



Yaqeen Saudi Equity ETF

2022 Annual Report

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## **A. Investment fund information:**

**1. Name of the Investment fund:** Yaqeen Saudi Equity ETF (Yaqeen 30 ETF).

**2. Investment objective and policies:** The Fund seeks to achieve growth and long-term capital gains through the passive management of a Market Basket of Saudi Equity listed in the Saudi market to achieve a performance level like the performance of the index before fees and expenses.

The Fund invests at least 95% of its assets in the companies' equities compliant with Shari'ah regulations listed and traded in the Tadawul market in the Kingdom of Saudi Arabia.

The Fund follows a passive management approach to investing in the components of the Yaqeen 30 Index portfolio for Saudi Equities (Benchmark Index) index. In any case, the rebalancing operations are carried out periodically (at least every quarter) to ensure that the performance of the index is consistent and sufficient cash is available in the Fund.

The Fund invests in the components of the Fund's portfolio, considering the relative weight of the asset allocation, while adequate cash is maintained in the Fund on an ongoing basis to meet expenses and any other obligations to the Fund.

The Fund does not seek to outperform the index, such as other funds. It does not seek temporary entry into defensive investments when the market is low or in the case of excessive assessment. The Fund seeks to simulate and match the benchmark performance.

The Fund Manager will, yearly at least, evaluate the index to ensure that the fund's long-term growth and capital gains objectives can be properly realized.

- The Fund seeks to simulate the performance of the index by maintaining the deviation ratio at the lowest level.
- The Fund Manager seeks to maintain a margin of deviation in comparison to the performance of the index by a maximum of 1%, taking into consideration factors of income, fees and expenses.
- "The deviation ratio can be measured as a deviation coefficient for the increase or decrease in each day of the fund's return compared to the daily performance of the index".
- The Fund seeks to achieve a correlation coefficient of 0.99 on a yearly basis between the daily return level of the benchmark index and the Fund's daily return.

**3. Distribution of income and gain policy:**

Dividends received by the Fund are generally held in the Fund. The Fund does not make periodic distributions to unit holders and any amounts available to the Fund from dividends are reflected to the net asset value. The Fund Manager may reinvest surplus liquidity where it is appropriate to buy into existing portfolio shares to achieve compliance with the benchmark portfolio.

However, at the discretion of its Board of Directors, the Fund may distribute the surplus in the form of distributions to unit holders at the discretion of the Fund Manager within the Fund's objectives. Any such distributions are subject to the approval of the Board of Directors of the Fund.

**4. Fund manager would like to point out that the fund's reports are available upon request and free of charge. It can also be obtained directly when visiting the company's website [www.yaqeen.sa](http://www.yaqeen.sa)**

**5. Benchmark and the provider of the service:**

- The Fund's benchmark is Yaqeen 30 Index for Saudi Equities.
- Index Provider: Saudi Stock Exchange (Tadawul) [www.saudiexchange.sa](http://www.saudiexchange.sa)

- Methodology used to calculate the index: The YAQEEN 30 Index for Saudi Equities is evaluated based on the Free (floating) capital value of the market. It shall follow up the performance of all listed and influential 30 companies listed on the Saudi Stock Exchange (based on floating free capital value) compliant with Shari'ah. The index value is calculated using the ordinary value of trading in market i.e. the amount specified through market aspects and trading mechanism.

## B. Fund performance:

### 1. Comparative table:

As on December 31	Fund's net asset value (in Saudi riyals)	NAV per unit (in Saudi riyals)			Number of units issued at the end of the period	Income distribution per unit		Expense ratio
		End of period	Highest value during the year	Lowest value during the year		Gross	Net	
2015	22,438,099	24.9312	34.8710	24.5206	900,000	N/A	N/A	1.00%
2016	20,906,909	27.8759	27.9997	20.0844	750,000	N/A	N/A	1.00%
2017	19,651,129	28.0730	29.6993	26.6252	700,000	N/A	N/A	1.00%
2018	19,736,568	30.364	32.75140	27.76150	650,000	N/A	N/A	1.00%
2019	23,835,250	32.88	36.3287	29.6365	725,000	N/A	N/A	1.00%
2020	19,345,191	35.17	35.558	24.542	550,000	N/A	N/A	1.00%
2021	35,451,673	47.2689	49.9487	34.4364	750,000	N/A	N/A	1.00%
2022	45,639,888	44.52672	59.3912	42.6513	1,025,000	N/A	N/A	1.15 %

Comparing the Fund's benchmark performance with the Fund's performance:

Calendar Return	2017	2018	2019	2020	2021	2022
Fund	0.71%	8.16%	8.27%	6.99%	34.39%	-5.80%
Benchmark	-1.35%	6.09%	5.74%	5.51%	33.04%	-5.23%
Return Cumulative	1 Year	2 Years	3 Years	5 Years	10 Years	Since Inception
Fund	-5.80%	26.59%	35.44%	58.61%	94.28%	122.63%
Benchmark	-5.23%	26.08%	33.02%	49.22%	62.12%	73.00%
Return Annualized	1 Years	2 Years	3 Years	5 Years	10 Years	Since Inception
Fund	-5.80%	12.51%	10.64%	9.66%	6.87%	6.90%
Benchmark	-5.23%	12.28%	9.98%	8.33%	4.95%	4.67%

### 2. Performance Record:

Accumulated Return	
1 year	-5.80%
3Years	35.44%
5Years	58.61%
Since Inception	122.63%
Annual Return	
2010	6.04%
2011	-2.41%
2012	10.74%
2013	30.61%

2014	-2.96%
2015	-14.18%
2016	11.81%
2017	0.71%
2018	8.16%
2019	8.27%
2020	6.99%
2021	34.39%
2022	-5.80%

#### Fund Fees & Expenses:

Fees and expenses incurred by the fund during the year	Amount (SAR)
Management fees	274,302
Other expenses	274,302
<b>Total expenses</b>	<b>548,604</b>
Total Expense Ratio	1.15 %

\*There were no circumstances during the year in which the fund manager decided to waive or reduce any fees.

Calculation of the fund performance consistently as described in the fund terms and conditions.

#### 3. Material changes that occurred during the period:

None.

#### 4. Annual voting practices:

Not Applicable.

#### 5. Fund's board annual report:

**(A) The Fund had three meetings during the year 2022 AD, and the attendance of the members was as follows:**

Member name	Member classification	First meeting 31 May 2022	Second meeting 23 June 2022	Third meeting 29 December 2022
Moath Al-Khasawneh*	Chairman	✓	✓	✗
Saleh Al-Omair*	Non-independent member	✓	✓	✗
Abdul Karim Al-Njaidi	Independent member	✓	✓	✓
Muhammad Al-Malki	Independent member	✓	✓	✗
Ahmad Alshabanah	Non-independent member	✗	✗	✓

\*Mr. Saleh Al-Omair, and Mr. Moath Al-Khasawneh resigned from the Board, and designation of Mr. Ahmed Al-Shabaneh (non-independent member) as Chairman of the Board of Directors of the Fund according to our letter sent to the CMA on 12 December 2022.

#### **(B) Qualifications of the Fund Board Members:**

##### **1. Mr. Ahmad Alshabanah (Chairman of the Board of Directors of the Fund - Non-Independent)**

Deputy CEO of Yaqeen Capital, holds a master's degree in business administration from the Swiss Business School and a bachelor's degree in business administration from King Faisal University. More than twenty-two years of experience in the banking and investments, experience in treasury, Money Market and foreign exchange trading,

his most prominent previous experiences: He worked at Alawwal Bank (SABB) and Gulf International Bank. He also held the position of Treasury Manager at Yaqeen Capital, then he joined the Asset Management from 2017 until November 2022.

## **2. Dr. Abdul Karim bin Hamad Al-Nujaidi (Independent Member)**

He holds an Executive MBA from King Fahd University of Petroleum and Minerals in 2011 and a Ph.D. in Linguistics from Oklahoma Stillwater State University, Oklahoma Stillwater, USA in 2003. He has experience of more than 32 years, and he is currently a board member of Abdullah Al Othaim Markets Company, a board member and a member of the Nominations and Remunerations Committee of the Arab Group for Education and Training Holding Company, ,Member of the Board of Directors, Chairman of the Nominations Committee and member of the Risk Committee in Aljazira Takaful Company and previously the CEO of Maharah for Human Resources And CEO of the National Gas and Industrialization Company.

## **3. Mr. Muhammad Bin Misfer Al-Maliki (Independent Member)**

Holds a Master's degree in Business Administration from Al-Faisal University in 2013. He has more than 30 years of experience in the financial sector in financial markets, banks, business supervision, and regulatory oversight. A prominent leader in semi-governmental entities and the private sector, where he previously worked; The position of Acting Chief Executive Officer at the Small and Medium Enterprises Bank (Bank SME) of the National Development Fund; In addition to holding the position of CEO-designate of the Saudi Venture Investment Company, he is also the founder and CEO of Nataj Financial Consulting Company, and he held the position of CEO of Kasab Financial Company, in addition to having previously held the position of Deputy Governor of the General Authority for Small and Medium Enterprises (Monshaat) for financing, , He is also currently the CEO of Qadr Investment Company and a member of the Board of Directors of Thakher Makkah. And a member of the Board of Directors and a member of the Management, Nominations and Remunerations Committee in Kawar Finance, and a member of the Audit Committee in the "The Riq" project of the Public Investment Fund, and a member of the Board of Directors and a member of the Nominations and Remunerations Committee in the Saudi Real Estate Company, and a member of the Board of Directors and a member of the Audit Committee and the Committee Executive Director of the Saudi-Bangladeshi Industrial and Agricultural Investment Company (SABINCO). And a member of the Board of Directors and a member of the Executive Committee in a statement of credit information. He is a member of the Audit and Risk Committee of the First Riyadh Health Assembly affiliated to the Ministry of Health, a board member of the Saudi FinTech, a board member of the Saudi Venture Investment Company, and a board member of Al Anson Trading Company.

### **(C) Roles and Responsibilities of the Board of Directors of the Fund:**

1. Approve all contracts, resolutions and material reports to which the Fund is a party.

2. Adopt a written policy regarding voting rights relating to the Fund's assets.
3. Supervise and, if appropriate, approve any conflict of interest disclosed by the Fund Manager in accordance with the Investment Funds Regulations.
4. Meeting at least twice a year with the compliance and conformance (Compliance and Conformance Committee) officer with the Fund Manager, the money laundering and terrorist financing reporting officer to ensure that the Fund Manager complies with all applicable laws and regulations.
5. Approve any recommendation made by the liquidator in case of his appointment .
6. Ensure that the Terms and Conditions of the Fund, the Memorandum of Information and any other document of the Investment Funds Regulations are complied with.
7. Ensure that the Fund Manager carries out its responsibilities to the benefit of the unit holders in accordance with the Terms and Conditions of the Fund and the provisions of the Investment Funds Regulations.
8. Review the report evaluating the performance and quality of services provided by the parties concerned with providing essential services to the Fund in order to ensure that the Fund Manager carries out its responsibilities in the interest of the unit holders in accordance with the Terms and Conditions of the Fund.
9. Evaluate the Fund Manager's mechanism of dealing with risks related to the fund's assets in accordance with the Fund Manager's policies and procedures regarding monitoring risks related to the Fund and how to deal with them.
10. Act in honesty and in the interest of the Investment Fund and its unit holders.
11. Record the minutes of the meetings that show all the minutes of the meetings and the decisions taken by the Board.
12. Review the report that includes all complaints and the measures taken in respect of them, in order to ensure that the Fund Manager is carrying out his responsibilities in a manner that serves the interests of Unit Holders in accordance with the Terms and Conditions of the Fund and what is stated in the Investment Funds Regulations.

**(D) Details of the remuneration of the members of the fund's Board of Directors:**

Board remuneration is payable to the independent directors in the amount of 3,000 Saudi riyals per meeting, with a maximum of 5,000 Saudi riyals per month if more than one meeting is held per month.

**(E) There is no actual or potential conflict between the interests of a member of the fund's board of directors and the interests of the fund.**

**(F) The members of the fund's Board of Directors are members of the boards of directors of other funds managed by the Fund Manager as described below:**

Fund name	Ahmad Alshabanah	Abdul Karim bin Hamad Al-Nujaidi	Muhammad Bin Misfer Al-Maliki
Yaqeen Petrochemical ETF	✓	✓	✓
Yaqeen Saudi Equity ETF	✓	✓	✓
Yaqeen Saudi Equity Fund	✓	✓	✓
Yaqeen SAR Murabaha Fund	✓	✓	✓
Yaqeen Gold Fund	✓	✓	✓
Yaqeen Murabaha Financing Fund	✓	✓	✓
Yaqeen Arar Hills Fund	✓	✓	✓

During the meetings, the following points related to the fund were discussed and reviewed:

- The board reviewed the development of the investment funds 'performance activities for the period.
- The board reviewed funds' cash inflows and outflows during the period.
- The Fund adhering to the regulations and procedures followed by the company and ensuring compliance with the Investment Funds Regulations and the rest of the Capital Market Authority regulations, the terms and conditions of investment funds, the requirements of the FATCA, and the Common Reporting Standards (CRS) with the Compliance and Anti-Money Laundering Officer.
- The board agreed on changing the chartered accountant from Dr. Mohamed Al-Amri & Co to PricewaterhouseCooper.
- Discussing the report issued by the Asset Management internal auditor, where the report indicated that there is a lack of an automated system for calculating returns and monitoring compliance. Accordingly, Yaqeen Capital agreed with a specialized company to create a complete automated system.

### C. Fund manager:

#### 1. Fund Manager name:

Yaqeen Capital

PO Box 884

Riyadh 11421

Saudi Arabia

[www.Yaqeen.sa](http://www.Yaqeen.sa)

#### 2. Names and addresses of sub-manager and/or investment adviser:

None.

#### 3. Investment activities during the period:

The fund follows a passive investment management approach for investing in the components of the Yaqeen 30 Index portfolio for Saudi Equities (Benchmark Index), taking into account the relative weight of the asset allocation and maintaining the deviation ratio at the lowest level, , the rebalancing operations are carried out periodically (at least every quarter) to ensure that the performance of the index is consistent and sufficient cash is available in the fund to meet the expenses and any other obligations on the fund. During year four, rebalancing operations took place in the contents of the fund's basket. The following are the relative weights of the components of the top 10 companies in the fund during the period:

Code	Company	As Of 31/12/2022	Code	Company	As Of 31/12/2021
2222	Saudi Arabian Oil Co	28.54%	1120	AL Rajhi	29.40%
1120	AL Rajhi Bank	20.44%	2222	Saudi Aramco	11.90%
2010	Saudi Basic Industries Corp	5.59%	2010	Sabir	7.32%
7010	Saudi Telecom	4.56%	7010	stc	5.04%
1150	Alinma Bank	4.07%	1150	Alinma	4.06%



2082	ACWA POWER	4.03%	2020	Sabic Agri-Nutrients	3.08%
1211	Saudi Arabian Mining Company	3.63%	1211	Ma'aden	2.98%
1140	Bank AL Bilad	2.80%	1140	Albilad Bank	2.96%
2020	Saudi Arabia Fertilizers Co	2.42%	2280	Almarai	2.88%
2280	AlMarai Company	2.34%	2310	Sahara International Petrochemical	2.81%
-	Cash	0.95%	-	Cash	0.54%

#### 4. Performance report of the investment fund during the period:

- The Yaqeen Saudi equity ETF generated a negative return of -5.80% for the full year 2022 while the benchmark return was negative -5.23%. The market remained very volatile as it rallied in the 1st quarter before correcting drastically during the second half of the year. The major moves in the index overall were driven by large cap names especially the banking sector and materials sector. In 2022, the best performing sectors in order of performance were Software & Services (+25%), Healthcare Equipment & Services (+24%) and Utilities (+20%). The worst performing sectors for the year were Pharma, Biotech (-44%), Consumer Durables & Apparel (-33%) and Capital Goods (-30%). It must be noted that only 3 sectors were green during the year while all the other sectors declined during the year.
- Going forward, the global economies might have some volatility as the Fed tries to control the inflation. The Fed has given mixed signals with expectations of rate stability in the 2nd half of 2023. However, the underlying fundamentals of the Saudi economy seem robust and the hike in oil prices has helped the Saudi government to move ahead or expand upon its vision realization programs.

#### 5. Details of any changes that occurred to the terms and conditions and the information memorandum during the period:

The fund manager made the following changes to the fund during 2022:

- The chartered accountant has been changed from Dr. Mohamed Al-Amri & Co to PricewaterhouseCooper. according to the letter we sent to the Capital Market Authority on 08/07/2022 AD.
- The terms and conditions also changed to reflect the resignation of Mr. Moath Al-Khasawneh and Mr. Saleh Al-Omar from the membership of the Board, and the appointment of a member of the Board of Directors Mr. Ahmad Alshabanah (non-independent member) as of the date according to our letter sent to the Capital Market Authority on 12/12/2022 AD.
- The fund manager changed the name from "Falcom" to "Yaqeen", and accordingly the fund's name was changed.
- The terms and conditions also changed to reflect the resignation of the fund board member, according to the letter we sent to the Capital Market Authority on 12/12/2022AD.

Other than that, the fund manager did not make any changes to the terms and conditions of the fund.

#### 6. Other information:

For more information, please refer to the fund's terms and conditions.

**7. Fund Investments in other investment funds:**

None.

**8. Special commission during the period:**

None.

**9. Any other data and other information:**

**a- Conflict of Interest:**

Yaqeen capital has invested in amount = 60.37% of the fund NAV.

**b- Fund Distribution during the Year:**

NA

**c- Incorrect Valuation or Pricing:**

NA

**d- Investment Limitation Breaches**

NA

**10. Period for the management of the person registered as fund manager:**

The Fund has been managed by Ashar Saleem since April 2021.

**11. The expense ratio of each underlying fund at end of year and the weighted average expense ratio of all underlying funds that invested in:**

Not Applicable.

**D. Custodian:**

**1. Custodian name and address:**

Albilad Capital

PO Box 140

Riyadh 11411

Saudi Arabia

Phone: +966 920003636

Fax: +966 (11) 2906299

[www.albilad-capital.com](http://www.albilad-capital.com)

**2. Custodian Duties and responsibilities:**

The custodian (Albilad Capital) is the responsible authority for preserving the fund's assets and carrying out administrative services.

**E. Fund Operator:**

**1. Name and address of fund operator:**

Yaqeen Capital Company  
P.O Box 884 Riyadh 11421  
Phone: 8004298888  
Fax: + 966 (11) 4617268

**2. Duties and responsibilities:**

- Operating the fund.
- Maintaining books and records related to the operation of the fund.
- Preparing and updating the subscribers' units record and keeps it in the Kingdom in accordance with the requirements of the Investment Funds Regulation.
- Evaluating the fund's assets completely and fairly and calculating the price of the fund's units.

**F. Auditor:**

**Auditor name and address:**

PricewaterhouseCoopers  
Kingdom Tower - 24th floor  
King Fahd Highway  
Riyadh 11414, Saudi Arabia  
Tel: +966 11 211 0400  
Fax: +966 11 211 0401

**G. Financial Statements:**

The financial statements are prepared and audited according to accounting standards issued by Saudi Organization for Certified Public Accountants ("SOCPA").

**YAQEEN SAUDI EQUITY ETF FUND  
(MANAGED BY YAQEEN CAPITAL)**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 AND INDEPENDENT  
AUDITOR'S REPORT**

**YAQEEN SAUDI EQUITY ETF**  
(Managed By Yaqeen Capital)  
**Financial statements for the year ended 31 December 2022**

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*Independent auditor's report to the Unitholders of Yaqeen Saudi Equity ETF Fund (Managed by Yaqeen Capital)*

**Report on the audit of the financial statements**

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**Our Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Yaqeen Saudi Equity ETF (the "Fund") as at 31 December 2022, 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 2022;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in net assets 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, which include significant accounting policies and other explanatory information.

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**Basis for opinion**

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

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

**Independence**

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants, 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.

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**Our audit approach**

**Overview**

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Key Audit Matter	Valuation of investments at fair value through profit or loss (FVTPL)
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Fund's manager made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Fund, the accounting processes and controls, and the industry in which the Fund operates.



*Independent auditor's report to the Unitholders of Yaqeen Saudi Equity ETF Fund (Managed by Yaqeen Capital) (continued)*

**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 of the current year. 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.

Key audit matter	How our audit addressed the Key audit matter
<p><b>Valuation of financial assets at fair value through profit or loss</b></p> <p>As at 31 December 2022, the Fund held investments in listed equity amounting to Saudi Riyals 45.2 million which have been classified as held at FVTPL. These investments are carried at fair value with the corresponding fair value change recognized in profit or loss. The fair value of these investments is determined through obtaining market observable prices, as these are actively traded.</p> <p>The valuation of the Fund's investments at FVTPL is considered a key audit matter due to the significance of such investments to the Fund's financial statements.</p> <p>Refer to Note 4.2.3 to the accompanying financial statements for the accounting policy of investments and Note 6 for related disclosure of investments held at FVTPL.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"><li>• Agreed the carrying value of investments held at FVTPL to the underlying list of investments;</li><li>• Obtained market prices as at 31 December 2022 from external sources for a sample of investments held by the Fund, recalculated the fair value of these investments as at 31 December 2022 and compared these to the values included in the list of investments; and</li><li>• Assessed the adequacy of the disclosures in the financial statements.</li></ul>



*Independent auditor's report to the Unitholders of Yaqeen Saudi Equity ETF Fund (Managed by Yaqeen Capital) (continued)*

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***Other information***

The Fund's 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.

***Responsibilities of the Fund's manager and those charged with governance for the financial statements***

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The Fund's manager is responsible for the preparation and fair presentation of the financial statements in accordance with the 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's 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's 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 Fund's manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Fund's Board is responsible for overseeing the Fund's financial reporting process.

***Auditor's responsibilities for the audit of the Financial Statements***

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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 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.
- 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.





*Independent auditor's report to the Unitholders of Yaqeen Saudi Equity ETF Fund (Managed by Yaqeen Capital) (continued)*

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*Auditor's responsibilities for the audit of the Financial Statements (continued)*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund' Manager.
- Conclude on the appropriateness of Fund's Manager use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, 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

**PricewaterhouseCoopers**

A handwritten signature in blue ink, appearing to read 'Bader I. Benmohareb', is written over the printed name.

Bader I. Benmohareb  
License Number 471

30 March 2023

**YAQEEEN SAUDI EQUITY ETF FUND**  
**(Managed by Yaqeen Capital)**  
Statement of financial position  
(All amounts are in Saudi Riyals unless stated otherwise)

	Note	<u>31 December 2022</u>	<u>31 December 2021</u>
<b>Assets</b>			
Cash and cash equivalents	5	568,660	292,300
Financial assets at fair value through profit or loss (FVTPL)	6	<u>45,207,432</u>	<u>35,260,537</u>
<b>Total assets</b>		<b><u>45,776,092</u></b>	<b><u>35,552,837</u></b>
<b>Liabilities and assets attributable to the Unitholders</b>			
<b>Liabilities</b>			
Management fee payable	7	69,540	50,582
Other liabilities	8	<u>69,540</u>	<u>50,582</u>
<b>Total liabilities</b>		<b><u>139,080</u></b>	<b><u>101,164</u></b>
<b>Net assets attributable to the Unitholders</b>		<b><u>45,637,012</u></b>	<b><u>35,451,673</u></b>
<b>Units in issue (Numbers)</b>		<b><u>1,025,000</u></b>	<b><u>750,000</u></b>
<b>Net asset value per unit (Saudi Riyals)</b>		<b><u>44.52</u></b>	<b><u>47.27</u></b>
Contingencies and commitments	9	-	-

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

**YAQEEEN SAUDI EQUITY ETF FUND****(Managed by Yaqeen Capital)**

Statement of profit or loss and other comprehensive income

(All amounts are in Saudi Riyals unless stated otherwise)

		<b>31 December</b>	<b>31 December</b>
	<b>Note</b>	<b>2022</b>	<b>2021</b>
<b>INCOME</b>			
Dividend income		<b>980,532</b>	691,653
Fair value (loss) / gain on financial assets at FVTPL, net	6	<b>(6,263,780)</b>	6,886,841
		<b>(5,283,248)</b>	7,578,494
<b>EXPENSES</b>			
Management fee	10	<b>(274,302)</b>	(160,031)
Others	10	<b>(274,302)</b>	(160,031)
		<b>(548,604)</b>	(320,062)
<b>(Loss) / profit for the year</b>		<b>(5,831,852)</b>	7,258,432
Other comprehensive income for the year		-	-
<b>Total comprehensive (loss) / income for the year</b>		<b>(5,831,852)</b>	7,258,432

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

**YAQEEEN SAUDI EQUITY ETF FUND****(Managed by Yaqeen Capital)**

Statement of changes in net assets attributable to the Unitholders  
(All amounts are in Saudi Riyals unless stated otherwise)

	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>Net assets attributable to the Unitholders as at 1 January</b>	<b>35,451,673</b>	19,345,191
(Loss) / profit and total comprehensive income for the year	<b>(5,831,852)</b>	7,258,432
<b>Unitholders subscriptions and redemptions:</b>		
Issuance of redeemable units during the year	<b>20,070,281</b>	10,009,020
Redemption of redeemable units during the year	<b>(4,053,090)</b>	(1,160,970)
<b>Net assets attributable to the Unitholders as at 31 December</b>	<b>45,637,012</b>	35,451,673

**The movement in number of units**

The movement in number of units for the year ended 31 December is as follows:

	<b>31 December 2022</b>	<b>31 December 2021</b>
	<b>Units</b>	<b>Units</b>
<b>Number of units as at 1 January</b>	<b>750,000</b>	550,000
Issuance of redeemable units during the year	<b>350,000</b>	225,000
Redemption of redeemable units during the year	<b>(75,000)</b>	(25,000)
<b>Number of units as at 31 December</b>	<b>1,025,000</b>	750,000

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

**YAQEEN SAUDI EQUITY ETF FUND**  
**(Managed by Yaqeen Capital)**  
Statement of cash flows  
(All amounts are in Saudi Riyals unless stated otherwise)

	Note	<u>31 December</u> <u>2022</u>	<u>31 December</u> <u>2021</u>
<b><u>Cash flows from operating activities</u></b>			
(Loss) / profit for the year		<b>(5,831,852)</b>	7,258,432
<b>Adjustment for non-cash items:</b>			
Fair value loss / (gain) on financial assets at FVTPL, net	6	<b>6,263,780</b>	(6,886,841)
<b>Changes in operating assets and liabilities:</b>			
Additions to financial assets at FVTPL	6	<b>(21,449,038)</b>	(9,127,213)
Proceeds from sale of financial assets at FVTPL	6	<b>5,238,363</b>	-
Management fee payable		<b>18,958</b>	(8,972)
Other liabilities		<b>18,958</b>	50,582
Dividends receivable		-	8,283
<b>Net cash used in operating activities</b>		<b><u>(15,740,831)</u></b>	<b><u>(8,705,729)</u></b>
<b><u>Cash flows from financing activities</u></b>			
Issuance of redeemable units during the year		<b>20,070,281</b>	10,009,020
Redemption of redeemable units during the year		<b>(4,053,090)</b>	(1,160,970)
<b>Net cash generated from financing activities</b>		<b><u>16,017,191</u></b>	<b><u>8,848,050</u></b>
<b>Net increase in cash and cash equivalents</b>		<b>276,360</b>	142,321
Cash and cash equivalents at the beginning of the year		<b>292,300</b>	149,979
<b>Cash and cash equivalents at the end of the year</b>	5	<b><u>568,660</u></b>	<b><u>292,300</u></b>

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

## **YAQEEEN SAUDI EQUITY ETF FUND**

**(Managed by Yaqeen Capital)**

**Notes to the financial statements for the year ended 31 December 2022**

(All amounts are in Saudi Riyals unless stated otherwise)

### **1 General information**

Yaqeen Saudi Equity ETF (the “Fund”) is a fund established under an agreement between Yaqeen Capital (the “Fund Manager”) and investors in the Fund (the “Unitholders”). The Fund’s objectives are represented in achieving capital growth and gains on the long term through the inactive investment of a basket of shares of companies listed on the Saudi stock exchange for the purpose of achieving performance level similar to index performance before fees and expenses.

The address of the Fund manager is as follows:

Yaqeen Capital  
Olaya Street, P.O. 884  
Riyadh 11421  
Kingdom of Saudi Arabia

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. In addition, the Unitholders are considered as owners benefiting from the Fund’s assets.

The Capital Market Authority (CMA) license was granted to the Fund on 12 Jumada Al Akhir 1429 H (corresponding to 16 June 2008). The Fund commenced operations on 9 Rajab1429H (corresponding to 12 July 2008).

The Fund is governed by the Investment Fund Regulations (the “Regulations”) published by CMA on 3 Dhul Hija 1427H (corresponding to 24 December 2006) as amended by the resolution of CMA Board on 16 Sha’aban 1437H (corresponding to 23 May 2016). It is further amended by the resolution of CMA Board on 12 Rajab 1442H (corresponding to 24 February 2022).

### **2 Basis of preparation**

#### **2.1 Statement of compliance**

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

The Fund has also complied with Investment Funds Regulations published by CMA and Fund’s terms and conditions, information memorandum and key information summary (collectively hereinafter referred to as “Terms and Conditions”) with respect to preparation and presentation of these financial statements.

#### **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except for the financial assets at fair value through profit or loss that are measured at fair value.

Furthermore, these financial statements are prepared, using the accrual basis of accounting and are based on the going concern basis.

The Fund does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of liquidity.

#### **2.3 Functional and presentation currency**

These financial statements are presented in Saudi Riyal (SR), which is also the functional currency of the Fund. All financial statements presented has been rounded to the nearest Saudi Riyals unless stated otherwise.

#### **2.4 Foreign currency transactions and balances**

Foreign currency transactions and balances are translated into Saudi Riyals using exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Riyals using prevailing exchange rates at the statement of financial position date. Foreign exchange losses and gains of these transactions are included in the statement of profit and loss and other comprehensive income.

#### **2.5 Financial year**

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

## **YAQEEEN SAUDI EQUITY ETF FUND**

**(Managed by Yaqeen Capital)**

**Notes to the financial statements for the year ended 31 December 2022**

(All amounts are in Saudi Riyals unless stated otherwise)

### **2 Basis of preparation (continued)**

#### **2.6 Use of estimates and judgments**

In the ordinary course of business, the preparation of financial statements requires management to make judgements, 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 period in which the estimates are revised and in future periods affected. There are no areas of significant judgment or critical assumption used in the preparation of these financial statements.

### **3 APPLICATION OF NEW AND REVISED STANDARDS**

#### **3.1 New standards**

The Fund applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 but they had no material impact on these financial statements. The Fund has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### **Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16**

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

#### **Reference to the Conceptual Framework – Amendments to IFRS 3**

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

#### **Cost of Fulfilling a Contract Amendments to IAS 37**

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

#### **Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021)**

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Fund has not received Covid-19-related rent concessions.

#### **Annual Improvements to IFRS Standards 2018–2020**

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

## YAQEEEN SAUDI EQUITY ETF FUND

(Managed by Yaqeen Capital)

### Notes to the financial statements for the year ended 31 December 2022

(All amounts are in Saudi Riyals unless stated otherwise)

## 3 APPLICATION OF NEW AND REVISED STANDARDS (continued)

### 3.1 New standards (continued)

#### Annual Improvements to IFRS Standards 2018–2020 (continued)

- IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

These amendments had no impact on the financial statements of the Fund. The Fund intends to use the practical expedients in future periods if they become applicable.

### 3.2 Standards issued but not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Fund has decided not to adopt early, and they do not have a significant impact on these financial statements.

The most significant of these are as follows:

Standards	Title	Effective date
IFRS 4	Insurance Contracts-Amendments regarding the expiry date of the deferral approach	1 January 2023
IAS1	Presentation of Financial Statements - Amendments regarding the classification of liabilities	1 January 2024
IFRS 16	Amendment to IFRS 16 – Leases on sale and leaseback	1 January 2024
IAS1	Narrow scope amendments to IAS1 , Practice statement 2 and IAS 8	1 January 2023
IFRS 9	Amendments regarding the interaction of IFRS 4 and IFRS 9	1 January 2023
IFRS 17	Insurance Contracts - Amendments to address concerns and implementation challenges that were identified after IFRS 17	1 January 2023
IAS 8	Amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023
IFRS 10 & IAS 28	Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	Deferred

## 4 Significant accounting policies

### 4.1 Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise current account with the bank



## YAQEEEN SAUDI EQUITY ETF FUND

(Managed by Yaqeen Capital)

### Notes to the financial statements for the year ended 31 December 2022

(All amounts are in Saudi Riyals unless stated otherwise)

#### 4 Significant accounting policies (continued)

##### 4.2 Financial instruments

###### 4.2.1 Initial recognition and measurement

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Fund executes purchase or sale of the assets). Regular way purchase or sale of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on trade date at which the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. For all other financial assets and financial liabilities transaction costs are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

###### 4.2.2 De-recognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire, or when the financial assets and substantially all the risks and rewards are transferred.

###### 4.2.3 Classification and subsequent measurement of financial assets

Financial assets are classified into the following specified categories:

- Financial assets at fair value through profit or loss;
- Financial assets at fair value through other comprehensive income; or
- Financial assets at amortized cost.

#### Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective.

Classification and subsequent measurement of debt instruments depend on:

(i) *The Fund's business model for managing the asset; and*

(ii) *The cash flow characteristics of the asset.*

**Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized in profit or loss. Profit income from these financial assets is included in 'Special finance income' using the effective interest rate method.

**Fair value through other comprehensive income:** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and profit, and that are not designated at financial assets at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, special finance income and foreign exchange gains and losses on the instrument's amortized cost are recognized in statement of profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss statement. Profit income from these financial assets is included in 'Special finance income' using the effective interest rate method.

**Fair value through profit or loss:** Financial assets that do not meet the criteria for amortized cost or FVOCI are classified as financial assets at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value is presented in the profit or loss in the year in which it arises.

## **YAQEEEN SAUDI EQUITY ETF FUND**

**(Managed by Yaqeen Capital)**

**Notes to the financial statements for the year ended 31 December 2022**

(All amounts are in Saudi Riyals unless stated otherwise)

### **4 Significant accounting policies (continued)**

#### **4.2 Financial instruments (continued)**

##### **4.2.3 Classification and subsequent measurement of financial assets (continued)**

###### **Equity instruments**

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Fund subsequently measures all equity investments at FVTPL, except where the Fund's management has elected, at initial recognition, to irrevocably designate an equity investments at FVOCI. The Fund's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to the profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the profit or loss as 'Dividend income' when the Fund's right to receive payments is established.

##### **4.2.4 Impairment of financial assets**

The Fund considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1');
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2'); and
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. However, none of the Fund's financial assets fall into this category.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second and third category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. The value of financial assets held at amortized cost has been taken into account in the calculation of expected credit loss. Financial assets held at amortized cost include bank balances. Bank balances are held at banks with high credit rating.

##### **4.2.5 Classification and measurement of financial liabilities**

Liabilities are recognized on an accrual basis for amounts to be paid in the future in return for services received, whether or not billed by the provider.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Fund has designated a financial liability at FVTPL.

Subsequently, financial liabilities are measured at amortized cost using the effective interest rate method.

##### **4.2.6 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. The fair value of a liability reflects its non-performance risk.

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. The Fund measures instruments quoted in an active market at the market price because this price provides a reasonable approximation of the exit price.

## **YAQEEEN SAUDI EQUITY ETF FUND**

**(Managed by Yaqeen Capital)**

**Notes to the financial statements for the year ended 31 December 2022**

(All amounts are in Saudi Riyals unless stated otherwise)

### **4 Significant accounting policies** (continued)

#### **4.2 Financial instruments** (continued)

##### **4.2.7 Offsetting**

Financial assets and financial liabilities are offset, and the net amount is 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 realize the asset and settle the liability simultaneously.

##### **4.3 Equity attributable to Unitholders**

The net assets attributable to the Unitholders comprise units issued and accumulated profit generated by the Fund. The redeemable units are classified as equity as explained below.

###### *(i) Redeemable 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.

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

- It entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.
- The instrument is in the class of instruments that is subordinate to all other classes of instruments.
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features.
- The instrument does not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata shares of the Fund's net assets.
- The total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the 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.

In addition - in order to classify instruments as equity - the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognized equity or the change in the fair value of the recognized and unrecognized equity of the Fund; and.
- The effect of substantially restricting or fixing the residual return to the instrument holders.

The Fund's redeemable participating units meet the definition of puttable instruments classified as equity instruments under IAS 32. 16(A-B) and accordingly, are classified as equity instruments.

The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have any of the features or meet all the conditions set out in paragraphs 16A and 16B of International Accounting Standard (IAS 32), the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognized in net assets attributable to Unitholders. The subscription and redemption of redeemable units are accounted for as equity transactions as long as units are classified as equity.

###### *(ii) Trading in the units*

Units of the Fund are made available for purchase only in the Kingdom of Saudi Arabia at Yaqeen Capital branches by natural and corporate persons. The net asset value of the Fund is determined on the Valuation Day by dividing the net value of assets (fair value of total assets minus liabilities) by the total number of outstanding units on the relevant Valuation Day.

##### **4.4 Net assets value per unit**

Net assets value per unit disclosed in the statement of financial position is calculated by dividing the net assets of the Funds by the number of units in issue at the reporting date.

**YAQEEN SAUDI EQUITY ETF FUND**  
**(Managed by Yaqeen Capital)**  
**Notes to the financial statements for the year ended 31 December 2022**  
(All amounts are in Saudi Riyals unless stated otherwise)

**4 Significant accounting policies** (continued)

**4.5 Zakat and income tax**

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

**4.6 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the amount can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts and taxes.

Realized gains and losses on investments at FVTPL sold are determined on a weighted average cost basis.

Dividend income is recognized in the profit or loss when declared (i.e. when the Fund's right to receive the dividend is established).

**4.7 Management fee, custody fee and other expenses**

The Fund's expenses include management fee, custody fee and other expenses. These expenses are recognised on accrual basis. Management and custody fee are based on predetermined rates as specified in the Terms and Conditions of the Fund. In accordance with terms and conditions of the Fund, the annual rate of the Fund's expenses shall not exceed 1% of net assets value. Detailed policies are as follows:

**4.7.1 Management fee**

The Fund Manager charges the Fund, on every Valuation Day, a management fee at an annual rate of 0.5% (31 December 2021: 0.5%) of the Fund's net assets value. These charges are calculated and accrued on each dealing day.

**4.7.2 Custody fee**

The Fund accrues custody fee expense at an annual rate of 0.03% (31 December 2021: 0.03%) of the net assets value. These charges are calculated and accrued on each dealing day.

**4.7.3 Other expenses**

The Fund Manager recovers any other expenses paid on behalf of the fund as per Term and Conditions of the Fund.

**5 CASH AND CASH EQUIVALENTS**

	<b>2022</b>	<b>2021</b>
Cash at banks	<b>568,660</b>	292,300

**6 Financial assets at fair value through profit or loss (FVTPL)**

All Fund's financial assets are investments in shares of Saudi joint stock enterprises listed on the Saudi Exchange.

	<b>2022</b>	2021
<b>Opening balance</b>	<b>35,260,537</b>	19,246,483
Purchased during the year	<b>21,449,038</b>	9,127,213
Sold during the year	<b>(5,238,363)</b>	-
	<b>51,471,212</b>	28,373,696
<b>Net changes in financial assets at FVTPL</b>		
Realized fair value gain, net for the year	<b>2,799,641</b>	-
Unrealized fair value (loss) / gain, net for the year	<b>(9,063,421)</b>	6,886,841
Net fair value (loss) / gain on financial assets at FVTPL	<b>(6,263,780)</b>	6,886,841
<b>Closing balance</b>	<b>45,207,432</b>	35,260,537

**YAQEEEN SAUDI EQUITY ETF FUND****(Managed by Yaqeen Capital)****Notes to the financial statements for the year ended 31 December 2022**

(All amounts are in Saudi Riyals unless stated otherwise)

**6 Financial assets at fair value through profit or loss (FVTPL) (continued)**

Detail of equity investments of the Fund is as follows:

<b>Sectors</b>	<b>2022</b>	<b>2021</b>
Energy	<b>13,379,719</b>	4,548,789
Banks	<b>12,957,647</b>	13,436,385
Material	<b>7,626,180</b>	7,642,798
Telecommunication services	<b>2,846,347</b>	2,432,900
Utilities	<b>2,622,639</b>	856,805
Food and beverages	<b>1,529,726</b>	1,526,913
Real estate management and development	<b>1,320,326</b>	1,559,188
Health care equipment and Services	<b>1,016,349</b>	799,272
Retailing	<b>528,900</b>	1,234,392
Media and entertainment	<b>462,644</b>	523,854
Insurance	<b>383,227</b>	295,650
Software & Services	<b>272,240</b>	-
Capital goods	<b>261,488</b>	403,591
	<b>45,207,432</b>	<b>35,260,537</b>

**7 Management fee payable**

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Management fee payable	7.1	<b>69,540</b>	50,582

**7.1** The Fund Manager charges the Fund, on every Valuation Day, a management fee at an annual rate of 0.5% (31 December 2021: 0.5%) of the Fund's net assets value.

**8 Other liabilities**

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Other fees	8.1 & 8.2	<b>69,540</b>	50,582

Other fees include custody fee and other expense which are based on predetermined rates as specified in the Terms and Conditions of the Fund. These expenses are recognised on accrual basis. Detailed policies are as follows:

**8.1 Custody fee**

The Fund accrues custody fee expense at an annual rate of 0.03% (31 December 2021: 0.03%) of the net assets value. These charges are calculated and accrued on each dealing day.

**8.2 Other expenses**

The Fund Manager recovers any other expenses paid on behalf of the fund as per Term and Conditions of the Fund.

**9 Contingencies and commitments**

There are no contingencies and commitments as at 31 December 2022 and 31 December 2021.

**10 Transaction and balances with related parties**

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

Within the normal course of business, the Fund deals with related parties that are in turn subject to the Fund's terms and conditions issued by the CMA. All transactions with related parties are approved by the Fund's Board.

**YAQEEEN SAUDI EQUITY ETF FUND****(Managed by Yaqeen Capital)****Notes to the financial statements for the year ended 31 December 2022**

(All amounts are in Saudi Riyals unless stated otherwise)

**10 Transaction and balances with related parties** (continued)

The Fund Manager and companies related to the Fund Manager are considered as related parties to the Fund.

Related party	Nature of transaction	Transactions		Closing balance	
		2022	2021	2022	2021
Yaqeen Capital	Management fees (note 7)	<b>(274,302)</b>	(160,031)	<b>69,540</b>	50,582
Yaqeen Capital	Custody fee and other expenses (note 8)	<b>(274,302)</b>	(160,031)	<b>69,540</b>	50,582
Yaqeen Capital	Investment in Fund's units, net	<b>5,405,232</b>	2,204,845	<b>7,585,000</b>	2,204,845

The Fund pays management fees, fees and other expenses calculated on each Valuation Day in the percentages shown below of the Fund's net assets value.

	<b>Percentage</b>
Management fees	0.5%
Other fees and expenses, including:	
Administrative fees	0.22%
Custody fees	0.03%
Index fees	0.10%
Listing and recording fees	0.08%

In accordance with the terms and conditions of the Fund, the annual rate of the Fund's expenses shall not exceed 1% of the net assets value.

**11 Segment reporting**

The Fund carries a portfolio of equity instruments of entities listed on Saudi Exchange. The Fund Manager periodically assesses the performance and allocates resources to the business as one unit and, as such, no separate operating segments were identified for financial reporting purposes. Consequently, segment reporting as required by IFRS 8 'Operating Segments' has not been disclosed.

**12 Fair Value of Financial instruments**

The financial instruments comprise financial assets and financial liabilities. The Fund's financial assets and liabilities consists of bank balances, financial assets at fair value through profit or loss, management fee payable and other liabilities.

The fair value of financial instruments traded in active markets are based on quoted market prices at the end of trading as at the reporting date. Instruments that have not been sold are valued on the Valuation Day based on the most recent bid price.

An active market is a market in which assets or liabilities are treated with sufficient movement and volume to provide price information on an ongoing basis. The carrying value less impairment provision of other receivables and carrying value of payables are assumed to approximate their fair values.

**YAQEEN SAUDI EQUITY ETF FUND**  
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**12 Fair Value of Financial instruments** (continued)

The fair value hierarchy consists of the following levels:

**Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3:** unobservable inputs for assets and liabilities.

Investments are based on prices quoted in active markets classified as level 1 and include quoted equity instruments. The Fund does not adjust the quoted price for these instruments.

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value as the carrying amount is a reasonable approximation of fair value due to the short-term duration of financial instrument. The fair value of investments measured at FVTPL are based on quoted prices in active markets and are therefore classified within level 1.

**Financial assets at FVTPL**

	<u>Carrying value</u>	<u>Level 1</u>	<u>Total</u>
<b>31 December 2022</b>	<b>45,207,432</b>	<b>45,207,432</b>	<b>45,207,432</b>
<b>31 December 2021</b>	35,260,537	35,260,537	35,260,537

The Fund recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. During the years ended 31 December 2022 and 2021, there were no transfers into or out of Level 1, level 2 and level 3 fair value measurements.

**13 Financial instrument risk management**

The principal investment objectives of the Fund are to provide investors with income and capital growth over the medium and long term by trading in equity and other instruments.

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

The Fund Manager is responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager, which 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 Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

*a) Credit risk*

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

The Fund's policy is to conclude financial instrument contracts with reputable counterparties. The Fund seeks to reduce credit risk by monitoring credit exposures, setting limits for transactions with specific counterparties, and constantly assessing the solvency of such parties.

**YAQEEN SAUDI EQUITY ETF FUND****(Managed by Yaqeen Capital)****Notes to the financial statements for the year ended 31 December 2022**

(All amounts are in Saudi Riyals unless stated otherwise)

**13 Financial instrument risk management (continued)***a) Credit risk (continued)*

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	<b>2022</b>	<b>2021</b>
Cash and cash equivalents (note 5)	<b>568,660</b>	292,300

The Fund measures credit risk and expected credit losses (“ECL”) using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any ECL.

All financial assets were considered for ECL as on 31 December 2022 and 31 December 2021. However, the impact of ECL on these assets was immaterial as the Fund is not exposed to significant credit risk and there is no history of default on recovery of these balances.

The Fund Manager reviews the credit concentration of the investment portfolio, depending on the counterparties. The Fund is not currently exposed to credit risk within its investment portfolio. The cash and cash equivalents balance is deposited with Banque Saudi Fransi, which has an external credit rating from Moody's with a credit quality of A2.

*b) Liquidity risk*

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet its commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value.

The Fund's Terms and Conditions provide for the subscription and redemptions of units on dealing days during the week and it is, therefore, exposed to the liquidity risk of meeting Unitholders redemptions. The Fund's investments are readily realizable, and the units can easily be redeemed at any time. The Fund Manager monitors the liquidity requirements on a regular basis and seeks to ensure that sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio, or obtaining funding from related parties.

<b>31 December 2022</b>	<b>Up to one year</b>	<b>More than one year and up to five years</b>	<b>More than five years</b>	<b>Total</b>
<b><i>Financial liabilities</i></b>				
Management fee payable	69,540	-	-	69,540
Other liabilities	69,540	-	-	69,540
	<b>139,080</b>	-	-	<b>139,080</b>
<hr/>				
<b>31 December 2021</b>	<b>Up to one year</b>	<b>More than one year and up to five years</b>	<b>More than five years</b>	<b>Total</b>
<b><i>Financial liabilities</i></b>				
Management fee payable	50,582	-	-	50,582
Other liabilities	50,582	-	-	50,582
	101,164	-	-	101,164

**Maturity profile**

The table below shows an analysis of financial assets and financial liabilities according to when they are expected to be recovered or settled, respectively. The amount disclosed are the contractual undiscounted cash flows which equal their carrying balances as the impact of discounting is not significant.

	<b>Up to one year</b>	<b>More than one year</b>	<b>Total</b>
<b>Financial assets</b>			
Cash and cash equivalents	568,660	-	568,660
Financial assets at fair value through profit or loss	45,207,432	-	45,207,432
	<b>45,776,092</b>	-	<b>45,776,092</b>
<hr/>			
<b>Financial liabilities</b>			
Management fee payable	69,540	-	69,540
Other liabilities	69,540	-	69,540
	<b>139,080</b>	-	<b>139,080</b>



## YAQEEEN SAUDI EQUITY ETF FUND

(Managed by Yaqeen Capital)

### Notes to the financial statements for the year ended 31 December 2022

(All amounts are in Saudi Riyals unless stated otherwise)

#### 13 Financial instrument risk management (continued)

##### c) Market risk

##### i) Commission rate risk

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

As of the date of the statement of financial position, the Fund is not exposed to significant commission rate risk as it does not have any financial instruments that carry significant special commission.

##### ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates.

The functional currency of the Fund is Saudi Riyals. As the Fund's financial assets and financial liabilities are denominated in its functional currency, the Fund is not subject to currency risk.

##### 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 closely monitors the price movement of the Fund financial instruments listed at Saudi Exchange "Tadawul". The Fund Manager manages the risk through diversification of the investment portfolio by investing in various industry sectors.

Industry concentration of the equity investments of the Fund is as follows:

Sectors	2022		2021	
	%	Saudi Riyals	%	Saudi Riyals
Energy	29.60%	13,379,719	12.90%	4,548,789
Banks	28.66%	12,957,647	38.11%	13,436,385
Material	16.87%	7,636,180	21.68%	7,642,798
Telecommunication services	6.30%	2,846,347	6.90%	2,432,900
Utilities	5.80%	2,622,639	2.43%	856,805
Food and beverages	3.38%	1,529,726	4.33%	1,526,913
Real estate management and development	2.92%	1,320,326	4.41%	1,559,188
Health care equipment and Services	2.25%	1,016,349	2.27%	799,272
Retailing	1.17%	528,900	3.50%	1,234,392
Media and entertainment	1.02%	462,644	1.49%	523,854
Insurance	0.85%	383,227	0.84%	295,650
Software & Services	0.60%	272,240	-	-
Capital goods	0.58%	261,488	1.14%	403,591
	100%	45,207,432	100%	35,260,537

The effect of a 5% increase in the value of the equity investments held at the reporting date would, all other variables held constant, have resulted in an increase in the net gain on financial assets at fair value through profit or loss and net assets of Saudi Riyals 2,260,372 (2021: Saudi Riyals 1,763,027). A 5% decrease in their value would, on the same basis, have decreased the net gain on financial assets at fair value through profit or loss and net assets by the same amount.

#### 14 Capital management

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

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

**YAQEEN SAUDI EQUITY ETF FUND**

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**Notes to the financial statements for the year ended 31 December 2022**

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**15 Last Valuation Day**

The last Valuation Day for the purpose of the preparation of these financial statements is 31 December 2022 (31 December 2021).

**16 Approval of the financial statements**

These financial statements were approved by the Fund's Board on 30 March 2023.