Annual Report 2018

Al Razeen USD Liquidity Fund

Fund Manager
Samba Capital & Investment Management Company
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CMA Authorization No. 07069-37
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I. Investment Fund Information

1) Fund Name — Al Razeen USD

2) Investment Objective, policies and practices — The Fund focuses on capital appreciation and daily liquidity by investing in short-money market instruments that present minimal credit risks along with investing in sukuk, bonds and structured products.

The fund invests mainly in short term, high quality money market instruments including murabahas, sukuks, bonds and structured products. In selecting investments for the Fund, the fund manager considers factors such as current yield, the anticipated level of interest rates and the maturity of the investments relative to the liquidity profile of the Fund. Main risk factors facing the Fund include but are not limited to credit risk, counterparty risk, interest rate risk, extension risk, reinvestment risk and selection risk.

3) Distribution of income and gain policy — N/A, the Fund does not pay dividends.

4) Please note that the fund's reports are available upon request free of charge.

II. Fund Performance

1)

(Amounts in USD)	2016	2017	2018
a) Net Asset Value (31 December)	32,350,976	30,934,904	32,572,038
b) Net Asset Value per Unit (31 December)	26.03	26.31	26.72
c) Highest NAV / Unit	26.03	26.31	26.73
Lowest NAV / Unit	25.70	26.03	26.32
d) Number of Units in Issue (31 December)	1,243,036	1,175,622.06	1,218,951
e) Income Distribution per Unit – Gross	N/A	N/A	N/A
Income Distribution per Unit – Net	N/A	N/A	N/A
f) Expense Ratio %	0.05%	0.05%	0.07%

2)

	1 year	3 years	5 years	Since inception
a) Total Return %	1.58	4.00	4.63	167.34

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
b) Annual Total Return % (10 years)	1.36	0.71	1.14	1.03	0.45	0.21	0.39	1.23	1.09	1.58

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c) Fees and Expenses	2018 (USD)
Management fees	169,102
Dealing fees	0
Other expenses paid*	21,605
Total expenses	**190,707**
Total Expense Ratio	0.59%

Note:
**For detailed table of other expenses paid please refer to the financial disclosures section of the Fund's T&Cs.*
The Fund manager has neither waived nor given any rebate of fees during the year

d) The basis for calculating the performance data and assumptions used are consistently applied.

3) **There were no material changes that occurred during the period that affected the performance of the fund.**

4) **Annual voting practices:** There were no general meetings that required Samba Capital attendance during 2018. The voting is exercised as per the voting right policy available on Samba Capital website.

5) **Fund Board Annual Report**

The Fund Board of Al Razeen USD is pleased to present its annual report for the fiscal year ended December 31, 2018.

Performance Overview:

The Fund's unit price stood at USD 26.72 as of year ended December 31, 2018 as compared to USD 26.31 as of December 31, 2017. The Fund's return was 1.58% while the benchmark returned 2.03% during 2018.

Economic and Market Overview

In December 2018, the US Federal Reserve raised its key interest rate by 0.75%, raising its target for short-term interest rates to a range of 2.25% and 2.5%. The 1-month LIBOR increased to 2.5% by end-2018 from 1.5% at the end of the previous year.

Topics discussed and Resolutions (if any)

The fund board has performed its duties and responsibilities as per the Fund's T&Cs. The Board has held two meetings on May 01, 2018 and November 28, 2018. Following were the items discussed and decisions taken during the fund board meetings held in 2018:

Approved resolutions

- Approved the Financial Statements of the Fund, fund interim and annual reports.
- Approved the renewal of material contracts.
- Approved the changes to the terms and conditions of the fund and confirming compliance with Investment Fund Regulations and the Terms and Conditions.
- Approved the fund's auditor.
- Approved written policy regarding voting rights related to the Fund's Assets.

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Topics discussed

- Review of SC funds' and Peers' funds' performance, market outlook, Cash level, AUM and asset allocation.
- Review of achievement of Fund objectives, policies and limitations in line with T&Cs in order to ensure that the Fund Manager carries out its obligations in the best interest of the unitholders.
- Related party disclosures.
- Review and approval of conflicts of interests disclosed by the Fund Manager.
- The number of funds supervised by the board.
- Updated list of counterparties for bank placements.
- Amendment on the fees of the custodian.
- Updated fund board charter.
- T&Cs has been reviewed by the external legal.

Other

- Separate meetings with the Compliance officer & MLRO of Samba Capital were held where the Board has been updated on the latest regulations, developments and the status of compliance review of any breach of regulations including any breach of investment limits (if any).
- The fund manager has provided all information that was required by the fund board in order to carry out their responsibilities.
- The compliance officer informed the members about the following:
  - The compliance officer updated the fund board members that they have received an email from CMA regarding a delay to publish the unit price on Tadawul for international funds and money market, and the compliance officer informed AMD & Operation team for taking action. AMD described the reason for this delay was due to operational oversight and CMA was updated accordingly.
  - AMD has not reported any investment breach and we are working with AMD to fix some monitoring issue in Bloomberg system.
  - For Custodian: AMD have appointed custodian as per IFR. Further, due to some system enhancement at custodian's end, the custodian has approached us with a request to agree on outsourcing some of what they called "operational services" aspects of custody where he will outsource it outside Saudi Arabia. Our reading of the regulations means that such activities cannot be done outside KSA especially for the Saudi equities, so we had asked CMA by email to provide us with the written consent about this. CMA informed us informally that outsourcing Saudi equity funds are not allowed, and the official respond is not received yet.
  - With regard to issuance of the regulation, the CMA has issued new Account Opening instructions where they cancelled the AML implementing regulation. The new rules facilitate more reliable third party testing identification of client which might help with easy onboarding, they have big project and they want to have KYC to be automated to all APs.
  - CMA has also issued some changes on REITs regulations example, they raised the minimum AUM to 500millions.

III. Fund Manager

1) **Name and address of the Fund Manager:**
Samba Capital & Investment Management Company
Kingdom Center, Olaya
P.O. Box 220007, Riyadh 11311

Kingdom of Saudi Arabia

2) Names and addresses of sub-manager and/or investment adviser (if any):
N/A

3) Review of the investment activities during the period:

Al Razeen USD Liquidity Fund (Al Razeen USD) invests in money market instruments, sukuk, bonds and Structured Products. During the year, the fund continued to comply with all relevant applicable laws and regulations. In addition, all internal limits as well as guidelines as per the fund's T&C were adhered to. During the year, Al Razeen USD continued to re-invest at the best available rates in the market.

4) Investment Fund's performance during the period:

Al Razeen USD Liquidity Fund's 2018 return was 1.58% while its benchmark, LIBOR for one month, return was 2.03%. The performance of the Fund is presented below:

Cumulative returns	Al-Razeen USD Liquidity Fund's Return % (Al Razeen USD)	Benchmark LIBOR for one month %
1 year	1.58	2.03
3 year	4.00	3.73
5 year	4.63	4.11
Since inception	167.34	114.89

5) Details of any changes on the Terms and Conditions, Memorandum of Information or documents of the fund during the period:

Below were the changes made to the fund's T&Cs during the year 2018:

Changes	Details
VAT implementing	Adding VAT in multiple places in the fund's documents such as in the definitions & the fees and expenses sections.
Appointing custodian for the fund & change the custodian fees & benchmark fees.	Appoint HSBC as custodian for the fund and change the fees for the custodian & benchmark fees.
The resignation of SC board member Ziyad Al-Tounisi	Clause 12 of IM : removing Ziyad Al-Tounisi name from SC board section of IM
The resignation of the Fund board members Qusai Al-Fakhri	Clause 10 of IM : removing Qusai Al-Fakhri name from fund board section of IM
The resignation of the Fund board members Abdullah Al-Sheikh	Clause 10 of IM : removing Abdullah Al-Sheikh name from fund board section of IM
Appointing fund board member Mr. Mohammed Al-Jazzar	Clause 14 of IM : Appointing Mr. Mohammed Al-Jazzar as fund board member in section of IM

Note: These changes were duly approved by the Fund Board, CMA and unitholders were informed by notifications

6) Samba Capital has included all necessary information that would enable unitholders to make an informed judgement about the fund's activities during the period.

7) Al Razeen USD Fund has not invested in any other fund in 2018.

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8) **No special commission was received by the fund manager during the period.**

9) **Others:**

- There has been no conflict of interest situation that required the fund board's approval in 2018.
- Samba Capital has not invested in Al Razeen USD fund in 2018.
- The ratio of aggregate fees for the year 2018 to the average net asset value is presented in Section II.
- There was no breach of investment limitation during 2018.

IV. Custodian

1) **Name and Address of the Custodian:**

HSBC SAUDI ARABIA
7267 Olaya Al Morooj, Riyadh 12283-2255, KSA

2) Brief description of duties and responsibilities of custodian: these include but are not limited to settlement of cash, settlement of trades, transfer of shares, maintaining corporate actions, printing confirmation for reconciliation, taking custody of assets of Fund managed by Samba Capital.

3) **Samba Capital has:**

a) Issued, transferred and redeemed the units in accordance with the provisions of the Investment Funds Regulations and the Fund's Terms and Conditions.
b) Valued and calculated the price of units in accordance with the provisions of the Investment Funds Regulations, the fund's Terms and Conditions and the information memorandum.
c) Not breached any of the investment restrictions, limitations and borrowing powers applicable to the Investment Fund Regulations.

V. Auditor

1) **Name and address of auditor :**

PricewaterhouseCoopers
Kingdom Center, 21st Floor
PO Box 8282, Riyadh, 11482
Kingdom of Saudi Arabia
www.pwc.com
+966 (11) 211 0400

2) **The Auditor's opinion is:**

In our opinion, the financial statements present fairly, in all material respects, the financial position of US Dollar Liquidity Fund (Al Razeen – USD) (the "Fund") as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial

Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

For more details, please refer to the auditor's report in attachment (Appendix I)

VI. Financial Statements

Financial statements prepared as per the SOCPA standards are presented in Appendix-1 with signed independent auditor's report.

Disclaimer:
Samba Capital is authorized by the Capital Market Authority. Samba Capital does not guarantee the performance of any investment. The value of an investment in the Fund is variable and may increase or decrease. The Fund's past performance or the Benchmark's past performance is not necessarily a guide or predictor of the Fund's future performance. There is no guarantee to the unit holders that the Fund's absolute performance or its performance relative to the Benchmark will be repeated or similar to the previous performance. The prices or value or income of the units of the Fund may decrease and the investor may get back less than the amount invested. The income of the Fund from investment in securities may fluctuate and a part of the capital invested may be used to pay that income. The Fund invests in foreign currency denominated securities and therefore is exposed to foreign exchange risk that may have an adverse effect on the price, value or income of the Fund. Investment in investment funds is not a deposit with any bank. Investors may be exposed to loss of funds when investing in investment funds. The Fund Manager is not obliged to accept the redemption request of the units at the value of the offering. The value of the units and their revenues are subject to fluctuations. The investment may not be suitable for all recipients of the advertisement; SambaCapital recommends that if they have any doubts, they should seek advice from their investment adviser. Fees and charges apply as per Terms and Conditions; please refer to the T&Cs for more details on the risks involved while investing in the Fund. To obtain a copy of the T&Cs, information memorandum, fund reports to unitholders and financial statements, please visit our website www.sambacapital.com or call 800 755 7000 or visit your nearest Samba Capital investment center. Samba Capital or its affiliates may invest into the Fund and has or may have a position or holding in the securities concerned or in related securities. Samba Capital also carries on other independent securities business such as Corporate Finance, Investment Banking, Brokerage and Principal Investment. Samba Capital or its affiliates may be provide or may have provided in the past 12 months, significant advice or securities business services to the issuers of securities, in which the Fund may invest from time to time or of related securities.

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Appendix-1 (Financial Statements)

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US Dollar Liquidity Fund
(Al Razeen - USD)

Financial Statements and
Independent Auditor's Report
for the Year Ended December 31, 2018

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Independent auditor's report to the unitholders and the Fund Manager of US Dollar Liquidity Fund (Al Razeen – USD)

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of US Dollar Liquidity Fund (Al Razeen – USD) (the "Fund") as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in net assets for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the code of professional conduct and ethics, 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 these requirements.

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 pronouncement issued by SOCPA, and the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority and 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 Board of Directors are responsible for overseeing the Fund's financial reporting process.

Independent auditor's report to the unitholders and the Fund Manager of US Dollar Liquidity Fund (Al Razeen – USD) (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 the 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 judgment 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 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, 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.

PricewaterhouseCoopers

By: _____
Bader I. Benmohareb
License Number 471

March 27, 2019

STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

	Notes	*December 31, 2018* USD	*December 31, 2017* USD	*January 1, 2017* USD
ASSETS				
Cash at bank	9	**497,816**	390,987	328,437
Investments measured at amortised cost	5	**32,136,374**	30,598,812	32,079,205
		32,634,190	30,989,799	32,407,642
LIABILITIES				
Management fee payable	6	**45,148**	41,300	43,220
Other payables		**17,004**	13,595	13,446
		62,152	54,895	56,666
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		**32,572,038**	30,934,904	32,350,976
Units in issue		**1,218,951**	1,175,622	1,243,036
Per unit value	7	**USD 26.72**	USD 26.31	USD 26.03

STATEMENT OF COMPREHENSIVE INCOME

The notes 1 to 12 form part of these financial statements.

	Notes	2018 USD	2017 USD
INVESTMENT INCOME			
Special commission income		**695,072**	**530,474**
		695,072	**530,474**
EXPENSES			
Management fees	6	**169,102**	**162,174**
Others		**21,605**	**16,308**
Provision for loss allowance	10	**2,534**	-
		193,241	**178,482**
NET INCOME FOR THE YEAR		**501,831**	**351,992**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**501,831**	**351,992**

STATEMENT OF CASH FLOWS

Year Ended December 31, 2018

The notes 1 to 12 form part of these financial statements.

	Notes	2018 USD	2017 USD
OPERATING ACTIVITIES			
Net income for the year		**501,831**	351,992
Adjustment for:			
Loss allowance	10	**2,534**	-
		504,365	351,992
Changes in operating assets and liabilities:			
Investments		**13,247,817**	17,823,388
Management fee payable		**3,848**	(1,920)
Other payable		**3,409**	149
Net cash from operating activities		**13,759,439**	18,173,609
FINANCING ACTIVITIES			
Proceeds from units sold		**3,210,733**	1,506,310
Value of units redeemed, net		**(2,062,590)**	(3,274,374)
Net cash from / (used in) financing activities		**1,148,143**	(1,768,064)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**14,907,582**	16,405,545
Cash and cash equivalents at the beginning of the year		**16,733,982**	328,437
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	9	**31,641,564**	16,733,982

STATEMENT OF CHANGES IN NET ASSETS

Year Ended December 31, 2018

The notes 1 to 12 form part of these financial statements.

US Dollar Liquidity Fund (Al Razeen - USD)

	2018 USD	2017 USD
NET ASSET VALUE AT THE BEGINNING OF THE YEAR	**30,934,904**	32,350,976
Effect of adoption of IFRS – 9 (Note 3.4.2)	**(12,840)**	-
Restated balance as at January 1	**30,922,064**	32,350,976
CHANGES FROM OPERATIONS		
Total comprehensive income for the year	**501,831**	351,992
CHANGES FROM UNIT TRANSACTIONS		
Proceeds from units sold	**3,210,733**	1,506,310
Value of units redeemed	**(2,062,590)**	(3,274,374)
Net change from unit transactions	**1,148,143**	(1,768,064)
NET ASSET VALUE AT THE END OF THE YEAR	**32,572,038**	30,934,904

Transactions in units for the year are summarised as follows:

	2018 Units	2017 Units
UNITS AT THE BEGINNING OF THE YEAR	**1,175,622**	1,243,036
Units sold	**120,895**	57,556
Units redeemed	**(77,566)**	(124,970)
Net change in units	**43,329**	(67,414)
UNITS AT THE END OF THE YEAR	**1,218,951**	1,175,622

The notes 1 to 12 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

1 GENERAL

US Dollar Liquidity Fund (Al Razeen – USD) (the Fund) is an open-ended investment fund designed for investors seeking liquidity and capital appreciation. The assets of the Fund are invested in money market instruments. All income is reinvested in the Fund and reflected in the unit price. The Fund is managed by Samba Capital & Investment Management Company (the Manager), a wholly owned subsidiary of Samba Financial Group (the Bank).

2 REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the Regulations) published by the Capital Market Authority (CMA) on Dhul Hijja 3, 1427H (corresponding to December 24, 2006) as amended by the resolution of the CMA Board on 16 Sha'aban 1437H (corresponding to May 23, 2016).

3 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 periods presented, unless otherwise stated. Where policies are applicable only under IFRS or SOCPA, those policies have been particularly specified.

3.1 Basis of preparation

These financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

For the year ended December 31, 2017, the Fund prepared its financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia promulgated by SOCPA. SOCPA's Board of Directors in their meeting held on Thursday, July 18, 2013, (corresponding to 10 Ramadan 1434H), agreed to apply the International Financial Reporting Standards (IFRSs), after being endorsed by SOCPA, all at once. The required date for application for all entities (other than listed entities) is the financial periods starting from January 1, 2018. Accordingly, the financial statements for the year ended December 31, 2018 are the first annual financial statements of the Fund prepared in accordance with IFRS as endorsed in KSA and other standards and pronouncements issued by SOCPA. Accordingly, International Financial Reporting Standard 1, "First-time Adoption of International Financial Reporting Standards" (IFRS 1), as endorsed in the Kingdom of Saudi Arabia has been applied. Refer note 4 for information on the first time adoption of IFRS as endorsed in the Kingdom of Saudi Arabia, by the Fund.

Accounting convention

The financial statements are prepared under the historical cost convention except for financial assets held at amortised cost which are stated at net of expected credit losses. Assets and liabilities are presented in order of liquidity. However, all balances would generally be classified as current except for "Investments measured at amortised cost / Investments held to maturity".

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior.

A number of significant judgments are also required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 10.1(c), which also sets out key sensitivities of the ECL to changes in these elements.

3.2 Foreign currencies

Transactions in foreign currencies are translated into US Dollars, which is the functional and presentation currency of the Fund, at the rates of exchange prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at the rates of exchange ruling at that date. Resulting exchange gains and losses, if any, are taken to the statement of comprehensive income.

3.3 Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise current accounts with banks and money market placements with an original maturity of three months or less.

3.4 Financial instruments

Change in accounting policy

The Fund has adopted IFRS 9 'Financial Instruments' as issued by the International Accounting Standards Board (IASB) in July 2014 with a date of transition of January 1, 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

As permitted by the transitional provisions of IFRS 9 and IFRS 1 (Note 4), the Fund elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition,if any, were recognised in the opening net assets of the current year.

Set out below are the disclosures relating to the impact of the adoption of IFRS 9 on the Fund. Further details of the specific IFRS 9 accounting policies applied in the current year (as well as the previous SOCPA compliant accounting policies applied in the comparative periods) are described in more detail in below notes.

3.4.1 Classification and measurements of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with previous accounting policies under SOCPA and IFRS 9 as at January 1, 2018 are compared as follows:

	SOCPA		IFRS 9	
	Measurement category	**Carrying Amount USD**	**Measurement category**	**Carrying Amount USD**
Financial assets				
Cash at bank	Amortised cost	389,231	Amortised cost	390,987
Held to maturity investments	Held to maturity	1,000,000		
Investments measured at amortised cost	Amortised cost	29,520,000	Amortised cost	30,598,812
Accrued income	Amortised cost	80,568		
Total financial assets		**30,989,799**		**30,989,799**

There were no changes to the classification and measurement of financial liabilities as a result of adoption of IFRS 9.

3.4.2 Reconciliation of statement of financial position balances from SOCPA to IFRS 9

The Fund performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. Please refer to Note 3.4.5 for more detailed information regarding the new classification requirements of IFRS 9.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with SOCPA to their new measurement categories upon transition to IFRS 9 on January 1, 2018.

	SOCPA carrying amounts December 31, 2017 USD	Re-Classification USD	Re-measurement USD	IFRS 9 carrying amounts January 1, 2018 USD
Amortised cost				
Cash at bank	389,231	1,756	-	**390,987**
Held to maturity investments	1,000,000	(1,000,000)	-	-
Investments measured at amortised cost	29,520,000	1,078,812	(12,840)	**30,585,972**
Accrued income	80,568	(80,568)	-	-
	30,989,799	**-**	**(12,840)**	**30,976,959**

The total re-measurement loss relating to ECL allowance of USD 12,840 was recognised in the opening net assets at January 1, 2018.

3.4.3 Reconciliation of impairment allowance balance from SOCPA to IFRS 9

The following table reconciles the prior year's closing impairment allowance measured in accordance with SOCPA requirements to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at January 1, 2018.

	SOCPA USD	Re-Classification USD	Re-Measurement USD	IFRS 9 USD
Investments measured at amortised cost	-	-	12,840	12,840
	-	**-**	**12,840**	**12,840**

3.4.4 Measurement methods

Policy applicable under IFRS

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the instrument. The Fund records investments in money market placements and Sukuks and bonds on a 'trade date' basis.

At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVPL), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVPL are expensed in the statement of comprehensive income. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost, as described in Note 3.4.6, which results in an accounting loss being recognised in the statement of comprehensive income when an asset is newly originated.

Policy applicable under SOCPA

All regular-way purchases and sales of financial assets are recognised and derecognised on the trade date, i.e. the date that the Fund commits to purchase or sell the assets. Regular-way purchases or sales of financial assets require delivery of those assets within the time frame generally established by regulation or convention in the market place. All other financial assets and liabilities are initially recognised on the trade date at which the Fund becomes a party to the contractual provision of the instrument.

3.4.5 Classification and measurement of financial assets

Policy applicable under IFRS

The Fund classifies its financial assets at amortised cost. The classification requirements for debt instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as money market placements and Sukuks and bonds.

Classification and subsequent measurement of debt instruments depend on:
- The Fund's business model for managing the asset; and
- The cash flow characteristics of the asset.

Based on these factors, the Fund classifies its debt instruments into the following measurement category:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit (SPPP), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in Note 3.4.6. Profit earned from these financial assets is recognised in the statement of comprehensive income using the effective commission rate method.

The business model reflects how the Fund manages the assets in order to generate cash flows. That is, whether the Fund's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Securities held for trading are held principally for the purpose of selling in the near term and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in 'other' business model and measured at FVPL.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Fund assesses whether the financial instruments' cash flows represent solely payment of principal and profit (the SPPP test). In making this assessment, the Fund considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

The Fund reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Policy applicable under SOCPA

Investments include held to maturity and money market placements. Held to maturity investments comprise investments held by the Fund having a fixed or determinable payments and fixed maturity that the Fund has the positive intention and ability to hold until maturity. These investments re initially recognised at fair value and subsequently carried at amortized cost. Realized gains and losses on investments sold, are included in the statement of operations. Money market placements are measured at amortized cost.

3.4.6 Impairment of financial assets

Policy applicable under IFRS

The Fund assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets carried at amortised cost. The Fund recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Details of measuring the expected credit loss allowance is provided in Note 10.1(c).

Policy applicable under SOCPA

Financial assets are assessed for impairment when it is established that there is objective evidence that the Fund may not be able to collect all amounts due. The amount of impairment is the difference between the carrying amount and the estimated recoverable amount. The estimated recoverable amount is the present value of expected cash flows discounted based on the original effective yield rate.

3.4.7 De-recognition of financial instruments

A financial asset is derecognized, when the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition. In instances where the Fund is assessed to have transferred a financial asset, the asset is derecognized if the Fund has transferred substantially all the risks and rewards of ownership. Where the Fund has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Fund has not retained control of the financial asset. The Fund recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expires.

3.5 Financial liabilities

The Fund classifies its financial liabilities at amortised cost unless it has designated liabilities at FVPL. The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

3.6 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 currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.7 Accrued expenses and other payables

Accrued expenses and other payables are recognised initially at fair value and subsequently measured at amortised cost.

3.8 Redeemable units

The net asset value of the Fund's portfolio is determined on each valuation day. The unit price is calculated by subtracting the liabilities from the total assets value, then dividing the result (NAV) by the number of units outstanding on valuation day.

The Fund classifies its redeemable units as an equity instrument, if the redeemable units have all of the following features:

- It entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.
- The instrument 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 contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata shares of the Fund's net assets.
- The total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

The Fund's redeemable units meet the definition of puttable instruments classified as equity instruments under IFRS and accordingly, are classified as equity instruments.

3.9 Zakat and income tax

Zakat and income tax is the obligation of the unit holders and is not provided for in the financial statements.

3.10 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when payment is being made. Revenue primarily consists of special commission income which is recognised on an effective yield basis.

3.11 Provisions

Provisions are recognised when a reliable estimate can be made for a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation.

3.12 Accounting standards issued but not effective

IFRS 16 – Leases has been issued by International Accounting Standard Board (IASB) that is mandatory for the accounting period beginning on or after January 1, 2019 but is not considered to have any significant effect on the Fund's operations.

4 FIRST TIME ADOPTION OF IFRS

The financial statements for the year ended December 31, 2018 are the first annual financial statements of the Fund prepared in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia. For periods up to and including the year ended December 31, 2017, the Fund prepared its financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia promulgated by SOCPA.

Accordingly, the Fund has prepared the financial statements that comply with IFRS as endorsed by the Kingdom of Saudi Arabia applicable as at December 31, 2018, together with the comparative periods as at January 1, 2017 and as at December 31, 2017. This note explains the principal adjustments made by the Fund in restating its previous statements of financial positions as at January 1, 2017 and December 31, 2017, which had been prepared in accordance with the requirements of SOCPA.

Exemptions applied

IFRS 1 'First-time Adoption of International Financial Reporting Standards' allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Fund has applied the following exemption:

The Fund has adopted IFRS 9 as issued by International Accounting Standards Board in July 2014 with a date of transition of January 1, 2018, which result in adjustments to the amounts previously recognised in the financial statements as disclosed in reconciliation as mentioned in table below.

The reconciliation to IFRS from previous financial reporting framework (i.e. SOCPA) on statement of financial position as on January 1, 2017 and December 31, 2017 is given below:

January 1, 2017	***SOCPA USD***	**Effect of transition to IFRS USD**	**IFRS USD**
ASSETS			
Cash at bank	328,039	398	**328,437**
Investments	31,900,000	179,205	**32,079,205**
Accrued income *	179,603	(179,603)	-
Total assets	32,407,642	-	**32,407,642**
LIABILITIES			
Management fee payable	43,220	-	**43,220**
Other payables	13,446	-	**13,446**
Total liabilities	56,666	-	**56,666**
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	32,350,976	-	**32,350,976**

December 31, 2017	***SOCPA USD***	**Effect of transition to IFRS USD**	**IFRS USD**
ASSETS			
Cash at bank	389,231	1,756	**390,987**
Investments	30,520,000	78,812	**30,598,812**
Accrued income *	80,568	(80,568)	-
Total assets	30,989,799	-	**30,989,799**
LIABILITIES			
Management fee payable	41,300	-	**41,300**
Other payables	13,595	-	**13,595**
Total liabilities	54,895	-	**54,895**
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	30,934,904	-	**30,934,904**

* In the previous financial reporting framework, USD 179,603 (December 31, 2017: USD 80,568) was represented as "Accrued income" which has now been reclassified to "Investments" and "Cash at bank" in order to represent financial assets at amortised cost.

The Fund's income and expenses reported under SOCPA did not significantly differ from IFRS.

The Fund's operating and financing cash flows reported under SOCPA did not significantly differ from IFRS.

As permitted by the transitional provisions of IFRS 9, the Fund elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and financial liabilities at the date of transition to IFRS 9 were recognised in the opening net assets (January 1, 2018) of current year. Accordingly, the information presented in comparative periods reflects the requirements of SOCPA and therefore is not comparable to the information presented under the requirements of IFRS 9 for the year ended December 31, 2018.

Therefore, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also been applied to the current year only.

The assessment of business model has been made on the basis of the facts and circumstances that existed at the date of transition.

Estimates

The estimates at January 1, 2017 and at December 31, 2017 are consistent with those made for the same dates in accordance with SOCPA except for expected credit loss allowance as provided in note 10.1(c).

5 INVESTMENTS MEASURED AT AMORTISED COST

	December 31, 2018 USD	*December 31, 2017 USD*	*January 1, 2017 USD*
Money market placements with the Bank	**-**	2,703,825	1,104,033
Money market placements with other banks	**31,143,748**	26,887,963	29,969,214
Sukuks and bonds *	**1,008,000**	1,007,024	1,005,958
Gross carrying value	**32,151,748**	30,598,812	32,079,205
Loss allowance	**(15,374)**	-	-
Net carrying value	**32,136,374**	30,598,812	32,079,205

* These investments were previously classified as held to maturity investments.

Set out below are the maturity details of gross carrying value of investments:

	December 31, 2018 USD	*December 31, 2017 USD*	*January 1, 2017 USD*
Maturity within 3 months	**31,143,748**	24,124,335	19,553,525
Maturity within 3 - 12 months	**-**	5,467,453	11,519,722
Maturity more than 1 year	**1,008,000**	1,007,024	1,005,958
	32,151,748	30,598,812	32,079,205

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the Year Ended December 31, 2018

6 TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The Fund records management fee payable to the Manager calculated at an annual rate charged up to 0.5% (2017: 0.5%) of the net asset value at each valuation date. The Bank acts as one of the Fund's bankers. Money market placements with the Bank are disclosed in note 5.

7 EFFECT ON NET ASSET VALUE IF EXPECTED CREDIT LOSSES ARE NOT RECOGNIZED

In accordance with CMA circular no. 1/6/1872/17 dated 13 Rabi Al-Thani 1439H (corresponding to December 31, 2017), the CMA Board decided on 10 Rabi Al-Thani 1439H (corresponding to December 28, 2017) to restrict the recording of expected credit losses calculated in accordance with IFRS 9 only for the purpose of the investment fund's financial statements. Adjustment of the unit price calculated according to the applicable financial reporting framework alongside with the unit price calculated for the purpose of unit transactions is as set out below:

i) Expected credit losses on financial assets as at December 31, 2018 is as set out below:

	December 31, 2018 USD	*December 31, 2017 USD*	*January 1, 2017 USD*
Expected credit losses on financial assets	**15,374**	-	-
Units in issue	**1,218,951**	1,175,622	1,243,036
Per unit share of expected credit losses	**0.01**	0.00	0.00

ii) The net asset values, after incorporating expected credit losses as at December 31, 2018 is set out below:

	December 31, 2018 USD	*December 31, 2017 USD*	*January 1, 2017 USD*
Net asset value per unit as per these financial statements	**26.72**	26.31	26.03
Per unit share of expected credit losses	**0.01**	0.00	0.00
Net asset value per unit before expected credit losses	**26.73**	26.31	26.03

8 FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and financial liabilities as at December 31, 2018, December 31, 2017 and January 1, 2017 were classified under amortised cost category.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the Year Ended December 31, 2018

9 CASH AND CASH EQUIVALENTS

	December 31, 2018 USD	*December 31, 2017 USD*	*January 1, 2017 USD*
Money market placements with an original maturity of three months or less	**31,143,748**	16,342,995	-
Cash at Bank	**497,816**	390,987	328,437
	31,641,564	16,733,982	328,437

10 RISK MANAGEMENT

The Manager has in place policies and procedures to identify risks affecting the Fund's investments and to ensure that such risks are addressed as soon as possible, which include conducting a risk assessment at least once a year. The Manager also applies a prudent spread of risk while taking into consideration the Fund's investment policies, the Term and Conditions, and the Information Memorandum. Furthermore, the Manager makes every effort to ensure that sufficient liquidity is available to meet any anticipated redemption request. The Board of the Fund plays a role in ensuring that the Manager fulfils its responsibilities to the benefit of the Unitholders in accordance with the provisions of the Investment Funds Regulations, the Terms and Conditions and the Information Memorandum.

10.1 Financial risk factors

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

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

(i) Special commission rate risk

Special commission rate risk arises from the possibility that changes in market special commission rates will affect future profitability or the fair value of the financial instruments.

As of the date of the statement of financial position, the Fund is not exposed to significant special commission rate risk as majority of its assets are fixed special commission bearing and the liabilities are non-commission bearing.

(ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. The Fund's financial assets and liabilities are denominated in US Dollars and therefore the Fund is not exposed to any currency risks.

(b) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in realizing funds to meet commitments associated with financial liabilities.

The Fund's terms and conditions provide for subscriptions and redemptions of units throughout the week and the Fund is therefore, exposed to the liquidity risk of not meeting unit holder redemptions. Money market placements are generally placed for the short term. The Manager monitors the liquidity requirements on a regular basis and seeks to ensure that sufficient funds are available to meet commitments as they arise. The Fund's financial liabilities are payable within 3 months.

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Fund is exposed to credit risk on its financial assets. The Manager seeks to limit its credit risk by monitoring credit exposures and setting limits for money market placements. The maximum exposure to the credit risk for the financial assets is their carrying value.

Expected credit loss measurement

Under the expected credit loss model, credit losses are recognised prior to a credit event occurring. The new impairment model requires more timely and forward-looking information that will allow for a more accurate reflection of the credit risk inherent in the exposures.

Under the general approach of IFRS 9 impairment, the financial assets are classified into three stages. Each stage indicates the credit quality of the particular financial asset.

Stage 1: includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses are recognised and special commission income is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance).

Stage 2: includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but special commission income is still calculated on the gross carrying amount of the asset.

Stage 3: includes financial instruments that have objective evidence of impairment at the reporting date. This stage has obligors that already are impaired (defaulted).

One of the key components of IFRS 9 ECL is to determine whether there have been significant increases in credit risk (SICR) of the Fund's credit exposures since initial recognition. The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month ECL and one that is based on lifetime ECL.

The performance of the financial assets is monitored on a regular basis against the pre-defined classification/triggers to ensure the effectiveness and relevance thereof and to confirm that:

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The criteria are no more liberal than the point in time when an asset becomes 30 days past due; and
- There is stability in the loss allowance arising from transfers between 12-month PD (stage 1) and lifetime PD.

The Fund has set out the following definition of default:

"Default" is defined as either non-payment of a material financial obligation persisting for 90 days or the occurrence of events that would lead the Fund to consider that the obligor is unlikely to service its credit obligations to the Fund. In assessing whether a borrower is in default, the Fund considers factors that are:

- Qualitative e.g. breaches of covenant;
- Quantitative e.g. overdue status and non-payment on another obligation of the same issuer to the Fund; and
- Based on data developed internally and obtained from external sources.

Probability of Default (PD) estimates are estimates at certain date at which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD.

Loss Given Default (LGD) is the magnitude of the likely loss if there is a default. The Fund estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure of the claim and recovery costs of any collateral that is integral to the financial asset.

Exposure at Default (EAD) is an estimation of the extent that the Fund may be exposed to an obligor in the event of default. The Fund derives the EAD from the current exposure to the counterparty. The estimation of EAD should consider any expected changes in the exposure after the assessment date. This is of importance in the case of Stage 2 assets where the point of default may be several years in the future. The EAD of a financial asset is its gross carrying amount.

The table below shows the maximum exposure to credit risk on financial instruments subject to impairment.

	As at December 31, 2018				As at December 31, 2017	As at January 1, 2017
	Stage 1 12-month ECL USD	Stage 2 Lifetime ECL USD	Stage 3 Lifetime ECL USD	Total USD	Total USD	Total USD
Cash at bank	497,816	-	-	**497,816**	390,987	328,437
Investments measured at amortised cost	32,151,748	-	-	**32,151,748**	30,598,812	32,079,205
Gross carrying amount	**32,649,564**	-	-	**32,649,564**	**30,989,799**	**32,407,642**
Loss allowance	(15,374)	-	-	**(15,374)**	-	-
Carrying amount	**32,634,190**	-	-	**32,634,190**	**30,989,799**	**32,407,642**

The movement of loss allowance is as below:

	2018 12 Months ECL USD
Balance as of January 1	-
Effect of adoption of IFRS 9	12,840
Charge for / reversed during the year	2,534
Closing balance as of December 31	15,374

The effect on the loss allowance as at December 31, 2018 due to a 10 basis point change in the probability of default, keeping other parameters constant is USD 1,537 (December 31, 2017: Nil, January 1, 2017: Nil).

The Manager reviews credit concentration of the investment portfolio based on counterparties. The credit quality of the financial assets is managed using the external credit ratings of Moody's, S&P and Fitch. As at December 31, 2018, December 31, 2017 and January 1, 2017, the Fund had investments with credit ratings ranging from AA3 to A1. The bank balances are held with banks which have investment grade credit rating.

10.2 Capital risk management

The capital of the Fund is represented by the net assets attributable to holders of redeemable units. The amount of net asset attributable to holders of redeemable units can change significantly on each valuation day, as the Fund is subject to subscriptions and redemptions at the discretion of unitholders on every valuation day, as well as changes resulting from the Fund's performance. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund.

The Fund Board and the Manager monitor capital on the basis of the value of net assets attributable to unitholders.

10.3 Fair value estimation

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 Fund uses following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The estimated fair value of the Fund's financial assets and liabilities is not considered to be significantly different from their carrying values. Currently, the Fund does not have any investments which are carried at fair value.

11 LAST VALUATION DAY

The last valuation date for the purpose of preparation of these financial statements was December 31, 2018 (2017: December 31, 2017).

12 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Fund Board on 14 Rajab 1440H (corresponding to March 21, 2019).