



# Jadwa Saudi Equity Fund

## Interim Report 2019



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## Investment Fund Information

### Fund Name

Jadwa Saudi Equity Fund

### Benchmark

S&P Saudi Shariah Domestic Index (TR)

### Inception Date

Unit Class 'A': September 27, 2016G

Unit Class 'B': June 30, 2007G

Unit Class 'C': September 27, 2016G

### Investment Objective and Policies

Jadwa Saudi Equity Fund, an open-ended equity fund, aims to provide long-term capital growth for unitholders by investing in the Saudi equity markets and in shares of Saudi companies or any of their subsidiaries listed on any other stock market in accordance with Shariah investment guidelines.

The below summarizes the investment policy.

(1) The Fund aims to invest its assets in any of the following:

- A) Shares of Saudi Tadawul-listed companies or of any of their subsidiaries listed on any other stock market;
- B) IPOs, secondary issuances, and rights issues to increase the capital of Saudi Companies that are listed or to be listed on the Saudi Market, or that are listed or to be listed on any other global market, and any other related financial instruments;
- C) Other similar Saudi funds;
- D) Fund Manager may invest all assets in short-term Murabaha agreements in the following cases for example but not limited to:
  - a. Lower performance by Saudi Stock Market; and
  - b. Diversification of the Fund's investments to make use of money market returns;
- E) The Fund Manager may reduce the minimum investment in shares of Tadawul-listed Companies, IPOs, secondary offerings and Rights issues from 30% to 0% in the following cases:
  - a. The financial markets are likely to plunge due to the economic conditions globally or regionally;
  - b. The financial markets likely to plunge due to the poor political conditions globally or regionally;
  - c. Lack of attractive investment opportunities;
  - d. Any reason deemed by the Fund Manager to protect the interest of Investors, which may include the bankruptcy declaration by any leading local company, or a large bank, or in the case of sharp deterioration in any of the regional economies which would directly or indirectly impact Fund investments.

(2) The following Table summarizes the policies of asset concentration and distribution among various investment categories:



Type of Investment	Description	Minimum Fund Assets	Maximum Fund Assets
Shares of Saudi Companies, IPOs, secondary offerings and Rights issues	Saudi Stock Exchange and any other stock markets where the shares of Saudi companies are either listed on or traded on.	30%	100%
Short-term Murabaha in Saudi Riyal	Investment will be made in money market instruments directly in Murabaha with Saudi banks licensed by (SAMA)*, or investments will be indirectly made in Murabaha funds, provided that they are compliant with the Fund's Sharia Criteria, licensed by the CMA, and publicly offered in the Kingdom of Saudi Arabia by the Fund Manager, or any other manager or both. Geographical area of investment in these instruments is Kingdom of Saudi Arabia. No more than 15% of the Fund's Net Asset Value can be allocated to investment in securities of a single entity or issuer.	0%	70%
Similar Saudi equity funds	Funds licensed by the CMA	0%	50%
Cash liquidity	Cash liquidity will be maintained as deemed appropriate by the Fund Manager to protect the assets of Unitholders	0%	70%

\* All money market investment counterparties i.e. banks licensed by SAMA shall be rated investment grade. Therefore the Fund shall not invest with counterparties that are unrated.

The Fund Manager shall select, after fulfilling the said requirements and criteria, the investment instrument and the entity in which it plans to invest based on its sole discretion and the stability and integrity of the financial position of the counterparty or the issuer.

- (1) Jadwa Investment uses an active investment strategy to determine which investments are expected to generate long-term returns through conducting in-depth research on market, sector and companies on a regular basis.
- (2) The Fund Manager will invest in securities only set forth above.
- (3) The Fund will only invest in Sharia-complaint securities.
- (4) The Fund may obtain loans compliant with the Sharia Criteria, provided that the Fund's leverage does not exceed 10% of its Net Asset Value and for a maturity period of no more than one year, and shall be used to invest in the same assets of the Fund, except the loan taken from the Fund Manager or any of its subsidiaries to cover the Redemption Requests in line with Investment Funds Regulations, subject to the approval of the Fund Board.
- (5) The Fund aims to invest mainly in the Saudi market, and in case Saudi companies issue shares on stock markets other than Tadawul, the Fund may invest also therein.
- (6) The Fund may invest in similar Saudi equity funds publicly offered and licensed by the CMA. Such investment shall not exceed 10% of the Fund's Net Asset Value in a single fund at the time of investment, and exposure to another fund manager shall be up to 15%.
- (7) The Fund will not invest in financial derivatives other than those related to the issuance of Rights; namely, the tradable rights that are compliant with the Investment Sharia Criteria.
- (8) The Fund manager conducts periodic meetings to evaluate and discuss the investment scope, and to determine the investment opportunities for the Fund.



### **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](http://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.

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.

During 1H 2019, Jadwa Saudi Equity Fund (class B) had a total return of 16.73% taking the fund's total annualized return since inception (on 30 June 2007) to 12.10%. The fund outperformed its benchmark, the S&P Saudi Shariah Total Return Domestic Index, by 3.72% for the 1H 2019 and has outperformed its benchmark by 6.80% on annualized basis since inception.

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

### Turnover

	1H 2019
<b>Fund</b>	10.49%



### Equity Allocation

	<b>% of Net Assets 31-Dec-2018</b>		<b>% of Net Assets 30-June-2019</b>
<b>Equity</b>	97.07%	<b>Equity</b>	99.48%
<b>Net Cash</b>	2.93%	<b>Net Cash</b>	0.52%
<b>Total</b>	100.00%	<b>Total</b>	100.00%

### Top 3 Sector Allocations

<b>Sector</b>	<b>% of Net Assets 31-Dec-2018</b>	<b>Sector</b>	<b>% of Net Assets 30-June-2019</b>
<b>Banks</b>	34.79%	<b>Banks</b>	33.95%
<b>Materials</b>	22.76%	<b>Materials</b>	18.65%
<b>Food &amp; Beverages</b>	8.43%	<b>Food &amp; Beverages</b>	8.53%



## 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	16.39%	-	-	53.56%
Benchmark	6.99%	-	-	48.33%

\*Inception: September 27, 2016

Class 'B'	1-Year	3-Year	5-Year	Since Inception
Fund	15.53%	42.58%	27.12%	294.34%
Benchmark	6.99%	38.07%	0.23%	85.95%

\*Inception: June 30, 2007

Class 'C'	1-Year	3-Year	5-Year	Since Inception
Fund	16.72%	-	-	54.74%
Benchmark	6.99%	-	-	48.33%

\*Inception: September 27, 2016

Fund	Class 'A'	Class 'B'	Class 'C'	Benchmark
2009		37.23%		37.25%
2010		17.42%		13.35%
2011		1.95%		2.46%
2012		21.16%		12.44%
2013		47.13%		28.76%
2014		3.94%		-4.83%
2015		2.20%		-14.98%
2016*	18.74%	9.20%	18.82%	11.43%**
2017	-3.13%	-3.80%	-2.86%	1.35%
2018	13.95%	13.11%	14.27%	8.49%
2019 YTD	17.16%	16.73%	17.32%	13.01%

\*Unit Class A & C inception date is September 27, 2016

\*\*Benchmark return full year 2016.





## **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](http://www.jadwa.com)**

Kindly refer to Annex A auditor statements regarding the Fund.



## **Annex A: Auditor Statement and Financial Statements**

**JADWA SAUDI 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 SAUDI 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 Saudi Equity Fund

## Introduction

We have reviewed the accompanying 30 June 2019 condensed interim financial statements of **Jadwa Saudi 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 Saudi 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 SAUDI 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>	<b>30 June 2019</b>	<b>31 December 2018</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>			
Cash and cash equivalents	7	<b>3,609,511</b>	14,834,186
Investments	8	<b>460,793,433</b>	474,414,393
Dividend receivable		<b>304,905</b>	310,607
<b>Total assets</b>		<b>464,707,849</b>	489,559,186
<b>LIABILITIES</b>			
Management fee payable	<i>1(c), 10</i>	<b>1,262,892</b>	673,681
Accrued expenses and other liabilities		<b>219,458</b>	147,011
Fund Board fee payable		<b>15,935</b>	8,000
<b>Total liabilities</b>		<b>1,498,285</b>	828,692
<b>Net assets (equity) attributable to the Unitholders (SAR)</b>		<b>463,209,564</b>	488,730,494
<b>Units in Issuance (numbers)</b>			
Class A		<b>1,518,414.03</b>	1,892,528.50
Class B		<b>574,192.74</b>	702,573.61
Class C		<b>23,396.36</b>	25,270.56
<b>Net assets (equity) Value attributable to each unit (SAR)</b>			
Class A		<b>153.5570</b>	131.0701
Class B		<b>394.3383</b>	337.8204
Class C		<b>154.7360</b>	131.8909

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

**JADWA SAUDI 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>	<b>For the six-month period ended 30 June</b>	
		<u><b>2019</b></u>	<u><b>2018</b></u>
Gain on investments, net	9	71,245,203	62,260,064
Dividend income		10,788,260	13,156,109
<b>Total revenue</b>		<u><b>82,033,463</b></u>	<u><b>75,416,173</b></u>
Management fee	1(c), 10	(4,046,379)	(4,172,054)
Other operating expenses	1(c)	(669,853)	(667,898)
Fund Board fee	10	(7,935)	(11,324)
<b>Total operating expenses</b>		<u><b>(4,724,167)</b></u>	<u><b>(4,851,276)</b></u>
<b>Net profit for the period</b>		<u><b>77,309,296</b></u>	<u><b>70,564,897</b></u>
Other comprehensive income for the period		--	--
<b>Total comprehensive income for the period</b>		<u><b>77,309,296</b></u>	<u><b>70,564,897</b></u>

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

**JADWA SAUDI 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)*

	<b>For the six-month period ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
<b>Net assets (equity) attributable to the Unitholders at beginning of the period</b>	<b>488,730,494</b>	<b>497,576,364</b>
<b>Net profit for the period</b>	<b>77,309,296</b>	<b>70,564,897</b>
<i>Contributions and redemptions by the Unitholders</i>		
<b>Proceeds from issuance of units:</b>		
- Class A	<b>30,000,000</b>	<b>--</b>
- Class B	<b>24,598,796</b>	<b>19,841,437</b>
- Class C	<b>2,352,388</b>	<b>4,261,917</b>
	<b>56,951,184</b>	<b>24,103,354</b>
<b>Payment made against redemption of units:</b>		
- Class A	<b>(83,719,554)</b>	<b>(4,000,000)</b>
- Class B	<b>(73,265,385)</b>	<b>(33,028,436)</b>
- Class C	<b>(2,796,471)</b>	<b>(26,551)</b>
<b>Total redemption of units</b>	<b>(159,781,410)</b>	<b>(37,054,987)</b>
	<b>(102,830,226)</b>	<b>(12,951,633)</b>
<b>Net assets (equity) attributable to the Unitholders</b>	<b>463,209,564</b>	<b>555,189,628</b>

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



**JADWA SAUDI 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) (CONTINUED)**  
**For the six-month period ended 30 June 2019**  
*(Amounts in Saudi Arabian Riyals)*

	<b>For the six-month period ended 30 June 2019</b>			<b>For the six-month period ended 30 June 2018</b>		
	<b><u>Class A</u></b>	<b><u>Class B</u></b>	<b><u>Class C</u></b>	<b><u>Class A</u></b>	<b><u>Class B</u></b>	<b><u>Class C</u></b>
<b>Units transactions (numbers)</b>						
Units in issuance at the beginning of the period	1,892,528.50	702,573.60	25,270.55	2,177,667.23	822,675.45	12,092.15
Units issued during the period	207,670.09	65,186.74	16,464.12	--	59,798.86	32,833.79
Units redeemed during the period	<u>(581,784.56)</u>	<u>(193,567.60)</u>	<u>(18,338.31)</u>	<u>(31,299.81)</u>	<u>(102,929.90)</u>	<u>(202.97)</u>
<b>Units in issuance at the end of the period</b>	<b><u>1,518,414.03</u></b>	<b><u>574,192.74</u></b>	<b><u>23,396.36</u></b>	<b><u>2,146,367.42</u></b>	<b><u>779,544.41</u></b>	<b><u>44,722.97</u></b>

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

**JADWA SAUDI 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)*

	<b>For the six-month period ended 30 June</b>		
	<i>Notes</i>	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities</b>			
Net profit for the period		77,309,296	70,564,897
<i>Adjustments for:</i>			
Dividend income		(10,788,260)	(13,156,109)
Gain on investments, net	9	<u>(71,245,203)</u>	<u>(62,260,064)</u>
		<b>(4,724,167)</b>	<b>(4,851,276)</b>
<b>Net changes in operating assets and liabilities</b>			
Purchase of investments		(141,828,473)	(105,731,658)
Proceeds from sale of investments		226,694,636	124,330,224
Management fee payable		589,211	883,551
Accrued expenses and other liabilities		72,447	(399,569)
Fund Board fee payable		7,935	(8,676)
<b>Cash generated from operations</b>		<b>80,811,589</b>	<b>14,222,596</b>
Dividend received		<u>10,793,962</u>	<u>12,098,528</u>
<b>Net cash generated from operating activities</b>		<b><u>91,605,551</u></b>	<b><u>26,321,124</u></b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of units		56,951,184	24,103,354
Payment made against redemption of the units		<u>(159,781,411)</u>	<u>(37,054,987)</u>
<b>Net cash used in from financing activities</b>		<b><u>(102,830,227)</u></b>	<b><u>(12,951,633)</u></b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(11,224,675)</b>	<b>13,369,491</b>
Cash and cash equivalents at beginning of the period		<u>14,834,186</u>	<u>1,249,899</u>
<b>Cash and cash equivalents end of the period</b>		<b><u>3,609,511</u></b>	<b><u>14,619,390</u></b>

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

**JADWA SAUDI 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)*

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**1. GENERAL INFORMATION**

- (a) Jadwa Saudi Equity Fund (the "Fund") is an open-ended equity fund established and managed as per terms and conditions between Jadwa Investment Company (the "Fund Manager") and the Fund Investors (the "Unitholders"). The Capital Market Authority's ("CMA") approval for the establishment of the Fund was granted in its letter number 443 dated Jumad Awal 9, 1428 H (corresponding to 26 May 2007). The Fund commenced its operations on 31 December 2007.

The Fund aims to provide investors with long-term capital appreciation by investing in Saudi equities listed on the Saudi stock market which are compliant with the Shariah standards approved by the Fund Manager's Shariah Committee.

In dealing with the Unitholders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund.

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

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 condensed interim financial statements. Furthermore, the Fund Manager charges the Fund a management fee of 1.25%, 1.95% and 0.98% of the net assets (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.

**JADWA SAUDI 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)*

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**3. BASIS OF MEASUREMENT (CONTINUED)**

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 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.

**JADWA SAUDI EQUITY FUND**  
**An open-ended mutual fund**  
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**6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

<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	January 2020
Amendments to IAS 1 & IAS 8	Definition of material	January 2020
IFRS 17	Insurance Contracts	January 2022

**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>30 June 2019</u>			<u>31 December 2018</u>		
	<u>(Unaudited)</u>			<u>(Audited)</u>		
<u>Economic sectors</u>	<u>Cost</u>	<u>Fair value</u>	<u>% of fair value</u>	<u>Cost</u>	<u>Fair value</u>	<u>% of fair value</u>
Banks	104,121,571	157,269,702	34.13	129,863,155	170,022,529	35.84
Materials	78,182,509	86,375,234	18.74	96,630,563	111,258,053	23.45
Food and beverages	40,086,647	39,528,790	8.58	49,398,072	41,221,867	8.69
Commercial and professional services	32,934,255	36,518,624	7.93	18,980,398	16,772,751	3.54
Consumer services	26,932,332	30,086,354	6.53	37,274,907	37,760,782	7.96
Real Estate Investment Trusts (REITs)	22,764,434	25,327,546	5.50	--	--	0.00
Energy	22,311,731	25,304,637	5.49	30,773,646	32,079,876	6.76
Capital goods	13,430,025	11,987,618	2.60	18,069,969	17,564,477	3.70
Media	10,991,930	14,257,121	3.09	--	--	0.00
Real estate management and development	10,142,570	10,918,899	2.37	13,971,742	13,279,639	2.80
Insurance	4,583,373	5,333,429	1.16	--	--	0.00
Health care equipment and services	4,087,719	6,221,970	1.35	5,051,451	6,877,276	1.45
Food and staples retailing	3,233,195	5,159,097	1.12	4,021,034	5,811,858	1.23
Retailing	3,131,011	6,504,412	1.41	5,913,685	11,168,352	2.35
Telecommunication services	--	--	--	9,336,978	10,596,933	2.23
<b>Total</b>	<b>376,933,302</b>	<b>460,793,433</b>	<b>100.00</b>	<b>419,285,600</b>	<b>474,414,393</b>	<b>100.00</b>

**9. GAIN ON INVESTMENTS, NET**

	<b>For the six-month period ended 30 June</b>	
	<u>2019</u>	<u>2018</u>
Realised gain, net	42,513,864	6,101,563
Unrealised gain, net	28,731,339	56,158,501
	<u>71,245,203</u>	<u>62,260,064</u>

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**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.

<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	<u>4,046,379</u>	<u>4,172,054</u>
The Fund Board	The Fund Board	The Fund Board compensation (independent member)	<u>7,935</u>	<u>11,324</u>

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

<u>Related party</u>	<u>Nature of relationship</u>	<u>Nature of payable</u>	<u>30 June 2019</u>	<u>31 December 2018</u>
			<u>(Unaudited)</u>	<u>(Audited)</u>
Jadwa Investment Company	The Fund Manager	Management fee payable	<u>1,262,892</u>	<u>673,681</u>
The Fund Board	The Fund Board	Fee payable to an independent member of the Fund Board	<u>15,935</u>	<u>8,000</u>

The Unitholders' account as at 30 June 2019 Nil include Class A units (31 December 2018: 581,784.56 units) held by the Fund Manager.

**11. LAST VALUATION DAY**

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

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

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.

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:

<u>Financial assets at fair value</u>	30 June 2019 (Unaudited)				
	<u>Carrying amount</u>	<u>Fair value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<b>Investments</b>	460,793,433	460,793,433	--	--	460,793,433

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

<u>Financial assets at fair value</u>	<u>Carrying amount</u>	31 December 2018 (Audited)			
		<u>Fair value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Investments	474,414,393	474,414,393	--	--	474,414,393

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.

**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 CONDENSED INTERIM 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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