



Jadwa GCC Equity Fund

Interim Report 2019



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Investment Fund Information

Fund Name

Jadwa GCC Equity Fund

Benchmark

S&P GCC Shariah Composite Index (TR)

Inception Date

Unit Class 'A': March 22, 2018G

Unit Class 'B': June 30, 2007G

Unit Class 'C': March 22, 2018G

Investment Objective and Policies

To provide long-term capital growth by investing in GCC equity market in accordance with Shariah investment guidelines of the Fund Manager's Shariah Committee.

The Jadwa GCC Equity Fund invests in a diversified portfolio of Shariah-compliant companies listed on the GCC equity markets. It may also invest up to 25% of its assets in other Shariah-compliant equity funds in the GCC region.

The Fund offers investors the ability to benefit from the strong potential growth in the GCC economies and capital markets by providing access to a wide range of equity investments

The Fund Manager aims to achieve long-term capital growth with effective management, and a multi- strategy approach. The Fund portfolio is constructed utilizing a bottom-up approach to identify securities that are expected to generate long-term capital appreciation. The Fund Manager utilizes a combination of proprietary company research and third-party research to regularly assess market conditions and the individual securities in order to efficiently manage the Fund.

The Fund shall invest not less than 50% of its net assets in equity securities listed on the stock markets of GCC countries and approved by the Fund's Shariah committee.. During periods of perceived weak performance of equity markets, the Fund Manager may shift up to 50% of the Fund's assets to short- term Murabaha placements.

The Fund shall not invest more than 10% of its net assets in securities of any one issuer. However, where a listed company's market value exceeds 10% of total market capitalization of the investable universe of all Shariah-compliant listed companies, the Fund Manager is permitted to hold such company's shares up to the actual higher percentage. The investable universe of Shariah-compliant listed companies shall be reviewed and updated quarterly.



Distribution of Income and Gain Policy

Dividends and/or income are reinvested in the Fund and not paid out or distributed to investors.

Fund Manager

Jadwa Investment

A Saudi Closed Joint Stock Company (registration no. 1010228782, Licensed by Capital Market Authority under license number 37-6034

Head Office: P.O.Box 60677, Riyadh 11555, Saudi Arabia. Phone +966 11 279-1111 Fax +966 11 279-1571

Sub Fund Manager or Investment Advisor (if any)

The fund has no sub fund manager or investment advisor.

Fund Custodian

HSBC Saudi Arabia Limited

A Saudi Closed Joint Stock Company (registration no. 1010221555, Licensed by Capital Market Authority under license number 05008-37

Head Office: 7267 Olaya – AlMurooj, Riyadh 12283-2255, Saudi Arabia. Phone +966 920005920 Fax +966 11 299 2385

The custodian is responsible for taking custody and protecting fund assets on behalf of all unitholders and for taking all required administrative measures in regards to the custody of the fund's assets.

Fund Auditor

KPMG Al Fozan & Partners Certified Public Accountants

KPMG Tower, Riyadh, Salaheddin El Ayoubi Street PO BOX 92876 Al Riyadh 11663 Kingdom of Saudi Arabia

Website: www.kpmg.com



Fund Manager's Commentary

During 1H2019, global equity markets posted a strong recovery from the lows seen in December last year. The recovery however, was volatile driven by investor concerns regarding global growth. Trade war fears rocked global markets during the month of May (with MSCI ACWI falling 5.9% during the month) as US increased pressure on China to execute a deal by indicating higher tariffs on Chinese products. The effects of global developments in Emerging markets were stronger than in the US, with the EM index posting a decline of 7.5% during the same month. Since May, safe havens rallied, with Gold and JPY posting strong gains. In commodities space, strong recovery in oil markets suffered pullbacks; as investors adjusted their expectations in line with global developments.

Trade fears caused significant deterioration in sentiments, causing Chinese Yuan to weaken by 2.8%. US Dollar on the other hand strengthened, as USD yields chased down yields on other currencies.

Regional markets continued the performance which began in Q4 2018 until May when, in line with Global markets, witnessed corrections. For the 1H2019, Kuwait and Saudi Arabia were among better performers as compared to other regional and global markets.

Kuwait stock market underwent a lot of reform and as a result, FTSE promoted Kuwait to EM status in 2018. Due to FTSE EM inclusion, Kuwait witnessed net inflows of USD 926mn during 2018 and USD 1,274mn YTD till end of May 2019. Moreover, the country's inclusion in MSCI EM index is conditional upon Omnibus account structures and same NIN cross trades being made available to international institutional investors before the end of November 2019, which is expected to bring in additional USD 3 billion (for an expected 0.5% weight) in the local bourse in 2020. MSCI will communicate a final decision by December 31, 2019. With such index inclusion on the horizon, the market rallied, and remained largely insulated from the global developments and was up 16.5% for 1H 2019.

Tadawul All Share Index (TASI) greatly benefitted from global emerging markets index inclusions that became a reality this year. Beginning from January until June, the market witnessed foreign inflows of around USD 13.8 billion (i.e. USD 9.6 billion in passive money and USD 4.2 billion from active investors). Oil's move provided additional support to the market for majority of the period. Tadawul All Share Index closed the period up 12.71%, led by strong performance of banking and consumer sectors.

After years of sustained selling pressure witnessed in Dubai, the market finally seemed to have bottomed out, posting a gain (price return) of 5.1%. Despite this rally, the market offers a significant discount to majority of global, emerging as well as regional markets.

During 1H 2019, Jadwa GCC Equity Fund (class B) had a total return of 13.65% taking the fund's total annualized return since inception (on 30 June 2007) to 9.76%. The fund outperformed its benchmark, the S&P GCC Shariah Total Return Index, by 1.74% for the 1H 2019 and has outperformed its benchmark by 6.73% on annualized basis since inception.

For more details on performance, please refer to the Fund Performance section.

Turnover

	1H 2019
Fund	24.84%



Equity Allocation

	% of Net Assets 31-Dec-2018		% of Net Assets 30-June-2019
Equity	96.70%	Equity	99.64%
Net Cash	3.30%	Net Cash	0.36%
Total	100.00%	Total	100.00%

Top 3 Sector Allocations

Sector	% of Net Assets 31-Dec-2018	Sector	% of Net Assets 30-June-2019
Materials	24.71%	Banks	19.43%
Banks	19.55%	Materials	18.26%
Transportation	12.16%	Transportation	12.31%



Fund Performance

Performance returns are computed on the unit price of the fund in any given period.

Class 'A'	1-Year	3-Year	5-Year	Since Inception
Fund	-	-	-	-
Benchmark	-	-	-	-

*Inception: March 22, 2018

Class 'B'	1-Year	3-Year	5-Year	Since Inception
Fund	10.81%	26.78%	14.36%	205.94%
Benchmark	9.55%	38.84%	5.00%	43.04%

*Inception: June 30, 2007

Class 'C'	1-Year	3-Year	5-Year	Since Inception
Fund	-	-	-	-
Benchmark	-	-	-	-

*Inception: March 22, 2018

Fund	Class 'A'	Class 'B'	Class 'C'	Benchmark
2009	-	-40.15%	-	23.48%
2010	-	29.56%	-	16.54%
2011	-	19.76%	-	-2.82%
2012	-	0.75%	-	10.08%
2013	-	19.24%	-	27.95%
2014	-	46.40%	-	-2.69%
2015	-	8.29%	-	-14.73%
2016	-	-0.68%	-	11.03%
2017	-	5.57%	-	2.98%
2018*	-	-4.14%	-	10.59%**
2019 YTD	-	7.71%	-	11.91%

*Unit Class A & C inception date is March 22, 2018

**Benchmark return full year 2018.



Disclosures

Material Changes

No Material Changes during 1H 2019.

Investment in Other Funds

The fund has not invested on other funds during 1H 2019.

Fund Manager's Investment in the Fund

The fund manager's investment in the fund as of June 30, 2019 was SAR 0.00

For additional information please refer to the Terms & Conditions available on www.jadwa.com

Kindly refer to Annex A auditor statements regarding the Fund.



Annex A: Auditor Statement and Financial Statements

JADWA GCC EQUITY FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
Condensed Interim Financial Statements (Unaudited)
For the six-month period ended 30 June 2019
Together with the
Independent Auditor's Report to the Unitholders

JADWA GCC EQUITY FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
Condensed Interim Financial Statements (Unaudited)
For the six-month period ended 30 June 2019

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

To the Unitholders of Jadwa GCC Equity Fund

Introduction

We have reviewed the accompanying 30 June 2019 condensed interim financial statements of **Jadwa GCC Equity Fund** (the "Fund"), managed by Jadwa Investment Company (the "Fund Manager"), which comprises:

- the condensed interim statement of financial position as at 30 June 2019;
- the condensed interim statement of comprehensive income for the six-month period ended 30 June 2019;
- the condensed interim statement of changes in net assets (equity) attributable to the Unitholders for the six-month period ended 30 June 2019;
- the condensed interim statement of cash flows for the six-month period ended 30 June 2019; and
- the notes to the condensed interim financial statements.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2019 condensed interim financial statements of **Jadwa GCC Equity Fund** are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For **KPMG Al Fozan & Partners**
Certified Public Accountants

Khalil Ibrahim Al Sedais
License No. 371

Date: 5 Dhul-Hijjah 1440H
Corresponding to: 6 August 2019



JADWA GCC EQUITY FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2019
(Amounts in Saudi Arabian Riyals)

	<i>Notes</i>	30 June 2019	31 December 2018
		(Unaudited)	(Audited)
ASSETS			
Cash and cash equivalents	7	155,967	950,726
Investments	8	20,427,711	25,450,196
Dividend receivable		30,925	12,308
Total assets		20,614,603	26,413,230
LIABILITIES			
Management fee payable	<i>1(c),10</i>	65,361	45,157
Accrued expenses and other liabilities		30,992	40,850
Fund Board fee payable		15,935	8,000
Total liabilities		112,288	94,007
Net assets (equity) attributable to the Unitholders		20,502,315	26,319,223
Units in issuance: Class B (numbers)		67,014.99	97,768.37
Net assets (equity) attributable to each unit (SAR)		305.9363	269.1998

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

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

	<i>Notes</i>	For the six-month period ended 30 June	
		<u>2019</u>	<u>2018</u>
Gain on investments, net	9	2,931,526	2,564,695
Dividend income		541,470	748,871
Total revenue		<u>3,472,996</u>	<u>3,313,566</u>
Management fee	1(c),10	(225,995)	(264,695)
Other operating expenses	1(c)	(88,260)	(89,798)
Fund Board fee	10	(7,935)	(10,628)
Foreign exchange loss		(7,471)	(5,139)
Total operating expenses		<u>(329,661)</u>	<u>(370,260)</u>
Net profit for the period		<u>3,143,335</u>	<u>2,943,306</u>
Other comprehensive income for the period		--	--
Total comprehensive income for the period		<u>3,143,335</u>	<u>2,943,306</u>

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

JADWA GCC EQUITY FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
CONDENSED INTERIM STATEMENT OF CHANGES IN NET ASSETS (EQUITY)
ATTRIBUTABLE TO THE UNITHOLDERS (UNAUDITED)
For the six-month period ended 30 June 2019
(Amounts in Saudi Arabian Riyals)

	For the six-month period ended 30 June	
	2019	2018
Net assets (equity) attributable to the Unitholders at beginning of the period	26,319,224	31,851,802
Net profit for the period	3,143,335	2,943,306
<i>Contributions and redemptions by the Unitholders</i>		
Proceeds from issuance of units	--	50,000
Payment made against redemptions of units	(8,960,244)	(7,660,232)
	(8,960,244)	(7,610,232)
Net assets (equity) attributable to the Unitholders	20,502,315	27,184,876
	For the six-month period ended June 30	
	2019	2018
Units transactions (numbers)		
Units in issuance at beginning of the period	97,768.37	127,445.09
Issuance of units	--	190.80
Redemption of units	(30,753.38)	(29,174.99)
Total contribution and redemption of units	(30,753.38)	(28,984.19)
Units in issuance at end of the period	67,014.99	98,460.90

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

	For the six-month period ended 30 June	
<i>Notes</i>	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Net profit for the period	3,143,335	2,943,306
<i>Adjustments for:</i>		
Dividend income	(541,470)	(748,871)
Gain on investments, net	9 <u>(2,931,526)</u>	<u>(2,564,695)</u>
	(329,661)	(370,260)
Net changes in operating assets and liabilities		
Purchase of investments	(6,811,560)	(4,947,094)
Proceeds from sale of investments	14,765,571	12,614,051
Management fee payable	20,204	30,149
Accrued expenses and other liabilities	(9,858)	(48,398)
Fund Board fee payable	7,935	(4,372)
Cash generated from operations	<u>7,642,631</u>	<u>7,274,076</u>
Dividend received	522,853	693,833
Net cash generated from operating activities	<u>8,165,484</u>	<u>7,967,909</u>
Cash flows from financing activities		
Proceeds from issue of units	--	50,000
Payment made against redemption of the units	(8,960,244)	(7,660,232)
Net cash used in from financing activities	<u>(8,960,244)</u>	<u>(7,610,232)</u>
Net (decrease) / increase in cash and cash equivalents		
	(794,760)	357,677
Cash and cash equivalents at beginning of the period	<u>950,727</u>	<u>282,065</u>
Cash and cash equivalents at end of the period	<u>155,967</u>	<u>639,742</u>

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

JADWA GCC EQUITY FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the six-month period ended 30 June 2019
(Amounts in Saudi Arabian Riyals)

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

- (a) Jadwa GCC Equity Fund (the "Fund") is an open-ended equity fund established and managed as per terms and conditions between Jadwa Investment Company (the "Fund Manager") and the Fund Investors (the "Unitholders"). The Capital Market Authority's ("CMA") approval for the establishment of the Fund was granted in its letter number 443 dated Jumad Awal 9, 1428 H (corresponding to 26 May 2007). The Fund commenced its operations on 30 June 2007.

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

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

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

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

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

2. BASIS OF ACCOUNTING

These condensed interim financial statements are prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and to comply with the applicable provisions of the Investment Fund Regulations issued by the Capital Market Authority ("CMA"), the Fund's terms and conditions and the Information Memorandum. These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Fund's annual financial statements for the year ended 31 December 2018.

3. BASIS OF MEASUREMENT

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

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

JADWA GCC EQUITY FUND
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the six-month period ended 30 June 2019
(Amounts in Saudi Arabian Riyals)

4. FUNCTIONAL AND PRESENTATION CURRENCY

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

5. USE OF JUDGMENTS AND ESTIMATES

In preparing these condensed interim financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Significant areas where management has used estimates, assumptions or exercised judgement includes certain financial assets as discussed in note 12.

6. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2018.

- a) *New IFRS standards, IFRIC interpretations and amendments thereof, 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 2019 and accordingly adopted by the Fund, as applicable:

<u>Standard / Amendments</u>	<u>Description</u>
IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
IAS 28	Long term interests in associates and joint ventures
IAS 19	Plan amendments, curtailments or settlements
IFRS 3,11 and IAS 12, 23	Annual Improvements to IFRS 2015 - 2017 cycle

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

- b) *Standards issued but not yet effective*
Standards issued but not yet effective up to the date of issuance of the Fund’s condensed interim financial statements are listed below. The Fund intends to adopt these standards when they become effective.

<u>Standard / Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
Amendments to IFRS 3	Definition of business	1 January 2020
Amendments to IAS 1 & IAS 8	Definition of material	1 January 2020
IFRS 17	Insurance Contracts	1 January 2022

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the six-month period ended 30 June 2019
(Amounts in Saudi Arabian Riyals)

7. CASH AND CASH EQUIVALENTS

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

8. INVESTMENTS

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

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

<u>Economic sectors</u>	<u>30 June 2019</u>			<u>31 December 2018</u>		
	<u>(Unaudited)</u>			<u>(Audited)</u>		
	<u>Cost</u>	<u>Fair value</u>	<u>% of fair value</u>	<u>Cost</u>	<u>Fair value</u>	<u>% of fair value</u>
Banks	3,171,761	3,984,219	19.50	4,448,659	4,988,021	19.60
Materials	3,336,801	3,743,620	18.33	5,734,762	6,503,119	25.55
Transpiration	1,796,621	2,523,855	12.36	2,483,259	3,325,065	13.06
Food and beverages	1,690,921	1,655,577	8.10	2,361,816	1,965,701	7.72
Commercial and professional services	1,264,701	1,423,103	6.97	753,758	664,605	2.61
Real estate management and development	1,191,738	1,320,701	6.47	841,510	804,038	3.16
Energy	1,089,564	1,188,662	5.82	1,663,150	1,640,731	6.45
REITs	1,001,065	1,113,777	5.45	--	--	--
Consumer services	958,157	1,104,345	5.41	1,970,359	2,013,407	7.91
Health care equipment and services	1,242,583	1,040,540	5.09	1,846,967	1,445,054	5.68
Media	873,373	871,618	4.27	378,075	390,990	1.54
Insurance	212,231	244,182	1.20	--	--	--
Food and staples retailing	104,963	213,512	1.03	152,208	280,449	1.10
Capital goods	--	--	--	702,433	820,382	3.22
Telecommunication services	--	--	--	554,516	608,634	2.40
Total investments portfolio	17,934,479	20,427,711	100.00	23,891,472	25,450,196	100.00

9. GAIN ON INVESTMENTS, NET

	For the six-month period ended 30 June	
	<u>2019</u>	<u>2018</u>
Realised gain, net	1,997,019	62,387
Unrealised gain, net	934,507	2,502,308
	2,931,526	2,564,695

10. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the six-month period ended 30 June 2019
(Amounts in Saudi Arabian Riyals)

10. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

<u>Related party</u>	<u>Nature of relationship</u>	<u>Nature of transaction</u>	<u>For the six-month period ended 30 June</u>	
			<u>2019</u>	<u>2018</u>
Jadwa Investment Company	The Fund Manager	Management fee	225,995	264,695
The Fund Board	The Fund Board	The Fund Board compensation (independent member)	7,935	10,628

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

<u>Related party</u>	<u>Nature of relationship</u>	<u>Nature of balance</u>	<u>30 June</u>	<u>31 December</u>
			<u>2019</u>	<u>2018</u>
			(Unaudited)	(Audited)
Jadwa Investment Company	The Fund Manager	Management fee payable	65,361	45,157
The Fund Board	The Fund Board	Fee payable to an independent member of the Fund Board	15,935	8,000

11. LAST VALUATION DAY

The Fund's units are valued every business days and unit price is announced on the following business day. The last valuation day for the purpose of preparation of these condensed interim financial statements was 30 June 2019 (2018: 31 December 2018).

12. FAIR VALUE MEASUREMENT

Fair value measurement

The Fund measures certain financial instruments at fair value at each statement of financial position date.

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.

The principal or the most advantageous market must be accessible by the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Changes in assumptions about these factors could affect the fair value of financial instruments.

Valuation models

The fair values of financial instruments that are traded in active markets are based on prices obtained directly from an exchange on which the instruments are traded or obtained from a broker that provides an unadjusted quoted price from an active market for identical instruments. For all other financial instruments, the Fund determines fair values using other valuation techniques.

JADWA GCC EQUITY FUND
An open-ended mutual fund
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12. FAIR VALUE MEASUREMENT (CONTINUED)

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Fair value hierarchy

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

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

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

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

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

The table below presents the financial instruments measured at their fair values as of reporting date based on the fair value hierarchy:

	30 June 2019 (Unaudited)				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets at fair value</u>					
Investments	20,427,711	20,427,711	--	--	20,427,711
	31 December 2018 (Audited)				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets at fair value</u>					
Investments	25,450,196	25,450,196	--	--	25,450,196

All fair value measurements above are recurring. For the period ended 30 June 2019 and 31 December 2018, there were no transfers between levels.

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

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13. EVENTS AFTER THE END OF THE REPORTING PERIOD

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

14. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed interim financial statements were authorized for issue by the Fund Manager on 5 Dhul-Hijjah 1440H (corresponding to 6 August 2019).



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