, is as follows:

31 December 2020				
	Not exposed to commission rate risk	Up to 3 months	3 to 6 months	Total
Cash and cash equivalents	669,399	--	--	669,399
Investments	37,584,836	1,066,212	2,889,167	41,540,215
Accrued commission income	374,278	--	--	374,278
Total assets	38,628,513	1,066,212	2,889,167	42,583,892
Management fee payable	19,980	--	--	19,980
Accrued expenses and other current liabilities	18,537	--	--	18,537
Fund board fee payable	--	--	--	--
Total liabilities	38,517	--	--	38,517
Commission rate gap	38,589,996	1,066,212	2,889,167	42,545,375

31 December 2019				
	Not exposed to commission rate risk	Up to 3 months	3 to 6 months	Total
Cash and cash equivalents	4,338,802	--	--	4,338,802
Investments	15,116,083	2,590,166	3,593,053	21,299,302
Accrued commission income	182,871	--	--	182,871
Total assets	19,637,756	2,590,166	3,588,561	25,820,975
Management fee payable	22,853	--	--	22,853
Accrued expenses and other current liabilities	10,122	--	--	10,122
Fund board fee payable	754	--	--	754
Total liabilities	33,729	--	--	33,729
Commission rate gap	19,604,027	2,590,166	3,588,561	25,787,246

Sensitivity analysis

The sensitivity analysis reflects how net assets (equity) attributable to the Unitholders would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date

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10. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Market risk (*continued*)

Fair value sensitivity analysis for fixed rate instruments

Management has determined that a fluctuation in commission rates of 100 basis points is reasonably possible, considering the economic environment in which the Fund operates. The table below sets out the effect on the Fund's net assets (equity) attributable to the Unitholders of a reasonably possible increase of 100 basis points in commission rate as at reporting date. The impact of such an increase or reduction has been estimated by calculating the fair value changes of the fixed commission rate sukuk and other fixed commission rate bearing assets. The impact is primarily from the decrease in the fair value of fixed-income sukuk. This analysis assumes that

all other variables, in particular foreign currency rates, remain constant. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

Effect in amounts of USD (decrease)

	31 December 2020	31 December 2019
Net assets (equity) attributable to the Unitholders (reduction)	<u>(1,525,159)</u>	<u>(536,915)</u>

Effect in % of net assets (equity) attributable to the Unitholders (decrease)

	31 December 2020	31 December 2019
	%	%
Net assets (equity) attributable to the Unitholders (reduction)	<u>-3.58</u>	<u>-2.08</u>

A reduction in commission rates of the same amount would have resulted in an opposite effect to the amounts shown.

Cash flow sensitivity analysis for variable rate instruments

The following table demonstrates the sensitivity of the income to a reasonably possible decrease of 100 basis points in commission rate, with all other variables held constant. The sensitivity of the income is the effect of the assumed changes in special commission rates on the Fund's income for one year, based on the floating rate financial assets held as at the year-end.

Effect in amounts of USD (decrease)

	31 December 2020	31 December 2019
Net assets (equity) attributable to the Unitholders (reduction)	<u>(39,554)</u>	<u>(61,498)</u>

Effect in % of net assets (equity) attributable to the Unitholders (decrease)

	31 December 2020	31 December 2019
	%	%
Net assets (equity) attributable to the Unitholders (reduction)	<u>-0.09</u>	<u>-0.24</u>

An increase in commission rates of the same amount would have resulted in an opposite effect to the amounts shown.

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10. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Market risk (*continued*)

iii) 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.

Exposure

The portfolio management team monitors the concentration of risk debt securities based on counterparties economic sectors and geographic location (refer credit risk).

"Concentration risk management" Fund's risk management processes aim to ensure that an acceptable level of risk diversification is maintained across the Fund's investments. Various thresholds are set to regularly monitor the concentration of investments in respect of major industry groups, economic sectors, geographical and single counterparty exposures, in addition to notional limits for country exposures. Governance processes exist to ensure that exposures are regularly monitored, and appropriate actions are taken to ensure portfolio allocation continues to be meet long term Fund's investment objectives.

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 or interest rate risk. The Fund is not exposed to any equity price risk.

b) Credit risk

Credit risk is the risk that 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 sukuk held and cash and cash equivalents. 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" as 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 the majority of transactions, the Fund mitigates this risk by conducting settlements through an independent global clearing system 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:

	31 December 2020	31 December 2019
Cash and cash equivalents	669,399	4,338,802
Investments	41,540,215	21,265,953
Accrued commission income	374,278	182,871
	<u>42,583,892</u>	<u>25,787,626</u>

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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 balance due from counterparties 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 counterparties used.

The Fund has invested in sukuk with the following credit quality.

<u>Rating</u>	31 December 2020		31 December 2019	
	USD	%	USD	%
A+	302,300	0.73	582,412	2.74
A	4,891,323	11.77	--	--
A-	4,551,957	10.96	2,695,181	12.67
AA	525,707	1.27	--	--
AA-	655,736	1.58	--	--
B+	2,540,000	6.11	2,954,899	13.89
B	3,767,714	9.07	--	--
B-	--	--	828,338	3.9
BB+	2,581,472	6.21	292,082	1.37
BB	--	--	263,250	1.24
BB-	2,653,528	6.39	--	--
BBB+	2,466,918	5.94	4,747,856	22.33
BBB	2,838,467	6.83	--	--
BBB-	6,261,638	15.07	4,100,716	19.28
Unrated	7,503,455	18.07	4,801,219	22.58
	41,540,215	100.00	21,265,953	100.00

The Fund Manager reviews the credit concentration of debt securities held based on counterparties, economic sector and geographic location. The Fund's Sukuk investments are concentrated in the following economic sectors:

<u>Economic sectors</u>	31 December 2020		
	Cost	Fair value	% of fair value to total sukuk investment
Banking	15,064,197	15,271,803	36.76
Sovereign	13,265,710	13,338,935	32.11
Real estate management and development	3,954,758	4,004,305	9.64
Airlines	2,231,453	1,912,893	4.60
Utilities	1,852,707	1,869,194	4.50
Commercial services	1,814,640	1,842,309	4.44
Electrical	1,677,846	1,673,304	4.03
Chemical	1,023,477	1,023,297	2.46
Food and beverages	599,048	604,175	1.45
Total	41,483,836	41,540,215	100.00

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10. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (*continued*)

	31 December 2019		
			% of fair value to total sukuk investment
<u>Economic sectors</u>	<u>Cost</u>	<u>Fair value</u>	
Sovereign	4,787,673	4,813,633	22.64
Banks	4,548,269	4,514,784	21.23
Real Estate	3,922,513	3,921,188	18.44
Utilities	2,691,685	2,695,181	12.67
Aviation	2,574,659	2,519,893	11.85
Investment companies	1,333,908	1,386,824	6.52
Chemical	1,151,312	1,151,200	5.41
Health care	296,043	263,250	1.24
Total	<u>21,306,062</u>	<u>21,265,953</u>	<u>100.00</u>

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10. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

The Fund's debt investments are concentrated to following issuers.

<u>Name of issuer / security</u>	31 December 2020		
	<u>Cost</u>	<u>Fair value</u>	<u>% of fair value to total sukuk investment</u>
Bank Al Jazira - 06/02/2026	1,866,900	1,865,871	4.49
Emaar Malls Group Sukuk Limited- 06/18/2024	1,332,501	1,366,625	3.30
Riyad Sukuk Limited - 02/25/2030	1,055,030	1,180,686	2.84
Garuda ID Global Sukuk - 12/03/2023	1,480,002	1,169,200	2.81
Saudi Electric Company - 01/30/2054	1,066,400	1,066,212	2.57
Saudi Electric Company -04/08/2024	1,041,925	1,060,896	2.55
Dubai DOF Sukuk Limited -01/30/2023	1,049,201	1,055,020	2.54
Dubai Ports World Crescent Limited - 09/26/2028	1,007,644	1,028,832	2.48
Sadara Basic Services Company - 12/15/2028	1,023,477	1,023,297	2.46
Dubai Islamic Bank Tier 1 Sukuk 2 Limited - 01/20/2021	1,000,135	967,726	2.33
Third Pakistan International Sukuk - 10/13/2021	838,029	824,175	1.98
CBB International Sukuk Programme Company SPC - 03/30/2027	815,901	819,054	1.97
KSA Sukuk Limited - 10/29/2029	809,607	814,041	1.96
KSA Sukuk Limited - 04/20/2027	781,785	813,838	1.96
Qatar Islamic Bank - 10/27/2025	811,227	812,091	1.95
Qatar Islamic Bank - 05/23/2022	811,050	810,655	1.95
Emirates Islamic Bank PJSC Sukuk Limited 09/23/2025	809,427	807,822	1.94
Dubai Aerospace Enterprise Sukuk DIFC Limited - 02/15/2026	805,699	806,486	1.94
Dubai DOF Sukuk Limited -04/30/2029	806,159	805,327	1.94
Abu Dhabi Islamic Bank - 09/20/2023	801,119	797,795	1.92
Perusahaan Penerbit SBSN - 08/20/2024	736,699	766,625	1.85
Medjool Limited - 03/19/2023	751,451	743,693	1.79
Oman Sovereign Sukuk - 10/31/2025	661,200	657,582	1.58
First Abu Dhabi Bank Sukuk Company Limited - 01/22/2024	640,810	655,736	1.58
Dubai Islamic Bank Tier 1 Sukuk 3 Limited - 01/22/2025	634,624	638,620	1.54
Arabian Centres Sukuk - 11/26/2024	531,660	623,725	1.50
ESIC Sukuk Limited -07/30/2024	602,521	619,845	1.50
Emaar Sukuk Emaar - 09/15/2026	612,751	608,463	1.46
Hazine Mustesarligi Varlik Kiralama- 04/06/2023	605,246	607,922	1.46
Mazoon Assets Co SAOC - 11/08/2027	611,446	607,092	1.46
Emaar Sukuk Emaar - 09/17/2029	610,500	606,384	1.46
Arab National Bank Sukuk - 10/28/2030	600,482	605,961	1.46

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10. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (*continued*)

<u>Name of investee / security</u>	<u>31 December 2020</u>		
	<u>Cost</u>	<u>Fair value</u>	<u>% of fair value to total sukuk investment</u>
Almarai Sukuk Limited - 03/05/2024	599,048	604,175	1.45
Sharah Islamic Bank -06/23/2025	603,433	601,048	1.45
Dubai Islamic Bank 01/16/2026	600,978	599,744	1.44
Perusahaan Penerbit SBSN - 02/20/2029	591,601	593,125	1.43
Meraas Holding Sukuk Limited - 05/31/2022	581,613	571,406	1.38
Noor Tier 1 Sukuk Limited -06/01/2021	574,839	563,612	1.36
Arab Petroleum Investments Corporation Sukuk Limited - 11/01/2022	517,357	525,707	1.27
Mumtalakat Sukuk Holding -02/27/2024	496,625	519,355	1.25
Noor Sukuk Company Limited 04/24/2023	505,637	503,693	1.21
Oman Sovereign Sukuk - 14/17/2022	468,149	468,144	1.13
KSA Sukuk Limited -01/19/2029	430,965	431,576	1.04
Dubai Ports World Crescent Limited - 07/18/2029	401,016	408,694	0.98
Saudi Electric Company - 04/03/2022	406,652	407,078	0.98
Sharjah Sukuk Program - 10/23/2029	403,480	405,011	0.97
Dubai Ports World Crescent Limited - 05/31/2023	405,980	404,783	0.97
Alpha Star Holding III - 04/18/2023	400,485	403,988	0.97
Perusahaan Penerbit SBSN - 03/29/2027	403,650	402,773	0.97
RAK Capital - 03/31/2025	404,393	402,642	0.97
Sharjah Sukuk Program - 03/14/2028	402,080	402,304	0.97
Saudi Electric Company - 04/08/2044	404,130	401,220	0.97
Perusahaan Penerbit SBSN - 06/23/2023	399,749	399,375	0.96
Sharjah Sukuk Program -06/10/2027	400,015	399,037	0.96
Alpha Star Holding Iii 04/20/2022	396,000	399,000	0.96
CBB International Sukuk Programme Company SPC - 02/12/2024	397,750	398,675	0.96
Perusahaan Penerbit SBSN - 03/01/2028	378,350	377,545	0.91
Hazine Mustesarligi Varlik Kiralama - 11/25/2024	351,141	364,716	0.88
Qatar Islamic Bank - 03/26/2024	302,215	302,778	0.73
Masraf Al Rayan QSC Sukuk Limited - 11/13/2024	304,317	302,300	0.73
Perusahaan Penerbit SBSN - 06/23/2025	300,375	299,025	0.72
Oman Sovereign Sukuk - 06/01/2024	291,456	296,984	0.72
CBB International Sukuk Programme Company SPC 11/14/2024	283,929	285,212	0.69
Hazine Mustesarligi Varlik Kiralama - 02/21/2024	254,800	249,207	0.60
Dubai Islamic Bank - 02/20/2025	209,020	208,986	0.50
Total	41,483,836	41,540,215	100.00

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10. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (*continued*)

<u>Name of investee / security</u>	31 December 2019		
	Cost	Fair value	% of fair value to total sukuk investment
ESIC Sukuk Limited - 07/30/24	2,008,400	1,996,590	9.39
Bank Al Jazira - 06/02/26	1,866,900	1,866,020	8.77
Hazine Mustesarligi Varlik Kiralama - 11/25/24	1,553,940	1,583,978	7.45
Dubai Islamic Bank	1,523,767	1,495,013	7.03
Garuda ID Global Sukuk - 06/03/20	1,522,628	1,474,450	6.93
Mumtalakat Sukuk Holding - 11/25/21	1,333,908	1,386,824	6.52
Hazine Mustesarligi Varlik Kiralama - 04/06/23	1,367,549	1,370,921	6.45
Emaar Properties PJSC - 06/18/24	1,332,500	1,365,813	6.42
Sadara Basic Services Company - 12/15/28	1,151,312	1,151,201	5.41
Saudi Electric Company - 01/30/54	1,066,400	1,066,297	5.01
Medjool Limited - 03/19/23	1,052,031	1,045,443	4.92
Saudi Electric Company - 04/03/22	886,295	887,213	4.17
Third Pakistan International Sukuk - 10/13/21	838,029	828,338	3.9
Saudi Electric Company - 04/08/24	738,990	741,671	3.49
Perusahaan Penerbit SBSN - 08/20/24	736,700	738,313	3.47
Dubai sukuk - 05/31/21	582,763	582,412	2.74
Dubai Holding limited liability company - 1/6/2019	574,840	571,340	2.69
Meraas Holding - 05/31/22	581,612	558,784	2.63
Oman Sovereign Sukuk - 06/01/24	291,455	292,082	1.37
NMC Health Sukuk Limited - 11/21/23	296,043	263,250	1.24
	<u>21,306,062</u>	<u>21,265,953</u>	<u>100.00</u>

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10. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (*continued*)

A breakdown of the investments based on the type of issuer of those instruments is as follows:

Type of Issuers	31 December 2020			31 December 2019		
	Cost USD	Fair Value USD	% of fair value	Cost USD	Fair Value USD	% of fair value
Government	15,597,121	15,708,356	37.81	9,396,028	9,478,050	44.57
Corporate	25,886,715	25,831,859	62.19	11,910,034	11,787,903	55.43
	41,483,836	41,540,215	100.00	21,306,062	21,265,953	100.00

The Fund's Sukuk investments are concentrated in the following geographical locations:

31 December 2020			
Country of domicile	Cost	Fair value	% of fair value to total sukuk investment
United Arab Emirates	18,057,828	18,084,624	43.54
Kingdom of Saudi Arabia	11,135,418	11,424,283	27.50
Republic of Indonesia	4,290,427	4,007,668	9.65
Sultanate of Oman	2,032,250	2,029,803	4.89
Kingdom of Bahrain	1,994,206	2,022,296	4.87
State of Qatar	1,924,493	1,925,524	4.64
Republic of Turkey	1,211,185	1,221,841	2.94
Islamic Republic of Pakistan	838,029	824,176	1.98
Total	41,483,836	41,540,215	100.00

31 December 2019			
Country of domicile	Cost	Fair value	% of fair value to total sukuk investment
United Arab Emirates	7,951,958	7,878,645	37.05
Kingdom of Saudi Arabia	5,709,896	5,712,402	26.86
Republic of Turkey	2,921,489	2,954,899	13.89
Republic of Indonesia	2,259,328	2,212,763	10.41
Kingdom of Bahrain	1,333,908	1,386,824	6.52
Islamic Republic of Pakistan	838,028	828,338	3.90
Sultanate of Oman	291,455	292,082	1.37
Total	21,306,062	21,265,953	100.00

The Fund has not offset any financial asset and financial liability 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.

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10. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

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 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.

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:
 - appropriate segregation of duties between various functions, roles and responsibilities;
 - reconciliation and monitoring of transactions; and
 - 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.

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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 sukuk that are actively traded on debt markets at their average of last reported bid and ask prices. To the extent that sukuk securities are actively traded and valuation adjustment are not applied, they are categorized in Level 1 of their fair value hierarchy.

In other cases, the fair value is estimated using the market comparison/discounted cash flow technique (Level 3 measurement). This considers (i) current or recent quoted prices for identical securities in markets that are not active and (ii) a net present value calculated using discount rates derived from quoted prices of securities with similar maturity and credit rating that are traded in active markets, adjusted by an illiquidity factor.

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.

	31 December 2020				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets at fair value</u>					
Investments	41,540,215	37,565,690	--	3,974,525	41,540,215
	31 December 2019				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets at fair value</u>					
Investments	21,265,953	17,174,435	--	4,091,518	21,265,953

For the years ended 31 December 2020 and 31 December 2019, there were no transfers between levels.

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11. FAIR VALUE MEASUREMENT (CONTINUED)

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

The following table shows a reconciliation from opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy.

	31 December 2020	31 December 2019
Balance as at beginning of the year	4,091,518	10,339,082
(Loss) / gain recognized in statement of comprehensive income	(116,993)	29,277
Sales of investments	--	(6,276,841)
Balance at the end of the year	<u>3,974,525</u>	<u>4,091,518</u>

The table below sets out information about significant unobservable inputs used as at 31 December 2020 in measuring debt instrument categorized as Level 3 in the fair value hierarchy.

<u>Description</u>	<u>Fair value</u>	<u>Unobservable inputs</u>	<u>Weighted average input</u>	<u>Reasonable possible shift +/- (absolute value)</u>	<u>Change in valuation</u>
Sukuk	<u>3,974,525</u>	Cost of Capital	3.58%	0.50%	-0.16%
		Probability of default	<u>0.08%</u>	<u>0.10%</u>	<u>-0.10%</u>

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 day and unit 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).