

**Al Waseela Fund – “Q” Class**

**Financial Statements**

**31 December 2020**

**Al Waseela Fund – “Q” Class**

**Financial statements  
As at and for the year ended 31 December 2020**

---

<b>Contents</b>	<b>Page(s)</b>
Independent auditor’s report to the unit holders	1-3
<b>Financial statements</b>	
Statement of financial position	4
Statement of profit and loss and other comprehensive income	5
Statement of changes in net assets attributable to the unit holders	6
Statement of cash flows	7
Notes to the financial statements	8 – 16



KPMG  
25 C Ring Road  
PO Box 4473, Doha  
State of Qatar  
Telephone: +974 4457 6444  
Fax: +974 4442 5626  
Website: home.kpmg/qa

## **INDEPENDENT AUDITOR'S REPORT**

To the Unit Holders of Al Waseela Fund "Q" Class

### **Report on the Audit of the Financial Statements**

#### *Opinion*

We have audited the financial statements of Al Waseela Fund "Q" Class ("the Fund"), which comprise the statement of financial position as at 31 December 2020, statements of profit or loss and other comprehensive income, changes in net assets attributable to unit holders and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants International Codes of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Responsibilities of Fund Manager 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 (IFRSs), and for such internal control as fund manager determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.



## **INDEPENDENT AUDITOR'S REPORT (Continued)**

### *Responsibilities of Fund Manager for the Financial Statements (continued)*

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.

The Founder (The Commercial Bank P.S.Q.C.) 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 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 considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of user taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk 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 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's internal control.
- Evaluate the appropriateness of accounting policies used and 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 auditor's report to the related disclosures in the financial statements or, if such disclosure is 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 (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 manager 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.

### **Report on Other Legal and Regulatory Requirements**

We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Fund has maintained proper accounting records and its financial statements are in agreement therewith. We are not aware of any violations of the applicable provisions of the Qatar Central Bank regulations and the terms of the Articles of Association and any amendments thereto having occurred during the year which might have had a material effect on the Fund's financial position or performance as at and for the year ended 31 December 2020.

16 February 2021  
Doha  
State of Qatar

  
Gopal Balasubramaniam  
Audit Registration No. 251  
KPMG

Al Waseela Fund – “Q” Class

Statement of financial position  
As at 31 December 2020

In Qatari Riyals

	Note	2020	2019
<b>Assets</b>			
Cash and cash equivalents	3	3,056,237	5,543,899
Investment securities at fair value through profit or loss	4	53,423,365	49,905,094
Other receivables		6	2
<b>Total assets</b>		<b>56,479,608</b>	<b>55,448,995</b>
<b>Liabilities</b>			
Other payables and accrued expenses	5	94,140	88,869
<b>Total liabilities</b>		<b>94,140</b>	<b>88,869</b>
<b>Net assets attributable to the unit holders</b>		<b>56,385,468</b>	<b>55,360,126</b>
		Units	Units
<b>Number of units in issue</b>		<b>2,749,050</b>	<b>2,759,087</b>
<b>Net asset value per unit (QR)</b>		<b>20.5109</b>	<b>20.0647</b>



Rehan Khan  
EGM  
Chief Financial Officer  
The Commercial Bank (P.S.Q.C.)



Hassan Ali Al Haiky  
SVP  
Head of Investment & Wealth Management  
The Commercial Bank (P.S.Q.C.)




M-M.

The attached notes 1 to 9 form an integral part of these financial statements.

Al Waseela Fund – “Q” Class

Statement of profit and loss and other comprehensive income  
For the year ended 31 December 2020

In Qatari Riyals

	Note	2020	2019
<b>Income</b>			
Dividend income		1,808,843	2,807,862
(Loss)/ Gain on sale of investment securities at fair value through profit or loss		(716,786)	676,323
Gain/ (loss) from changes in fair value of investment securities at fair value through profit or loss		1,361,554	(2,555,202)
Other income		2,069	12,807
<b>Profit, net</b>		<b>2,455,680</b>	<b>941,790</b>
<b>Expenses</b>			
Performance fees		-	(6,639)
Management fees		(787,550)	(933,088)
Custodian fees		(78,755)	(93,309)
Administration fees		(87,132)	(87,477)
Brokerage commissions		(90,983)	(109,937)
Other operating expenses	6	(202,726)	(270,262)
<b>Total expenses</b>		<b>(1,247,146)</b>	<b>(1,500,712)</b>
<b>Profit/ (loss) for the year</b>		<b>1,208,534</b>	<b>(558,922)</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income/ (loss) for the year</b>		<b>1,208,534</b>	<b>(558,922)</b>



The attached notes 1 to 9 form an integral part of these financial statements.

**Al Waseela Fund – “Q” Class**

**Statement of changes in net assets attributable to the unit holders  
For the year ended 31 December 2020**

In Qatari Riyals

	<b>Number of units</b>	<b>Net assets attributable to the units holders</b>
Balance at 1 January 2019	3,340,049	66,846,861
Total comprehensive loss for the year	-	(558,922)
<u>Contributions and redemptions by unit holders:</u>		
Issue of redeemable units during the year	1,740	34,951
Redemption of redeemable units during the year	(582,702)	(10,962,764)
Balance at 31 December 2019	<u>2,759,087</u>	<u>55,360,126</u>
<b>Balance at 1 January 2020</b>	2,759,087	55,360,126
Total comprehensive income for the year	-	1,208,534
<u>Contributions and redemptions by unit holders:</u>		
Issue of redeemable units during the year	1,844	34,951
Redemption of redeemable units during the year	(11,881)	(218,143)
<b>Balance at 31 December 2020</b>	<u><u>2,749,050</u></u>	<u><u>56,385,468</u></u>

The attached notes 1 to 9 form an integral part of these financial statements.

**Al Waseela Fund – “Q” Class**

**Statement of cash flows  
For the year ended 31 December 2020**

In Qatari Riyals

	Note	2020	2019
<b>OPERATING ACTIVITIES</b>			
Profit/ (Loss) before tax		1,208,534	(558,922)
Adjustments for:			
(Gain)/ loss from changes in fair value of investment securities at fair value through profit or loss		<u>(1,361,554)</u>	<u>2,555,202</u>
Operating profit before changes in operating assets and liabilities		(153,020)	1,996,280
<i>Changes in:</i>			
Investment securities at fair value through profit or loss		(2,156,717)	12,569,995
Other receivables		(4)	-
Other payables and accrued expenses		<u>5,271</u>	<u>(1,454,975)</u>
<b>Net cash flows from operating activities</b>		<b><u>(2,304,470)</u></b>	<b><u>13,111,300</u></b>
<b>FINANCING ACTIVITIES</b>			
Payment for redemption of redeemable units		(218,143)	(10,962,764)
Proceeds from issuance of redeemable units		<u>34,951</u>	<u>34,951</u>
<b>Net cash used in financing activities</b>		<b><u>(183,192)</u></b>	<b><u>(10,927,813)</u></b>
Net increase in cash and cash equivalents		<b>(2,487,662)</b>	2,183,487
Cash and cash equivalents at 1 January		<u>5,543,899</u>	<u>3,360,412</u>
<b>Cash and cash equivalents at 31 December</b>	3	<b><u>3,056,237</u></b>	<b><u>5,543,899</u></b>

The attached notes 1 to 9 form an integral part of these financial statements.

## **Al Waseela Fund – “Q” Class**

### **Notes to the financial statements**

**As at and for the year ended 31 December 2020**

---

#### **1. Legal status and main activities**

Al Waseela Fund – “Q” Class (“the Fund”) was established on 14 November 2006, as an open ended fund and is registered in the Investment Funds Register at the Ministry of Economy and Commerce under registration certificate no. 34168 and is licensed by the Qatar Central Bank under license no. I.F/6/2006 in accordance with Law No. (25) of 2002 concerning Investment Funds, and its Implementation Regulations, promulgated by virtue of Ministerial Resolution No. (69) of 2004 of the Minister of Business and Trade.

The Fund was founded by The Commercial Bank (P.S.Q.C), (the “Founder”) with a commercial registration No. 150; QCB License No. BC/101/1975, licensed, supervised and regulated by Qatar Central Bank established under the laws of the State of Qatar and having its principal office at P.O. Box 3232 Doha, Qatar.

The Fund is managed by National Bank of Oman (“Fund Manager”) and the custodian of the Fund is HSBC Bank Middle East Limited (“Fund Custodian”), Qatar Branch, with an office at P.O. Box 57 Doha, State of Qatar.

The financial statements for the year ended 31 December 2020 were authorised for issue on 16 February 2021.

#### **Objective of the Fund and Nature of its Activity**

The Fund will invest primarily in shares and other securities issued by companies established or operating in Qatar. The benchmark for performance is the Qatar Stock Exchange Index.

However, the Fund Manager will have the flexibility to invest up to 40% of the portfolio in shares and other securities issued by companies operating or established in other GCC countries. The exposure to GCC markets will only be increased when the Fund Manager believes opportunities in those markets are greater than available opportunities in Qatar on a short to medium term basis. It is not expected that the weighting in other GCC markets will be significant on a long term basis as the Fund’s objective is to participate in the growth of Qatar’s economy and capital markets.

#### **2. Basis of preparation and significant accounting policies**

##### **2.1 Basis of preparation**

The financial statements of the Fund for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards (IFRSs) and is presented in Qatari Riyals (“QR”), which is the functional and presentation currency of the Fund.

These financial statements are prepared on a historical cost basis, except for investment securities classified at fair value through profit or loss which are carried at fair value.

The preparation of the financial information requires Fund Manager to make judgments, estimates and assumptions that affects the application of accounting policies and the reported amounts of assets and 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 prospectively.

## AI Waseela Fund – “Q” Class

### Notes to the financial statements As at and for the year ended 31 December 2020

---

## 2. Basis of preparation and significant accounting policies (continued)

### 2.1. Basis of preparation (continued)

The significant judgments made by Fund Manager in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2019.

#### **Standards, amendments and interpretations issued**

*New IFRS Standards, amendments and interpretations issued and effective on or after 1 January 2020*

The following amendments to IFRS did not have any impact on the accounting policies, financial position and performance of the Fund:

<b>Standard</b>	<b>Effective date</b>
Definition of Material – Amendments to IAS 1 and IAS 8	1 January 2020
Definition of a Business – Amendments to IFRS 3	1 January 2020
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
Interest rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020

#### **Standards issued but not yet effective**

The following amended standards and interpretations are not expected to have a significant impact in the Fund's financial statements.

<b>Standards / Amendment to Standards</b>	<b>Effective date</b>
COVID-19-Related Rent Concessions (Amendment to IFRS 16)	1 January 2021
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018 – 2020	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023

**2. Basis of preparation and significant accounting policies (continued)**

**2.2. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Revenue recognition**

- Net gain from financial instruments at fair value through profit or loss includes all realised and unrealised fair value changes and foreign exchange differences, but excludes profits and dividend income; and
- Dividend income is recognized when the Fund has the right to collect the dividends.

**(b) Fees and commissions**

Fee and commission expenses are recognized in profit or loss as the related services are performed.

**(c) Financial assets and liabilities**

*Recognition*

The Fund recognizes a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognized on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

*Initial measurement*

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs related to such financial assets and liabilities are recognized directly in profit and loss.

The Fund classifies financial assets and financial liabilities into the following categories.

Financial assets at fair value through profit or loss: *investment securities*

Financial assets at amortised cost: *cash and cash equivalents, other receivables.*

Financial liabilities at amortised cost : *other payables and accrued expenses.*

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. In addition, on initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

*Subsequent measurement*

Financial assets at fair value through profit or loss are re-measured at fair value at the end of each reporting period and the resultant re-measured gain or loss is recognized in the profit or loss in the period in which they arise.

*Fair value measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as ‘active’ if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Other financial assets and financial liabilities of the Fund are subsequently measured at amortised cost.

**2. Basis of preparation and significant accounting policies (continued)**

**2.2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) Financial assets and liabilities (continued)**

*Amortised cost measurement*

The amortised cost of financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

*De-recognition*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the asset have expired or it has transferred its rights to receive cash flows of a transaction where all the risks and rewards of ownership of the asset, are transferred.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognized in profit or loss. Any interest in such transferred financial assets that is created or retained by the Fund is recognized as a separate asset or liability.

The Fund derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expires.

*Offsetting*

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master-netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

**(d) Foreign currencies**

Transactions in foreign currencies are translated into Qatari Riyals at the exchange rate at the dates of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the reporting date into Qatari Riyals at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into Qatari Riyals at the exchange rate at that date the fair value was determined.

Foreign currency differences arising on translation are recognized in profit or loss as net foreign exchange loss, except for those arising on financial instruments at fair value through profit or loss, which are recognized as net gain on revaluation of investment securities at fair value through profit or loss.

**(e) Other payables and accruals**

Other payables and accruals are recognized for amounts to be paid in the future for services received, whether billed by the supplier or not.

**(f) Other receivables**

Other receivables are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful receivables is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

**(g) Subscriptions pending allotment**

The initial subscriptions made by the investors before the allotment of units will be recorded as liabilities against the cash received including the commission related to the Fund Manager.

## Al Waseela Fund – “Q” Class

### Notes to the financial statements As at and for the year ended 31 December 2020

In Qatari Riyals

#### 3. Cash and cash equivalents

	2020	2019
Current account*	<u>3,056,237</u>	<u>5,543,899</u>

\*The cash and cash equivalents are held with a bank, which is rated as AA-, based on Fitch ratings.

#### 4. Investment securities at fair value through profit or loss

	Currency	2020	2019
Listed equity securities – State of Qatar	QAR	46,987,680	45,826,549
Listed equity securities – Other GCC countries	Other GCC currencies	6,435,685	4,078,545
		<u>53,423,365</u>	<u>49,905,094</u>

Cost and fair market value of the investment assets are as follows:

	2020	2019
Cost of investments held at year end	43,266,980	41,110,263
Unrealised gain on revaluation of investments	<u>10,156,385</u>	<u>8,794,831</u>
Fair market value of investments at year end	<u>53,423,365</u>	<u>49,905,094</u>

#### 5. Other payables and accrued expenses

	2020	2019
Performance fees	6,639	6,639
Management fees	37,003	36,430
Custodian fees	3,700	3,643
Administration fees	3,530	3,757
Other accruals	43,268	38,400
	<u>94,140</u>	<u>88,869</u>

#### 6. Other operating expenses

	2020	2019
Custody transaction fees	43,566	45,104
Investor transaction fees	6,351	7,227
Monthly investment plan service fees	8,713	8,748
Miscellaneous expenses	144,096	209,183
	<u>202,726</u>	<u>270,262</u>

**7. Related parties transactions**

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.

**Management fees**

The Fund Manager receives a management fee based on the net asset value estimated based on traded values, payable quarterly in arrears using the annual rate of 1.5% which is shared equally with the Founder.

**Custodian fees**

The Fund Custodian charges a custodian fee based on cumulative net asset value of Al Waseela Funds in accordance with the rates included in the revised agreement between the Founders and the Fund Custodian.

The Fund Custodian, in addition to the custodian fees, is entitled to custody transaction fee of QR 219 per investment sale or purchase and investor transaction fees of QR 146 for each subscription and redemption into and from the Fund.

**Administration fees**

The Fund has engaged the services of the Fund Custodian to provide administrative services for a fee. The fees are charged on cumulative net asset value of Al Waseela Funds in accordance with the rates included in the revised agreement between the Founders and the Custodians.

**Performance fees**

The Fund Managers are entitled to a performance fees calculated at 20% of any incremental increases of net asset value over a 10% hurdle rate. This performance fee is shared equally with the Founder.

**Investment plan service fees**

The Fund pays the Fund Custodian an investment plan services fees QR 728 per month to cover 250 investors.

**Subscription fee**

Subscription fees equal to 3% of the subscription price will be payable to the Founder from the amount paid by each Unit holders upon subscription.

**Redemption fees**

Redemption fees equal to 1% of the net asset value of the units being redeemed, will be payable to the Fund by the relevant unit holders on the redemption proceeds of units redeemed. The redemption fee is shared equally between the Fund and the Founder. This amount will be charged at the time of redemption of units by the unit holders.

	<b>2020</b>	2019
<b>Statement of financial position items</b>		
Accrued performance fees	6,639	6,639
Accrued management fees	37,003	36,430
Accrued custodian fees	3,700	3,643
Accrued administration fees	3,530	3,757
Accrued investment plan service fees	353	376
	<u><b>51,225</b></u>	<u>50,845</u>
	<b>2020</b>	2019
<b>Statement of comprehensive income items</b>		
Performance fees	-	6,639
Management fees	787,550	933,088
Custodian fees	78,755	93,309
Administration fees	87,132	87,477
Investment plan service fees	8,713	8,748
	<u><b>962,150</b></u>	<u>1,129,261</u>

## **8. Financial risk management objectives and policies**

### **Introduction**

The Fund's objective in managing risks is the creation and protection of unit holder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risks limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund is exposed to market risk (which includes currency risk, profit rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

### **Risk management structure**

The Fund Manager is responsible for identifying and controlling risks. The Founder supervises and is ultimately responsible for the overall risk management of the Fund.

### **Risk measurement and reporting system**

The Fund's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses that are an estimate of the ultimate actual loss based on statistical models. The models make use of the probabilities derived from experience, adjusted to reflect the economic environment.

The Fund Manager monitors and measures the overall risk in relation to the aggregate risk exposure across all risks type and activities.

### **Excessive risk concentration**

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets. Concentrations of foreign exchange risk may arise if the Fund has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together. In order to avoid excessive concentration of risk, the Fund Manager seeks to maintain a diversified portfolio.

### **Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as profit rates, foreign exchange rates and equity prices.

#### *Profit rate risk*

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of financial instruments.

#### *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund invests in securities that are denominated in foreign currencies. Accordingly, the value of the Fund's assets may be affected favourably or unfavourably by fluctuations in currency rates and therefore the Fund will necessarily be subject to foreign exchange risks.

#### *Equity price risk*

Equity price risk is the risk of unfavourable changes in the fair values of equities as a result of changes in the levels of equity indices and the value of individual shares. The unit holders' net assets price risk exposure arises from the Fund's investments in unit holders' equity securities.

**8. Financial risk management objectives and policies (continued)**

**Market risk (Continued)**

*Equity price risk (Continued)*

The following table analyses the Fund's concentration of equity price risk in the Fund's equity portfolio by industrial distribution:

	<b>2020</b>	2019
	<b>% of equity securities</b>	% of equity securities
Financial services	47.4	50.9
Consumer services	25.8	20.2
Industrials	26.7	28.9
Health care services	-	-
	<u><b>100</b></u>	<u><b>100</b></u>

**Liquidity risk**

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its shares earlier than expected. The Fund is exposed to cash redemptions of its redeemable units on a regular basis.

The Fund invests primarily in marketable securities listed on GCC stock exchanges, which, under normal market conditions, are readily convertible to cash. In addition, the Fund's policy is to maintain sufficient cash and cash equivalents to meet normal operating requirements and expected redemption requests.

The Fund only settles redemption requests during the period on the 15<sup>th</sup> day of the following month.

**Fair value of financial assets and liabilities**

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. Consequently, differences can arise between book value and the fair value estimates. Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Financial assets and liabilities are carried at fair value and hence there is no difference between carrying value and fair value.

The fair value of other receivables, payables for investment transactions and other payables and accrued expenses, which are predominantly re-priced, short term in tenure and issued at market rates, are considered to reasonably approximate their book value.

**Fair value hierarchy**

The Fund uses the following hierarchy for determining and disclosing the fair value of investments securities by valuation technique:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**8. Financial risk management objectives and policies (continued)**

**Fair value hierarchy (continued)**

Investment securities at fair value through profit or loss are valued as per the Level 1 valuation method.

**Credit risk**

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from bank balances and other receivables.

The Fund’s policy over credit risk is to minimize the exposure to counterparties with perceived higher risk of default by dealing only with counterparties meeting the credit standards set out in the Fund’s prospectus and by taking collateral.

The Fund’s maximum exposure at the reporting date is represented by the respective carrying amounts of the relevant financial assets in the statement of financial position.

**Exposure to credit risk**

	<b>2020</b>	2019
Cash and cash equivalents	3,056,237	5,543,899
Other receivables	<u>6</u>	<u>2</u>
	<b><u>3,056,243</u></b>	<b><u>5,543,901</u></b>

No financial assets carried at amortized cost were past due or impaired at 31 December 2020.

The Fund has a current account with bank, having an acceptable credit rating.

**9. Subsequent events**

There were no material subsequent events after the year end date, which have a bearing on the financial statements.