

# **Al-Arabi Asian Equity Fund**

**(Managed by Arab National Investment Company)**

## **UNAUDITED INTERIM FINANCIAL STATEMENTS**

**30 JUNE 2016**

## LIMITED REVIEW REPORT TO THE UNITHOLDERS OF AL-ARABI ASIAN EQUITY FUND

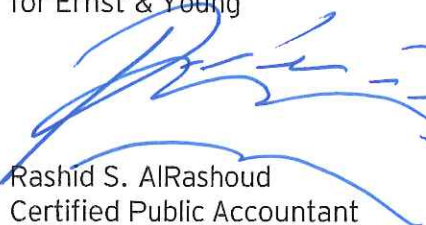
### Scope of review

We have reviewed the accompanying balance sheet of Al-Arabi Asian Equity Fund ("the Fund") as at 30 June 2016, and the related statements of operations, cash flows and changes in net assets for the six month period then ended. These interim financial statements are the responsibility of the Fund's management and have been prepared by them and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

### Conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young

  
Rashid S. AlRashoud  
Certified Public Accountant  
Registration No. 366



Riyadh: 20 Shawwal 1437H  
(25 July 2016)

# Al-Arabi Asian Equity Fund

## BALANCE SHEET

As at 30 June 2016

	<i>Note</i>	<b>30 June 2016 (Unaudited) USD</b>	<b>31 December 2015 (Audited) USD</b>	<b>30 June 2015 (Unaudited) USD</b>
<b>ASSETS</b>				
Bank balance		<b>15,172</b>	15,012	5,133
Trading investments	4	<b>4,275,777</b>	4,369,661	5,277,863
		<b>4,290,949</b>	4,384,673	5,282,996
<b>LIABILITY</b>				
Payables		<b>22,645</b>	23,240	27,171
<b>UNITHOLDERS' FUNDS</b>				
Net assets		<b>4,268,304</b>	4,361,433	5,255,825
Units in issue		<b>232,557</b>	232,557	243,797
Per unit value		<b>18.35</b>	18.75	21.56

The accompanying notes 1 to 7 form an integral part of these interim financial statements.

# Al-Arabi Asian Equity Fund

## STATEMENT OF OPERATIONS

For the six month period ended 30 June 2016

	<i>Note</i>	<b>2016 (Unaudited) USD</b>	<b>2015 (Unaudited) USD</b>
<b>(LOSS) INCOME</b>			
Trading (loss) income, net	5	<b>(49,685)</b>	200,001
<b>EXPENSES</b>			
Management fees	6	<b>(36,725)</b>	(45,092)
Other fees	6	<b>(6,719)</b>	(6,351)
		<b>(43,444)</b>	(51,443)
<b>NET (LOSS) INCOME FROM OPERATIONS</b>		<b>(93,129)</b>	148,558

The accompanying notes 1 to 7 form an integral part of these interim financial statements.

# Al-Arabi Asian Equity Fund

## STATEMENT OF CASH FLOWS

For the six month period ended 30 June 2016

	2016 (Unaudited) USD	2015 (Unaudited) USD
<b>OPERATING ACTIVITIES</b>		
Net income from operations	(93,129)	148,558
Adjustment for:		
Movement in unrealised losses (gains) , net	57,963	(140,651)
	<u>(35,166)</u>	<u>7,907</u>
Changes in operating assets and liabilities:		
Trading investments, net	35,921	(227,244)
Payables	(595)	2,076
	<u>160</u>	<u>(217,261)</u>
Net cash from (used in) operating activities		
<b>FINANCING ACTIVITIES</b>		
Proceeds from units sold	-	350,000
Value of units redeemed	-	(130,000)
	<u>-</u>	<u>220,000</u>
Net cash from financing activities		
	<u>160</u>	<u>2,739</u>
<b>INCREASE IN BANK BALANCE</b>		
Bank balance at the beginning of the period	15,012	2,394
<b>BANK BALANCE AT THE END OF THE PERIOD</b>	<u>15,172</u>	<u>5,133</u>

The accompanying notes 1 to 7 form an integral part of these interim financial statements.

# Al-Arabi Asian Equity Fund

## STATEMENT OF CHANGES IN NET ASSETS

For the six month period ended 30 June 2016

	2016 (Unaudited) USD	2015 (Unaudited) USD
<b>NET ASSET VALUE AT THE BEGINNING OF THE PERIOD</b>	<b>4,361,433</b>	<b>4,887,267</b>
<b>NET (LOSS) INCOME FROM OPERATIONS</b>	<b>(93,129)</b>	<b>148,558</b>
<b>CHANGES FROM UNIT TRANSACTIONS</b>		
Proceeds from unit sold	-	350,000
Value of units redeemed	-	(130,000)
Net change from unit transactions	-	220,000
<b>NET ASSET VALUE AT THE END OF THE PERIOD</b>	<b>4,268,304</b>	<b>5,255,825</b>

### UNITS TRANSACTIONS

Transactions in units for the six month period ended 30 June are summarised as follows:

	2016 (Unaudited) Units	2015 (Unaudited) Units
<b>UNITS AT THE BEGINNING OF THE PERIOD</b>	<b>232,557</b>	<b>232,557</b>
Units sold	-	17,056
Units redeemed	-	(5,816)
Net increase in units	-	11,240
<b>UNITS AT THE END OF THE PERIOD</b>	<b>232,557</b>	<b>243,797</b>

The accompanying notes 1 to 7 form an integral part of these interim financial statements.

## **1 GENERAL**

Al-Arabi Asian Equity Fund (“the Fund”) is an open ended investment fund. The investment objective of the fund is long term growth of capital through investment in a broadly diversified portfolio of Pacific Basin (ex-Japan) equity securities. The Fund was established on 3 Rabi Awal 1422H (corresponding to 26 May 2001) by Arab National Bank (“the Bank”).

In accordance with the Capital Market Authority’s (CMA) decision No. 1-83-2005 dated 21 Jumada Awal 1426H (corresponding to 28 June 2005) issued by the CMA Board in connection with regulations relating to Authorised Persons, the Bank has transferred its asset management operations to the Arab National Investment Company (“the Fund Manager”), a wholly owned subsidiary of the Bank, effective 1 January 2008.

The books and records of the Fund are maintained in US Dollars.

The interim results may not be indicative of the annual results of the Fund’s operations.

## **2 REGULATING AUTHORITY**

The Fund is governed by the Investment Fund Regulations (“the regulations”) published by the CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) detailing requirements for all funds operating within the Kingdom of Saudi Arabia.

## **3 SIGNIFICANT ACCOUNTING POLICIES**

These interim financial statements have been prepared in accordance with the accounting standard on interim financial reporting issued by the Saudi Organization for Certified Public Accountants (“SOCPA”).

The significant accounting policies used in the preparation of these interim financial statements are consistent with those used and disclosed in annual financial statements for the year ended 31 December 2015 which are as follows:

### ***Accounting convention***

The interim financial statements are prepared under the historical cost convention modified to include the measurement of fair value of trading investments.

### ***Revenue recognition***

Dividend income is recognised when declared (i.e. when the Fund’s right to receive the dividend is established).

Trading income includes unrealised gains and losses from changes in fair value, unrealised exchange gains and losses, realised gains and losses from sale of trading investments and dividends declared. Realised gains and losses on trading investments sold are determined on a weighted average cost basis.

Special commission income is recognised on an effective yield basis.

### ***Investment valuation***

Equity investments which are purchased for trading purposes are valued at their market prices as at the valuation date. Investments in mutual funds are valued on the basis of net asset values published by the Fund Manager.

### ***Investment transactions***

Investments transactions are accounted for as of the trade date.

### ***Zakat and income tax***

Zakat and income tax are the obligations of the Unitholders and are not provided for in the accompanying interim financial statements.

# Al-Arabi Asian Equity Fund

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

30 June 2016

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Foreign currencies*

Transactions in foreign currencies are translated into US Dollars at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates of exchange prevailing at that date. Resulting exchange gains and losses are taken to the interim statement of operations.

### 4 TRADING INVESTMENTS

Investments held for trading comprise the following as at 30 June:

<i>Description</i>	<i>Cost USD</i>	<i>Market value USD</i>	<i>Unrealised gains USD</i>
<b>30 June 2016 (Unaudited)</b>			
<u><i>Mutual Fund</i></u>			
SGMF Pacific Basin Equity USD Institutional Fund	<u>3,444,567</u>	<u>4,275,777</u>	<u>831,210</u>
<b>31 December 2015 (Audited)</b>			
<u><i>Mutual Fund</i></u>			
SGMF Pacific Basin Equity USD Institutional Fund	<u>3,480,488</u>	<u>4,369,661</u>	<u>889,173</u>
<b>30 June 2015 (Unaudited)</b>			
<u><i>Mutual Fund</i></u>			
SGMF Pacific Basin Equity USD Institutional Fund	<u>3,700,277</u>	<u>5,277,863</u>	<u>1,577,586</u>

SEI Investments (Europe) Ltd. acts as sub manager of the Fund and custodian of the SGMF Pacific Basin Equity USD Institutional Fund. SGMF Pacific Basin (ex-Japan) Equity USD Institutional Fund assigns more than one manager and allocates certain percentages of the fund's assets to them depending on the market conditions. Each manager selects the most appropriate securities. At least 65% of the fund's assets are invested in equity-related securities, including warrants and convertible securities, listed on recognised market exchanges in various Asian countries.

Mutual funds can be redeemed at any time throughout the week.

### 5 TRADING (LOSS) INCOME, NET

Trading (loss) income, net for the six month period ended 30 June are summarised as follows:

	<b>2016 (Unaudited) USD</b>	<b>2015 (Unaudited) USD</b>
Realised gains, net	<b>8,278</b>	59,350
Movement in unrealised (losses) gains, net	<b>(57,963)</b>	140,651
	<u><b>(49,685)</b></u>	<u>200,001</u>



## 6 RELATED PARTY TRANSACTIONS

A subscription fee of 2% may be charged to the subscribers by the Fund Manager upon subscription.

The Fund pays a management fee at a maximum rate of 1.75% per annum calculated on the net assets at each valuation date. In addition, the Fund Manager also charges a fee at a maximum rate of 1% per annum calculated on the net assets at each valuation date to meet other expenses of the Fund.

The management fees amounting to USD 36,725 (2015: USD 45,092) and other fees amounting to USD 6,719 (2015: USD 6,351) reflected in the statement of operations, represent the fees charged by the Fund Manager during the period as described above.

The Bank (parent of the Fund Manager) acts as the Fund's banker.

Unitholders' account at 30 June included units held as follows:

	<i><b>2016</b></i> <i><b>Units</b></i>	<i><b>2015</b></i> <i><b>Units</b></i>
Held by the Bank	<b>231,333</b>	231,333
Held by funds under same management	-	11,240
	<u><b>231,333</b></u>	<u>242,573</u>

The employees of the Fund Manager and the Bank may also hold units in the Fund.

## 7 LAST VALUATION DAY

The last valuation day of the period was 29 June 2016 (2015: 28 June 2015).