



Nafaqah Waqf Fund

2021 Annual Report



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Investment Fund Information

Fund Name

Nafaqah Waqf Fund

Inception Date

January 20, 2021

Investment Objective and Policies

Nafaqah Waqf Fund is a Shariah-compliant, multi-asset investment fund that is supervised by the General Authority for Awqaf and Capital Market Authority. The Fund aims to preserve and grow the fund's capital to support the basic needs of families facing a loss of income due to litigation or instability. (50%) of the net profit is distributed periodically to the endowment banks specified for the fund, which are represented by the beneficiary.

The below summarizes the investment policy.

The Fund aims to invest its assets in any of the following:

- A. Investing in money market deposits and money market funds with banks licensed by the Saudi Arabian Monetary Agency and money market funds licensed by the Capital Market Authority.
- B. Sukuk issued by governmental or semi-governmental agencies or companies, sukuk investment fund units licensed by the Capital Market Authority or from relevant regulatory authorities locally and internationally, classified and unrated, and exchange-traded funds that invest in sukuk.
- C. Shares, including global and local, directly or through the appointment of sub-managers, or through investment funds licensed by the Capital Market Authority or from relevant regulatory bodies locally and globally, initial subscriptions, priority rights, and exchange-traded funds that invest in stocks. The investment in local shares shall be in the main and parallel Saudi stock market.
- D. Alternative investments include investment through Trade Finance Funds and leasing funds.
- E. Private equity funds (locally or internationally).
- F. Real estate includes real estate investment traded funds (REITs) or income-generating real estate funds locally and internationally.

Distribution of Income and Gain Policy

The fund will distribute annual cash returns of 50% of the net profits for the benefit of Nafaqah fund (the beneficiary), and the fund's board of directors will determine the percentage of distributions and the mechanism of disbursement by transferring money to the beneficiary and disposing of it as it deems appropriate. The fund's board of directors has the right to reinvest part of the dividend for the growth of the Waqf asset. The fund's board of directors also has the right to reconsider the specified percentage of distributions if the cash dividends are in excess of the beneficiary's need, in a manner that does not conflict with the licensing instructions for Waqf investment funds, the investment funds regulations, and the relevant regulations and regulations in the Kingdom of Saudi Arabia.



Benchmark

Weighted Average Benchmark based on the Strategic Asset Allocation

- A. **Money Market:** SAIBOR 3M
- B. **Sukuk:** SAIBOR 3M + 2%
- C. **Equities:** S&P Saudi Shariah Domestic Index (TR)
- D. **Alternatives:** SAIBOR 3M + 3%
- E. **Private Equity:** Tadawul Index (TASI) Total Return + 2%
- F. **Real Estate:** SAIBOR 3M + 4

Fund Performance

As of December 31 st	Net Asset Value (SAR)	Net Asset Value per Unit (SAR)			Number of Units	Expense Ratio (%)
		Ending	Highest	Lowest		
2021	16,734,935.39	11.2957	11.4172	9.9201	1,481,526.4527	0.61

Performance returns are computed on the unit price of the fund in any given period

Fund	Since Inception	1-year	3-year	5-year
Fund	12.96%	-	-	-
Benchmark	15.36%	-	-	-
Variance	-2.40%	-	-	-

	Fund
2021	12.96%



Fund Expenses

	Expenses for 2021 (SAR)
Management Fees	602.00
Fund Board	16,000.00
Auditing Fees	32,500
Custodian's Fees	2,428.41
Subscription Fees	-
Legal Expenses	-
Cost of Sharia-compliant finance (when required)	-
Registration / Fees of Unit Processing	-
Administration expenses	-
Other expenses	2,561.00
Total	73,819.00
Total Expenses Ratio	0.61



Fund Board Members

1. Ghanem AlGhanem (Chairman of the Board and Non-Independent Member)
2. Walid AlJindan (non-independent member)
3. Ghannam AlGhannam (non-independent member)
4. Hamad bin Mohammed bin Abdullah Al Kanhal (independent member)
5. Aidaroods bin Hassan bin Omar Al-Esai (independent member)

Fund Board Members Qualifications:

Ghanem AlGhanem (Chairman of the Board and Non-Independent Member)

Head, Investment Management Advisory at Jadwa Investment Company

Ghanem joined Jadwa Investment Company in October 2016 as Vice President. Prior to joining Jadwa, Ghanem worked for the Investment Agency at the Central Bank of Saudi Arabia (SAMA) to develop investment strategy, investment risk management, and portfolio analysis and was part of the financial risk management advisory team at KPMG.

Ghanem is responsible for developing asset allocation, investment strategy, and implementing investment policies.

Walid AlJindan (non-independent member)

Vice President, Investment Management Advisory at Jadwa Investment Company

Walid joined Jadwa Investment Company in March 2019. Prior to joining, Walid headed the Alternative Investments team at the Saudi Central Bank that oversaw the full implementation of multi-billion dollar investments in alternative international assignments.

His experience includes developing investment policy statements related to stakeholders in the Central Bank of Saudi Arabia, affiliated government agencies, and international organizations, including public pension funds, university endowments and multiple development banks.

Ghannam AlGhannam (non-independent member)

Head of Client and Corporate Investments at Jadwa Investment Company since November 2012

Prior to joining Jadwa, he was Senior Investment Adviser to Major Clients at HSBC Saudi Arabia Group. Mr. Al-Ghannam has experience in business development and wealth management, and has a distinguished approach to all sales, services, operations, operational procedures and risk management. He has been involved in organizing fundraising campaigns for various investment companies in private equity, asset management, and real estate products. He is a certified financial planner, and holds a Master's degree in Informatics from Ohio State University, USA, in addition to a Bachelor's degree in Business Administration from the University of Toledo, Ohio, USA.

Hamad bin Mohammed bin Abdullah Al Kanhal (independent member)

He has held the position of deputy of the Ministry of Finance for Finance and Accounts Affairs since Shaban 1439 AH

Prior to joining the Ministry of Finance, he held the position of Vice President for Financial and Administrative Affairs at the Industrialization and Energy Services Company (TAQA), and before that he was working as a financial manager at the National Agricultural Development Company and Al-Seef Development Group. Hamad has experience making investment-related decisions from his background in several positions in the financial management, and is a member of



the Board of Directors of the Alimony Fund and a former member of the Board of Directors of the Civil Aviation Authority, the Arab Drilling Company, and the Jubail Energy Services Company (GESCO).

Aidaros bin Hassan bin Omar Al-Esai (independent member)

Chairman of the Board of Directors of Aidaros Alesayi Company since the establishment of the company

Aidaros works in a variety of activities in trade, investment, industry, construction and real estate development. Aidaros holds memberships on several boards, including Aidaros Alesayi Company, Forsan Ceramics, Saudi Mitsubishi Electric Company, United Carton Manufacturing Company, Al-Tawfiq Company for the Plastic Industry, Saudi Pipes Industry Company, Makarim International Petrochemical Company, and the Alimony Fund.

Board roles and responsibilities:

The responsibility of the Fund Board of Directors includes the following:

1. Approval of all contracts, decisions and material reports to which the Fund is a party, including but not limited to - approving contracts for providing management services for the Fund, and contracts for providing custody services, and this does not include contracts concluded in accordance with investment decisions regarding any investments it has made the fund or will do so in the future;
2. Adopt a written policy with respect to voting rights relating to the assets of the Fund;
3. Supervising and, where appropriate, approving or approving any conflict of interest disclosed by the fund manager;
4. Meeting at least twice annually with the Fund Manager's Compliance Committee or its compliance officer to review the Fund's compliance with all relevant laws, regulations and regulations, including - but not limited to - the requirements stipulated in the Investment Funds Regulations.
5. Ensuring the completeness and accuracy of the terms and conditions and any other document, whether a contract or otherwise, that includes disclosures related to the fund, the fund manager and its management of the fund, in addition to ensuring that the foregoing is in compliance with the investment funds regulations;
6. Ensuring that the fund manager carries out his responsibilities in the interest of the unit holders in accordance with the Investment Funds Regulations and the terms and conditions;
7. Act with honesty, good faith, care, skill, care and diligence in the interest of the Unitholders;
8. Recording the minutes of the meetings that show all the minutes of the meetings and the decisions taken by the Board.
9. Determining the percentage of distributions and the mechanism of their disbursement, and the fund's board of directors has the right to allocate a part of the endowment yield for the growth of the endowed asset, not exceeding 50% of the total yield for each fiscal year. The fund's board of directors also has the right to reconsider the specified percentage of distributions if the cash dividends from the endowment yield are in excess of the beneficiary's need, in a manner that does not conflict with the licensing instructions for endowment investment funds, the investment funds regulations, and the relevant regulations and regulations in the Kingdom of Saudi Arabia.

The remuneration of the fund's board members:

The Fund pays 2,000 riyals for each Fund board meeting, and a maximum of 30,000 riyals per year for each independent board member. The Fund shall undertake travel and other reasonable expenses incurred by the members of the Board of Directors of the Fund in connection with their obligations towards the Fund, up to a maximum of 50,000 riyals per year.



Any actual or potential conflict between the interests of the fund board member and the interests of the fund:

The Fund's Board of Directors supervises and resolves any conflict of interest. As of its date, the fund board is composed of members appointed by the fund manager and the Nafaqah Fund (the beneficiary). The board members have a duty to exercise care towards the investors in the fund, in accordance with the investment funds regulations, in addition to making every possible effort to resolve conflicts of interest in a good manner. The intention is, as they see fit, and the fund manager does not see any real conflict at the present time.

Boards of directors of funds in which the members of the board of directors participate:

The fund board members manage the following investment funds:

1. Jadwa Saudi Equity Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
2. Jadwa Arab Stock Markets Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
3. Jadwa Gulf Equity Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
4. Jadwa Global Sukuk Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
5. Jadwa REIT Al-Haramain Fund (Mr. Ghannam Al-Ghannam, Chairman of the Board)
6. Jadwa REIT Saudi Fund (Mr. Ghannam Al-Ghannam, Chairman of the Board)
7. Jadwa Al Azizia Real Estate Investment Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
8. Jadwa Investment Fund 45 (Mr. Ghannam Al-Ghannam, Chairman of the Board)
9. Aldar Investment Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
10. Diriyah Avenue Investment Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
11. Al Nokhba Investment Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
12. Al-Shorfa Investment Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
13. Al Waha Investment Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
14. Al Dar Investment Fund 2 (Mr. Ghannam Al-Ghannam is a member of the Board)
15. Al-Nahda Investment Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
16. Jadwa Real Estate Investment Fund 10 (Mr. Ghannam Al-Ghannam is a member of the Board)
17. Real Estate Growth Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
18. Liwan Investment Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
19. Alaliyah Investment Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
20. Jadwa Private Real Estate Investment Fund 14 (Mr. Ghannam Al-Ghannam is a member of the Board)
21. Jadwa Private Real Estate Investment Fund 15 (Mr. Ghannam Al-Ghannam is a member of the Board)
22. Osus Investment Fund (Mr. Ghannam Al-Ghannam is a member of the Board)
23. Jadwa Investment Fund 12 (Mr. Ghannam Al-Ghannam is a member of the Board)
24. Jadwa Investment Fund 13 (Mr. Ghannam Al-Ghannam is a member of the Board)
25. Jadwa Investment Fund 14 (Mr. Ghannam Al-Ghannam is a member of the Board)
26. Jadwa Investment Fund 16 (Mr. Ghannam Al-Ghannam is a member of the Board)
27. Jadwa Investment Fund 17 (Mr. Ghannam Al-Ghannam is a member of the Board)
28. Jadwa Investment Fund 20 (Mr. Ghannam Al-Ghannam is a member of the Board)
29. Jadwa Investment Fund 45 (Mr. Ghannam Al-Ghannam is a member of the Board)



Fund board meetings during 2021

The fund board met twice during 2021 to discuss the main key discussion points below:

1. Discuss the Objectives and the current and strategic Asset allocation of the fund
2. The fund Compliance with laws and regulations and discuss any Anti-Money Laundering Activities, during the second half of the year Nafaqah waqf Fund violated Article 41, paragraph (b.3) in the regulations of the Capital Market Authority, which stipulates that the investment of the funds and assets of the public fund shall not exceed (25%) of its net asset value in units of another investment fund, or in Units of different mutual funds issued by the same counterparty.
3. Reviewing the performance of Nafaqah Waqf Fund during the period
4. Work on the requirements of the Capital Market Authority.
5. Distributions Nafaqah Waqf Fund and determining the date of distribution.
6. Discussion of changing the fund from a public fund to a private fund.

Fund Manager

Jadwa Investment

A Saudi Closed Joint Stock Company (registration no. 1010228782, Licensed by Capital Market Authority under license number 37-6034

Head Office: P.O.Box 60677, Riyadh 11555, Saudi Arabia. Phone +966 11 279-1111 Fax +966 11 279-1571

Website: www.Jadwa.com

The fund has been managed by Jadwa Investment Company since inception on January 20, 2021.

The fund manager did not invest in the fund.

Sub Fund Manager or Investment Advisor (if any)

The fund has no sub fund manager or investment advisor.

Fund Manager's Commentary

Global equity markets witnessed strong performance during 2021. Markets delivered positive performance on the back of continued optimism on economic recovery as the COVID-19 global pandemic showed positive signs of coming to an end. Public equity markets, especially in the US, were further supported and fueled by the Fed's continued easing and pumping of liquidity. By end of year, the S&P 500 delivered a total return of 28%, and the tech-heavy NASDAQ 22%. The Russell 2000 Index, representing small and mid-cap US stocks, delivered c.15%. The Dow Jones Industrial Average also performed positively (c.21%) after having underperformed other indices in the preceding year. In contrast, emerging markets did not deliver positive returns in 2021, with the decline coming in mostly at the end of the year, largely due to the underperformance on China.

Arab markets really exhibited a wide range of performance, with Saudi Arabia and Abu Dhabi performing best (32% and 73%, respectively), followed by Dubai returning 30%. Qatar and Egypt did not fare as well, having closed the year with positive returns of c.13% and c.12%, respectively. Kuwait on the other hand, delivered material returns of c.30%.

There were many changes in the macro economic outlook for the MENA region. As the GCC region remains reliant on oil revenues, the steep rise in the price of Brent from \$51 to \$77 added to the optimism on the future outlook. Surely, this supported expectations for improved fiscal balances along with recovering demand post the COVID pandemic. For Egypt on the other hand, being an importer of oil, such rise in commodity prices kept the overall macro outlook in balance.



However, we see the country remaining committed to reforms, securing additional financing, and adopting policies to support a recovery in its tourism sector as mobility restrictions are now easing.

Since Inception, Nafaqah Waqf Fund, delivered a total return of 12.96%, compared to its benchmark with total return of 15.36%.

Looking forward, the fund will continue to focus on generating sustainable long term returns for investors.

For more details on performance please refer to the Fund Performance section.

Material Changes in the terms and conditions of the fund:

There is no material changes.

	% of Net Assets 31-Dec-2021
Mutual Funds	99.91%
Net Cash	0.09%
Total	100.00%

Investment in Other Funds:

Fund Name	% of AUM	Management Fees
Jadwa Global SUKUK Fund - Class B	39.15%	N/A
Jadwa Saudi Equity Fund - Class B	38.63%	N/A
Jadwa International Multi-Manager Absolute Return Fund - Class A	9.76%	0.50%
Jadwa International Multi-manager Real Assets Fund - Class A	9.76%	0.50%
Jadwa Saudi Riyal Murabaha Fund - Class B	2.95%	N/A
Cash	0.09%	0.60%

Breaches during 2021:

Nafaqah Waqf Fund violated Article 41, paragraph (b.3) in the regulations of the Capital Market Authority, which stipulates that the investment of the funds and assets of the public fund shall not exceed (25%) of its net asset value in units of another investment fund, or in Units of different mutual funds issued by the same counterparty.

Based on what was demonstrated in Article 59, Paragraph (A) in the regulations of the Capital Market Authority, which gives the manager only 5 working days to correct the violation once it is detected.

The fund's board members and the compliance manager were informed, who in turn informed the Capital Market Authority. In addition, the feasibility of an action plan has been developed to correct the violation in the proposed time period:



1. Liquidation and recovery of amounts from the Jadwa International Sukuk Fund and Jadwa Saudi Equities Fund to reduce the allocation to (25%)
2. Participation in the amount in the Jadwa Murabaha Fund in Saudi Riyals, provided that the allocation does not exceed (25%)
3. Appointing other asset managers in the different asset classes to diversify the allocation between the funds in order to give the fund manager the flexibility to invest in assets without violating any of the fund's laws and regulations.
4. A plan has been developed to monitor the monthly allocation of all limits stipulated in the terms and conditions of the fund and the regulations of the Capital Market Authority, and send it monthly to the Compliance and Compliance Department and the Head of the Assets Department.

The violation was corrected within three working days

Fund Custodian

AlBilad Capital

A Saudi Closed Joint Stock Company with one person (registration no. 1010240489, Licensed by Capital Market Authority under license number 08100-37

Head Office: 8162 King Fahad road – Olaya Unit no 22 Riyadh 12313-3701 Kingdom of Saudi Arabia.

The custodian is responsible for taking custody and protecting fund assets on behalf of all unitholders and for taking all required administrative measures in regards to the custody of the fund's assets.

Fund Operator

Jadwa Investment

A Saudi Closed Joint Stock Company (registration no. 1010228782, Licensed by Capital Market Authority under license number 37-6034

Head Office: P.O.Box 60677, Riyadh 11555, Saudi Arabia. Phone +966 11 279-1111 Fax +966 11 279-1571

The main roles, responsibilities and duties of the fund operator in relation to the investment fund:

1. The fund operator must act for the interest of the suspended asset in accordance with the provisions of the Investment Funds Regulations, the Financial Market Institutions Regulations, and the Fund's Terms and Conditions. It is the responsibility of the fund operator to abide by all the principles and duties stipulated in the Financial Market Institutions Regulations, including the duty of trust towards unit holders, which includes acting in the interests of the endowment and exercising reasonable care.
2. The fund operator is responsible for complying with the provisions of the Investment Funds Regulations, whether he performs his responsibilities and duties directly or assigns them to a third party in accordance with the provisions of the Investment Funds Regulations and the Financial Market Institutions Regulations.
3. The fund operator must set policies and procedures to monitor the risks that affect the investments of the fund, and ensure that they are dealt with quickly.

Fund Auditor



KPMG Al Fozan & Partners Certified Public Accountants
KPMG Tower, Riyadh, Salaheddin El Ayoubi Street PO BOX 92876 Al Riyadh 11663 Kingdom of Saudi Arabia

Website: www.kpmg.com

Disclosures

For additional information, please refer to the Terms & Conditions.

Kindly refer to Annex A & B for custodian and auditor statements regarding the Fund.

Additional Information to Unitholders

Please refer to the Fund's Terms & Conditions.



Annex A: Custodian Statement



Statement of opinion by custodian:

i. Has the Fund Manager issued, transferred and redeemed the units in accordance with the provisions of the Investment Funds Regulations and the fund's Terms and Conditions?

As per the custody agreement between the Fund Manager and the Custodian, the roles and responsibilities of the Custodian do not include monitoring the activities of the Fund Manager.

As Fund Manager for Nafaqah Waqf Fund, we confirm that units have been issued, transferred and redeemed in accordance with the provisions of the Investment Funds Regulations and the Fund's Terms and Conditions.

ii. Has the Fund Manager valued and calculated the price of units in accordance with the provisions of the Investment Funds Regulations , the fund's Terms and Conditions and then information memorandum?

As per the custody agreement between the Fund Manager and the Custodian, the roles and responsibilities of the Custodian do not include monitoring the activities of the Fund Manager.

As Fund Manager Nafaqah Waqf Fund, we confirm that unit prices have been valued and calculated in accordance with the provisions of the Investment Funds Regulations, the Fund's Terms and Conditions and the Information Memorandum.

iii. Has the Fund Manager breached any of the investment restrictions, limitations and borrowing powers applicable to the Investment fund Regulations?

As per the custody agreement between the Fund Manager and the Custodian, the roles and responsibilities of the Custodian do not include monitoring the activities of the Fund Manager.

As Fund Manager for Nafaqah Waqf Fund, we confirm that there have been no breaches in the investment restrictions, limitations and borrowing powers as applicable in the Investment Fund Regulations.



Annex B: Auditor Statement and Financial Statements

NAFAQAH WAQF FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
Financial Statements
For the period from 20 January 2021
(date of commencement of operations)
to 31 December 2021
together with the
Independent Auditor's Report to the Unitholders

NAFAQAH WAQF FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
Financial Statements
For the period from 20 January 2021 to 31 December 2021

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KPMG Professional Services

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Commercial Registration No 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤
المركز الرئيسي في الرياض

Independent Auditor's Report

To the Unitholders of Nafaqah Waqf Fund

Opinion

We have audited the financial statements of **Nafaqah Waqf Fund** (the "Fund") managed by Jadwa Investment Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2021, the statements of comprehensive income, changes in net assets (equity) attributable to the Unitholders and cash flows for the period from 20 January 2021 to 31 December 2021, and notes to the financial statements, 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 2021, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards ("IFRS") 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").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Fund Manager and Those Charged with Governance for the Financial Statements

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and to comply with the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority ("CMA"), the Fund's terms and conditions and the Information Memorandum and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Fund Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Fund Board, are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (25,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (٢٥,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي للوزان وشركاء محاسبين ومرآجسون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والنابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

Independent Auditor's Report

To the Unitholders of Nafaqah Waqf Fund (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund Manager's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund Manager.
- Conclude on the appropriateness of the Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, then 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 of **Nafaqah Waqf Fund** (the "Fund").

KPMG Professional Services

Hani Hamzah A. Bedairi
License No. 460

Riyadh, 28 Sha'ban 1443H
Corresponding to: 31 March 2022



NAFAQAH WAQF FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2021
(Amounts in Saudi Arabian Riyals)

	<i>Notes</i>	<u>31 December 2021</u>
ASSETS		
Cash and cash equivalents	8	612,459
Investments	9	<u>16,185,886</u>
Total assets		<u>16,798,345</u>
LIABILITIES		
Management fee payable	<i>1(c), 10</i>	420
Accrued expense and other payable		46,989
Fund board compensation	<i>10</i>	<u>16,000</u>
Total liabilities		<u>63,409</u>
Net assets (equity) attributable to the Unitholders (SAR)		<u>16,734,936</u>
Units in issuance (numbers):		<u>1,481,526.45</u>
Net assets (equity) attributable to each unit (SAR):		<u><u>11.2957</u></u>

The accompanying notes (1) to (17) form an integral part of these financial statements.

NAFAQAH WAQF FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
STATEMENT OF COMPREHENSIVE INCOME
For the period from 20 January 2021 to 31 December 2021
(Amounts in Saudi Arabian Riyals)

	<i>Notes</i>	For the period from 20 January 2021 to 31 December 2021
Gain on investment, net	<i>9.1</i>	<u>1,507,361</u>
Total revenue		
Management fee	<i>10</i>	(602)
Other operating expenses		(54,656)
Fund board compensation	<i>10</i>	(16,000)
Foreign exchange (loss)		<u>(2,561)</u>
Total operating expenses		<u>(73,819)</u>
Net profit for the period		<u>1,433,542</u>
Other comprehensive income for the period		--
Total comprehensive income for the period		<u><u>1,433,542</u></u>

The accompanying notes (1) to (17) form an integral part of these financial statements.

NAFAQAH WAQF FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE
UNITHOLDERS
For the period from 20 January 2021 to 31 December 2021
(Amounts in Saudi Arabian Riyals)

	For the period from 20 January 2021 to 31 December 2021
Net profit for the period	1,433,542
Proceeds from issuance of units	<u>15,301,394</u>
Net assets (equity) attributable to the Unitholders	<u><u>16,734,936</u></u>
	For the period from 20 January 2021 to 31 December 2021
Units transactions (numbers)	
Issuance of units	1,481,526.45
Units in issuance at end of the period	<u><u>1,481,526.45</u></u>

The accompanying notes (1) to (17) form an integral part of these financial statements.

NAFAQAH WAQF FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
STATEMENT OF CASH FLOWS
For the period from 20 January 2021 to 31 December 2021
(Amounts in Saudi Arabian Riyals)

	<i>Note</i>	For the period from 20 January 2021 to 31 December 2021
Cash flows from operating activities		
Net profit for the period		1,433,542
<i>Adjustments for:</i>		
Gain from investments, net	9.1	<u>(1,507,361)</u>
Net changes in operating assets and liabilities		
Purchase of investments		(23,708,150)
Proceeds from sale of investments		9,029,625
Management fee payable		420
Accrued expenses and other liabilities		46,989
Fund board compensation payable		16,000
Net cash (used in) operating activities		<u>(14,688,935)</u>
Cash flows from financing activities		
Proceeds from issue of units		<u>15,301,394</u>
Net cash generated from financing activities		<u>15,301,394</u>
Net increase in cash and cash equivalents		612,459
Cash and cash equivalents at beginning of the period		<u>--</u>
Cash and cash equivalents end of the period		<u>612,459</u>

The accompanying notes (1) to (17) form an integral part of these financial statements.

NAFAQAH WAQF FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the period from 20 January 2021 to 31 December 2021
(Amounts in Saudi Arabian Riyals)

1. GENERAL INFORMATION

- (a) Nafaqah Waqf Fund (the “Fund”) is an open-ended equity fund established and managed as per terms and conditions between Jadwa Investment Company (the “Fund Manager”) and the Fund investors (the “Unitholders”). The Fund commenced its operations on 20 January 2021 after Approval from the Capital Market Authority’s (“CMA”)

The Fund aims to enhance the development role of private endowment in supporting the Fund through developing, investing, protecting endowed assets of the Fund to achieve social solidarity and bring benefits to the expenses of endowment and the endowed asset. While the Fund Manger receives subscription amounts from subscribers (persons who create endowment) and investing it locally and internationally in all assets categories for the purpose of appreciation of endowed capital and distribute (50%) of the net income (endowment returns) periodically on the endowment expenses specified for the Fund that represents the beneficiary body. The Fund’s net assets at the time of liquidation will also be used toward endowment purposes.

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

- (b) The Fund is governed by Investment Fund Regulations (the “Regulations”) published by Capital Market Authority (“CMA”) on 3 Dhul Hijja 1427 H (corresponding to 24 December 2006) thereafter amended (the “amended regulations”) on 16 Sha’ban 1437 H (corresponding to 23 May 2016), and 17 Rajab 1442 H (corresponding to 1 March 2021), detailing requirements for all funds within the Kingdom of Saudi Arabia. The Fund is also subject to the licensing instructions for endowment investment funds.
- (c) The management of the Fund is the responsibility of the Fund Manager. However, in accordance with the Fund’s terms and conditions, the Fund Manager can delegate or assign its duties to one or more of the financial institutions in the Kingdom of Saudi Arabia and overseas.

The Fund Manager of the Fund is Jadwa Investment Company and administrator and custodian of the Fund is Albilad Capital.

The Fund Manager charges the Fund a management fee of 0.6% of the net assets (equity) value at each valuation day (on each Monday and Thursday of the week). The Fund Manager does not charge any management fee when it is investing in any funds managed by Jadwa Investment Company.

In addition, the Fund Manager has the right to collectively charge the Fund all other expenses related to the management of the Fund, including but not limited to audit fee and legal charges subject to limits as set out in the Fund’s terms and conditions not exceeding 3% of the net assets (equity) annually.

2. BASIS OF PRESENTATION

As per the terms and conditions of the Fund, the first financial reporting period of the Fund is from 20 January 2021 (date of commencement of operations) to 31 December 2021. Accordingly, these financial statements have been prepared for the period from 20 January 2021 to 31 December 2021 and no comparative figures have been presented.

NAFAQAH WAQF FUND
An open-ended mutual fund
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NOTES TO THE FINANCIAL STATEMENTS
For the period from 20 January 2021 to 31 December 2021
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3. BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and to comply with the applicable provisions of the Investment Funds Regulations issued by Capital Market Authority, the Fund’s terms and conditions and the Information Memorandum.

4. BASIS OF MEASUREMENT

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

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 their liquidity.

5. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Saudi Arabian Riyal (“SAR”), which is the Fund’s functional currency. All amounts have been rounded to the nearest SAR, unless otherwise indicated.

6. USE OF JUDGMENTS AND ESTIMATES

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

7. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

a) *Functional currency*

Functional currency is the currency of the primary economic environment in which the Fund operates. If indicators of the primary economic environment are mixed, then management uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The majority of the Fund’s investment and transactions are denominated in SAR. Investor subscriptions and redemptions are determined based on equity value, and received and paid in SAR. Expenses (including management fee, and audit fees) are denominated and paid in SAR. Accordingly, management has determined that the functional currency of the Fund is SAR.

b) *Dividend income*

Dividend income is recognized in the statement of comprehensive income on the date on which the right to receive payment is established. For private equity securities, this is usually the date on which the shareholders approve the payment of a dividend. Dividend income from equity securities designated as at fair value through profit or loss is recognized in the statement of comprehensive income in a separate line item.

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7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) *Zakat / taxation*

Under the current system of zakat and income tax in the Kingdom of Saudi Arabia, the Fund is exempt from paying any zakat and income tax. Zakat and income tax are considered to be the obligation of the Unitholders and are not provided in the accompanying financial statements.

The Value Added Tax (“VAT”) applicable for fees and expenses are recognized in the statement of comprehensive income.

d) *Provisions*

Provisions are recognized whenever there is present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

e) *Management fee and performance fee*

Management fee and performance fee expense is recognized in the statement of comprehensive income as the related services are performed.

f) *Cash and cash equivalents*

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Fund in the management of short-term commitments.

g) *Financial assets and liabilities*

Classification of financial assets

On initial recognition, a financial asset is classified and measured at amortized cost, fair value through other comprehensive income (“FVOCI”) or FVTPL.

Financial asset at amortized cost

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial asset at fair value through other comprehensive income (“FVOCI”)

A financial asset is measured at fair value through FVOCI only if it meets both of the following conditions and is not designated as at FVTPL.

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principle and interest on the principle amount outstanding.

NAFAQAH WAQF FUND
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7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) *Financial assets and liabilities (continued)*

On initial recognition of an equity investment that is not held for trading, the Fund Manager may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Financial asset at fair value through profit or loss ("FVTPL")

All financial assets not classified as measured at amortized cost or FVOCI are measured at FVTPL.

Business model assessment

The Fund Manager assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Fund Manager;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Fund's original expectations, the Fund does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Commission / Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;

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7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) *Financial assets and liabilities (continued)*

- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

Classification of financial liabilities

The Fund classifies its financial liabilities at amortized cost unless it has designated liabilities at FVTPL.

Recognition and initial measurement

Financial assets at FVTPL are initially recognized on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated.

Financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition issue.

Subsequent measurement

Financial assets at FVTPL are subsequently measured at fair value. Net gain or losses including any foreign exchange gains and losses, are recognized in profit or loss in 'unrealized gain / (loss) on investment' in the statement of comprehensive income.

Financial assets and financial liabilities at amortized cost are subsequently measured at amortized cost using effective interest method and is recognized in the statement of comprehensive income. Any gain or loss on de-recognition is also recognized in the statement of comprehensive income. The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principle repayments, plus or minus the cumulative amortizing using effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Derecognition

The Fund derecognizes a financial asset when the contractual rights to the cash flow from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of the financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognized in statement of comprehensive income. 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 enters into transactions whereby it transfers assets recognized on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all of the risk and rewards are retained, then the transferred assets are not derecognized.

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7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) *Financial assets and liabilities (continued)*

Derecognition (continued)

The Fund derecognize a financial liability when its contractual obligations are discharged or cancelled, or expire.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle them liability simultaneously.

Income and expenses are presented on a net basis for gain and losses from financial instruments at FVTPL and foreign exchange gains and losses.

h) *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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

When available, the Fund measures the fair value of an instrument using the quoted prices 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 as per the official closing price in the related stock exchange where the instrument is traded.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Fund recognizes transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

i) *Distributions to the Unitholders*

Distribution to the Unitholders is accounted for as a deduction from net assets (equity) attributable to the Unitholders. Dividend is recognized as a liability in the period in which it is irrevocably declared by the Fund Manager. A final dividend is recognized as a liability in the period in which it is approved by the Fund Manager.

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7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Redeemable units

The Fund classified financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Redeemable units are classified as equity as it meets all of the following conditions:

- it entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- it 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 other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in 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.

k) Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Fund has not early adopted the new or amended standards in preparing these financial statements.

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

<u>Standards / Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
Amendments to IAS 37	Onerous contracts – Cost of fulfilling a contract	1 January 2022
Amendments to IAS 1 and IAS 8	Improvement in accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	1 January 2023
Amendments to IFRS 3	Reference to Conceptual Framework	1 January 2022
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2024

8. CASH AND CASH EQUIVALENTS

These comprise of balances held mainly with custodian under omnibus account with a local bank having an investment grade credit rating.

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9. INVESTMENTS

		31 December 2021
Equity securities:		
- FVTPL	12	16,185,886

9.1 Below are the details of gains from investments, net:

	For the period from 20 January 2021 to 31 December 2021
Realized gain on investments at FVTPL, net	621,340
Unrealized gain on investments at FVTPL, net	886,021
	1,507,361

10. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Fund include the Fund Manager and other funds managed by the Fund Manager. In the ordinary course of its activities, the Fund transacts business with the Fund Manager.

In addition to transactions disclosed elsewhere in these financial statements, the Fund entered into the following transactions with the related parties during the period. These transactions were carried out on the basis of approved terms and conditions of the Fund.

			For the period from 20 January 2021 to 31 December 2021
Related party	Nature of relationship	Nature of transactions	
Jadwa Investment Company	The Fund Manager	Management fee	602
The Fund Board	The Fund Board	The Fund Board fee (independent member)	16,000

Balance arising from above transactions with related parties are as follows:

			31 December 2021
Related party	Nature of relationship	Nature of balances	
Jadwa Investment Company	The Fund Manager	Management fee payable	420
The Fund Board	The Fund Board	Fee payable to an independent member of the Fund Board	16,000

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11. FINANCIAL INSTRUMENTS BY CATEGORY

31 December 2021	<u>Amortized cost</u>	<u>FVTPL</u>
<i>Financial assets</i>		
Cash and cash equivalents	612,459	--
Investments	--	16,185,886
Total assets	<u>612,459</u>	<u>16,185,886</u>
<i>Financial liabilities</i>		
Management fee payable	420	--
Performance fees payable	46,989	--
Accrued expense and other payable	16,000	--
Total liabilities	<u>63,409</u>	<u>--</u>

12. FINANCIAL RISK MANAGEMENT

Exposure

Risk management is an integral part of the investment and the operational process. Risk management can be distinguished in financial risk management, operational risk management and independent risk measurement. Financial risk management encompasses all elements of the investment process. A number of risk management systems allow the Fund Manager to notice any deviations from intended positioning and targets. Operational risk management encompasses the four areas of potential losses: processes, systems, people and external events. Risk measurement is an independent function, which is functionally separated from the operational department and portfolio management.

The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. The risk management system is an ongoing process of identification, measurement, monitoring and controlling risk.

The Risk Management department is primarily responsible for identifying and controlling risks. The Fund Manager is ultimately responsible for the overall risk management of the Fund.

The Fund has exposure to the following risks from financial instruments:

- a) market risk;
- b) credit risk;
- c) liquidity risks; and
- d) operational risk.

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12. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management framework

Financial instruments and associated risks

The Fund aims to enhance the development role of private endowment in supporting the Fund through developing, investing, protecting endowed assets of the Fund to achieve social solidarity and bring benefits to the expenses of endowment and the endowed asset. The nature and extent of the financial instruments outstanding at the statement of financial position date and the risk management policies employed by the Fund are discussed below.

The Fund Manager has been given discretionary authority to manage the assets in line with the Fund's investment objectives. Compliance with target asset allocations as per the terms and conditions is monitored by the portfolio management team on a regular basis.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below

a) Market risk

'Market Risk' is the risk that changes in market prices – such as commission rates, foreign exchange rates, equity prices and credit spreads – will affect the Fund's income or the fair value of its holdings in financial instruments.

The Fund's strategy for the management of market risk is driven by the Fund's investment objective as per the Fund's terms and conditions.

The Fund's market risk is managed by the Fund Manager in accordance with the policies and procedures in place. The Fund's market positions are monitored on a daily basis by the portfolio management team.

i. Foreign exchange risk / currency risk

Foreign currency risk arises as the value of future transactions, recognized monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. The Fund's currency risk is managed on a timely basis by the Fund Manager in accordance with the policies and procedures in place. The Fund's currency positions and exposures are monitored on a daily basis by the Fund Manager.

The Fund's financial assets and liabilities are denominated in United States Dollar and Saudi Arabian Riyals. As the Saudi Arabian Riyal is pegged against the United States Dollar, the Fund Manager expects any foreign exchange risk is likely to be immaterial.

i. Commission rate risk

Commission rate risk arises from the possibility that the changes in commission rates will affect either the fair values or the future cash flows of financial instruments. The Fund is not subject to commission rate risk on its investments.

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12. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Market risk (continued)

ii. Other price risk

Other price risk' is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from commission rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer or factors affecting all instruments traded in the market.

'Price risk' is the risk that the Fund is exposed to the volatility of the fair value of the securities it holds. The fair value of individual securities may fluctuate as a result of e.g. company specific news, broad market movements or interest rate risk. The Fund Manager continuously monitors the (potential) determinants of the value of the securities held and the total portfolio value. As such, risk management is an integral part of investment management which comprises security selection and portfolio construction. The exposures in various securities. are frequently monitored, measured and managed against the norms which have been defined for those exposures.

The Fund's policy is to manage price risk through diversification and selection of securities and other financial instruments within specified limits set by the Fund's terms and conditions. A summary analysis of investments by nature is presented below. All of the Fund's securities are tradable and overall market position is monitored on a daily basis by the Fund Manager, and it is reviewed on weekly basis by the portfolio management team.

Exposure

The Fund Manager monitors the concentration risk for investments based on counterparties. The Fund's investments are concentrated in the following counterparties.

	31 December 2021		
	Cost	Fair value	% of fair value to total fund investments
<u>Investment Funds</u>			
Jadwa Saudi Riyal Murabaha Fund - Class B*	3,996,105	4,003,820	24.75
Jadwa Global SUKUK Fund- Class B*	3,816,829	3,812,354	23.55
Jadwa Saudi Equity Fund - Class B*	2,499,526	3,378,059	20.87
Jadwa International Multi-manager Absolute Return Fund - Class A*	1,358,600	1,360,085	8.40
Jadwa International Multi-manager Real Assets Fund - Class A*	1,358,600	1,360,085	8.40
Al Rajhi Commodity Fund-SAR	1,257,327	1,257,795	7.77
Jadwa International Multi-manager Private Equity Fund - Class A*	1,012,878	1,013,688	6.26
Total	<u>15,299,865</u>	<u>16,185,886</u>	<u>100.00</u>

* Funds managed by the Fund Manager.

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12. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) 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 cash and cash equivalents and dividend receivable (if any). For risk management reporting purposes, the Fund considers and aggregates all elements of credit risk exposure such as individual obligor default risk, counter party risk and sector risk etc. The Fund's policy over credit risk is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the certain credit standards.

The Fund's credit risk is monitored on a regular basis by portfolio management team to ensure it is in line with the investment guidelines of the Fund.

The Fund's activities may give rise to settlement risk. "Settlement risk" is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed.

For the majority of the transactions, the Fund mitigates this risk by conducting settlements through a regulated stock exchange to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. The Fund is exposed to credit risk for its receivables and cash and cash equivalents.

The table below shows the maximum exposure to credit risk for each component of the statement of financial position:

	31 December 2021
Cash and cash equivalents	612,459

Analysis of credit quality

The Fund's cash and cash equivalents are held mainly with a custodian held under an omnibus account with a local bank having sound credit rating. Cash and cash equivalents also include balances due to be received against sales transactions awaiting settlement. Credit risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the stock exchange used.

The Fund has not offset any financial asset and financial liability in the statement of financial position. The Fund does not have enforceable master netting or similar arrangement that covers similar financial instruments.

Allowance for impairment

The Fund does not have any impairment of financial assets, so no impairment allowance is provided in these financial statements.

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12. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund's financial liabilities primarily consist of payables which are expected to be settled within one month from the statement of financial position date.

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio.

The Fund manages its liquidity risk by investing predominantly in securities which are expected to be liquidated within short period of time.

d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to the Unitholders.

The primary responsibility for the development and implementation of control over operational risks rests with the Risk Management team. This responsibility is supported by the development of overall standard for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- documentation of controls and procedures;
- requirements for:
 - o appropriate segregation of duties between various functions, roles and responsibilities;
 - o reconciliation and monitoring of transactions; and
 - o periodic assessment of operational risks faced,
- the adequacy of controls and procedures to address the risks identified;
- compliance with regulatory and other legal requirements;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance.

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13. FAIR VALUE MEASUREMENT

Valuation models

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Fund values investment in the mutual funds using unadjusted net assets value (Level 2 valuation). The unadjusted net assets value is used when the security is redeemable at the reportable net assets value at, or appropriately at, the measurement date.

Carrying amounts and fair value

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position. All fair value measurements below are recurring.

<u>Financial assets at fair value</u>	31 December 2021				
	<u>Carrying amount</u>	<u>Fair value</u>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	<u>16,185,886</u>	<u>--</u>	<u>16,185,886</u>	<u>--</u>	<u>16,185,886</u>

For the years ended 31 December 2021, there were no transfers between levels.

Cash and cash equivalents are classified under level 1 while the remaining financial assets and liabilities are classified under level 2. Their carrying values are a reasonable approximation of fair value.

14. EVENTS AFTER THE END OF THE REPORTING PERIOD

There is no event subsequent to the statement of financial position date which require adjustment of or disclosure in the financial statements or notes thereto.

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15. IMPACT OF COVID-19

The Coronavirus (“COVID-19”) pandemic continues to disrupt global markets as many geographies are experiencing multiple waves of infections despite having previously controlled the outbreak through aggressive precautionary measures. The Government of the Kingdom of Saudi Arabia, however, has managed to successfully control the outbreak to date.

The fund manager continues to evaluate the situation through reviewing its investment strategy and other risk management practices to manage the counited impact COVID 19 outbreak has had on its normal operations and financial performance.

16. VALUATION DAY

The Fund’s units are valued on every Monday and Thursday of the week and unit price is announced on the following business day. The last valuation day for the purpose of preparation of these financial statements was 31 December 2021.

17. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Fund Board on 26 Sha’ban 1443H (corresponding to 29 March 2022).