



# Nafaqah Waqf Fund

## 2022 Annual Report



## Contents

Investment Fund Information.....	3
Fund Performance .....	4
Fund Expenses.....	5
Fund Manager.....	9
Fund Custodian .....	10
Fund Operator.....	11
Fund Auditor.....	11
Disclosures.....	11
Annex A: Custodian Statement.....	12
Annex B: Auditor Statement and Financial Statements .....	14



## Investment Fund Information

### Fund Name

Nafaqah Waqf Fund

### Inception Date

January 20, 2021

### Investment Objective and Policies

Nafaqah Waqf Fund is a Shariah-compliant, multi-asset investment fund that is supervised by the General Authority for Awqaf and Capital Market Authority. The Fund aims to preserve and grow the fund's capital to support the basic needs of families facing a loss of income due to litigation or instability. (50%) of the net profit is distributed periodically to the endowment banks specified for the fund, which are represented by the beneficiary.

The below summarizes the investment policy.

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

- A. Investing in money market deposits and money market funds with banks licensed by the Saudi Arabian Monetary Agency and money market funds licensed by the Capital Market Authority.
- B. Sukuk issued by governmental or semi-governmental agencies or companies, sukuk investment fund units licensed by the Capital Market Authority or from relevant regulatory authorities locally and internationally, classified and unrated, and exchange-traded funds that invest in sukuk.
- C. Shares, including global and local, directly or through the appointment of sub-managers, or through investment funds licensed by the Capital Market Authority or from relevant regulatory bodies locally and globally, initial subscriptions, priority rights, and exchange-traded funds that invest in stocks. The investment in local shares shall be in the main and parallel Saudi stock market.
- D. Alternative investments include investment through Trade Finance Funds and leasing funds.
- E. Private equity funds (locally or internationally).
- F. Real estate includes real estate investment traded funds (REITs) or income-generating real estate funds locally and internationally.

### Distribution of Income and Gain Policy

The fund will distribute annual cash returns of 50% of the net profits for the benefit of Nafaqah fund (the beneficiary), and the fund's board of directors will determine the percentage of distributions and the mechanism of disbursement by transferring money to the beneficiary and disposing of it as it deems appropriate. The fund's board of directors has the right to reinvest part of the dividend for the growth of the Waqf asset. The fund's board of directors also has the right to reconsider the specified percentage of distributions if the cash dividends are in excess of the beneficiary's need, in a manner that does not conflict with the licensing instructions for Waqf investment funds, the investment funds regulations, and the relevant regulations and regulations in the Kingdom of Saudi Arabia.



## Benchmark

Weighted Average Benchmark based on the Strategic Asset Allocation

- A. **Money Market:** SAIBOR 3M
- B. **Sukuk:** SAIBOR 3M + 2%
- C. **Equities:** S&P Saudi Shariah Domestic Index (TR)
- D. **Alternatives:** SAIBOR 3M + 3%
- E. **Private Equity:** Tadawul Index (TASI) Total Return + 2%
- F. **Real Estate:** SAIBOR 3M + 4

## Fund Performance

As of December 31 <sup>st</sup>	Net Asset Value (SAR)	Net Asset Value per Unit (SAR)			Number of Units	Expense Ratio (%)
		Ending	Highest	Lowest		
2021	16,734,935.39	11.2957	11.4172	9.9201	1,481,526.4527	0.61
2022	23,703,122.00	10.8858	11.6878	10.6408	2,177,429.8516	0.60

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

Fund	Since Inception	1-year	3-year	5-year
Fund	4.29%	-3.72%	-	-
Benchmark	7.19%	-0.41%	-	-
Variance	-2.9%	-3.31%	-	-

	Fund
2021	12.96%
2022	-3.72%



## Fund Expenses

	Expenses for 2022 (SAR)
Management Fees	30,622
Fund Board	15,474.00
Auditing Fees	32,250
Custodian's Fees	3,766.02
Subscription Fees	-
Legal Expenses	-
Cost of Sharia-compliant finance (when required)	-
Registration / Fees of Unit Processing	-
Administration expenses	-
Other expenses	12,397.96
<b>Total</b>	<b>116,447</b>
<b>Total Expenses Ratio</b>	<b>0.60</b>



## Fund Board Members

1. Ghanem AlGhanem (Chairman of the Board and Non-Independent Member)
2. Walid AlJindan (non-independent member)
3. Ghannam AlGhannam (non-independent member)<sup>1</sup>
4. Hamad bin Mohammed bin Abdullah Al Kanhal (independent member)
5. Aidaroos bin Hassan bin Omar Al-Esai (independent member)<sup>2</sup>

- The Fund board members for Nafaqah Waqf Fund was changed in the first quarter of 2023<sup>3</sup>

## Fund Board Members Qualifications:

### Ghanem AlGhanem (Chairman of the Board and Non-Independent Member)

Head, Investment Management Advisory at Jadwa Investment Company

Ghanem joined Jadwa Investment Company in October 2016 as Vice President. Prior to joining Jadwa, Ghanem worked for the Investment Agency at the Central Bank of Saudi Arabia (SAMA) to develop investment strategy, investment risk management, and portfolio analysis and was part of the financial risk management advisory team at KPMG.

Ghanem is responsible for developing asset allocation, investment strategy, and implementing investment policies.

### Walid AlJindan (non-independent member)

Vice President, Investment Management Advisory at Jadwa Investment Company

Walid joined Jadwa Investment Company in March 2019. Prior to joining, Walid headed the Alternative Investments team at the Saudi Central Bank that oversaw the full implementation of multi-billion dollar investments in alternative international assignments.

His experience includes developing investment policy statements related to stakeholders in the Central Bank of Saudi Arabia, affiliated government agencies, and international organizations, including public pension funds, university endowments and multiple development banks.

### Ghannam AlGhannam (non-independent member)

Head of Client and Corporate Investments at Jadwa Investment Company since November 2012

Prior to joining Jadwa, he was Senior Investment Adviser to Major Clients at HSBC Saudi Arabia Group. Mr. Al-Ghannam has experience in business development and wealth management, and has a distinguished approach to all sales, services, operations, operational procedures and risk management. He has been involved in organizing fundraising campaigns for various investment companies in private equity, asset management, and real estate products. He is a certified financial planner, and holds a Master's degree in Informatics from Ohio State University, USA, in addition to a Bachelor's degree in Business Administration from the University of Toledo, Ohio, USA.

### Hamad bin Mohammed bin Abdullah Al Kanhal (independent member)

He has held the position of deputy of the Ministry of Finance for Finance and Accounts Affairs since Shaban 1439 AH

<sup>1</sup> Ghannam Al-Ghannam has resigned in the first quarter of 2023

<sup>2</sup> Aidaroos bin Hassan bin Omar Al-Esai has resigned in the first quarter of 2023

<sup>3</sup> Sarah Al Muhaidib was appointed as an independent member in the first quarter of 2023



Prior to joining the Ministry of Finance, he held the position of Vice President for Financial and Administrative Affairs at the Industrialization and Energy Services Company (TAQA), and before that he was working as a financial manager at the National Agricultural Development Company and Al-Seef Development Group. Hamad has experience making investment-related decisions from his background in several positions in the financial management, and is a member of the Board of Directors of the Alimony Fund and a former member of the Board of Directors of the Civil Aviation Authority, the Arab Drilling Company, and the Jubail Energy Services Company (GESCO).

#### **Aidaros bin Hassan bin Omar Al-Esai (independent member)**

Chairman of the Board of Directors of Aidaros Alesayi Company since the establishment of the company

Aidaros works in a variety of activities in trade, investment, industry, construction and real estate development. Aidaros holds memberships on several boards, including Aidaros Alesayi Company, Forsan Ceramics, Saudi Mitsubishi Electric Company, United Carton Manufacturing Company, Al-Tawfiq Company for the Plastic Industry, Saudi Pipes Industry Company, Makarim International Petrochemical Company, and the Alimony Fund.

#### **Board roles and responsibilities:**

The responsibility of the Fund Board of Directors includes the following:

1. Approval of all contracts, decisions and material reports to which the Fund is a party, including but not limited to - approving contracts for providing management services for the Fund, and contracts for providing custody services, and this does not include contracts concluded in accordance with investment decisions regarding any investments it has made the fund or will do so in the future;
2. Adopt a written policy with respect to voting rights relating to the assets of the Fund;
3. Supervising and, where appropriate, approving or approving any conflict of interest disclosed by the fund manager;
4. Meeting at least twice annually with the Fund Manager's Compliance Committee or its compliance officer to review the Fund's compliance with all relevant laws, regulations and regulations, including - but not limited to - the requirements stipulated in the Investment Funds Regulations.
5. Ensuring the completeness and accuracy of the terms and conditions and any other document, whether a contract or otherwise, that includes disclosures related to the fund, the fund manager and its management of the fund, in addition to ensuring that the foregoing is in compliance with the investment funds regulations;
6. Ensuring that the fund manager carries out his responsibilities in the interest of the unit holders in accordance with the Investment Funds Regulations and the terms and conditions;
7. Act with honesty, good faith, care, skill, care and diligence in the interest of the Unitholders;
8. Recording the minutes of the meetings that show all the minutes of the meetings and the decisions taken by the Board.
9. Determining the percentage of distributions and the mechanism of their disbursement, and the fund's board of directors has the right to allocate a part of the endowment yield for the growth of the endowed asset, not exceeding 50% of the total yield for each fiscal year. The fund's board of directors also has the right to reconsider the specified percentage of distributions if the cash dividends from the endowment yield are in excess of the beneficiary's need, in a manner that does not conflict with the licensing instructions for endowment investment funds, the investment funds regulations, and the relevant regulations and regulations in the Kingdom of Saudi Arabia.



**The remuneration of the fund's board members:**

The Fund pays 2,000 riyals for each Fund board meeting, and a maximum of 30,000 riyals per year for each independent board member. The Fund shall undertake travel and other reasonable expenses incurred by the members of the Board of Directors of the Fund in connection with their obligations towards the Fund, up to a maximum of 50,000 riyals per year.

**Any actual or potential conflict between the interests of the fund board member and the interests of the fund:**

The Fund's Board of Directors supervises and resolves any conflict of interest. As of its date, the fund board is composed of members appointed by the fund manager and the Nafaqah Fund (the beneficiary). The board members have a duty to exercise care towards the investors in the fund, in accordance with the investment funds regulations, in addition to making every possible effort to resolve conflicts of interest in a good manner. The intention is, as they see fit, and the fund manager does not see any real conflict at the present time.

**Boards of directors of funds in which the members of the board of directors participate:**

The fund board members manage the following investment funds:

1. Jadwa Saudi Equity Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
2. Jadwa Arab Stock Markets Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
3. Jadwa Gulf Equity Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
4. Jadwa Global Sukuk Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
5. Jadwa REIT Al-Haramain Fund (Mr. Ghannam Al-Ghannam, Chairman of the Board)
6. Jadwa REIT Saudi Fund (Mr. Ghannam Al-Ghannam, Chairman of the Board)
7. Jadwa Al Azizia Real Estate Investment Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
8. Jadwa Investment Fund 45 (Mr. Ghannam Al-Ghannam, Chairman of the Board)
9. Aldar Investment Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
10. Diriyah Avenue Investment Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
11. Al Nokhba Investment Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
12. Al-Shorfa Investment Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
13. Al Waha Investment Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
14. Al Dar Investment Fund 2 (Mr. Ghannam Al-Ghannam is a member of the Board)
15. Al-Nahda Investment Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
16. Jadwa Real Estate Investment Fund 10 (Mr. Ghannam Al-Ghannam is a member of the Board)
17. Real Estate Growth Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
18. Liwan Investment Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
19. Alaliyah Investment Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
20. Jadwa Private Real Estate Investment Fund 14 (Mr. Ghannam Al-Ghannam is a member of the Board)
21. Jadwa Private Real Estate Investment Fund 15 (Mr. Ghannam Al-Ghannam is a member of the Board)
22. Osus Investment Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
23. Jadwa Investment Fund 12 (Mr. Ghannam Al-Ghannam is a member of the Board)
24. Jadwa Investment Fund 13 (Mr. Ghannam Al-Ghannam is a member of the Board)
25. Jadwa Investment Fund 14 (Mr. Ghannam Al-Ghannam is a member of the Board)
26. Jadwa Investment Fund 16 (Mr. Ghannam Al-Ghannam is a member of the Board)
27. Jadwa Investment Fund 17 (Mr. Ghannam Al-Ghannam is a member of the Board)
28. Jadwa Investment Fund 20 (Mr. Ghannam Al-Ghannam is a member of the Board)
29. Jadwa Investment Fund 45 (Mr. Ghannam Al-Ghannam is a member of the Board)



## Fund board meetings during 2022

The fund board met twice during 2022 to discuss the main key discussion points below:

1. The fund Compliance with laws and regulations and discuss any Anti-Money Laundering Activities.
2. Discuss the Objectives and the current and strategic Asset allocation of the fund
3. Reviewing the performance of Nafaqah Waqf Fund during the period and the underlying managers.
4. Distributions Nafaqah Waqf Fund and determining the date of distribution.
5. The changes on the terms and conditions of Nafaqah Waqf Fund.
6. Discussion of changing the fund from a public fund to a private fund.

## 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

Website: [www.Jadwa.com](http://www.Jadwa.com)

The fund has been managed by Jadwa Investment Company since inception on January 20, 2021.

The fund manager did not invest in the fund.

### Sub Fund Manager or Investment Advisor (if any)

The fund has no sub fund manager or investment advisor.

## Fund Manager's Commentary

Global equity markets witnessed strong declines during 2022. Although the world started returning to normality post the COVID lockups, markets on the other hand delivered negative performance. This was fueled by the geopolitical turmoil in Eastern Europe. The post COVID two year rally in US equities came to a screeching halt. As the Fed's unprecedented 7 rate hikes in 2022 further amplified market turmoil, and caused elevated levels of volatility. By end of year, the S&P 500 delivered a negative return of -18.12% and the tech-heavy NASDAQ -32.5%. The Russell 2000 Index, representing small and mid-cap US stocks, fell 32.5%. The Down Jones Industrial Average had outperformed other US indices but still had a negative year with -6.8% return. In contrast, emerging markets did not suffer as much, with mixed returns ranging from minor declines to whopping double-digit returns. Those who suffered declines saw them coming mostly after Q1, in response to their Central Bank's rate changes and other local currency devaluation impacts.

Arab markets really exhibited a wide range of performance, with Egypt and Abu Dhabi performing the best (27.8% and 22.9%, respectively), followed by Kuwait returning 9.2%. Qatar and Saudi markets did not fare as well, having closed the year with both ending the year negatively around -5%. Dubai on the other hand, ended the year on a positive note with 8.2% return

There were many changes in the macro economic outlook for the MENA region. As the GCC region remains reliant on oil revenues, the steep rise in the price of Brent from \$74 to \$130 was unfortunately short-lived. This is as Brent fell dramatically off its highs from 130\$ in early March all the way to a bottom of 70\$ in mid-December. Unlike previous declines, most Arab countries took active measures, on the fiscal side to avoid budget shortfalls. Egypt painted a different picture, being an importer of oil, it underwent turbulent times on both the energy front as well as its currency. The country's currency suffered a staggering decline against the US Dollar as it fell -36% in 2022. However, we see the country remaining committed to



reforms, securing additional financing, and adopting policies to support a recovery in its tourism sector as mobility restrictions are now easing. More importantly, the country announced major privatization efforts of government and quasi government business, through a list of announced public listings over the next two years.

For the full year of 2022, Nafaqah Waqf Fund, delivered a total return of -3.72%, underperforming its benchmark by -3.31%. Since inception, the fund delivered an annualized return of 4.29%.

Looking forward, the fund will continue to focus on generating sustainable long-term returns for donators, allocating resources to high quality corporates with valuations that are expected to be accretive. The fund will focus on finding opportunities that can offer favorable risk-adjusted returns.

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

#### Material Changes in the terms and conditions of the fund:

The terms and conditions has been updated to comply with the amended Investment Funds Regulations by Capital Market Authority Board Resolution No. 2-75-2020 dated 12/22/1441 AH corresponding to 08/12/2020 AD.

	% of Net Assets 31-Dec-2022
<b>Mutual Funds</b>	99.24%
<b>Net Cash</b>	0.67%
<b>Total</b>	100.00%

#### Investment in Other Funds:

Fund Name	% of AUM	Management fees
Jadwa Saudi Equity Fund - Class B	36.66%	N/A
Jadwa Global Sukuk Fund - Class B	17.56%	N/A
Aljazira Sukuk Fund	17.25%	0.65%
Jadwa International Multi-Manager Absolute Return Fund - Class A	5.72%	0.50%
Jadwa International Multi-manager Real Assets Fund - Class A	5.72%	0.50%
Jadwa International Multi-manager Private Equity Fund - Class A	4.27%	0.50%
Jadwa International Multi-Manager Absolute Return Fund II - Class A	4.11%	0.50%
Jadwa International Multi-manager Real Assets Fund II - Class A	4.11%	0.50%
Jadwa Saudi Riyal Murabaha Fund - Class B	3.94%	N/A
Cash	0.67%	0.60%

#### Fund Custodian

AlBilad Capital

A Saudi Closed Joint Stock Company with one person (registration no. 1010240489, Licensed by Capital Market Authority under license number 08100-37



Head Office: 8162 King Fahad road – Olaya Unit no 22 Riyadh 12313-3701 Kingdom of Saudi Arabia.

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 Operator

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

### **The main roles, responsibilities and duties of the fund operator in relation to the investment fund:**

1. The fund operator must act for the interest of the suspended asset in accordance with the provisions of the Investment Funds Regulations, the Financial Market Institutions Regulations, and the Fund's Terms and Conditions. It is the responsibility of the fund operator to abide by all the principles and duties stipulated in the Financial Market Institutions Regulations, including the duty of trust towards unit holders, which includes acting in the interests of the endowment and exercising reasonable care.
2. The fund operator is responsible for complying with the provisions of the Investment Funds Regulations, whether he performs his responsibilities and duties directly or assigns them to a third party in accordance with the provisions of the Investment Funds Regulations and the Financial Market Institutions Regulations.
3. The fund operator must set policies and procedures to monitor the risks that affect the investments of the fund, and ensure that they are dealt with quickly.

## 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)

## Disclosures

**For additional information, please refer to the Terms & Conditions.**

Kindly refer to Annex A & B for custodian and auditor statements regarding the Fund.

### **Additional Information to Unitholders**

Please refer to the Fund's Terms & Conditions.



## **Annex A: Custodian Statement**



**Statement of opinion by custodian:**

**i. Has the Fund Manager issued, transferred and redeemed the units in accordance with the provisions of the Investment Funds Regulations and the fund's Terms and Conditions?**

As per the custody agreement between the Fund Manager and the Custodian, the roles and responsibilities of the Custodian do not include monitoring the activities of the Fund Manager.

As Fund Manager for Nafaqah Waqf Fund, we confirm that units have been issued, transferred and redeemed in accordance with the provisions of the Investment Funds Regulations and the Fund's Terms and Conditions.

**ii. Has the Fund Manager valued and calculated the price of units in accordance with the provisions of the Investment Funds Regulations , the fund's Terms and Conditions and then information memorandum?**

As per the custody agreement between the Fund Manager and the Custodian, the roles and responsibilities of the Custodian do not include monitoring the activities of the Fund Manager.

As Fund Manager Nafaqah Waqf Fund, we confirm that unit prices have been valued and calculated in accordance with the provisions of the Investment Funds Regulations, the Fund's Terms and Conditions and the Information Memorandum.

**iii. Has the Fund Manager breached any of the investment restrictions, limitations and borrowing powers applicable to the Investment fund Regulations?**

As per the custody agreement between the Fund Manager and the Custodian, the roles and responsibilities of the Custodian do not include monitoring the activities of the Fund Manager.

As Fund Manager for Nafaqah Waqf Fund, we confirm that there have been no breaches in the investment restrictions, limitations and borrowing powers as applicable in the Investment Fund Regulations.



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

**NAFAQAH WAQF FUND**  
**An open-ended mutual fund**  
**(MANAGED BY JADWA INVESTMENT COMPANY)**  
**Financial Statements**  
**For the year ended 31 December 2022**  
**together with the**  
**Independent Auditor's Report to the Unitholders**

**NAFAQAH WAQF FUND**  
**An open-ended mutual fund**  
**(MANAGED BY JADWA INVESTMENT COMPANY)**  
**Financial Statements**  
**For the year ended 31 December 2022**

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF COMPREHENSIVE INCOME	4
STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS	5
STATEMENT OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS	7 – 20



## KPMG Professional Services

Riyadh Front, Airport Road  
P. O. Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia  
Commercial Registration No 1010425494

Headquarters in Riyadh

## كي بي إم جي للاستشارات المهنية

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

# Independent Auditor's Report

## To the Unitholders of Nafaqah Waqf Fund

### Opinion

We have audited the financial statements of **Nafaqah Waqf Fund** (the "Fund") managed by Jadwa Investment Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2022, the statements of comprehensive income, changes in net assets (equity) attributable to the Unitholders and cash flows for the year ended 31 December 2021, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2022, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of the Fund Manager and Those Charged with Governance for the Financial Statements

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and to comply with the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority ("CMA"), the Fund's terms and conditions and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Fund Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Fund Board, are responsible for overseeing the Fund's financial reporting process.

# Independent Auditor's Report

To the Unitholders of Nafaqah Waqf Fund (continued)

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

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund Manager's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund Manager.
- Conclude on the appropriateness of the Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### KPMG Professional Services



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

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



**NAFAQAH WAQF FUND**  
**An open-ended mutual fund**  
**(MANAGED BY JADWA INVESTMENT COMPANY)**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2022**  
*(Amounts in Saudi Arabian Riyals)*

	<i>Notes</i>	<b>31 December <u>2022</u></b>	31 December <u>2021</u>
<b>ASSETS</b>			
Cash and cash equivalents	8	<b>158,583</b>	612,459
Investments	9	<b><u>23,650,990</u></b>	<u>16,185,886</u>
<b>Total assets</b>		<b><u>23,809,573</u></b>	<u>16,798,345</u>
<b>LIABILITIES</b>			
Management fee payable	10	<b>31,042</b>	420
Accrued expenses and other payable		<b>43,409</b>	46,989
Fund Board fee payable	10	<b><u>32,000</u></b>	<u>16,000</u>
<b>Total liabilities</b>		<b><u>106,451</u></b>	<u>63,409</u>
<b>Net assets (equity) attributable to the Unitholders (SAR)</b>		<b><u>23,703,122</u></b>	<u>16,734,936</u>
<b>Units in issuance (numbers)</b>		<b><u>2,177,429.85</u></b>	<u>1,481,526.45</u>
<b>Net assets (equity) attributable to each unit (SAR)</b>		<b><u>10.8858</u></b>	<u>11.2957</u>

The accompanying notes (1) to (16) form an integral part of these financial statements.

**NAFAQAH WAQF FUND**  
**An open-ended mutual fund**  
**(MANAGED BY JADWA INVESTMENT COMPANY)**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2022**  
*(Amounts in Saudi Arabian Riyals)*

	<i>Notes</i>	<b>For the year ended 31 December 2022</b>	For the period from 20 January 2021 to 31 December 2021
(Loss) / gain on investment, net	<i>9.1</i>	<b>(806,901)</b>	1,507,361
Dividend income		<b>124,367</b>	--
<b>Total income</b>		<b>(682,534)</b>	1,507,361
Management fees	<i>10</i>	<b>(30,622)</b>	(602)
Fund Board fees	<i>10</i>	<b>(16,000)</b>	(16,000)
Other operating expenses		<b>(56,988)</b>	(54,656)
Foreign exchange loss		<b>(12,837)</b>	(2,561)
<b>Total operating expenses</b>		<b>(116,447)</b>	(73,819)
<b>Net (loss) / profit for the year / period</b>		<b>(798,981)</b>	1,433,542
Other comprehensive income for the year / period		--	--
<b>Total comprehensive (loss) / income for the year / period</b>		<b>(798,981)</b>	1,433,542

The accompanying notes (1) to (16) form an integral part of these financial statements.

**NAFAQAH WAQF FUND**  
**An open-ended mutual fund**  
**(MANAGED BY JADWA INVESTMENT COMPANY)**  
**STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE**  
**UNITHOLDERS**  
**For the year ended 31 December 2022**  
*(Amounts in Saudi Arabian Riyals)*

	<b>For the year ended 31 December 2022</b>	For the period from 20 January 2021 to 31 December 2021
<b>Net assets (equity) attributable to the Unitholders at beginning of the year</b>	<b>16,734,936</b>	--
Net (loss) / income for the year / period	<b>(798,981)</b>	1,433,542
Proceeds from the issuance of units	<b>7,767,167</b>	15,301,394
<b>Net assets (equity) attributable to the Unitholders at end of the year</b>	<b><u>23,703,122</u></b>	<u>16,734,936</u>
	<b>For the year ended 31 December 2022</b>	For the period from 20 January 2021 to 31 December 2021
<b>Units transactions (numbers)</b>		
<b>Units in issuance at the beginning of the year / period</b>	<b>1,481,526.45</b>	--
Issuance of units during the year / period	<b>695,903.40</b>	1,481,526.45
<b>Units in issuance at end of the year / period</b>	<b><u>2,177,429.85</u></b>	<u>1,481,526.45</u>

The accompanying notes (1) to (16) form an integral part of these financial statements.

**NAFAQAH WAQF FUND**  
**An open-ended mutual fund**  
**(MANAGED BY JADWA INVESTMENT COMPANY)**  
**STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2022**  
*(Amounts in Saudi Arabian Riyals)*

	<i>Notes</i>	<b>For the year ended 31 December 2022</b>	For the period from 20 January 2021 to 31 December 2021
<b>Cash flows from operating activities</b>			
Net (loss) / profit for the year / period		<b>(798,981)</b>	1,433,542
<i>Adjustments for:</i>			
(Loss) /gain from investments, net	9.1	<b>806,901</b>	(1,507,361)
Dividend income		<b>(124,367)</b>	--
		<b>(116,447)</b>	(73,819)
<b>Net changes in operating assets and liabilities</b>			
Purchase of investments		<b>(17,583,799)</b>	(23,708,150)
Proceeds from sale of investments		<b>9,311,794</b>	9,029,625
Management fee payable		<b>30,622</b>	420
Accrued expenses and other payable		<b>(3,580)</b>	46,989
Fund Board fee payable		<b>16,000</b>	16,000
<b>Net cash used in operations</b>		<b>(8,345,410)</b>	(14,688,935)
Dividend received		<b>124,367</b>	--
<b>Net cash used in operating activities</b>		<b>(8,221,043)</b>	(14,688,935)
<b>Cash flows from financing activities</b>			
Proceeds from issue of units		<b>7,767,167</b>	15,301,394
<b>Net cash generated from financing activities</b>		<b>7,767,167</b>	15,301,394
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(453,876)</b>	612,459
Cash and cash equivalents at beginning of the year / period	8	<b>612,459</b>	--
<b>Cash and cash equivalents end of the year / period</b>	8	<b>158,583</b>	612,459

The accompanying notes (1) to (16) form an integral part of these financial statements.

**NAFAQAH WAQF FUND**  
**An open-ended mutual fund**  
**(MANAGED BY JADWA INVESTMENT COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022**  
*(Amounts in Saudi Arabian Riyals)*

**1. GENERAL INFORMATION**

- (a) Nafaqah Waqf 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 Fund commenced its operations on 20 January 2021 after approval from the Capital Market Authority’s (“CMA”)

The Fund aims to enhance the development role of private endowment in supporting the Fund through developing, investing, protecting endowed assets of the Fund to achieve social solidarity and bring benefits to the expenses of endowment and the endowed asset. While the Fund Manager receives subscription amounts from subscribers (persons who create endowment) and investing it locally and internationally in all assets categories for the purpose of appreciation of endowed capital and distribute (50%) of the net income (endowment returns) periodically on the endowment expenses specified for the Fund that represents the beneficiary body. The Fund’s net assets at the time of liquidation will also be used toward endowment purposes.

In dealing with the Unitholders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares separate financial statements of 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), and 17 Rajab 1442 H (corresponding to 1 March 2021), detailing requirements for all funds within the Kingdom of Saudi Arabia. The Fund is also subject to the licensing instructions for endowment investment funds.
- (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 and administrator of the Fund is Jadwa Investment Company and custodian of the Fund is AlBilad Capital.

The Fund Manager charges the Fund a management fee of 0.6% of the net assets (equity) value at each valuation day (on each Monday and Thursday of the week). The Fund Manager does not charge any management fee when it is investing in any funds managed by Jadwa Investment Company.

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 not exceeding 3% of the net assets (equity) annually.

**2. BASIS OF PRESENTATION**

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

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

**3. BASIS OF ACCOUNTING**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and to comply with the applicable provisions of the Investment Funds Regulations issued by Capital Market Authority, the Fund’s terms and conditions.

**NAFAQAH WAQF FUND**  
**An open-ended mutual fund**  
**(MANAGED BY JADWA INVESTMENT COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022**  
*(Amounts in Saudi Arabian Riyals)*

**4. BASIS OF MEASUREMENT**

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

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

**5. FUNCTIONAL AND PRESENTATION CURRENCY**

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

**6. USE OF JUDGMENTS AND ESTIMATES**

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

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

**7. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**a) *Functional currency***

Functional currency is the currency of the primary economic environment in which the Fund operates. If indicators of the primary economic environment are mixed, then management uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The majority of the Fund’s investment and transactions are denominated in SAR. Investor subscriptions and redemptions are determined based on equity value, and received and paid in SAR. Expenses are denominated and paid in SAR. Accordingly, management has determined that the functional currency of the Fund is SAR.

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

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

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

**NAFAQAH WAQF FUND**  
**An open-ended mutual fund**  
**(MANAGED BY JADWA INVESTMENT COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022**  
*(Amounts in Saudi Arabian Riyals)*

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

**c) *Dividend income***

Dividend income is recognized in the statement of comprehensive income on the date on which the right to receive payment is established. For private equity securities, this is usually the date on which the shareholders approve the payment of a dividend. Dividend income from equity securities designated as at fair value through profit or loss is recognized in the statement of comprehensive income in a separate line item.

**d) *Zakat / taxation***

Under the current system of zakat and income tax in the Kingdom of Saudi Arabia, the Fund is exempt from paying any zakat and income tax. Zakat and income tax are considered to be the obligation of the Unitholders and are not provided in the accompanying financial statements.

The Value Added Tax (“VAT”) applicable for fees and expenses are recognized in the statement of comprehensive income.

**e) *Provisions***

Provisions are recognized whenever there is present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**f) *Management fee***

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

**g) *Cash and cash equivalents***

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Fund in the management of short-term commitments.

**h) *Financial assets and liabilities***

***Classification of financial assets***

On initial recognition, a financial asset is classified and measured at amortized cost, fair value through other comprehensive income (“FVOCI”) or FVTPL.

***Financial asset at amortized cost***

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**NAFAQAH WAQF FUND**  
**An open-ended mutual fund**  
**(MANAGED BY JADWA INVESTMENT COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022**  
*(Amounts in Saudi Arabian Riyals)*

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

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

*Financial asset at fair value through other comprehensive income ("FVOCI")*

A financial asset is measured at fair value through FVOCI only if it meets both of the following conditions and is not designated as at FVTPL.

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principle and interest on the principle amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund Manager may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

*Financial asset at fair value through profit or loss ("FVTPL")*

All financial assets not classified as measured at amortized cost or FVOCI are measured at FVTPL.

*Business model assessment*

The Fund Manager assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Fund Manager;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Fund's original expectations, the Fund does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Profit' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

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

**NAFAQAH WAQF FUND**  
**An open-ended mutual fund**  
**(MANAGED BY JADWA INVESTMENT COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022**  
*(Amounts in Saudi Arabian Riyals)*

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

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

*Reclassifications*

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

*Classification of financial liabilities*

The Fund classifies its financial liabilities at amortized cost unless it has designated liabilities at FVTPL.

*Recognition and initial measurement*

Financial assets at FVTPL are initially recognized on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated.

Financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition issue.

*Subsequent measurement*

Financial assets at FVTPL are subsequently measured at fair value. Net gain or losses including any foreign exchange gains and losses, are recognized in profit or loss in 'unrealized gain / (loss) on investment' in the statement of comprehensive income.

Financial assets and financial liabilities at amortized cost are subsequently measured at amortized cost using effective interest method and is recognized in the statement of comprehensive income. Any gain or loss on de-recognition is also recognized in the statement of comprehensive income. The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principle repayments, plus or minus the cumulative amortizing using effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

*Derecognition*

The Fund derecognizes a financial asset when the contractual rights to the cash flow from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of the financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognized in statement of comprehensive income. Any interest in such transferred financial assets that is created or retained by the Fund is recognized as a separate asset or liability.

The Fund enters into transactions whereby it transfers assets recognized on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all of the risk and rewards are retained, then the transferred assets are not derecognized.

The Fund derecognize a financial liability when its contractual obligations are discharged or cancelled, or expire.

**NAFAQAH WAQF FUND**  
**An open-ended mutual fund**  
**(MANAGED BY JADWA INVESTMENT COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022**  
*(Amounts in Saudi Arabian Riyals)*

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

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

***Offsetting***

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle them liability simultaneously.

Income and expenses are presented on a net basis for gain and losses from financial instruments at FVTPL and foreign exchange gains and losses.

***i) Fair value measurement***

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

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

When available, the Fund measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis. The Fund measures instruments quoted in an active market as per the official closing price in the related stock exchange where the instrument is traded.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Fund recognizes transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

***j) Distributions to the Unitholders***

Distribution to the Unitholders is accounted for as a deduction from net assets (equity) attributable to the Unitholders. Dividend is recognized as a liability in the period in which it is irrevocably declared by the Fund Manager. A final dividend is recognized as a liability in the period in which it is approved by the Fund Board.

***k) Redeemable units***

The Fund classified financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Redeemable units are classified as equity as it meets all of the following conditions:

- it entitles the holder to a pro-rata share of the Fund's net assets in the event of the Fund's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- the instrument does not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

**NAFAQAH WAQF FUND**  
**An open-ended mutual fund**  
**(MANAGED BY JADWA INVESTMENT COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022**  
*(Amounts in Saudi Arabian Riyals)*

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

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

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

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

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

***m) Standards issued but not yet effective***

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

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

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

**8. CASH AND CASH EQUIVALENTS**

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

**NAFAQAH WAQF FUND**  
**An open-ended mutual fund**  
**(MANAGED BY JADWA INVESTMENT COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022**  
*(Amounts in Saudi Arabian Riyals)*

**9. INVESTMENTS**

	<b>31 December 2022</b>	31 December 2021
Investment measured at FVTPL:		
- Units in mutual funds	<i>12(a)</i> <b>23,650,990</b>	16,185,886

9.1 Below are the details of (losses) / gains from investments measured at FVTPL, net:

	<b>For the year ended 31 December 2022</b>	For the period from 20 January 2021 to 31 December 2021
Realized (loss) / gain on investments at FVTPL, net	<b>(217,446)</b>	621,340
Unrealized (loss) / gain on investments at FVTPL, net	<b>(589,455)</b>	886,021
	<b><u>(806,901)</u></b>	<u>1,507,361</u>

**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. In the ordinary course of its activities, the Fund transacts business with the Fund Manager.

In addition to transactions disclosed elsewhere in these financial statements, the Fund entered into the following transactions with the related parties during the year / 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 transactions</u>	<b>For the year ended 31 December 2022</b>	For the period from 20 January 2021 to 31 December 2021
Jadwa Investment Company	The Fund Manager	Management fee	<b>30,622</b>	602
The Fund Board	The Fund Board	The Fund Board fee (independent member)	<b>16,000</b>	16,000

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

<u>Related party</u>	<u>Nature of relationship</u>	<u>Nature of balances</u>	<b>31 December 2022</b>	31 December 2021
Jadwa Investment Company	The Fund Manager	Management fee payable	<b>31,042</b>	420
The Fund Board	The Fund Board	Fee payable to an independent member of the Fund Board	<b>32,000</b>	16,000

**NAFAQAH WAQF FUND**  
**An open-ended mutual fund**  
**(MANAGED BY JADWA INVESTMENT COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022**  
*(Amounts in Saudi Arabian Riyals)*

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

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

<b>31 December 2022</b>	<u>Amortized cost</u>	<u>FVTPL</u>
<i>Financial assets</i>		
Cash and cash equivalents	158,583	--
Investments	--	23,650,990
<b>Total financial assets</b>	<u>158,583</u>	<u>23,650,990</u>
<i>Financial liabilities</i>		
Management fee payable	31,042	--
Accrued expenses and other payable	43,935	--
Fund Board fee payable	31,474	--
<b>Total financial liabilities</b>	<u>106,451</u>	<u>--</u>
<b>31 December 2021</b>	<u>Amortized cost</u>	<u>FVTPL</u>
<i>Financial assets</i>		
Cash and cash equivalents	612,459	--
Investments	--	16,185,886
<b>Total financial assets</b>	<u>612,459</u>	<u>16,185,886</u>
<i>Financial liabilities</i>		
Management fee payable	420	--
Accrued expenses and other payable	46,989	--
Fund board fee payable	16,000	--
<b>Total financial liabilities</b>	<u>63,409</u>	<u>--</u>

**12. FINANCIAL RISK MANAGEMENT**

The Fund has exposure to the following risks from financial instruments:

- a) market risk;
- b) credit risk;
- c) liquidity risks; and
- d) operational risk.

The Fund aims to enhance the development role of private endowment in supporting the Fund through developing, investing, protecting endowed assets of the Fund to achieve social solidarity and bring benefits to the expenses of endowment and the endowed asset. The nature and extent of the financial instruments outstanding at the statement of financial position date and the risk management policies employed by the Fund are discussed below.

The Fund Manager has been given discretionary authority to manage the assets in line with the Fund's investment objectives. Compliance with target asset allocations as per the terms and conditions is monitored by the portfolio management team on a regular basis.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below

**a) Market risk**

'Market Risk' is the risk that changes in market prices – such as commission rates, foreign exchange rates, equity prices and credit spreads – will affect the Fund's income or the fair value of its holdings in financial instruments.

The Fund's strategy for the management of market risk is driven by the Fund's investment objective as per the Fund's terms and conditions.

**NAFAQAH WAQF FUND**  
**An open-ended mutual fund**  
**(MANAGED BY JADWA INVESTMENT COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022**  
*(Amounts in Saudi Arabian Riyals)*

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

**a) Market risk (continued)**

The Fund's market risk is managed by the Fund Manager in accordance with the policies and procedures in place. The Fund's market positions are monitored on a daily basis by the portfolio management team.

*i. Foreign currency risk*

Foreign currency risk arises as the value of future transactions, recognized monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. The Fund invests in financial instruments and enters into transactions that are denominated in currencies other than its functional currency, primarily in SAR. Consequently, the Fund is exposed to risk that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the fair value or future cash flows of the Fund's financial assets or financial liabilities denominated in currencies other than Riyal.

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

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

**Exposure**

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

<u>Currency</u>	<b>31 December 2022</b>	<b>% of net assets (equity)</b>
USD	<b>14,151,045</b>	<b>59.70</b>
	31 December 2021	
<u>Currency</u>	Amount in SAR	% of net assets (equity)
USD	8,158,672	48.75

*Sensitivity analysis*

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

*Effect in amounts of SAR (decrease)*

<u>Currency</u>	<b>31 December 2022</b>	31 December 2021
USD	<b>(70,755)</b>	<b>(40,998)</b>

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

<u>Currency</u>	<b>31 December 2022</b>	31 December 2021
USD	<b>-0.30%</b>	<b>-0.24%</b>

**NAFAQAH WAQF FUND**  
**An open-ended mutual fund**  
**(MANAGED BY JADWA INVESTMENT COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022**  
*(Amounts in Saudi Arabian Riyals)*

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

**a) Market risk (continued)**

*i. Foreign currency risk (continued)*

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

*ii. Commission rate risk*

Commission rate risk arises from the possibility that the changes in commission rates will affect either the fair values or the future cash flows of financial instruments. The Fund is not subject to commission rate risk on its investments.

*iii. Other price risk*

Other price risk' is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from commission rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer or factors affecting all instruments traded in the market.

The Fund's policy is to manage price risk through diversification and selection of securities and other financial instruments within specified limits set by the Fund's terms and conditions. A summary analysis of investments by nature is presented below. All of the Fund's securities are tradeable and overall market position is monitored on a daily basis by the Fund Manager, and it is reviewed on weekly basis by the portfolio management team.

**Exposure**

The Fund Manager monitors the concentration risk for investments based on counterparties. The composition of the Fund's investment in units of mutual funds is as follows:

	<b>31 December 2022</b>		
	<b>Cost</b>	<b>Fair value</b>	<b>% of Fair value to total investments</b>
<b><u>Investment Funds</u></b>			
Jadwa Saudi Equity Fund - Class B*	<b>8,052,213</b>	<b>8,720,881</b>	<b>36.87</b>
Jadwa Global Sukuk Fund - Class B*	<b>4,373,030</b>	<b>4,176,837</b>	<b>17.66</b>
Aljazira Sukuk Fund	<b>4,318,138</b>	<b>4,103,060</b>	<b>17.35</b>
Jadwa International Multi-manager Real Assets Fund - Class A*	<b>1,358,600</b>	<b>1,372,852</b>	<b>5.80</b>
Jadwa International Multi-manager Absolute Return Fund - Class A*	<b>1,358,600</b>	<b>1,362,998</b>	<b>5.76</b>
Jadwa International Multi-manager Private Equity Fund - Class A*	<b>1,012,879</b>	<b>1,024,073</b>	<b>4.33</b>
Jadwa International Multi-manager Absolute Return Fund 2- Class A*	<b>977,080</b>	<b>977,080</b>	<b>4.13</b>
Jadwa International Multi-manager Real Assets Fund 2- Class A*	<b>977,080</b>	<b>977,080</b>	<b>4.13</b>
Jadwa Saudi Riyal Murabaha Fund - Class B*	<b>926,803</b>	<b>936,128</b>	<b>3.96</b>
<b>Total</b>	<b><u>23,354,424</u></b>	<b><u>23,650,990</u></b>	<b><u>100.00</u></b>

**NAFAQAH WAQF FUND**  
**An open-ended mutual fund**  
**(MANAGED BY JADWA INVESTMENT COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022**  
*(Amounts in Saudi Arabian Riyals)*

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

**a) Market risk (continued)**

<u>Investment Funds</u>	31 December 2021		
	Cost	Fair value	% of fair value to total investments
Jadwa Saudi Riyal Murabaha Fund - Class B*	3,996,105	4,003,820	24.75
Jadwa Global Sukuk Fund- Class B*	3,816,829	3,812,354	23.55
Jadwa Saudi Equity Fund - Class B*	2,499,526	3,378,059	20.87
Jadwa International Multi-manager Absolute Return Fund - Class A*	1,358,600	1,360,085	8.40
Jadwa International Multi-manager Real Assets Fund - Class A*	1,358,600	1,360,085	8.40
Al Rajhi Commodity Mudaraba Fund - SAR	1,257,327	1,257,795	7.77
Jadwa International Multi-manager Private Equity Fund - Class A*	1,012,878	1,013,688	6.26
Total	15,299,865	16,185,886	100.00

\* A funds managed by the Fund Manager.

**b) Credit risk**

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from cash and cash equivalents and dividend receivable (if any). For risk management reporting purposes, the Fund considers and aggregates all elements of credit risk exposure such as individual obligor default risk, counter party risk and sector risk etc. The Fund's policy over credit risk is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the certain credit standards.

The Fund's credit risk is monitored on a regular basis by portfolio management team to ensure it is in line with the investment guidelines of the Fund.

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

	<b>31 December 2022</b>	31 December 2021
Cash and cash equivalents	<b>158,583</b>	612,459

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

**c) Liquidity risk**

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

The Fund's financial liabilities primarily consist of payables which are expected to be settled within one month from the statement of financial position date.

**NAFAQAH WAQF FUND**  
**An open-ended mutual fund**  
**(MANAGED BY JADWA INVESTMENT COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022**  
*(Amounts in Saudi Arabian Riyals)*

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

**c) Liquidity risk**

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio.

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

	<i>Within 12 months</i>	<i>After 12 months</i>	<i>No fixed maturity</i>	<i>Total</i>
<i>As at 31 December 2022</i>				
Cash and cash equivalents	--	--	158,583	158,583
Investments measured at FVTPL	--	--	23,650,990	23,650,990
<b>Total financial assets</b>	--	--	<b>23,809,573</b>	<b>23,809,573</b>
Management fee payable	31,042	--	--	31,042
Accrued expenses and other payable	43,935	--	--	43,935
Fund board fees payable	31,474	--	--	31,474
<b>Total financial liabilities</b>	<b>106,451</b>	--	--	<b>106,451</b>
<i>As at 31 December 2021</i>				
Cash and cash equivalents	--	--	612,459	612,459
Investments measured at FVTPL	--	--	16,185,886	16,185,886
<b>Total financial assets</b>	--	--	<b>16,798,345</b>	<b>16,798,345</b>
Management fee payable	420	--	--	420
Accrued expenses and other payable	46,989	--	--	46,989
Fund board fees payable	16,000	--	--	16,000
<b>Total financial liabilities</b>	<b>63,409</b>	--	--	<b>63,409</b>

**d) Operational risk**

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to the Unitholders.

The primary responsibility for the development and implementation of control over operational risks rests with the Risk Management team. This responsibility is supported by the development of overall standard for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- documentation of controls and procedures;
- requirements for:
  - o appropriate segregation of duties between various functions, roles and responsibilities;
  - o reconciliation and monitoring of transactions; and
  - o periodic assessment of operational risks faced,
- the adequacy of controls and procedures to address the risks identified;
- compliance with regulatory and other legal requirements;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance.

**NAFAQAH WAQF FUND**  
**An open-ended mutual fund**  
**(MANAGED BY JADWA INVESTMENT COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022**  
*(Amounts in Saudi Arabian Riyals)*

**13. FAIR VALUE MEASUREMENT**

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

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

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

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

The Fund determined fair value of investments in non-traded open ended mutual funds measured at FVTPL using unadjusted net assets value, based on the similar security external price. Therefore, the Fund classified them as level 2 of the fair value hierarchy.

*Carrying amounts and fair value*

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position. All fair value measurements below are recurring.

<u>Financial assets at fair value</u>	<u>Carrying amount</u>	<b>31 December 2022</b>			
		<u>Fair value</u>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Investments</b>	<b><u>23,650,990</u></b>	--	<b><u>23,650,990</u></b>	--	<b><u>23,628,503</u></b>
		<b>31 December 2021</b>			
		<u>Fair value</u>			
<u>Financial assets at fair value</u>	<u>Carrying amount</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	<u>16,185,886</u>	--	<u>16,185,886</u>	--	<u>16,185,886</u>

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

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

**14. EVENTS AFTER THE END OF THE REPORTING PERIOD**

There is no event subsequent to the statement of financial position date which require adjustment of or disclosure in the financial statements or notes thereto.

**15. VALUATION DAY**

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

**16. APPROVAL OF THE FINANCIAL STATEMENTS**

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