



Jadwa Global Sukuk Fund

Interim Report 2019



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Investment Fund Information

Fund Name

Jadwa Global Sukuk Fund

Benchmark

Jadwa IdealRatings Global Sukuk Index (TR)

Inception Date

Unit Class 'A': March 22, 2018G

Unit Class 'B': October 08, 2007G

Unit Class 'C': March 22, 2018G

Investment Objective and Policies

The Fund aims to generate market returns by investing in a diversified portfolio of local, regional and global Sukuks.

The Fund's assets are invested predominantly in a diversified portfolio of sovereign, quasi-sovereign, corporate and convertible Sukuks. The Fund may also invest in Shariah compliant project finance and structured finance transactions. Excess cash which the Fund may have from time to time would be invested in short-term Murabaha deposits. The Fund Manager does not intend to borrow funds for investment but it may at times do so to meet redemption requests.



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 the Capital Market Authority under the 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 risk asset 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 equity 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.

Despite earlier expectations of continuity of hawkish FED cuts, trade war quickly changed the course and outlook of global economy and actual growth figures. In 1H2019, the market did not see any FED cuts, instead the global slowdown caused market participants to price in 2-3 (25bps) cuts for 2H2019. Due to such sentiments, USD 10 year yields remained under pressure and declined by 68bps during the period. Short-term rates followed a similar path, with 3 Month Libor declining by 49bps to 2.32%, and 3 Month Saibor falling by 26bps to 2.72%. With declining interest rates, global credit markets posted strong rallies during the period.

During 1H 2019, Jadwa Global Sukuk Fund (class B) had a total return of 2.43% taking the fund's total annualized return since inception (on 08 October 2007) to 2.56%. The fund outperformed its benchmark, the IdealRatings Global Sukuk Total Return Index, by -3.86% for the 1H 2019 and has outperformed its benchmark by -0.52% on annualized basis since inception.

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

Turnover

	1H 2019
Fund	4.67%



Allocation

	% of Net Assets 31-Dec-2018		% of Net Assets 30-June-2019
Sukuk	99.56%	Sukuk	88.94%
Net Cash	0.44%	Net Cash	11.06%
Total	100.00%	Total	100.00%

Top 3 Geographical Allocations

Country	% of Net Assets 31-Dec-2018	Country	% of Net Assets 30-June-2019
UAE	33.17%	SAUDI	26.43%
SAUDI	24.55%	UAE	22.15%
INDONESIA	12.94%	PAKISTAN	12.54%



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	4.24%	6.13%	9.36%	34.57%
Benchmark	7.91%	13.83%	17.01%	42.80%

*Inception: June 30, 2007

Class 'C'	1-Year	3-Year	5-Year	Since Inception
Fund	4.79%	-	-	3.89%
Benchmark	7.91%	-	-	9.55%

*Inception: March 22, 2018

Fund	Class 'A'	Class 'B'	Class 'C'	Benchmark
2009	-	2.95%	-	27.13%
2010	-	3.42%	-	9.40%
2011	-	5.59%	-	4.38%
2012	-	7.17%	-	1.44%
2013	-	0.94%	-	1.27%
2014	-	3.95%	-	1.24%
2015	-	0.92%	-	1.33%
2016	-	2.26%	-	1.77%
2017	-	2.27%	-	2.29%
2018*	0.95%	0.42%	1.15%	3.71%**
2019 YTD	-	2.43%	2.70%	6.30%

*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 7,118,501.59

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 GLOBAL SUKUK FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
For the six-month period ended 30 June 2019
Together with the
Independent Auditor's Report to the Unitholders

JADWA GLOBAL SUKUK FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
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 Global Sukuk Fund

Introduction

We have reviewed the accompanying 30 June 2019 condensed interim financial statements of **Jadwa Global Sukuk 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 Global Sukuk 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 GLOBAL SUKUK FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2019
(Amounts in USD)

	<i>Notes</i>	30 June 2019	31 December 2018
		(Unaudited)	(Audited)
ASSETS			
Cash and cash equivalents	7	2,340,702	236,200
Investments	8	18,305,477	41,840,986
Accrued commission income		135,565	290,818
Total assets		20,781,744	42,368,004
LIABILITIES			
Management fee payable	<i>1(c), 10</i>	34,299	35,672
Accrued expenses and other liabilities		8,236	8,293
Fund Board fee payable		4,249	2,133
Total liabilities		46,784	46,098
Net assets (equity) attributable to the Unitholders		20,734,960	42,321,906
Units in issuance (numbers)			
Class A		--	204,596.15
Class B		153,041.46	164,545.27
Class C		1,342.49	507.55
Equity value attributable to each unit (USD)			
Class A		--	100.9461
Class B		134.5746	131.3765
Class C		103.8858	101.1535

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

JADWA GLOBAL SUKUK 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 USD)

	<i>Notes</i>	For the six-month period ended 30 June	
		2019	2018
Gain / (loss) from investments, net	9	228,758	(2,215,146)
Special commission income		679,432	1,701,439
Total revenue		908,190	(513,707)
Management fee	1(c),10	(135,797)	(349,368)
Other operating expenses	1(c)	(42,885)	(81,477)
Fund Board fee		(2,116)	(2,834)
Foreign exchange loss		(643)	(114)
Total operating expenses		(181,441)	(433,793)
Net profit / (loss) for the period		726,749	(947,500)
Other comprehensive income for the period		--	--
Total comprehensive income / (loss) for the period		726,749	(947,500)

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

JADWA GLOBAL SUKUK 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 USD)

	For the six-month period ended 30 June	
	<u>2019</u>	<u>2018</u>
Net assets (equity) attributable to the Unitholders at beginning of the period	42,321,906	82,547,922
Net profit / (loss) for the period	726,749	(947,500)
Changes from units transactions		
Proceeds from issuance of units:		
Class B	1,885,743	39,868
Class C	<u>85,785</u>	<u>--</u>
Total Contributions by the Unitholders	1,971,528	39,868
Payments against redemption of units:		
Class A	(20,874,950)	(4,427,000)
Class B	(3,410,273)	(7,945,513)
	<u>(24,285,223)</u>	<u>(12,372,513)</u>
Net Changes from units transactions	(22,313,695)	(12,332,645)
Net assets attributable to the Unitholders at end of the period	20,734,960	69,267,777

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JADWA GLOBAL SUKUK 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

	For the six-month period ended 30 June 2019				For the six-month period ended 30 June 2018			
	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>	<u>Total</u>	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>	<u>Total</u>
<u>Units transactions (numbers)</u>								
Units in issuance at the beginning of the period	204,596.15	164,545.27	507.55	369,648.97	--	630,968.27	--	630,968.27
Units issuance	--	14,185.94	834.94	15,020.88	529,189.50	305.10	507.55	530,002.15
Units redeemed	(204,596.15)	(25,689.75)	--	(230,285.90)	(44,474.27)	(467,059.40)	--	(511,533.67)
Units in issuance at end of the period	--	<u>153,041.46</u>	<u>1,342.49</u>	<u>154,383.95</u>	<u>484,715.23</u>	<u>164,213.97</u>	<u>507.55</u>	<u>649,436.75</u>

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

JADWA GLOBAL SUKUK 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 USD)

	<i>Notes</i>	For the six-month period ended 30 June	
		<u>2019</u>	<u>2018</u>
Cash flows from operating activities			
Net profit / (loss) for the period		726,749	(947,500)
<i>Adjustments for:</i>			
Commission income		(679,432)	(1,701,439)
(Gain) / loss on investments, net	9	(228,758)	2,215,146
		<u>(181,441)</u>	<u>(433,793)</u>
Net changes in operating assets and liabilities			
Purchase of investments		--	(19,804,488)
Proceeds from sale of investments		23,764,267	24,908,819
Management fee payable		(1,373)	16,989
Accrued expenses and other liabilities		(57)	(64,930)
Fund Board fee payable		2,116	(1,166)
Cash generated from operations		<u>23,583,512</u>	<u>4,621,431</u>
Commission income received		834,685	1,898,762
Net cash generated from operating activities		<u>24,418,197</u>	<u>6,520,193</u>
Cash flows from financing activities			
Proceeds from issue of units		1,971,528	39,868
Payment made against redemption of the units		(24,285,223)	(12,372,513)
Net cash used in from financing activities		<u>(22,313,695)</u>	<u>(12,332,645)</u>
Net increase / (decrease) in cash and cash equivalents		<u>2,104,502</u>	<u>(5,812,452)</u>
Cash and cash equivalents at beginning of the period		<u>236,200</u>	<u>8,112,433</u>
Cash and cash equivalents at end of period		<u>2,340,702</u>	<u>2,299,981</u>

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

JADWA GLOBAL SUKUK 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 USD)

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

- a) Jadwa Global Sukuk Fund (the “Fund”) is a fixed income fund established and managed as per terms and conditions between Jadwa Investment Company (the “Fund Manager”) and the Fund Investors (the “Unitholders”). The Capital Market Authority’s (“CMA”) approval for the establishment of the Fund was granted in its letter number 859 dated Shawal 16, 1428 H (corresponding to 3 October 2007).

The Fund diversifies its investments in a Shariah compliant portfolio of sovereign, quasi-sovereign and corporate sukuk. Excess cash which the Fund may have from time to time is invested in short-term Murabaha deposits.

- b) In dealing with the Unitholders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund. The Fund is governed by Investment Fund Regulations (the “Regulations”) published by Capital Market Authority (“CMA”) on 3 Dhul Hijja 1427 H (corresponding to 24 December 2006) thereafter amended (the “amended regulations”) on 16 Sha’ban 1437 H (corresponding to 23 May 2016), detailing requirements for all funds within the Kingdom of Saudi Arabia. The amended regulations came into effect from 6 Safar 1438 H (corresponding to 6 November 2016).
- 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 at a percentage not to exceed 1% 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 0.75%, 1.00%, and 0.50% 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 GLOBAL SUKUK 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 USD)

4. FUNCTIONAL AND PRESENTATION CURRENCY

These condensed interim financial statements are presented in USD, which is the Fund's functional currency. All amounts have been rounded to the nearest USD, unless otherwise indicated.

5. USE OF JUDGMENTS AND ESTIMATES

In preparing these 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

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.

JADWA GLOBAL SUKUK 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 USD)

8. INVESTMENTS

This represents investments in sovereign, quasi-sovereign and corporate sukuk carried at fair value through profit or loss.

The economic sector-wise breakdown of the investments is as follows:

<u>Economic Sectors</u>	<u>30 June 2019</u>			<u>31 December 2018</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>
Sovereign	5,599,645	5,391,363	29.45	11,280,772	10,798,627	25.81
Banks	3,390,667	3,372,467	18.42	19,339,880	19,049,852	45.53
Airlines	2,724,950	2,662,695	14.55	3,081,000	2,926,471	6.99
Chemical	2,546,730	2,547,697	13.92	2,608,180	2,608,429	6.23
Real estate management and development	1,914,113	1,903,592	10.40	5,604,000	5,391,310	12.89
Investment companies	1,333,908	1,361,066	7.44	--	--	--
Utilities	1,066,400	1,066,597	5.82	1,066,400	1,066,297	2.55
Total	18,576,413	18,305,477	100.00	42,980,232	41,840,986	100.00

9. GAIN ON INVESTMENTS, NET

	For the six-month period ended 30 June	
	2019	2018
Realised loss, net	(639,554)	(776,194)
Unrealised gain / (loss), net	868,312	(1,438,952)
	228,758	(2,215,146)

10. 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 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>	For the six-month period ended 30 June	
			2019	2018
Jadwa Investment Company	The Fund Manager	Management fee	135,797	349,368
Fund Board	The Fund Board	The Fund Board Compensation (independent members)	2,116	2,834

JADWA GLOBAL SUKUK 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 USD)

10. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

<u>Related party</u>	<u>Nature of relationship</u>	<u>Nature of balance</u>	<u>30 June 2019</u> (Audited)	<u>31 December 2018</u> (Unaudited)
Jadwa Investment Company	The Fund Manager	Management fee payable	<u>34,299</u>	<u>35,672</u>
The Fund Board	The Fund Board	Fee payable to an independent member of the Fund Board	<u>4,249</u>	<u>2,133</u>

The unitholder's accounts as at 30 June 2019 include 14,104.75 units (31 December 2018: 204,596.15 units) held by the Fund Manager.

11. LAST VALUATION DAY

The Fund's units are valued on every business days and units 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.

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.

JADWA GLOBAL SUKUK FUND
An open-ended mutual fund
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the six-month period ended 30 June 2019
(Amounts in USD)

12. FAIR VALUE MEASUREMENT (CONTINUED)

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

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

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

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

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

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

Financial assets at fair value	Carrying amount	30 June 2019			
		Fair value			
		Level 1	Level 2	Level 3	Total
Investments	18,305,477	12,824,642	–	5,480,835	18,305,477
		31 December 2018			
		Fair value			
		Level 1	Level 2	Level 3	Total
Investments	41,840,986	31,501,903	–	10,339,083	41,840,986

All fair value measurements below 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 fair value.

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

JADWA GLOBAL SUKUK 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 USD)

12. FAIR VALUE MEASUREMENT (CONTINUED)

	For the six- month period ended 30 June 2019	For the year ended 31 December 2018
Balance as at beginning of the period / year	10,339,083	14,398,848
Gain / (loss) recognized in statement of comprehensive income	22,405	(60,150)
Sales of investments	(4,880,653)	(3,999,615)
Balance at the end of the period / year	<u>5,480,835</u>	<u>10,339,083</u>

The table below sets out information about significant unobservable inputs used as at 30 June 2019 in measuring debt instrument categorized as Level 3 in the fair value hierarchy.

<u>Description</u>	<u>Fair value</u>	<u>Unobservable inputs</u>	<u>Weighted average input</u>	<u>Reasonable possible shift +/- (absolute value)</u>	<u>Change in valuation</u>
Sukuk	<u>5,480,835</u>	Cost of Capital	<u>4.63%</u>	<u>0.50%</u>	<u>(8,272)</u>
		Probability of default	<u>0.03%</u>	<u>0.03%</u>	<u>(1,634)</u>

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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