

**JADWA SAUDI EQUITY FUND**  
**An open-ended mutual fund**  
**(MANAGED BY JADWA INVESTMENT COMPANY)**  
**FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022**  
**together with the**  
**Independent Auditor's Report to the Unitholders**

**JADWA SAUDI EQUITY FUND**  
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## KPMG Professional Services

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Headquarters in Riyadh

## كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار  
صندوق بريد ٩٢٨٧٦  
الرياض ١١٦٦٣  
المملكة العربية السعودية  
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

# 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 2022, 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 2022, 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 Chartered and Professional 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 International Code of Ethics for Professional Accountants (including International Independence Standards), that is 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 the Code's 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 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.

## Independent Auditor's Report

To the Unitholders of Jadwa Saudi Equity Fund (continued)

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional 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.

### KPMG Professional Services



**Hani Hamzah A. Bedairi**  
License No: 460

Riyadh, 7 Ramadan 1444H  
Corresponding to: 29 March 2023



**JADWA SAUDI EQUITY FUND**  
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**(MANAGED BY JADWA INVESTMENT COMPANY)**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2022**  
*(Amounts in Saudi Arabian Riyals)*

	<i>Notes</i>	<b>31 December 2022</b>	31 December 2021
<b>ASSETS</b>			
Cash and cash equivalents	7	<b>40,535,298</b>	50,802,148
Investments	8	<b>732,289,776</b>	586,374,078
Dividend receivable		<b>628,818</b>	--
<b>Total assets</b>		<b>773,453,892</b>	637,176,226
<b>LIABILITIES</b>			
Management fee payable	9	<b>1,059,707</b>	2,765,059
Accrued expenses and other liabilities		<b>596,604</b>	689,299
<b>Total liabilities</b>		<b>1,656,311</b>	3,454,358
<b>Net assets (equity) attributable to the Unitholders (SAR)</b>		<b>771,797,581</b>	633,721,868
<b>Units in issuance (numbers)</b>			
Class A		<b>1,215,569.04</b>	669,509.64
Class B		<b>639,342.28</b>	647,093.26
Class C		<b>26,028.71</b>	44,742.61
<b>Net assets (equity) value attributable to each unit (SAR)</b>			
Class A		<b>271.8197</b>	270.2826
Class B		<b>679.0986</b>	680.7168
Class C		<b>276.8286</b>	274.4098

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

**JADWA SAUDI EQUITY FUND**  
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**(MANAGED BY JADWA INVESTMENT COMPANY)**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2022**  
*(Amounts in Saudi Arabian Riyals)*

	<i>Notes</i>	<b>31 December 2022</b>	31 December 2021
(Loss) / gain on investments, net	8.2	<b>(4,890,242)</b>	165,899,159
Dividend income		<b>20,241,622</b>	12,554,366
<b>Total income</b>		<b>15,351,380</b>	178,453,525
Management fees	9	<b>(12,998,934)</b>	(9,364,954)
Other operating expenses		<b>(3,123,127)</b>	(2,275,449)
Fund Board fees	9	<b>(16,000)</b>	(16,000)
<b>Total operating expenses</b>		<b>(16,138,061)</b>	(11,656,403)
<b>Net (loss) / income for the year</b>		<b>(786,681)</b>	166,797,122
Other comprehensive income for the year		--	--
<b>Total comprehensive (loss) / income for the year</b>		<b>(786,681)</b>	166,797,122

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

**JADWA SAUDI EQUITY 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 2022**  
*(Amounts in Saudi Arabian Riyals)*

	<b>31 December 2022</b>	31 December <u>2021</u>
<b>Net assets (equity) attributable to the Unitholders at beginning of the year</b>	<b>633,721,868</b>	460,315,441
Net (loss) / income for the year	<b>(786,681)</b>	166,797,122
<i>Contributions and redemptions by the Unitholders</i>		
<b>Proceeds from issuance of units:</b>		
Class A	<b>178,000,000</b>	134,036,800
Class B	<b>137,267,505</b>	154,073,597
Class C	<b>1,922,169</b>	4,682,322
	<b>317,189,674</b>	292,792,719
<b>Payment made against redemption of units:</b>		
Class A	<b>(41,202,213)</b>	(221,724,641)
Class B	<b>(131,730,570)</b>	(63,038,211)
Class C	<b>(5,394,497)</b>	(1,420,562)
	<b>(178,327,280)</b>	(286,183,414)
<b>Net assets (equity) attributable to the Unitholders at end of the year</b>	<b>771,797,581</b>	633,721,868

The accompanying notes (1) to (15) form 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 2022**

<b>Units transactions <i>(numbers)</i></b>	<b>31 December 2022</b>				<b>31 December 2021</b>			
	<b>Class A</b>	<b>Class B</b>	<b>Class C</b>	<b>Total</b>	<b>Class A</b>	<b>Class B</b>	<b>Class C</b>	<b>Total</b>
<b>Units in issuance at the beginning of the year</b>	<b>669,509.64</b>	<b>647,093.26</b>	<b>44,742.61</b>	<b>1,361,345.51</b>	1,092,068.18	482,090.33	32,734.81	1,606,893.32
Issuance of units during the year	<b>684,291.62</b>	<b>188,594.85</b>	<b>6,351.81</b>	<b>879,238.28</b>	550,271.09	273,207.35	17,894.32	841,372.76
Redemption of units during the year	<b>(138,232.22)</b>	<b>(196,345.83)</b>	<b>(25,065.71)</b>	<b>(359,643.76)</b>	(972,829.63)	(108,204.42)	(5,886.52)	(1,086,920.57)
<b>Units in issuance at the end of the year</b>	<b><u>1,215,569.04</u></b>	<b><u>639,342.28</u></b>	<b><u>26,028.71</u></b>	<b><u>1,880,940.03</u></b>	<u>669,509.64</u>	<u>647,093.26</u>	<u>44,742.61</u>	<u>1,361,345.51</u>

The accompanying notes (1) to (15) form 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 2022**  
*(Amounts in Saudi Arabian Riyals)*

	<u>Notes</u>	<u>31 December</u> <u>2022</u>	<u>31 December</u> <u>2021</u>
<b>Cash flows from operating activities</b>			
Net (loss) / income for the year		(786,681)	166,797,122
<i>Adjustments for:</i>			
Loss / (gain) on investments, net	8.2	4,890,242	(165,899,159)
Dividend income		<u>(20,241,622)</u>	<u>(12,554,366)</u>
		(16,138,061)	(11,656,403)
<b>Net changes in operating assets and liabilities</b>			
Purchase of investments		(624,604,928)	(348,919,580)
Proceeds from sale of investments		473,980,177	353,478,786
Management fee payable		(1,705,352)	2,135,972
Accrued expenses and other liabilities		<u>(92,695)</u>	<u>490,870</u>
<b>Net cash used in operations</b>		(168,560,859)	(4,470,355)
Dividend received		<u>19,431,615</u>	<u>12,554,366</u>
<b>Net cash (used in) / generated from operating activities</b>		<u>(149,129,244)</u>	<u>8,084,011</u>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of units		317,189,674	292,792,719
Payment made against redemption of the units		<u>(178,327,280)</u>	<u>(286,183,414)</u>
<b>Net cash generated from financing activities</b>		<u>138,862,394</u>	<u>6,609,305</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>		(10,266,850)	14,693,316
Cash and cash equivalents at beginning of the year	7	<u>50,802,148</u>	36,108,832
<b>Cash and cash equivalents end of the year</b>	7	<u><u>40,535,298</u></u>	<u><u>50,802,148</u></u>

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

**JADWA SAUDI EQUITY FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022**

**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.

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.

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), and 17 Rajab 1442 H (corresponding to 1 March 2022), detailing requirements for all funds within the Kingdom of Saudi Arabia.

- b) 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.
- c) 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 Chartered and Professional Accountants (“SOCPA”) and to comply with the applicable provisions of the Investment Fund Regulations issued by CMA, the Fund’s terms and conditions.

**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.

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**5. USE OF JUDGMENTS AND ESTIMATES**

The preparation of these financial statements in accordance with IFRS requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires the Fund Manager to exercise its judgement in the process of applying the Fund's accounting policies. Such judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting 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 years presented, unless otherwise stated.

**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) *Net gain or loss on financial assets and liabilities at FVTPL***

Net gains or losses on financial assets and liabilities at FVTPL are changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as at FVTPL and exclude interest and dividend income.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the year and from reversal of the prior year's unrealised gains and losses for financial instruments, which were realised in the reporting period. Realised gains and losses on disposals of financial instruments classified as at FVTPL are calculated using the weighted average cost method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

**c) *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.

**d) *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.

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

**e) *Management fee***

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

**f) *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.

**g) *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;

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

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

*Business model assessment (continued)*

- 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.

*Assessment whether contractual cash flows are solely payments of principal and profit*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Profit' 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 profit, 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 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.

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

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

***Recognition and initial measurement (continued)***

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.

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.

**h) *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

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

***h) Fair value measurement***

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 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.

***i) 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.

***j) 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.

***k) New IFRS Standards, interpretations and amendments adopted by the Fund***

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) have been effective from 1 January 2022 and accordingly adopted by the Fund, as applicable:

<u><b>Standards / Amendments</b></u>	<u><b>Description</b></u>
Amendments to IFRS 16	Leases for COVID -19 rent related concessions
IFRS standards 2018-2020	Annual improvements to IFRS standards 2018-2020
Amendment to IAS 37	Onerous contracts - Cost of fulfilling a Contract
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IFRS 3	Reference to conceptual framework

The adoption of the amended standards and interpretations applicable to the Fund did not have any significant impact on these financial statements.

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

***l) Accounting standards issued but not yet effective***

A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Fund has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Fund's financial statements.

<u><i>Standards / Interpretation</i></u>	<u><i>Description</i></u>	<u><i>Effective from periods beginning on or after the following date</i></u>
Amendments to IAS 1	These narrow-scope amendments to IAS 1, 'Presentation of financial statements'	1 January 2024
Narrow scope amendments to IAS 8	Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors, definition of accounting estimates.	1 January 2023
Amendment to IAS 12	Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
IFRS 17	IFRS 17, 'Insurance contracts', as amended in December 2021	1 January 2023
Amendments to IAS 1	Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	1 January 2024
Amendments to IFRS 16	Lease liability in a Sale and Leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption / effective date deferred indefinitely

**7. CASH AND CASH EQUIVALENTS**

These comprise of balances held with local banks having sound credit rating.

**8. INVESTMENTS**

	<u><i>Note</i></u>	<b>31 December 2022</b>	31 December 2021
Investment measured at FVTPL:			
- Equity securities	11(a)	<b>701,369,224</b>	586,374,078
Investment measured at amortised cost:			
- Murabaha placements	8.1	<b>30,920,552</b>	--
<b>Total</b>		<b>732,289,776</b>	586,374,078

8.1 These placements have original maturities of more than three months and carry annual profit rates ranging from 4.30% to 5.35% per annum. As at 31 December 2022, these placements included an accrued profit of SAR 181,189 million.

8.2 Below are the details of gain / (loss) on investments measured at FVTPL:

	<b>31 December 2022</b>	31 December 2021
Realized gain on investments at FVTPL, net	<b>81,530,933</b>	82,942,645
Unrealized (loss) / gain on investments at FVTPL, net	<b>(86,421,175)</b>	82,956,514
	<b>(4,890,242)</b>	165,899,159



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**9. RELATED PARTY TRANSACTIONS AND BALANCES**

The related parties of the Fund include the Fund Manager, the Fund Board 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.

<u>Related party</u>	<u>Nature of relationship</u>	<u>Nature of transactions</u>	<u>For the year ended 31 December</u>	
			<u>2022</u>	<u>2021</u>
Jadwa Investment Company	The Fund Manager	Management fees	<u>12,998,934</u>	9,364,954
The Fund Board	The Fund Board	The Fund Board compensation (Independent members)	<u>16,000</u>	16,000

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 2022</u>	<u>31 December 2021</u>
Jadwa Investment Company	The Fund Manager	Management fee payable	<u>1,059,707</u>	2,765,059

The units in issue as at 31 December 2022 includes 12,842 units (31 December 2021: 4,963 units) held by the Nafaqah Waqf Fund (a fund managed by the Fund Manager).

**10. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

The table below sets out the classification of the carrying amounts of the Fund's financial assets and financial liabilities into categories of financial instruments:

<u>31 December 2022</u>	<u>Amortized cost</u>	<u>FVTPL</u>
<i>Financial assets</i>		
Cash and cash equivalents	40,535,298	--
Investments	30,920,552	701,369,224
Dividend receivable	628,818	--
<b>Total financial assets</b>	<u>72,084,668</u>	<u>701,369,224</u>
<i>Financial liabilities</i>		
Management fee payable	1,059,707	--
Accrued expenses and other liabilities	596,604	--
<b>Total financial liabilities</b>	<u>1,656,311</u>	<u>--</u>
<u>31 December 2021</u>	<u>Amortized cost</u>	<u>FVTPL</u>
<i>Financial assets</i>		
Cash and cash equivalents	50,802,148	--
Investments	--	586,374,078
<b>Total financial assets</b>	<u>50,802,148</u>	<u>586,374,078</u>
<i>Financial liabilities</i>		
Management fee payable	2,765,059	--
Accrued expenses and other liabilities	689,299	--
<b>Total financial liabilities</b>	<u>3,454,358</u>	<u>--</u>

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**11. FINANCIAL RISK MANAGEMENT**

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 target asset allocations as per the terms and conditions is monitored by the portfolio management team on a regular basis.

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 and equity prices – 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.

*i. Foreign 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.

*ii. Special commission rate risk*

Special commission rate risk is the risk that the value of the future cash flows of a financial instrument or fair values of fixed coupon financial instruments will fluctuate due to changes in market commission rates. The Fund is not subject to any special commission rate risk as at 31 December 2022, as all investments are measured at amortized cost are at fixed rate.

*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.

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.

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

**a) Market risk (Continued)**

*iii. Other price risk (continued)*

**Exposure**

The Fund Manager monitors the concentration of risk for equity investments based on counterparties with economic sector. The composition of the Fund's investment in equity securities is as follows:

<u>Name of investee / security</u>	<b>31 December 2022</b>		<b>% of Fair value to total equity investment</b>
	<b>Cost</b>	<b>Fair value</b>	
Saudi Arabian Oil Company	108,605,070	97,791,591	13.94
Al Rajhi Banking and Investment Corporation	39,076,396	63,242,448	9.02
SABIC Agri-Nutrients Company	55,222,163	58,583,217	8.35
Saudi Industrial Investment Group	55,156,837	48,693,173	6.94
Saudi Research And Media Group	19,132,128	44,169,762	6.30
Saudi Dairy & Foodstuff Company	22,863,010	37,024,560	5.28
Saudi Basic Industries Corporation	44,589,767	31,754,433	4.53
National Gas and Industrialization Company	25,271,744	30,205,823	4.31
Dr. Sulaiman Al Habib Medical Services Group	6,672,827	28,811,022	4.11
Saudi Aramco Base Oil Company	27,579,915	25,908,405	3.69
Elm Company	10,582,147	25,427,880	3.63
Bank Al-Jazira	23,320,499	24,570,671	3.50
Americana Restaurants International PLC	20,304,444	23,107,669	3.29
Bupa Arabia For Cooperative Insurance Company	12,143,628	21,653,404	3.09
National Company for Learning and Education	12,085,849	20,009,714	2.85
Etihad Etisalat Company	21,468,725	19,349,043	2.76
Saudi Airlines Catering Company	20,889,719	18,208,950	2.60
Arabian Drilling Company	16,160,100	18,196,273	2.59
Jadwa REIT Saudi Fund*	14,877,119	17,883,051	2.55
Saudi Ceramic Company	22,075,586	12,706,663	1.81
Aldrees Petroleum and Transport Services Company	4,671,170	11,409,910	1.63
Mouwasat Medical Services Company	4,176,340	9,981,004	1.42
Riyadh Cables Group Company	9,504,763	8,012,736	1.14
Gas Arabian Services	4,287,162	3,263,531	0.47
Jahez International Company	1,837,336	1,404,291	0.20
	<b>602,554,444</b>	<b>701,369,224</b>	<b>100.00</b>

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

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

<u>Name of investee / security</u>	31 December 2021		% of Fair value to total equity investment
	<u>Cost</u>	<u>Fair value</u>	
Al Rajhi Banking and Investment Corporation	28,962,574	80,007,530	13.64
Saudi Arabian Oil Company	58,927,984	60,279,073	10.28
Saudi Research and Media Group	20,220,104	52,556,094	8.96
SABIC Agri-Nutrients Company	19,342,540	34,876,557	5.95
Jadwa REIT Saudi Fund*	19,884,287	27,755,873	4.73
Bank Al-Jazira	23,003,319	27,182,950	4.64
Dr Sulaiman Al Habib Medical Services Group	7,758,030	24,507,460	4.18
Saudi Industrial Investment Group	21,600,476	24,137,668	4.12
Advanced Petrochemicals Company	14,641,755	21,402,938	3.65
Mouwasat Medical Services Company	9,593,706	19,066,381	3.25
Saudi Basic Industries Corporation	17,632,536	18,485,296	3.15
Saudi Dairy and Foodstuff Company	11,415,759	17,870,655	3.05
Saudi Airlines Catering Company	18,790,755	16,692,490	2.85
Bupa Arabia For Cooperative Insurance Company	11,708,892	16,005,703	2.73
Saudi Ceramic Company	16,479,176	15,698,155	2.68
Almarai Company	17,146,758	14,864,655	2.54
National Petrochemical Company	8,802,146	14,129,000	2.41
National Gas and Industrialization Company	9,485,538	12,753,368	2.17
Saudi Kayan Petrochemical Company	10,162,055	11,866,838	2.02
Aldrees Petroleum and Transport Services Company	5,336,243	11,702,959	2.00
Saudi Telecom Company	9,801,971	11,004,972	1.88
Arabian Internet and Communications Services Company	8,716,475	10,863,845	1.85
National Company for Learning and Education	4,602,728	9,516,120	1.62
Jahez International Company	9,178,300	9,178,300	1.57
Abdullah Al-Othaim Markets Company	5,654,914	7,973,042	1.36
Saudi Tadawul Group Holding Company	5,638,815	6,755,837	1.15
Jarir Marketing Company	2,162,468	4,894,613	0.83
Almunajem Foods Company	4,487,820	4,345,706	0.74
Total	<u>401,138,124</u>	<u>586,374,078</u>	<u>100.00</u>

\* A fund managed by the Fund Manager.

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

**a) Market risk (continued)**

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.

<b>31 December 2022</b>			
<u><b>Economic sectors</b></u>	<u><b>Cost</b></u>	<u><b>Fair value</b></u>	<u><b>% of Fair value to total equity investment</b></u>
Materials	154,968,766	139,030,823	19.82
Energy	113,276,240	109,201,500	15.57
Banks	62,396,895	87,813,119	12.52
Food & Beverages	43,167,453	60,132,229	8.57
Media	19,132,128	44,169,762	6.30
Oil & Gas	43,740,015	44,104,678	6.29
Health Care Equipment & Service	10,849,167	38,792,026	5.53
Utilities	25,271,744	30,205,823	4.31
Software & Services	10,582,147	25,427,880	3.63
Insurance	12,143,628	21,653,404	3.09
Capital Goods	31,580,349	20,719,399	2.95
Consumer Services	12,085,849	20,009,714	2.85
Telecommunication Services	21,468,725	19,349,043	2.76
Commercial & Professional Service	20,889,719	18,208,950	2.60
REITs	14,877,119	17,883,051	2.55
Consumer Goods	4,287,162	3,263,531	0.47
Retailing	1,837,338	1,404,292	0.20
<b>Total</b>	<b>602,554,444</b>	<b>701,369,224</b>	<b>100.00</b>

<b>31 December 2021</b>			
<u><b>Economic sectors</b></u>	<u><b>Cost</b></u>	<u><b>Fair value</b></u>	<u><b>% of Fair value to total equity investment</b></u>
Materials	92,181,508	124,898,297	21.30
Banks	51,965,893	107,190,480	18.28
Energy	64,264,227	71,982,032	12.28
Media and Entertainment	20,220,104	52,556,094	8.96
Health Care Equipment and Service	17,351,736	43,573,841	7.43
Food and Beverages	28,562,517	32,735,310	5.58
Real Estate Investment Trusts	19,884,287	27,755,873	4.73
Commercial and Professional Service	18,790,755	16,692,490	2.85
Insurance	11,708,892	16,005,703	2.73
Capital Goods	16,479,176	15,698,155	2.68
Retailing	11,340,768	14,072,913	2.40
Utilities	9,485,538	12,753,368	2.17
Food and Staples Retailing	10,142,734	12,318,748	2.10
Telecommunication Services	9,801,971	11,004,972	1.88
Software and Services	8,716,475	10,863,845	1.85
Consumer Services	4,602,728	9,516,120	1.62
Diversified Financials	5,638,815	6,755,837	1.16
<b>Total</b>	<b>401,138,124</b>	<b>586,374,078</b>	<b>100.00</b>

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

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

The table below sets out the effect on net asset (equity) attributable to the Unitholders of a reasonably possible weakening / strengthening in the individual equity market prices of 1% at reporting date. The estimate are made on an individual investment basis. The analysis assumes that all other variables, in particular commission, remain constant.

	<b>31 December 2022</b>		<b>31 December 2021</b>	
	<b>%</b>	<b>SAR</b>	<b>%</b>	<b>SAR</b>
<i>Effect on net assets (equity) attributable to the Unitholders</i>	<b>± 0.90</b>	<b>± 7,013,692</b>	<b>± 0.93</b>	<b>± 5,863,741</b>

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

	<b>31 December 2022</b>	<b>31 December 2021</b>
Cash and cash equivalents	<b>40,535,298</b>	50,802,148
Investments measured at amortised cost	<b>30,920,552</b>	--
Dividend receivable	<b>628,818</b>	--
<b>Total exposure to credit risk</b>	<b>72,084,668</b>	<b>50,802,148</b>

The Fund does not have a formal internal grading mechanism. Credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Credit risks are generally managed on the basis of external credit ratings of the counterparties. Cash and cash equivalents are maintained with banks having sound credit ratings.

*Allowance for impairment*

The Fund has investments in Murabaha placements which are measured at amortised cost and the impact of ECL is not material to the financial statements since investments are with counter parties having sound credit rating. Hence, no impairment allowance is recorded 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.

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

**c) Liquidity risk (continued)**

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 contractual maturity profile of the financial assets and financial liabilities of the Fund is as follows:

	<i>Within 12 months</i>	<i>After 12 months</i>	<i>No fixed maturity</i>	<i>Total</i>
<b>As at 31 December 2022</b>				
Cash and cash equivalents	--	--	40,535,298	40,535,298
Investments measured at FVTPL			701,369,224	701,369,224
Investments measured at amortised cost	30,920,552	--	--	30,920,552
Dividend receivables	628,818	--	--	628,818
<b>Total financial assets</b>	<b>31,549,370</b>	<b>--</b>	<b>741,904,522</b>	<b>773,453,892</b>
Management fee payable	1,059,707	--	--	1,059,707
Accrued expenses and other liabilities	596,604	--	--	596,604
<b>Total financial liabilities</b>	<b>1,656,311</b>	<b>--</b>	<b>--</b>	<b>1,656,311</b>
	<i>Within 12 months</i>	<i>After 12 months</i>	<i>No fixed maturity</i>	<i>Total</i>
<b>As at 31 December 2021</b>				
Cash and cash equivalents	--	--	50,802,148	50,802,148
Investments measured at FVTPL	--	--	586,374,078	586,374,078
Total financial assets	--	--	637,176,226	637,176,226
Management fee payable	2,765,059	--	--	2,765,059
Accrued expenses and other liabilities	689,299	--	--	689,299
Total financial liabilities	3,454,358	--	--	3,454,358

**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;

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

**d) Operational risk (continued)**

- 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.

**12. FAIR VALUE MEASUREMENT**

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

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

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Fund determines 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 investment measured at FVTPL have been categorized in level 1 of the fair value hierarchy.

***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 2022				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
<b>Investments</b>	<b>732,108,587</b>	<b>701,369,224</b>	<b>--</b>	<b>30,920,552</b>	<b>732,108,587</b>
	31 December 2021				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
<b>Investments</b>	<b>586,374,078</b>	<b>586,374,078</b>	<b>--</b>	<b>--</b>	<b>586,374,078</b>

During the year, there were no transfers between the fair value hierarchy.

Other financial instruments such as cash and cash equivalents, dividend receivable, management fees payable, accrued expenses and other liabilities are short-term financial assets and financial liabilities whose carrying amounts are approximate to their fair value due to their short-term nature. Cash and cash equivalents are classified under level 1, while the remaining financial assets and liabilities are classified under level 3.



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**13. 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.

**14. LAST VALUATION DAY**

The last valuation day for the purpose of preparation of these financial statements was 31 December 2022 (2021: 31 December 2021).

**15. APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were authorized for issue by the Fund Board on 6 Ramadan 1444H (corresponding to 28 March 2023).