

WASATAH IPO FUND

(Managed by Al Wasatah Al Maliah Company)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

together with the

INDEPENDENT AUDITOR'S REPORT

WASATAH IPO FUND

Managed by Al Wasatah Al Maliah Company

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INDEPENDENT AUDITOR'S REPORT

**To the Unitholders of
Wasatah IPO Fund
Managed by Al Wasatah Al Maliah Company
Riyadh, Kingdom of Saudi Arabia**

Opinion

We have audited the financial statements of **Wasatah IPO Fund** (the "Fund") managed by Al Wasatah Al Maliah Company (the "Fund Manager") which comprise the balance sheet as at 31 December 2017 and the related statements of income, cash flows and changes in net assets attributable to the Unitholders for the year then ended and notes to the financial statements from 1 to 13, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Saudi Arabia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters include:

Valuation of held for trading investments

Held for trading investments comprise a portfolio of equity securities listed on the Tadawul, the Kingdom of Saudi Arabia stock exchange. These instruments are measured at fair value with the corresponding fair value changes recognized in the statement of income.

The fair value of these securities is determined through a determination of the latest closing price per share on the balance sheet date.

We considered this as a key audit matter given the significance of the valuation on the financial statements.

Our procedures included testing the valuation of held for trading investments at the balance sheet date.

Revenue recognition

Revenue includes realized and unrealized gains /losses and dividend income. Revenue recognition is considered a key audit matter as the timing and amount of revenue recognized in a financial period can have a material effect on the financial performance.

We reviewed the revenue recognition accounting policy. We undertook substantive tests of transactions on a sample basis. We tested revenue cut-off at the year end and undertook an analytical review of revenue.

INDEPENDENT AUDITOR'S REPORT (CONT.)

Other matter

The financial statements of the prior year were audited by another auditor who expressed an unqualified opinion thereon in their report dated 27 Jumada'II 1438H corresponding to 26 March 2017G.

Other Information

Fund Manager is responsible for the other information. The other information comprises the Fund's performance report included in the annual report, but does not include the financial statements and our auditor's report thereon. The other information 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 when it becomes available 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 other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance ("TCWG") for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with, generally accepted accounting standards in the Kingdom of Saudi Arabia, the requirements of the Investment Funds Regulations as published by the Capital Market Authority in Kingdom of Saudi Arabia and the Fund's terms and conditions with respect to the preparation and presentation of financial statements and for such internal control as management determines is necessary to enable the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management 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 management either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Those Charged With Governance, in particular the Fund Board, are 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 ISAs 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 ISAs, we exercise professional judgment and maintain professional skepticism 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.

INDEPENDENT AUDITOR'S REPORT (CONT.)

- 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's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management'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 TCWG 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.

We also provide TCWG with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with TCWG, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Further we confirm that in our opinion the financial statements comply with the requirements of the Investment Funds Regulations as published by the Capital Market Authority in Kingdom of Saudi Arabia and the Fund's terms and conditions with respect to the preparation and presentation of financial statements.

For Dr. Mohamed Al-Amri & Co.



Gihad M. Al-Amri
Certified Public Accountant
Registration No. 362



Riyadh, on: 4 Rajab 1439 (H)
Corresponding to: 21 March 2018 (G)

WASATAH IPO FUND
Managed by Al Wasatah Al Maliah Company

BALANCE SHEET
AS OF 31 DECEMBER 2017

	<u>Notes</u>	<u>2017</u> <u>SR</u>	<u>2016</u> <u>SR</u>
<u>ASSETS</u>			
Cash and cash equivalents	7	24,565,999	18,159,590
Held for trading investments	8	20,944,287	40,837,414
Other receivable		16,000	96,267
Total assets		45,526,286	59,093,271
<u>LIABILITIES</u>			
Management and custody fee payable	9	250,511	310,529
Fund Board members' fee payable	9	24,000	6,049
Accrued expenses		22,465	48,761
Redemptions payable		-	2,250,591
Total liabilities		296,976	2,615,930
Net assets value attributable to Unitholders		45,229,310	56,477,341
Units in issue (<i>Numbers</i>)		52,307	57,518
Net assets value - per unit (Saudi Riyals)		864.69	981.91

The accompanying notes 1 to 13 form an integral part of these financial statements

WASATAH IPO FUND

Managed by Al Wasatah Al Maliah Company

**STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<i><u>Note</u></i>	<u>2017</u> <u>SR</u>	<u>2016</u> <u>SR</u>
<u>INCOME</u>			
Realized (loss)/ gain disposal of held for trading investments, net		(4,462,680)	114,814
Unrealized (loss)/ gain on held for trading investments, net		(2,056,594)	3,393,003
Dividend income		987,750	1,445,675
Other income		63,723	237,666
Total (loss) / income		(5,467,801)	5,191,158
<u>EXPENSES</u>			
Management fee	9	852,485	1,421,789
Custody fee	9	200,587	334,543
Fund Board members fee	9	24,000	24,066
Other operating expenses	10	66,875	67,086
Total expenses		1,143,947	1,847,484
NET (LOSS) / INCOME FOR THE YEAR		(6,611,748)	3,343,674

The accompanying notes 1 to 13 form an integral part of these financial statements

WASATAH IPO FUND

Managed by Al Wasatah Al Maliah Company

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<u>2017</u> <u>SR</u>	<u>2016</u> <u>SR</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)/ income	(6,611,748)	3,343,674
<i>Adjustments for:</i>		
Realized loss/ (gain) on disposal of held for trading investments	4,462,680	(114,814)
Unrealized loss/ (gain) on held for trading investments	2,056,594	(3,393,003)
Changes in operating assets and liabilities:		
Purchase of held for trading investments	(16,260,966)	(189,027,054)
Proceeds from disposal of held for trading investments	29,634,820	220,521,064
Other receivable	80,267	6,550,064
Management and custody fee payable	(60,018)	(389,438)
Fund Board members fee payable	17,951	(2,072)
Accrued expenses	(26,296)	6,987
Redemption payable	(2,250,591)	2,228,960
Net cash generated by operating activities	<u>11,042,693</u>	<u>39,888,511</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from subscription of units	2,730,000	34,588,053
Payments for redemption of units	(7,366,284)	(105,712,986)
Net cash used in financing activities	<u>(4,636,284)</u>	<u>(71,124,933)</u>
Net increase/ (decrease) in cash and cash equivalents	6,406,409	(31,236,422)
Cash and cash equivalents at 1 January	<u>18,159,590</u>	49,396,012
Cash and cash equivalents at 31 December	<u><u>24,565,999</u></u>	<u><u>18,159,590</u></u>

The accompanying notes 1 to 13 form an integral part of these financial statements

WASATAH IPO FUND

Managed by Al Wasatah Al Maliah Company

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNITHOLDER
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<u>2017</u> <u>SR</u>	<u>2016</u> <u>SR</u>
Net assets value at 1 January,	56,477,341	124,258,600
Add: Subscriptions during the year	2,730,000	34,588,053
Less: Redemptions during the year	(7,366,283)	(105,712,986)
Net (loss) / income for the year	(6,611,748)	3,343,674
Net assets value at 31 December,	<u>45,229,310</u>	<u>56,477,341</u>

UNIT TRANSACTIONS

	<u>Numbers</u>	
Units at 1 January,	57,518	131,460
Add: Units subscribed	3,067	37,682
Less: Units subscribed	(8,278)	(111,624)
Net decrease in units	(5,211)	(73,942)
Units 31 December,	<u>52,307</u>	<u>57,518</u>

The accompanying notes 1 to 13 form an integral part of these financial statements

WASATAH IPO FUND

Managed by Al Wasatah Al Maliah Company

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. THE FUND AND ITS ACTIVITIES

Wasatah IPO Fund (the "Fund") is a Shariah complaint open-ended Fund established and managed through an agreement between Al Wasatah Al Maliah Company (the "Fund Manager") and the Fund Investors (the "Unitholders").

Wasatah IPO Fund aims to achieve mid to long-term capital appreciation and provide its investors with absolute returns. The Fund primarily invests in Initial Public Offerings ("IPOs") and stocks listed within the last three years on the Saudi Stock Exchange ("Tadawul"). The Fund invests in tradable rights (including rump offerings) of stocks listed within the last five years on Tadawul.

The Capital Market Authority ("CMA") granted its approval for the establishment of the Fund in its letter number 15/931/5/3 dated 29 Rabi al-awwal 1436 H (corresponding to 20 January 2015 G). The Fund commenced its operations on 10 Jumada al-ula 1436 H (corresponding to March 01, 2015 G).

In dealing with the Unitholders, the Fund Manager considers the Fund as an independent unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund. Furthermore, the Unitholders are considered to be owners of the assets of the Fund.

2. REGULATORY FRAMEWORK

The Fund is governed by the Investment Funds Regulations ("the Regulations") issued by CMA as amended up to 16 Sha'ban 1437 H (corresponding to 23 May 2016 G) detailing requirements for investment funds operating in the Kingdom of Saudi Arabia.

3. SUBSCRIPTION / REDEMPTION (DEALING DAY AND VALUATION DAY)

The Fund is open for subscriptions / redemptions of units on each Monday and Wednesday (each a "Dealing Day"). The value of the Fund's portfolio is determined on each business day (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 net value of assets (fair value of fund assets minus fund liabilities) by the total number of outstanding fund units on the relevant valuation day.

4. BASIS OF PREPARATION

4.1 *Statement of compliance*

These financial statements have been prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization of Certified Public Accountants (SOCPA), and in accordance with the requirements of the Investment Funds Regulations as published by CMA in Saudi Arabia and the Fund's terms and conditions.

Transition to International Financial Reporting Standards

Saudi Organization for Certified Public Accountants (SOCPA) has approved a plan for transition to International Financial Reporting Standards (IFRS). Accordingly, the Fund will adopt IFRS for the reporting periods beginning on or after 1 January 2018.

4.2 *Basis of measurement*

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

4.3 *Functional and presentation currency*

These financial statements are presented in Saudi Arabian Riyal (SR) which is the functional currency of the Fund. All financial information presented has been rounded to the nearest SR.

WASATAH IPO FUND

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

BASIS OF PREPARATION (Continued)

4.4 Financial year

The financial year of the Fund commences on 1 January and ends on 31 December of each calendar year.

4.5 Use of estimates and judgments

In the ordinary course of business, the preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in future years affected.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been adopted by the Fund and applied consistently throughout all years presented in these financial statements.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

5.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less, which are available to the Fund without any restrictions.

5.2 Held for trading investments

Investments which are purchased for trading are initially recognized at cost and are subsequently re-measured at their market values. The unrealized gains or losses on the revaluation of investments are recognized in the statement of income. Investment transactions are accounted for as of the trade date.

5.3 Trade date accounting

All regular-way purchases and sales of financial assets are recognized and derecognized 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 asset and liabilities (including assets and liabilities designated at fair value through income statement) are initially recognized on trade date at which the Fund becomes a party to the contractual provision of the instrument.

5.4 Revenue recognition

The realized gain or loss from a held for trading investments is calculated as the difference between its carrying amount at the beginning of the reporting period, or transaction price when purchased in the current reporting period and its sale price.

The unrealized gain or loss is calculated as the difference between the carrying amount of a held for trading investment at the beginning of the reporting period, or transaction price when purchased in the current reporting period and its carrying amount at the end of the reporting period.

Dividend income or other income is recognized when the right to receive payment is established.

WASATAH IPO FUND

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****SIGNIFICANT ACCOUNTING POLICIES (Continued)****5.5 Management fee and other expenses**

Management fees and other expenses are charged at rates/amounts within limits mentioned in terms and conditions of the Fund. These charges are calculated and accrued on each valuation day.

5.6 Zakat / taxation

Zakat / taxation is the obligation of the Unitholders and is not provided for in these financial statements.

5.7 Subscription and redemption of units

Units subscribed and redeemed are recorded at the net assets value per unit on the valuation day for which the subscription request and redemption applications are received.

5.8 Net assets value

The net assets value per unit disclosed in the balance sheet is calculated by dividing the net assets of the Fund by the number of units in issue at the year-end.

5.9 Financial instruments

Financial assets and liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of financial assets and financial liabilities is taken directly to the statement of income.

6. MANAGEMENT FEE AND CUSTODY FEE***Subscription fee***

The Fund Manager charges each investor a subscription fee of a percentage not exceeding 1.5% of the subscribed amount to cover administration costs and is netted off against proceeds from issuance of units.

Under the terms and conditions of the Fund, the Fund is liable to pay the following expenses to the Fund Manager:

Management fee

Management fee is accrued at the rate of 1.7% per annum of net assets value of the Fund at each valuation day and is payable quarterly.

Custody fee

Custody fee is accrued at the rate of 0.4% of the net asset value of the fund at each valuation day and is payable quarterly.

7. CASH AND CASH EQUIVALENTS

	<u>2017</u>	<u>2016</u>
	<u>SR</u>	<u>SR</u>
Cash at bank – current accounts	5,961,722	4,381,896
Cash held with custodian	8,604,277	7,277,694
Murabaha placement with a bank – original maturities of three months or less	10,000,000	6,500,000
	<u>24,565,999</u>	<u>18,159,590</u>

WASATAH IPO FUND

Managed by Al Wasatah Al Maliah Company

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****CASH AND CASH EQUIVALENTS (Continued)**

The Fund Manager maintains the bank account of the Fund in its own name on behalf of the Fund and is segregated from the bank accounts of the Fund Manager. The Fund Manager is authorized to utilize these funds for the purpose of trading in securities on behalf of the Fund.

The effective commission rate on Murabaha deposit as at 31 December 2017 was 1.8% per annum (2016: 2.8%).

8. HELD FOR TRADING INVESTMENTS

	<u>Note</u>	<u>2017</u> <u>SR</u>	<u>2016</u> <u>SR</u>
Equity investments	8.1	<u>20,944,287</u>	<u>40,837,414</u>

8.1 The sector-wise composition of investments held for trading is summarized as follows:

<u>Sector</u>	<u>Cost</u>	<u>Market value</u> 31 December 2017	<u>% of market value</u>
Health Care Equipments and Service	5,429,133	3,985,640	19%
Materials	5,281,673	5,177,640	25%
Retailing	4,422,347	5,274,155	25%
Real Estate Management and Development	4,027,734	4,009,527	19%
Transportation	3,839,994	2,497,325	12%
	<u>23,000,881</u>	<u>20,944,287</u>	<u>100%</u>

<u>Sector</u>	<u>Cost</u>	<u>Market value</u> 31 December 2016*	<u>% of market value</u>
Health Care Equipments and Service	14,750,281	15,568,480	38%
Transportation	6,255,082	9,626,280	24%
Materials	5,651,098	5,185,750	13%
Consumer Services	4,596,131	4,641,194	11%
Retailing	4,482,863	4,097,760	10%
Real Estate Management and Development	1,708,956	1,717,950	4%
	<u>37,444,411</u>	<u>40,837,414</u>	<u>100%</u>

* The Fund has rearranged equity investments as at 31 December 2016 to conform to latest sector wise composition of Saudi Stock Market.

WASATAH IPO FUND

Managed by Al Wasatah Al Maliah Company

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****9. TRANSACTIONS WITH RELATED PARTIES**

In the ordinary course of its activities, the Fund transacts with its related parties. The Fund Manager, its employees and the Fund's Board Members are considered to be related parties of the Fund.

The Fund Manager is responsible for the overall management of the Fund's activities. The Fund Manager can also enter into arrangements with other institutions for the provision of investment, custody or other administrative services on behalf of the Fund. The Fund Manager charges the Fund with a management fee and custody fee of 1.70% per annum and 0.4% per annum of the Fund's assets, calculated on a daily basis. The Fund Manager also recovers from the Fund any other expenses incurred on behalf of the Fund such as audit fee, Fund board annual remuneration and other similar charges. The Fund board annual compensation is subject to a maximum of SR 48,000 for all the Fund Board members.

The unit holders' account at 31 December included units held as follows:

	2017	
	Units (<i>number</i>)	Net Asset Value SR
Held by the Fund Manager	20,000.00	17,293,815
Held by members of the Fund Board	19.91	17,219
Held by employees of the Fund Manager	234.70	202,947
	<u>27,254.61</u>	<u>17,513,981</u>

	2016	
	Units (<i>number</i>)	Net Asset Value SR
Held by the Fund Manager	20,000.00	19,638,204
Held by members of the Fund Board	19.91	19,550
Held by employees of the Fund Manager	234.70	230,454
	<u>20,254.61</u>	<u>19,888,208</u>

Related party transactions for the year ended 31 December and balances arising there from are described as under:

<u>Related party</u>	<u>Nature of transactions</u>	<u>Amount of transaction during the year</u>		<u>Closing balance payable</u>	
		2017	2016	2017	2016
Al Wasatah Al Maliah Company	Management fee	852,485	1,421,789	202,794	251,380
	Custody fee	200,587	334,543	47,717	59,149
Fund Board members	Annual remuneration	24,000	24,066	24,000	6,049

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Managed by Al Wasatah Al Maliah Company

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****10. OTHER OPERATING EXPENSES**

	For the year ended December 31,	
	<u>2017</u>	<u>2016</u>
	<u>SR</u>	<u>SR</u>
Audit fee	30,000	30,082
Benchmark calculation fee	24,375	24,442
CMA monitoring and reviewing fee	7,500	7,521
Other expenses	5,000	5,041
	<u>66,875</u>	<u>67,086</u>

11. FINANCIAL RISK MANAGEMENT***Credit risk***

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and cause other party to incur a financial loss. The Fund is exposed to credit risk on its cash and cash equivalents and other receivables. The current account balance and other receivables which represent accrued income on Murabaha placement are maintained with a reputed local bank and cash held with custodian is receivable from subsidiary Brokerage Company of same bank, both of these have sound credit rating. Therefore, the Fund Manager believes that the Fund does not have any significant credit risk.

Equity price risk

Equity price risk is the risk that the fair value of equity investments will decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Fund is exposed to equity price risk arising from its investments in equity shares classified as held for trading.

The Fund Manager endeavors to minimize the risk including concentration risk through continuous monitoring of market conditions and diversification of its investments across various sectors of the Saudi Stock Market. Further, the Fund Manager has established risk guidelines to manage its equity price risk.

Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in generating funds to meet commitments associated with financial liabilities which comprise of fund management fee and other expenses payable and redemption of units. The Fund's securities are investments in quoted equities and can be realized easily at any time. The Fund Manager monitors the liquidity requirements on a regular basis and ensures that sufficient funds are available to meet any commitments as they arise.

Currency risk

Currency risk is the risk that the value of a financial instrument may fluctuate due to change in the foreign exchange rates. The financial instruments of the Fund i.e. cash and cash equivalents other receivables and payables are denominated in Saudi Arabian Riyals. Accordingly, the Fund is not exposed to any currency risk.

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Managed by Al Wasatah Al Maliah Company

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction.

Financial instruments consist of financial assets and financial liabilities. The Fund's financial assets consist of cash and cash equivalents and held for trading investments while financial liabilities consist of management and custody fee payable, Fund Board members' fee payable and certain accrued expenses.

For investments traded in an active market, fair value is determined by reference to quoted market prices. The fair values of other financial instruments are not materially different from their carrying values.

13. APPROVAL OF FINANCIAL STATEMENT

These annual financial statements were approved by the Fund's Board on 4 Rajab 1439H corresponding to 21 March 2018G.
