



Nafaqah Waqf Fund

2023 Annual Report



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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:** Jadwa IdealRatings Global Sukuk Index
- C. **Local Equities:** S&P Saudi Shariah Domestic Index (TR)
- D. **Global Equities:** MSCI World Islamic M-Series Index
- E. **Alternatives:** SAIBOR 3M + 2%
- F. **Private Equity:** SAIBOR 3M + 5%
- G. **Real Estate:** SAIBOR 3M + 3%

Fund Performance

As of December 31 st	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
2023	46,482,349.69	12.4955	12.4955	10.8755	3,719,934.2577	0.66

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	7.71%	14.90%	-	-
Benchmark	9.29%	13.61%	-	-
Variance	-1.58%	1.29%	-	-

	Fund
2021	12.96%
2022	-3.72%
2023	14.90%



Fund Expenses

	Expenses for 2023 (SAR)
Management Fees	42,099
Fund Board	15,956
Auditing Fees	32,161
Custodian's Fees	6,450
Subscription Fees	-
Legal Expenses	-
Cost of Sharia-compliant finance (when required)	-
Registration / Fees of Unit Processing	-
Administration expenses	-
Other expenses	3,603
Total	125,548
Total Expenses Ratio	0.66



Fund Board Members

1. Ghanem AlGhanem (Chairman of the Board and Non-Independent Member)
2. Walid AlJindan (Non-independent member)
3. Hamad bin Mohammed bin Abdullah Al Kanhal (Independent member)
4. Sara Essam Abdulqader AlMuhaideb (Independent member)

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.

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

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).

**Sarah Essam Al Muhaidib (Independent member)**

Sarah has been the CEO of Abdulkadir Al Muhaidib Social Foundation since 2019.

Sarah works to institutionalize the various community, charitable and humanitarian initiatives of the Al Muhaidib Group. It contributes to the organization's expansion today into early childhood development initiatives, with a special focus on children with disabilities. Sarah began her career at SABB Bank, where she focused on corporate banking services in the Kingdom of Saudi Arabia, then moved to the headquarters of HSBC Bank in Dubai as a relationship manager for medium-sized corporate clients. She obtained a bachelor's degree in marketing in 2007 from King Faisal University in the Kingdom of Saudi Arabia.

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. Charities Balanced Fund for Sustainability (Ghanem AlGhanem is a board member)
2. Charities Conservative Fund for Sustainability (Ghanem AlGhanem is a board member)
3. Charities Balanced Fund for Sustainability (Waleed AlJindan is a board member)
4. Charities Conservative Fund for Sustainability (Waleed AlJindan is a board member)

Fund board meetings during 2023

The fund board met twice during 2023 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

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

Globally, the recovery from multiyear shocks—the COVID-19 pandemic, Russia's invasion of Ukraine, and the cost-of-living crisis—is proving surprisingly resilient. Economic growth was stronger than expected in the second half of 2023 in the United States, China, and several major emerging market and developing economies. At the same time, inflation has fallen from its 2022 peak faster than expected, reflecting the role of favorable supply-side developments and of the actions of central banks in anchoring inflation expectations, and global financial conditions have loosened.

Against this background, global growth in 2024 is projected to remain unchanged from 2023 at 3.1 percent and rise modestly to 3.2 percent in 2025. The forecast for 2024 is higher by 0.2 percentage point compared to the October 2023 World Economic Outlook. Nevertheless, this forecast remains below the historical (2000–19) average of 3.8 percent, as elevated central bank policy rates to fight inflation and the withdrawal of fiscal support to address high debt levels weigh on economic activity. Global headline inflation is expected to decline to 5.5 percent in 2024 and 4.4 percent in 2025. This forecast reflects a downward revision of 0.3 percentage point and 0.2 percentage point, respectively, and is the first cumulative two-year markdown in three years. These projections assume that interest rates in major economies and fuel and nonfuel commodity prices will decline in 2024 and 2025. Annual average oil prices are projected to moderate by 2.3 percent in 2024 to about \$79 per barrel.

Meanwhile, the broad-based regional decline in inflation is a positive development. Inflation continues to ease in most MENA economies, including as monetary policy has remained tight, roughly in line with global developments. Specifically, estimates of natural policy interest rates suggest that the monetary policy stance was tight in many MENA economies in 2023.

Non-oil growth momentum remains strong in Gulf Cooperation Council (GCC) economies. Notably, structural reforms by GCC members are supporting economic diversification while increased domestic demand and capital inflows are also contributing to growth. Moreover, despite a moderation in oil prices, slower global trade, and a boost to imports from rebounding domestic demand, current account surpluses remained at comfortable levels in 2023 after reaching historical highs in 2022. Fiscal balances also stayed healthy, supported by still-elevated oil prices and fiscal reforms (including expenditure restraint and continued efforts to bolster non-oil revenue).

For the full year of 2023, Nafaqah Waqf Fund, delivered a total return of 14.90%, outperforming its benchmark by 1.29%. Since inception, the fund delivered an annualized return of 7.71%.

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 of the Fund has been updated three times in 2023 below are the updates:

1	Board of Directors	<p>There has been a change in the membership of the Board of Directors of Nadaqah Waqf Fund following the resignation of two board members and the appointment of one independent member:</p> <p>Resignations</p> <ul style="list-style-type: none"> Aidaroos bin Hassan bin Omar Al-Esai – Independent member starting from starting from 01/08/1444, corresponding to 21/02/2023G Ghannam AlGhannam – non-independent member starting from 06/08/1444, corresponding to 26/02/2023G. <p>New appointments</p> <ul style="list-style-type: none"> Sarah Al Muhaidib – independent member starting from 23/08/1444, corresponding to 15/03/2023G
2	Fund benchmark	<p>There has been a change in the benchmark for the fund effective 28-Aug-23 to be as follows: Old Benchmark:</p> <ul style="list-style-type: none"> A. Money Market: SAIBOR 3M B. Sukuk: Jadwa IdealRatings Global Sukuk Index C. Local Equities: S&P Saudi Shariah Domestic Index (TR) D. Global Equities: MSCI World Islamic M-Series Index E. Alternatives: SAIBOR 3M + 2% F. Private Equity: SAIBOR 3M + 5% G. Real Estate: SAIBOR 3M + 3% <p>New Benchmark:</p> <ul style="list-style-type: none"> A. Money Market: SAIBOR 3M B. Sukuk: Jadwa IdealRatings Global Sukuk Index C. Local Equities: S&P Saudi Shariah Domestic Index (TR) D. Global Equities: MSCI World Islamic M-Series Index E. Alternatives: SAIBOR 3M + 2% F. Private Equity: SAIBOR 3M + 5% G. Real Estate: SAIBOR 3M + 3%
3	Zakat declaration	<p>By adding a declaration related to tax and zakat, which is required by both the Capital Market Authority and the Zakat, Tax and Customs Authority in relation to zakat and tax items.</p>

	% of Net Assets 31-Dec-2023
Mutual Funds	92.80%
Net Cash	7.20%
Total	100.00%



Investment in Other Funds:

Fund Name	% of AUM	Management fees
Jadwa Saudi Equity Fund - Class A	37.37%	N/A
Aljazira Sukuk Fund	13.83%	0.60%
Jadwa Global Sukuk Fund - Class B	13.57%	N/A
Jadwa Saudi Riyal Murabaha Fund - Class C	7.01%	N/A
Jadwa International Multi-Manager Absolute Return Fund II - Class A	3.11%	0.50%
Jadwa International Multi-manager Real Assets Fund II - Class A	3.09%	0.50%
Jadwa International Multi-manager Real Assets Fund - Class A	2.96%	0.50%
Jadwa International Multi-Manager Absolute Return Fund - Class A	2.95%	0.50%
Artal Murabaha Fund	2.34%	0.60%
Jadwa International Multi-manager Private Equity Fund - Class A	2.28%	0.50%
Jadwa International Multi-manager Real Assets Fund III - Class A	1.40%	0.50%
Jadwa International Multi-Manager Absolute Return Fund III - Class A	1.40%	0.50%
Jadwa International Multi-manager Private Equity Fund II - Class A	0.82%	0.50%
Jadwa International Multi-manager Private Equity Fund III - Class A	0.68%	0.50%
Cash	7.20%	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

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 2023
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 2023

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KPMG Professional Services

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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 2023, the statements of profit or loss and other comprehensive income, changes in net assets (equity) attributable to the Unitholders and cash flows for the year ended 31 December 2023, and notes to the financial statements, comprising material 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 2023, and its financial performance and its cash flows for the period then ended in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation 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 of **Nafaqah Waqf Fund (the "Fund")**.

KPMG Professional Services

Saleh Mohammed S Mostafa
License No: 524

Riyadh, 21 Ramadan 1445H
Corresponding to: 31 March 2024



NAFAQAH WAQF FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2023
(Amounts in Saudi Arabian Riyals)

	<i>Notes</i>	31 December <u>2023</u>	31 December <u>2022</u>
ASSETS			
Cash and cash equivalents	8	3,353,115	158,583
Investments	9	<u>43,216,117</u>	<u>23,650,990</u>
Total assets		<u>46,569,232</u>	<u>23,809,573</u>
LIABILITIES			
Management fee payable	1(c),10	16,504	31,042
Accrued expenses and other payable		44,948	43,409
Fund Board fee payable	10	<u>25,430</u>	<u>32,000</u>
Total liabilities		<u>86,882</u>	<u>106,451</u>
Net assets (equity) attributable to the Unitholders (SAR)		<u>46,482,350</u>	<u>23,703,122</u>
Units in issuance (numbers)		<u>3,719,934.26</u>	<u>2,177,429.85</u>
Net assets (equity) attributable to each unit (SAR)		<u>12.4955</u>	<u>10.8858</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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

	<i>Notes</i>	31 December 2023	31 December <u>2022</u>
Gain / (loss) on investment, net	<i>9.1</i>	4,830,801	(806,901)
Dividend income		<u>--</u>	124,367
Total income		4,830,801	(682,534)
Management fee	<i>1(c),10</i>	(42,099)	(30,622)
Fund Board fees	<i>10</i>	(15,956)	(16,000)
Other operating expenses		(64,833)	(56,988)
Foreign exchange loss		(2,660)	(12,837)
Total operating expenses		125,548	(116,447)
Net profit / (loss) for the year		4,705,253	(798,981)
Other comprehensive income for the year		<u>--</u>	<u>--</u>
Total comprehensive income / (loss) for the year		4,705,253	(798,981)

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 2023
(Amounts in Saudi Arabian Riyals)

	<u>31 December 2023</u>	<u>31 December 2022</u>
Net assets (equity) attributable to the Unitholders at beginning of the year	23,703,122	16,734,936
Net income / (loss) for the year	4,705,253	(798,981)
Proceeds from the issuance of units	18,073,975	7,767,167
Net assets (equity) attributable to the Unitholders at end of the year	<u>46,482,350</u>	<u>23,703,122</u>

	<u>31 December 2023</u>	<u>31 December 2022</u>
Units transactions (numbers)		
Units in issuance at the beginning of the year	2,177,429.85	1,481,526.45
Issuance of units during the year	1,542,504.41	695,903.40
Units in issuance at end of the year	<u>3,719,934.26</u>	<u>2,177,429.85</u>

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

NAFAQAH WAQF FUND
An open-ended mutual fund
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STATEMENT OF CASH FLOWS
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	<i>Notes</i>	31 December 2023	31 December 2022
Cash flows from operating activities			
Net profit / (loss) for the year		4,705,253	(798,981)
<i>Adjustments for:</i>			
(Gain) / loss from investments, net	9.1	(4,830,801)	806,901
Dividend income		--	(124,367)
		(125,548)	(116,447)
Net changes in operating assets and liabilities			
Purchase of investments		(21,867,750)	(17,583,799)
Proceeds from sale of investments		7,133,424	9,311,794
(Decrease) / increase in Management fee payable		(14,538)	30,622
Increase / (decrease) Accrued expenses and other payable		1,539	(3,580)
(Decrease) / increase Fund Board fee payable		(6,570)	16,000
Net cash used in operations		(14,879,443)	(8,345,410)
Dividend received		--	124,367
Net cash used in operating activities		(14,879,443)	(8,221,043)
Cash flows from financing activities			
Proceeds from issue of units		18,073,975	7,767,167
Net cash generated from financing activities		18,073,975	7,767,167
Net increase / (decrease) in cash and cash equivalents		3,194,532	(453,876)
Cash and cash equivalents at beginning of the year	8	158,583	612,459
Cash and cash equivalents end of the year	8	3,353,115	158,583

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

NAFAQAH WAQF FUND
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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 after the fund board’s approval. 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 the International Financial Reporting Standards (“IFRS”) that are as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and to comply with the applicable provisions of the Investment Fund Regulations issued by CMA and the Fund’s terms and conditions.

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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. MATERIAL 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).

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7. MATERIAL 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) *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.

e) *Management fee*

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

f) *Cash and cash equivalents*

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

g) *Financial assets and liabilities*

Classification of financial assets

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

Financial asset at amortized cost

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

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

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7. MATERIAL ACCOUNTING POLICIES (CONTINUED)

g) *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.

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7. MATERIAL ACCOUNTING POLICIES (CONTINUED)

g) *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.

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7. MATERIAL ACCOUNTING POLICIES (CONTINUED)

g) *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.

h) *Fair value measurement*

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

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

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

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

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

i) *Distributions to the Unitholders*

Distribution to the Unitholders is accounted for as a deduction from net assets (equity) attributable to the Unitholders. 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.

j) *Redeemable units*

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

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.

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7. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) have been effective from 1 January 2023 and accordingly adopted by the Fund, as applicable. However, these did not have any significant impact on the financial statements.

- Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction
- A number of narrow-scope amendments to IAS 1, IAS 8
- Amendments to IFRS 17 – Insurance Contracts

l) New regulations effective during the year

The Minister of Finance via Ministerial Resolution No. (29791) dated 9 Jumada-al-Awwal 1444 H (corresponding to 3 December 2022) approved the Zakat Rules for Investment Funds permitted by the CMA.

The Rules are effective from 1 January 2023 requiring Investment Funds to register with Zakat, Tax and Customs Authority (ZATCA). The Rules also require the Investment Funds to submit an information declaration to ZATCA within 120 days from the end of their fiscal year, including audited financial statements, records of related party transactions and any other data requested by ZATCA. Under the Rules, Investment Funds are not subject to Zakat provided they do not engage in unstipulated economic or investment activities as per their CMA approved Terms and Conditions. Zakat collection will be applied on the Fund's Unit holders.

During the current year, the Fund Manager has completed the registration of the Fund with ZATCA and will be submitting information declaration in due course.

m) Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2024 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	Classification of Liabilities as current or non-current and noncurrent liabilities covenant	01 January 2024
Amendments to IFRS 16	Lease liability in a sale and leaseback transaction	01 January 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	01 January 2024
Amendments to IAS 21	Lack of exchangeability	01 January 2024
Amendments to IFRS 10 and IAS 28	Sales or contribution of assets between investors and its associates or joint venture	Available for optional adoption / effective date deferred indefinitely

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8. CASH AND CASH EQUIVALENTS

It represents balances held with local banks that have short-term and long-term ratings ranging from 'F-1+' to 'F2' and 'BBB+' to 'AA-', respectively.

9. INVESTMENTS

	31 December 2023	31 December 2022
Investment measured at FVTPL:		
- Units in mutual funds	<i>12(a)</i> 43,216,117	23,650,990

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

	31 December 2023	31 December 2022
Realized gain / (loss) on investments at FVTPL, net	223,271	(217,446)
Unrealized gain / (loss) on investments at FVTPL, net	4,607,530	(589,455)
	4,830,801	(806,901)

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>	31 December 2023	31 December 2022
Jadwa Investment Company	The Fund Manager	Management fee	42,099	30,622
The Fund Board	The Fund Board	The Fund Board fee (independent member)	15,956	16,000

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

<u>Related party</u>	<u>Nature of relationship</u>	<u>Nature of balances</u>	31 December 2023	31 December 2022
Jadwa Investment Company	The Fund Manager	Management fee payable	16,504	31,042
The Fund Board	The Fund Board	Fee payable to an independent member of the Fund Board	25,430	32,000

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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:

31 December 2023	<u>Amortized cost</u>	<u>FVTPL</u>
<i>Financial assets</i>		
Cash and cash equivalents	3,353,115	--
Investments	--	43,216,117
Total financial assets	3,353,115	43,216,117
<i>Financial liabilities</i>		
Management fee payable	16,504	--
Accrued expenses and other payable	44,948	--
Fund Board fee payable	25,430	--
Total financial liabilities	86,882	--
31 December 2022	<u>Amortized cost</u>	<u>FVTPL</u>
<i>Financial assets</i>		
Cash and cash equivalents	158,583	--
Investments	--	23,650,990
Total financial assets	158,583	23,650,990
<i>Financial liabilities</i>		
Management fee payable	31,042	--
Accrued expenses and other payable	43,409	--
Fund Board fee payable	32,000	--
Total financial liabilities	106,451	--

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.

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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 Fund invests in financial instruments and enters into transactions that are denominated in currencies other than its functional currency, primarily in USD. As the Saudi Arabian Riyal is pegged against the United States Dollar, there is unlikely to be any material impact on the statement of profit or loss in respect of the financial instruments denominated in United States Dollar.

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.

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12. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Market risk (continued)

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:

<u>Investment Funds</u>	31 December 2023		
	<u>Cost</u>	<u>Fair value</u>	<u>% of Fair value to total investments</u>
Jadwa Saudi Equity Fund - Class A	12,755,288	17,400,741	40.26
Aljazira Sukuk Fund	6,351,457	6,441,354	14.90
Jadwa Global Sukuk Fund - Class B	6,266,347	6,318,328	14.62
Jadwa Saudi Riyal Murabaha Fund - Class C	3,237,115	3,263,366	7.55
Jadwa International Multi-Manager Absolute Return Fund 2- Class A	1,452,552	1,450,459	3.36
Jadwa International Multi-manager Real Assets Fund 2- Class A	1,442,872	1,440,778	3.33
Jadwa International Multi-manager Real Assets Fund - Class A	1,358,600	1,378,765	3.19
Jadwa International Multi-Manager Absolute Return Fund - Class A	1,358,600	1,373,154	3.18
ARTAL MURABAHA FUND (CLASS A)	1,078,652	1,090,152	2.52
Jadwa International Multi-manager Private Equity Fund - Class A	1,012,879	1,062,071	2.46
Jadwa International Multi-manager Real Assets Fund 3 - Class A	651,510	651,179	1.51
Jadwa International Multi-manager Absolute Return Fund 3 - Class A	649,972	649,658	1.50
Jadwa International Multi-manager Private Equity Fund 2 - Class A	381,167	381,157	0.88
Jadwa International Multi-manager Private Equity Fund 3 - Class A	315,114	314,955	0.74
Total	<u>38,312,125</u>	<u>43,216,117</u>	<u>100.00</u>

* A funds managed by the Fund Manager.

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12. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Market risk (continued)

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

* 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:

	31 December 2023	31 December 2022
Cash and cash equivalents	<u>3,353,115</u>	<u>158,583</u>

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 local banks that have credit ratings, as disclosed in Note 7. The Fund considers these to have low credit risk. Accordingly, the expected credit loss allowance has no material impact on these balances.

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.

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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>
As at 31 December 2023				
Cash and cash equivalents	--	--	3,353,115	3,353,115
Investments measured at FVTPL	--	--	43,216,117	43,216,117
Total financial assets	--	--	46,569,232	46,569,232
Management fee payable	16,504	--	--	16,504
Accrued expenses and other payable	44,948	--	--	44,948
Fund board fees payable	25,430	--	--	25,430
Total financial liabilities	86,882	--	--	86,882
As at 31 December 2022				
Cash and cash equivalents	--	--	158,583	158,583
Investments measured at FVTPL	--	--	23,650,990	23,650,990
Total financial assets	--	--	23,809,573	23,809,573
Management fee payable	31,042	--	--	31,042
Accrued expenses and other payable	43,409	--	--	43,409
Fund board fees payable	32,000	--	--	32,000
Total financial liabilities	106,451	--	--	106,451

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.

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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 the fair value of investments in open-ended mutual funds measured at FVTPL that are reported on the stock exchange at their last reported prices. 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>	31 December 2023			
		Fair value			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	<u>43,216,117</u>	<u>--</u>	<u>43,216,117</u>	<u>--</u>	<u>43,216,117</u>
		31 December 2022			
<u>Financial assets at fair value</u>	<u>Carrying amount</u>	Fair value			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	<u>23,650,990</u>	<u>--</u>	<u>23,650,990</u>	<u>--</u>	<u>23,628,503</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 2023 (2022: 31 December 2022).

16. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Fund Board on 18 Ramadan 1445H (corresponding to 28 March 2024).