Riyad Global Equity Sharia Fund
Open-Ended Mutual Fund
(Managed by Riyad Capital)
Financial Statements
For the year ended 31 December 2023
Together with the
Independent Auditor’s Report to the Unitholders and Fund Manager

Riyad Global Equity Sharia Fund
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Financial Statements
For the year ended 31 December 2023

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Independent auditor's report to the Unitholders and the Fund Manager of Riyad Global Equity Sharia Fund

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Riyad Global Equity Sharia Fund (the "Fund") as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity attributable to the Unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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 International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Other information

The Fund Manager is responsible for the other information. The other information comprises the information included in the Fund's Annual Report, but does not include the financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Fund's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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Independent auditor's report to the Unitholders and the Fund Manager of Riyad Global Equity Sharia Fund (continued)

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 International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements 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 charged with governance i.e., the Fund Board is responsible for overseeing the Fund's financial reporting process.

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 the 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 the 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 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, 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.

Independent auditor's report to the Unitholders and the Fund Manager of Riyad Global Equity Sharia Fund (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- 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 the Fund Board 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

Khalid A. Mahdhar
License Number 368

27 March 2024

Riyad Global Equity Sharia Fund
Open-Ended Mutual Fund
(Managed by Riyad Capital)

STATEMENT OF FINANCIAL POSITION
(Amounts in United States Dollar unless otherwise stated)

	Note	**31 December 2023**	31 December 2022
ASSETS			
Investments carried at fair value through profit or loss (FVPL)	6	**21,030,296**	15,564,897
Total assets		**21,030,296**	15,564,897
LIABILITIES			
Management fee payable	10	**25,510**	407
Other accrued expenses		**22,195**	12,672
Total liabilities		**47,705**	13,079
Equity attributable to the unitholders		**20,982,591**	15,551,818
Units in issue (number)	7	**619,515.61**	610,653.86
Equity attributable to each unit		**33.87**	25.47

The accompanying notes 1 to 16 from an integral part of these financial statements

Riyad Global Equity Sharia Fund
Open-Ended Mutual Fund
(Managed by Riyad Capital)

STATEMENT OF COMPREHENSIVE INCOME
(Amounts in United States Dollar unless otherwise stated)

		For the year ended 31 December	
	Note	**2023**	2022
Income / (Loss)			
Net income / (loss) from investments carried at FVPL	8	**5,162,104**	(9,276,042)
		5,162,104	(9,276,042)
Expenses			
Fund management fees	10	**(36,098)**	(34,848)
Other expenses	9	**(30,089)**	(23,906)
		(66,187)	(58,754)
Net income / (loss) for the year		**5,095,917**	(9,334,796)
Other comprehensive income for the year		**-**	-
Total comprehensive income / (loss) for the year		**5,095,917**	(9,334,796)

The accompanying notes 1 to 16 from an integral part of these financial statements

Riyad Global Equity Sharia Fund
Open-Ended Mutual Fund
(Managed by Riyad Capital)

STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE UNIT HOLDERS
(Amounts in United States Dollar unless otherwise stated)

	For the year ended 31 December	
	2023	2022
Equity attributable to the Unitholders at the beginning of the year	**15,551,818**	28,531,621
Total comprehensive income / (loss) for the year	**5,095,917**	(9,334,796)
Subscriptions and redemptions by the unit holders		
Issuance of units	**1,053,199**	2,183,253
Redemption of units	**(718,343)**	(5,828,260)
Net changes from unit transactions	**334,856**	(3,645,007)
Equity attributable to the Unitholders at the end of the year	**20,982,591**	15,551,818

The accompanying notes 1 to 16 from an integral part of these financial statements

Riyad Global Equity Sharia Fund
Open-Ended Mutual Fund
(Managed by Riyad Capital)

STATEMENT OF CASH FLOWS
(Amounts in United States Dollar unless otherwise stated)

		For the year ended 31 December	
	Note	**2023**	2022
Cash flows from operating activities:			
Net income / (loss) for the year		**5,095,917**	(9,334,796)
Adjustments for:			
Unrealized (gain) / loss from investments carried at FVPL	8	**(5,083,481)**	7,790,560
		12,436	(1,544,236)
Net changes in operating assets and liabilities:			
Investments carried at FVPL		**(381,918)**	5,207,491
Management fee payable		**25,103**	(18,073)
Other accrued expenses		**9,523**	(175)
Net cash (used in) / generated from operating activities		**(334,856)**	3,645,007
Cash flows from financing activities:			
Proceeds from issuance of units		**1,053,199**	2,183,253
Redemptions of the units		**(718,343)**	(5,828,260)
Net cash generated from / (used in) financing activities		**334,856**	(3,645,007)
Net changes in cash and cash equivalents		**-**	-
Cash and cash equivalents at beginning of the year		**-**	-
Cash and cash equivalents at end of the year		**-**	**-**

The accompanying notes 1 to 16 from an integral part of these financial statements

1. FUND AND ITS ACTIVITIES

The Riyad Global Equity Sharia Fund (the "Fund") is an equity Fund managed through an agreement between Riyad Capital (the "Fund Manager") and the Fund's investors (the "Unitholders"). The objective of the Fund is to provide capital growth through investments in international equities, which comply within the criteria set by the Sharia Committee.

In dealing with the Unitholders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund.

Management of the Fund is the responsibility of the Fund Manager. However, in accordance with the Fund's Agreement, 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 commenced its activities 17 May 1999, where the terms and conditions of the Fund were originally approved by the Saudi Central Bank (SAMA). On 20 December 2008, the terms and conditions of the Fund were approved by the Capital Markets Authority (CMA) through their letter dated 12 Dhul Hijja 1429H (corresponding to 20 December 2008).

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the "Regulations") issued by CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) which were amended on 12 Rajab 1442H (corresponding to 24 February 2021) detailing requirements for all funds within the Kingdom of Saudi Arabia.

3. BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, using the accrual basis of accounting and the going concern concept except for the investments measured at fair value through profit or loss at fair value. The Fund presents its statement of financial position in the order of liquidity. All balances are classified as current.

The Fund can recover or settle all its assets and liabilities within 12 months from the reporting date.

3.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the main economic environment in which the fund operates (the "functional currency") and are expressed in Saudi Arabian Riyal ("SAR"), which is fund functional and operational currency and all financial information presented is rounded to the nearest SAR.

(Amounts in United States Dollar unless otherwise stated)

3. BASIS OF PREPARATION (CONTINUED)

3.4 Critical accounting judgments, estimates and assumption

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected. There are no areas of significant judgement or significant assumption used in the preparation of these financial statements.

3.5 Going concern

The Fund Manager has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Fund's ability to continue as a going concern.

4. MATERIAL ACCOUNTING POLICIES

4.1 New Standards, Interpretations and Amendments Adopted by the Fund

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2022 except for the adoption of the following amendments to IFRS explained below which became applicable for annual reporting periods commencing on or after 1 January 2023. The Fund has assessed that the below amendments have no significant impact on the financial statements.

The Fund has adopted the following amendments, interpretations and revisions to existing standards, which were issued by the IASB and are applicable from 1 January 2023:

Standard/ Interpretation	**Description**	**Effective from periods beginning on or after the following date**
IFRS 17, 'Insurance contracts'	This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts.	01 January 2023
Narrow scope amendments to IAS 1	Practice statement 2 and IAS 8 - The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	01 January 2023
Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction -	There amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.	01 January 2023

(Amounts in United States Dollar unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.1 New Standards, Interpretations and Amendments Adopted by the Fund (continued)

Standard/ Interpretation	Description	Effective from periods beginning on or after the following date
Amendment to IAS 12 - International tax reform - pillar two model rules -	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.	01 January 2023
Amendments to IAS 8	Definition of accounting estimates	01 January 2023

The adoption of the above amendments to standards and interpretations did not have any significant impact on these financial statements.

4.2 Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Fund's financial statements are listed below. The listing is of standards and interpretations issued, which the Fund reasonably expects to be applicable at a future date. The Fund is in the process of assessing the impact of these standards and interpretations and intends to adopt these when they become effective.

Standard/ Interpretation	Description	Effective from periods beginning on or after the following date
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.2 Standards issued but not yet effective (Continued)

Standard/ Interpretation	Description	Effective from periods beginning on or after the following date
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	(Available for optional adoption/effective date deferred indefinitely)
Amendments to IAS 21 – Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations	1 January 2025

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.3 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalent consists of cash in investment account and balance with custodian. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

4.4 Financial instruments

4.4.1 Initial recognition and measurement

On initial recognition, a financial asset is measured at its fair value and classified at amortised cost, fair value through profit or loss (FVPL) or fair value through other comprehensive income ("FVOCI").

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

- 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 commission on the principal amount outstanding.

Financial asset at fair value through other comprehensive income ("FVOCI")
A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVPL.

- 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 principal and commission on the principal 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.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.4 Financial instruments (continued)

4.4.1 Initial recognition and measurement (continued)

Financial asset at fair value through profit or loss ("FVPL")
All financial assets not classified as measured at amortised cost or FVOCI are measured at FVPL.

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 realized 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 FVPL 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 commission
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. Interest or 'Commission' 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 (for example: liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and commission, 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 (for example, non-recourse asset arrangements); and
- features that modify consideration of the time value of money – for example, periodical reset of interest / commission rates.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.4 Financial instruments (continued)

4.4.1 Initial recognition and measurement (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.

Impairment of financial assets
The Fund assesses on a forward-looking basis the expected credit losses ("ECL") associated with its financial assets carried at amortised cost. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

4.4.2 Classification of financial liabilities

The Fund classifies its financial liabilities at amortised cost unless it has designated liabilities at FVPL.

4.4.3 Recognition and initial measurement

An entity shall recognise a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. Financial assets measured at FVPL are initially recognised 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 recognised on the date on which they are originated. Financial asset or financial liability is measured initially at fair value plus or minus, for an item not at FVPL, transaction costs that are directly attributable to its acquisition issue.

4.4.4 Subsequent measurement

Financial assets at FVPL are subsequently measured at fair value. Net gain or losses including any foreign exchange gains and losses, are recognised in profit or loss in 'Net gain from investments carried at FVPL' in the statement of profit or loss and other comprehensive income.

Financial assets and financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest / commission method and is recognised in the statement of comprehensive income.

Any gain or loss on de-recognition is also recognised in the statement of comprehensive income. The 'amortised 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 principal repayments, plus or minus the cumulative commission using the effective interest / commission method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

4.4.5 Derecognition

The Fund derecognises 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.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.4 Financial instruments (continued)

4.4.5 Derecognition (continued)

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 recognised in statement of comprehensive income. Any commission in such transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability. The Fund enters into transactions whereby it transfers assets recognised 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 derecognised. The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

4. 5 Offsetting of financial instruments

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.

4. 6 Other accrued expenses

Liabilities are recognised for amounts to be paid for goods or serviced received whether or not billed to the Fund. Accruals and other liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective commission rate method.

4.7 Provision

A provision is recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provision is not recognized for future operating loss.

4.8 Redeemable units

The Fund is open for subscriptions/ redemptions of units on every Monday and Thursday. The net assets value of the Fund is determined every Monday and Thursday (each a “Valuation Day”). The net asset value of the Fund for the purpose of purchase or sale of units is determined by dividing the value of net assets (fair value of Fund assets *minus* Fund liabilities) by the total number of outstanding units on the relevant 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.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.8 Redeemable units (continued)

- 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 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.

The subscription and redemption of redeemable units are accounted for as equity transactions as long as units are classified as equity.

4.9 Zakat / taxation

Zakat / taxation is the obligation of the unitholders and therefore, no provision for such liability is made in these financial statements.

4.10 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 is measured at the fair value of the consideration received, excluding discounts, taxes and rebates.

Dividend income is recognised when the Fund's right to receive dividend is established.

Realised gain and loss on disposal of investments held at FVPL is measured as the difference between the sales proceeds and the carrying value before disposal.

4.11 Management fees

Management fee is calculated at rate mentioned in terms and conditions of the Fund and is payable monthly in arrears.

4.12 Other expenses

Other expenses are charged at rates / amounts within limits mentioned in terms and conditions of the Fund.

4.13 Equity per unit

The equity per unit as disclosed in the statement of financial position is calculated by dividing the net assets of the fund by the number of units outstanding at year end.

(Amounts in United States Dollar unless otherwise stated)

5. MANAGEMENT FEE, ADMINISTRATION AND OTHER CHARGES

On each valuation day, the sub Fund manager charges the Fund, a management fee at the rate of 1.75% (2022: 1.75%) per annum of the Fund's net assets value. The net assets value of the Fund being sub-managed and reported by the sub-manager to the Fund manager, is net of management fees.

In addition, on daily basis the Fund Manager and custodian charge the Fund, administration fees and custody fees at the rate from 0.2% and 0.035% (2022: 0.2% and 0.035%) per annum respectively of the Fund's net assets value.

The Fund Manager also recovers from the Fund any other expenses incurred on behalf of the Fund such as audit fees, legal fees and other similar charges. These charges are not expected to exceed in total 0.20% (2022: 0.20%) per annum of the Fund's net assets value.

6. INVESTMENTS CARRIED AT FVPL

To date the Fund has invested exclusively with JP Morgan International (Sub Fund Manager). The investment carried at FVPL is summarized as follows:

	31 December 2023	31 December 2022
Number of units	**594,411.9842**	586,911.6516
Net assets value per unit	**35.38**	26.52
Total fair value	**21,030,296**	15,564,897

7. UNIT TRANSACTIONS

Transactions in units for the year are summarized as follows:

	31 December 2023	31 December 2022
	(Units in numbers)	
Units at the beginning of the year	**610,653.86**	721,401.00
Units issued during the year	**33,509.71**	73,500.94
Units redeemed during the year	**(24,647.96)**	(184,248.08)
Net change in units	**8,861.75**	(110,747.14)
Units at the end of the year	**619,515.61**	610,653.86

8. NET GAIN / (LOSS) FROM INVESTMENTS CARRIED AT FVPL

	For the year ended 31 December	
	2023	2022
Realized gain / (loss) from sale of investments carried at FVPL	**78,623**	(1,485,482)
Unrealized gain / (loss) from revaluation of investments carried at FVPL	**5,083,481**	(7,790,560)
	5,162,104	(9,276,042)

(Amounts in United States Dollar unless otherwise stated)

9. OTHER EXPENSES

	For the year ended 31 December	
	2023	2022
Other	**9,465**	3,332
VAT expenses	**7,572**	7,403
Custody fee	**7,187**	7,308
Professional fees*	**5,865**	5,863
	30,089	23,906

*This includes auditor's remuneration for the statutory audit and interim review of the fund's financial statements and interim financial information for the year ended 31 December 2023 amounting to SAR 17 thousand and SAR 5 thousand respectively. (2022: SAR 17 thousand and SAR 5 thousand respectively).

10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties of the Fund include "Riyad Capital" being the Fund Manager, "Riyad Bank" being the shareholder of Riyad Capital, other funds managed by the Fund Manager and Board of Directors.

In the ordinary course of its activities, the Fund transacts business with the related parties. The related parties' transactions are in accordance with terms and conditions of the Fund.

The significant related party transactions entered into by the Fund during the year and the balances resulting from such transactions are as follows:

Related parties	**Relationship**	**Nature of transactions**	**Net amount of transactions during the year**		**Closing balances receivable / (payable)**	
			2023	**2022**	**2023**	**2022**
Riyad Capital	Fund Manager	Fund management fee	**(36,098)**	(34,848)	**(25,510)**	(407)

11. FINANCIAL INSTRUMENTS BY CATEGORY

31 December 2023	**Amortized cost**	**FVPL**
Assets as per statement of financial position		
Investments carried at FVPL	**-**	**21,030,296**
Total	**-**	**21,030,296**
Liabilities as per statement of financial position		
Management fee payable	**25,510**	**-**
Other accrued expenses	**17,032**	**-**
	42,542	**-**

(Amounts in United States Dollar unless otherwise stated)

11. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

31 December 2022	Amortized cost	FVPL
Assets as per statement of financial position		
Investments carried at FVPL	-	15,564,897
Total	-	15,564,897
Liabilities as per statement of financial position		
Management fee payable	407	-
Other accrued expenses	11,225	-
	11,632	-

12. FINANCIAL RISK MANAGEMENT

12.1 Financial risk factors

The objective of the Funds is to safeguard its ability to continue as a going concern so that it can continue to provide optimum returns to its Unitholders and to ensure reasonable safety to the Unitholders.

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

The Fund Manager is responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager and is ultimately responsible for the overall management of the Fund. Monitoring and controlling risks is primarily set up to be performed based on the limits established by the Fund Board. The Fund has its Terms and Conditions document that set out its overall business strategies, its tolerance of risks and its general risk management philosophy and is obliged to take actions to rebalance the portfolio in line with the investment guidelines.

The financial instruments included in these financial statements principally include investments carried at FVPL, Management fees payable and other accrued expenses. The recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets and liabilities are offset and net amounts are reported in the financial statements, when the Fund has a legally enforceable right to disburse the recognized amounts and intends either to settle on a net basis, or to realize the assets and liabilities simultaneously.

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

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

(i) Foreign exchange risk

Foreign exchange risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in foreign currency. All the Fund's transactions and balances are in United State Dollar and therefore the Fund is not exposed to foreign exchange risk.

(Amounts in United States Dollar unless otherwise stated)

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

12.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Special Commission rate risk

Commission rate risk is the risk that the value of future cash flows of a financial instrument or fair values of fixed coupon financial instruments will fluctuate due to changes in market commission rates.

The Fund is not subject to commission rate risk, as it does not have any commission bearing financial instruments.

(iii) Price risk

Price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements.

The price risk arises primarily from uncertainty about the future prices of the financial instruments that the Fund holds. The Fund Manager diversifies the investment portfolio and closely monitors the price movement of its investments in financial instruments. As of the statement of financial position date, the Fund has invested with Sub Fund manager.

The effect on the equity (as a result of the change in the fair value of investments as at 31 December 2023 and 31 December 2022) due to a reasonably possible change in NAV, with all other variables held constants is as follows:

	31 December 2023		31 December 2022	
	Potential reasonable change %	**Effect on equity**	Potential reasonable change %	Effect on equity
Investments in JP Morgan International	**±1%**	**210,303**	±1%	155,649

(b) 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 for investment carried at FVPL. Investment is being maintained with the Sub Fund Manager which has sound credit rating and there is no historical history of default to recover the balance.

The following table shows the Fund's maximum exposure to credit risk for components of the statement of financial position.

	31 December 2023	31 December 2022
Investments carried at FVPL	**21,030,296**	15,564,897

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

12.1 Financial risk factors (continued)

(b) Credit risk (continued)

<u>Amounts arising from ECL</u>

Impairment on investments carried at amortized cost has been measured on a 12-month expected loss basis. The Fund considers that these exposures have low credit risk based on the external credit ratings of the counterparties. 12-month and lifetime probabilities of default are based on the approved ECL methodology and impairment policy of the Fund. Loss Given Default (LGD) parameters generally reflect an assumed recovery rate which are linked to the composite credit ratings of the counterparties. However, if the asset were credit-impaired, then the estimate of loss would be based on a specific assessment of expected cash shortfalls and on the original effective profit rate.

Expected credit loss measurement

Under the expected credit loss model, credit losses are recognised prior to a credit event occurring. The impairment model requires more timely and forward-looking information that allows 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 (ECL) are recognised and profit 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 profit 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 are already 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 an entity'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.

Fund has policy to invest with counterparties with credit rating BBB- and above. All the investments are initially classified under stage 1. If at any subsequent reporting date the credit rating of the counterparty deteriorates by 2 notches in Fitch rating scale but still above B+, than the Fund downgrades the investment with such counterparty to Stage 2. In case if the credit rating of the counterparty decreases below B+, then investment with such counterparty is further downgraded to Stage 3.

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

12.1 Financial risk factors (continued)

(b) Credit risk (continued)

Expected credit loss measurement (continued)

The Fund has set out the following definition of default:

Definition of default:
The Fund considers a financial asset to be in default when the counterparty makes default in payment of principal or profit.

Probability of Default (PD):
Through the yearly review of investments in debt instruments, the Fund shall draw a yearly transition matrix to compute account-based PD over the one-year horizon for the past 5 years. The Fund Manager reviews credit concentration of the investment portfolio based on counterparties. The credit quality of the financial assets is assessed using the external credit ratings of Fitch.

Loss Given Default (LGD):
Loss given default is defined as the forecasted economic loss in case of default. LGD computation will be based on the Fund's losses on defaulted accounts after the consideration of recovery percentages. IFRS 9 also requires that LGD be estimated in collaboration with the forward-looking valuation of collaterals based on macro-economic factors. LGD computation is independent of the assessment of credit quality and thus applied uniformly across all stages.

For LGD estimation on its non-collateralised portfolio, the Fund shall compute LGD based on actual recoveries on its defaulted portfolio over a period of at least 5 years prior to the assessment date. In absence of history, bench making is performed.

Exposure at Default (EAD):
Exposure at default is an estimation of the extent that the Fund may be exposed to an obligor in the event of default. 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.

Discount rate

The Fund computes effective profit rate at a contractual level. If the computation of the effective profit rate (at reporting date) is not feasible, the Fund uses the contractual profit (at reporting date) for discounting purposes.

As at 31 December 2023, the Fund has investments with credit ratings ranging from A to BBB-.

The amount in cash in investment accounts are held with reputable bank, having strong credit rating, and hence, low credit risk. Therefore, ECL is immaterial.

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

12.1 Financial risk factors (continued)

(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 terms and conditions provide for subscription and redemption of units on Monday and Thursday, therefore, exposed to the liquidity risk of meeting unitholder redemptions on these days. 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.

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 or by taking short term loans from the Fund Manager.

The expected maturity of the assets and liabilities of the Fund is less than 12 months.

(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 Unitholders.

12.2 Capital risk management

The Fund's capital represents the net assets of the Unitholders. The Fund's objectives when managing capital are to maintain the ability to continue as a going concern and achieve returns for Unitholders and benefits for other stakeholders, as well as maintaining the capital base to support the development of the Fund's investment activities. In order to maintain or adjust the capital structure, the Fund Manager may call up an unfunded commitment, if any, from, or any additional capital from the Unitholders or distribute the funds to the Unitholders.

12.3 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 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 accessible market for the asset or liability.

(Amounts in United States Dollar unless otherwise stated)

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

12.3 Fair value estimation (continued)

Determination of fair value and fair value hierarchy

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

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

The estimated fair value of the Fund's financial assets and financial liabilities is not considered to be significantly different from their carrying values.

Valuation technique for calculating the fair value of investments under Level 2 comprises of determining the net asset value per unit of the investee Funds which is based on observable market data.

	Fair value			
2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value				
Investments carried at FVPL	**-**	**21,030,296**	**-**	**21,030,296**
	-	**21,030,296**	**-**	**21,030,296**
Financial liabilities not measured at fair value				
Management fees payable	**-**	**-**	**25,510**	**25,510**
Other accrued expenses	**-**	**-**	**17,032**	**17,032**
	-	**-**	**42,542**	**42,542**
2022				
Financial assets measured at fair value				
Investments carried at FVPL	-	15,564,897	-	15,564,897
	-	15,564,897	-	15,564,897
Financial liabilities not measured at fair value				
Management fees payable	-	-	407	407
Other accrued expenses			11,225	11,225
	-	-	11,632	11,632

13. LAST VALUATION DAY

The last valuation day of the year was 31 December 2023 (31 December 2022).

14. SUBSEQUENT EVENTS

As of the date of approval of these financial statements, there have been no significant subsequent events requiring disclosure to or adjustment in these financial statements.

15. INFORMATIVE ZAKAT RETURN SUBMISSION

Article 3 of Zakat Collection Rules for Investing in Investment Funds, stipulates that all investment funds or real estate investment funds approved to be established by the CMA after the effective date of the resolution (1 January 2023), must register with ZATCA for Zakat purposes before the end of the first fiscal year from the date of the approval on their establishment and submit an informative zakat return within 120 days of fiscal year end. The Fund received its tax identification number 3119509489 from ZATCA on 11 December 2023. The Fund will submit the informative zakat return in due course.

The responsibility of paying zakat on investment in the Fund's units remains with the unitholders and the Fund does not have the zakat obligation.

16. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Fund Board of Directors on **26 March 2024**.