

Annual Report
GCC Equity Fund
2023

* All reports are available upon request free of charge.

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(A) Fund Information

1- Fund Name

GCC Equity Fund

2- Investment Objectives and Policies

The Fund is an open investment fund that aims at achieving capital growth over the long term by investing in the shares of companies listed on various GCC stock exchanges (KSA, UAE, Bahrain, Kuwait, Oman & Qatar) provided that they are compliant with Sharia standards approved by Sharia Supervisory Board.

3- Income & Gains Distribution Policy

No income shall be distributed, but rather the investment income and gains shall be added to the fund's assets so that the income and gains shall be reinvested and reflected on the unit price.

4- Description of the Fund's Benchmark

The fund's performance is measured against the performance of S&P GCC Composite TR Index.

(B) Fund Performance

Fund performance during the past three years (SAR)

	2021	2022	2023
Net Asset Value at the end of the year	11,196,399	10,769,148	14,766,182
Net Asset Value per Unit at the end of the year	20.3418	19.9091	28.1255
Highest Net Asset Value per Unit	21.0349	25.0411	28.1255
Lowest Net Asset Value per Unit	14.6298	19.1039	19.8917
Number of Issued Units at the end of the Year	550,413	540,915	525,011
Value of Distributed Dividends per unit (if any)	-	-	-
Expense Ratio	3.15%	3.09%	4.13%
Percentage of Assets Borrowed from the Asset Value, Exposure Period and Maturity Date	0.00%	0.00%	7.72%

- **Fund Returns**

	One Year	Three Years	Five Years	Since Inception
Fund Returns	41.27%	91.10%	113.17%	181.25%
Benchmark Returns	9.89%	41.58%	62.60%	N/A

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Fund Returns	8.52%	-7.67%	4.41%	3.46%	6.77%	10.95%	0.54%	38.22%	-2.13%	41.27%

- **Fees and Expenses**

Type of Expenses or Commission	Value in SAR	Percentage according to Fund Asset Average
Fund Management Fees	240,928	2.00%
Custodian Fees	18,936	0.16%
Auditor's Fees	20,000	0.17%
Independent Board Members' Remuneration	5,714	0.05%
CMA Registration Fees	7,500	0.06%
Tadawul Fees	5,000	0.04%
Administrative Services Fees	3,005	0.02%
Index Fees	-	-
Value added Tax	44,870	0.37%
Other Expenses	152,508	1.26%

3- Material changes that affected the Fund performance

No material changes affected the Fund performance in 2023.

4- Annual Voting Practices

The fund manager abstained from exercising any voting rights during the year.

(5) Fund Board of Directors' Annual Report

(A) Names and Types of Membership of the Board Members:

- Khalid Nasser Al-Muammar - Independent Member (Chairman of the Funds Board of Directors);
- Ali Omar Al-Gudaihi - non-independent member;
- Abdulhamid Abdulmohsen Al-Saleh - independent member; and
- Ibrahim Abdulmohsen Al-Swailem - independent member.

Names of Members of the Fund's Board of Directors	Experience and qualifications	Current position
Khalid Nasser Al-Muammar - Independent Member (Chairman of the Funds Board of Directors)	<p>Qualifications</p> <ul style="list-style-type: none"> - Bachelor's degree in Accounting from King Fahd University of Petroleum and Minerals (1994) <p>Experience</p> <ul style="list-style-type: none"> - Head of small and medium enterprises at the Saudi British Bank. (From June 2019 to 2020) - General Manager of the Corporate Banking Group at Alawwal Bank. (From April 2018 to June 2019) - CEO of Aawwal Invest. (Since 2012 to April 2018) - General Regional Manager of the Eastern Region at Alawwal Bank. (From 2008 to 2012) - Director of Corporate and Institutional Banking in the Eastern Region at the Saudi British Bank. (Since 2007 to 2008) - Head of Corporate Banking Department in the Eastern Region at Alawwal Bank. (Since 2005 to 2007) - Client Relations Manager in Corporate Banking in the Eastern Region at Alawwal Bank. (From 2000 to 2005) - Senior internal auditor at Arthur Anderson. (From 1997 to 2000) - Relationship Manager in Corporate Banking at Banque Saudi Fransi. (From 1995 to 1997) - Former member of the Board of Directors of the Advanced Petrochemical Company. (2010) - Former member of the Board of Directors of NADEC (2018) - Former member of the Internal Audit Committee at Gulf Union Cooperative Insurance Company (2012) 	<p>CEO of the King Abdullah Fund for Giftedness and Creativity. (Since September 2022 to present)</p>
Ali Omar Al-Gudaihi - non-independent member	<p>Qualifications</p> <ul style="list-style-type: none"> - Bachelor's degree in Financial Management from King Fahd University of Petroleum and Minerals. (2006) <p>Experience</p> <ul style="list-style-type: none"> - Head of Asset Management - at Alawwal Invest. (From 2018 to 2022) 	<p>Director - Asset Management (Products Management) (2022 to present)</p>

	<ul style="list-style-type: none"> - Deputy Head of Asset Management - at Alawwal Invest. (From 2013 to 2018) - Senior Manager-Asset Management - at Alawwal Invest. (From 2009 to 2013) - Senior Fund Manager - at Alawwal Invest. (From 2007 to 2009) - Assistant Fund Manager - at Alawwal Bank. (Since 2006 to 2007) 	
Abdulhamid Abdulmohsen Al-Saleh - independent member	<p>Qualifications</p> <ul style="list-style-type: none"> - Bachelor's degree in Sociology from King Abdulaziz University. <p>Experience</p> <ul style="list-style-type: none"> - Regional Director of Eastern Region Branches, Samba Financial Group. (From 2002 to 2005) - Senior Relationship Manager - Private Banking Group at the Saudi American Bank. (From 1999 to 2002) - Chairman of the public sector banking group and several positions in the Saudi United Bank. (From 1987 to 1999) 	Member of the "Board of Advisors", and holds executive positions in a number of private family businesses. General Manager of Sanaya Electrical Trading Company. (Since 2005 to present)
Ibrahim Abdulmohsen Al-Swailem - independent member	<p>Qualifications</p> <ul style="list-style-type: none"> - Bachelor's degree in industrial engineering from King Saud University. (1994) <p>Experience</p> <ul style="list-style-type: none"> - Director of Public Relations and Chairman of the Board of Directors at Main Line Company. (Since 2002 until now) - Chairman of the Board of Directors of RAO Trading and Contracting Corporation. (Since 1998 until now) - Chairman of the Board of Directors of Abzone Company - Cairo. (Since 2013 until now) - Member of the Board of Directors at Atlalat Al-Bashaer Company for Real Estate Investment and Development. (Since 2008 until now) - Chairman of the Board of Directors of Al Shamkha Real Estate Investments Company. (Since 2015 until now) 	Vice President at Abdulmohsen Al-Swailem Establishment. (Since 1994 to present)

(B) Roles and Responsibilities of the Fund Board of Directors

Responsibilities of the Fund Board Members include without limitation:

- Approving all contracts, decisions and material reports to which the Fund is a party.
- Approving a written policy with regard to the voting rights in respect of Fund assets.
- Supervising and, where appropriate, approving any conflict of interest disclosed by the Fund Manager pursuant to Article (13) of the IFR.
- Holding, twice a year at least, a meeting with the Conformity and Compliance Committee at the Fund Manager, or the officer in charge of Conformity and Compliance at the Fund Manager, in order to review compliance by the Fund with all relevant laws and regulations.

- Recognizing any recommendation raised by the liquidator, in case a liquidator is appointed.
- Ensuring completion and accuracy of the Fund Terms and Conditions and any other document involving disclosures in connection with the Fund and the Fund Manager as well as its management of the Fund and the amended Investment Funds Regulations.
- Ensuring that the Fund Manager is fulfilling its responsibilities in a way realizing the interests of the Unitholders pursuant to the Fund Terms and Conditions, and the amended provisions of the Investment Funds Regulations.
- Working honestly, in good faith, and exerting diligence, skill and care, and in a way realizing the interests of the Unitholders.
- Recording the minutes of meetings showing all the occurrences affecting the meetings and decisions taken by the Board.
- Approving delegating the powers and authorities of the Fund Manager to other financial institutions in order to function as adviser, sub-manager, custodian, agent or mediator after having obtained the approval by CMA.
- Approving the appointment of the Auditor.
- Approving the services authorized by the Manager in respect of keeping the books, subscription, redemption, sale and purchase and financial transfers, confirmation and information affecting the investments in response to the subscribers' inquiries. Assuming the tasks of follow-up and control of the Fund's performance, and ensuring that the Fund Manager carries out its responsibilities in a way realizing the interests of the Unitholders, pursuant to the Terms and Conditions of the Fund, the Information Memorandum, the relevant documentation and the provisions of the Investment Fund Regulations.

(D) Particulars of the Fund Board Members' Remuneration

Remuneration of the Board independent members shall be paid by the Fund Manager. The Fund will not pay any expenses of the Fund Board of Directors.

(E) Statement of any real or potential conflict of interest between the interests of a Fund board member and those of the Fund:

There is no real or potential conflict between the interest of any Board member and the interests of the Fund.

(F) All Fund Boards of Directors in which the relevant Board Member participates:

Fund Name	Khalid Al-Muammer	Ali Al-Gudaihi	Abdulhamid Al-Saleh	Ibrahim Al-Swailem
Al Yusr Saudi Equity Fund	√	√	√	√
Saudi Equity Fund	√	√	√	√
Saudi Financial Institutions Equity Fund	√	√	√	√
GCC Equity Fund	√	√	√	√
Al Yusr SAR Murabaha Fund	√	√	√	√
SAR Money Market Fund	√	√	√	√
Al Yusr Sukuk and Murabaha Fund	√	√	√	√

(G) Subjects Discussed and Resolutions passed thereon including the fund Performance and Attainment of its Objectives

No	Discussed Points within Boards' Meetings
1	Mutual fund performance
2	Service providers assessment
3	Risk procedures
4	Mutual fund breaches (if any)
5	Valuation errors (if any)
6	Changes in the terms & conditions of the mutual fund
7	Evaluating the efficiency of the fund's board of directors in supervising the funds
8	Evaluation of the external brokers for mutual fund execution
9	Counterparty limits

(C) Fund Manager

SAB Invest

1- Address

Head Office, Olaya Street
Riyadh 11431-1467,
Kingdom of Saudi Arabia,
Unified Number: +966114163133
Fax: +966 112169102
Website: www.sabinvest.com

2- Fund Sub-Manager and/or Investment Advisor (if any)

Not Applicable

3- Investment activities during the period

The Fund invests in the shares of companies listed on various stock markets in the Gulf Cooperation Council countries (Saudi Arabia, the United Arab Emirates, Bahrain, Kuwait, Oman and Qatar), and IPOs that are in line with the Fund's objectives and meet Sharia standards.

4- Report on the fund performance during the period

During 2023, the fund achieved a positive return of 41.27%, while the benchmark achieved a return of 9.89%.

5- Changes made to the terms and conditions of the fund during the period

Changes Details	Effective Date
Apply the new brand and new identity of the SAB Invest	4-Apr-23
Redrafting some of the T&C article	1-Aug-23
Amendment to the fee and expense of the Fund	
Amendment to the valuation cycle of the Fund	
Add the fund' tax advisor information	

6- Any additional information that may enable unit holders to make informed decisions that are based on sufficient information about the fund activities during the period

None

7- Percentage of management fees calculated on the fund itself and other funds that the Fund is investing in (if the fund is substantially investing in other investment funds)

Not Applicable

8- Special commission received by fund manager during the period

None

9- Any other data or information that shall be included in this report according to investment fund regulations

None

10- Management term of the person recorded as the fund manager

One Year

11- Expense ratio of each underlying fund at the end of the year and weighted average expense ratio of all underlying funds

Not Applicable

(D) Custodian

Riyad Capital

Address

Riyad Capital Company

Al-Takhasosi Street - Olaya. Riyadh 12331-3712, Kingdom of Saudi Arabia

Phone: 4865858

Website: www.riyadcapital.com

(2) Concise Description of the Custodian's main roles and responsibilities

- Take custody of the assets of the Investment Fund;
- Open a separate account under its name with a local bank in favor of the Fund;
- Segregate the Fund's assets and register Fund securities under its name for the benefit of the Investment Fund;
- Maintain all necessary documents to support the performance of its contractual responsibilities towards the Fund.
- Deposit all cash belonging to the Fund into the relevant bank account; and
- Manage the Fund cash i.e. deduct the investment amounts and Fund expenses in accordance with the Fund's Terms and Conditions and the Information Memorandum.
- The Custodian shall be liable to the Fund Manager and Unitholders for its obligations pertaining to any losses caused to the Investment Fund due to the Custodian fraud, negligence, willful misconduct or default.
- The Custodian shall be liable for taking custody of, and protecting the Fund's assets on behalf of Unitholders.
- The Custodian shall be liable for taking all necessary administrative measures in relation to the custody of the Fund's assets.

(E) Fund Operator

1- Name & Address of the Fund Operator

SAB Invest

Head Office, Olaya Street

Riyadh 11431-1467,

Kingdom of Saudi Arabia,

Unified Number: +966114163133

Fax: +966 112169102

Website: www.sabinvest.com

(2) Concise Description of the Fund Operator main roles and responsibilities

As responsible for operating the Fund; the Fund Operator shall:

- Keep the books and records related to the Fund operation;
- Prepare and update the unit subscribers record and maintain it in the Kingdom according to the Investment Fund Regulations;
- Be liable for the distribution of dividends, if any, according to the distribution policy provided for under the Terms and Conditions;

- Conclude the subscription and redemption procedures provided for under these Terms and Conditions;
and
- Fully and fairly evaluate the Fund assets and calculate the Fund unit price.

(F) Auditor:

Ibrahim Ahmed Al Bassam and Partners - certified public accountants
PKF Albassam &Co p. B. Box 69658 Riyadh 11557 Sulaymaniyah Tel: +966 (11) 2065333

(G) Financial Statements

Attached

**GCC Equity Fund
Open-Ended Fund
(Managed by SAB Invest)
Financial Statements
For the Year ended 31 December 2023
Together with the
Independent Auditor's Report to the Unitholders**

GCC EQUITY FUND

Open-Ended Fund

(Managed by SAB Invest (previously known as Alawwal Invest Company))

FINANCIAL STATEMENTS

For the year ended 31 December 2023

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INDEPENDENT AUDITOR'S REPORT

TO THE UNIT HOLDERS OF GCC EQUITY FUND (MANAGED BY SAB INVEST)
RIYADH, KINGDOM OF SAUDI ARABIA

(1/3)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

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

We have audited the financial statements of the Fund, which comprise of the following:

- ▀ The statement of financial position as at 31 December 2023;
- ▀ The statement of comprehensive income / (loss) for the year then ended;
- ▀ The statement of changes in net assets (Equity) attributable to the unit holder for the year then ended;
- ▀ The statement of cash flows for the year then ended, and;
- ▀ The notes to the financial statements, comprising material accounting policies and other explanatory information.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the code of professional conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Fund's 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 IFRSs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations for Fund and the Fund's Terms and Conditions and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, i.e. the Fund Manager, is responsible for overseeing the Fund's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT

TO THE UNIT HOLDERS OF GCC EQUITY FUND (MANAGED BY SAB INVEST)
RIYADH, KINGDOM OF SAUDI ARABIA

(2/3)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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 misstatements, 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 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 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 risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or 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;
- ❖ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures by the the Fund Manager;
- ❖ Conclude on the appropriateness of 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 the material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in 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 auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern; and
- ❖ 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.

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PKF

**Ibrahim Ahmed Al-Bassam
& Co. Certified Public Accountants**

INDEPENDENT AUDITOR'S REPORT

**TO THE UNIT HOLDERS OF GCC EQUITY FUND (MANAGED BY SAB INVEST)
RIYADH, KINGDOM OF SAUDI ARABIA**

(3/3)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

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.

For Al-Bassam & Co.



Ahmed Abdulmajeed Mohandis
Certified Public Accountant
License No. 477
Riyadh: 27 March 2024
Corresponding to: 17 Ramadan 1445H

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GCC EQUITY FUND
Open-Ended Fund
(Managed by SAB Invest)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

(Amounts in Saudi Arabian Riyals)

	Note	31 December 2023	31 December 2022
ASSETS			
Cash and cash equivalents	6	122,259	830,898
Investments carried at fair value through profit or loss (FVTPL)	7	14,112,866	9,748,244
Trade and other receivables	8	-	264,829
Investment in advance		598,950	-
Total assets		14,834,075	10,843,971
LIABILITIES			
Accruals and other liabilities	11	67,893	74,823
Total liabilities		67,893	74,823
Net assets (equity) attributable to the unit holders		14,766,182	10,769,148
Units in issue (number)		525,011	540,915
Net assets attributable to each unit		28.13	19.91

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

GCC EQUITY FUND
Open-Ended Fund
(Managed by SAB Invest)

STATEMENT OF COMPREHENSIVE INCOME / (LOSS)

For the year ended 31 December 2023

(Amounts in Saudi Arabian Riyals)

	Note	31 December 2023	31 December 2022
<u>Income</u>			
Net gain / (loss) from investments	9	4,483,478	(153,794)
Dividend Income		362,785	300,231
		4,846,263	146,437
<u>Expenses</u>			
Management fee	10	(240,928)	(233,261)
Other expenses	12	(212,663)	(136,146)
		(453,591)	(369,407)
Total income / (loss) for the year		4,392,672	(222,970)
Other comprehensive income for the year		-	-
Total comprehensive income / (loss) for the year		4,392,672	(222,970)

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

GCC EQUITY FUND
Open-Ended Fund
(Managed by SAB Invest)

STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNIT HOLDERS

For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

	31 December 2023	31 December 2022
Net assets (equity) attributable to the unit holders at the beginning of the year	10,769,148	11,196,399
Total comprehensive income / (loss) for the year	4,392,672	(222,970)
Changes from unit transactions		
Issuance of units during the year	-	-
Redemption of units during the year	(395,638)	(204,281)
	(395,638)	(204,281)
Net assets (equity) attributable to the unit holders at the end of the year	14,766,182	10,769,148

REDEEMABLE UNIT TRANSACTIONS

Transactions in redeemable units during the year are summarized as follows:

	31 December 2023 Units	31 December 2022 Units
Units at the beginning of the year	540,915	550,413
Units issued during the year	-	-
Units redeemed during the year	(15,904)	(9,498)
Net decrease in unit	(15,904)	(9,498)
Units at end of the year	525,011	540,915

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

GCC EQUITY FUND
Open-Ended Fund
(Managed by SAB Invest)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

	<u>Note</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
<u>Cash flows from operating activities:</u>			
Net income / (loss) for the year		4,392,672	(222,970)
Adjustment for:			
Unrealized (gains) / loss on investments carried at FVTPL	9	(3,164,622)	2,084,060
Purchase of investment		(18,998,483)	(7,011,520)
Proceeds from sale of investment		17,798,483	5,157,278
Increase in trade and other receivables		(334,121)	(264,829)
Decrease in accruals and other liabilities		(6,930)	(8,091)
Net cash used in operating activities		<u>(313,001)</u>	<u>(2,127,162)</u>
<u>Cash flows from financing activities:</u>			
Payment on redemption of units		(395,638)	(204,281)
Net cash used in financing activities		<u>(395,638)</u>	<u>(204,281)</u>
Net (decrease) in cash and cash equivalents		(708,639)	(470,353)
Cash and cash equivalents at beginning of the year		<u>830,898</u>	<u>1,301,251</u>
Cash and cash equivalents at end of the year		<u>122,259</u>	<u>830,898</u>

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

GCC EQUITY FUND

Open-Ended Fund

(Managed by SAB Invest)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Amounts in Saudi Arabian Riyals)

1. INCORPORATION AND PRINCIPAL ACTIVITIES

GCC Equity Fund (the “Fund”) is an open-ended fund domiciled in Kingdom of Saudi Arabia, created by an agreement between SAB Invest (the “Fund Manager”), a subsidiary of The Saudi Al-Awal Bank (formerly a subsidiary of the Saudi British Bank) (the “Bank”) and investors in the Fund (the “Unitholders”).

The Fund Manager registered office is at P.O. Box 1467, Riyadh 11431, Kingdom of Saudi Arabia.

GCC Equity Fund	
Commencement Date	30 November 2005
Latest Governing Terms and Condition Date	12 July 2023
Category	Conventional
Objective	Long term capital appreciation
Allowed Investment Channels	GCC equity markets
	Money market funds

The Fund has appointed Riyadh Capital Company (the “Custodian”) to act as its custodian and registrar. The custody fees and registration services are paid by the Fund.

The Fund Manager is responsible for the overall management of the Fund's activities. The Fund Manager can also enter into arrangements with other institutions for the provision of investment, custody or other administrative services on behalf of the Fund.

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) detailing requirements for all investments funds operating within the Kingdom of Saudi Arabia and published by the Capital Market Authority (the “CMA”) on 3 Dhul Hijja 1427H (corresponding to 24 December 2006). The Regulations were further amended on 12 Rajab 1442H (corresponding to 22 February 2021) (the “Amended Regulations”). The Fund Manager believes that the Amended Regulations was effective since 19 Ramadan 1442H (corresponding to 01 May 2021).

3. BASIS OF PREPARATION

3.1. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in the KSA”).

3.2. Basis of measurement

These financial statements have been prepared under the historical cost convention, except for the investments 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 on a going concern basis.

3.3. Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyal (SAR) which is also the functional currency of the Fund.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Amounts in Saudi Arabian Riyals)

3. BASIS OF PREPARATION (CONTINUED)

3.4. Financial year

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

3.5. Key accounting estimates and judgements

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. Major areas where estimates or judgements made are significant to the Fund's financial statements or where judgement was exercised in the application of accounting policies are as follows:

Use of judgements

Assessment as investment entity

Entities that meet the definition of an investment entity under IFRS are required to measure their investments at fair value through profit or loss rather than applying equity accounting method or consolidation. The criteria, which define an investment entity, is as follows:

- an entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- an entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- an entity that measures and evaluates the performance of substantially all of its investments on a fair value basis. The Fund's investment proposal to the unit holders clearly states its objective of providing investment management services to investors, for the purpose of capital appreciation with a clearly documented exit strategy from the investment.

The Fund's investment proposal to the unit holders clearly states its objective of providing investment management services to investors, for the purpose of capital appreciation with a clearly documented exit strategy from the investment.

The Fund reports to its investors and to its management, the investment it manages on a fair value basis. The investment is reported at fair value to the extent allowed by accounting standards in the Fund's annual financials. The Fund's exit strategy for its investment is reviewed annually. Therefore, the Management concluded that the Fund meets the definition of an investment entity.

Going concern

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

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3. BASIS OF PREPARATION (CONTINUED)

3.5. Key accounting estimates and judgements (continued)

Use of estimates

Measurement of fair values

The Fund's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Fund uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted priced included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

Further information about the assumptions made in measuring fair values is included in note 13 of these financial statements.

Impairment of financial assets

The Fund applies and determines expected credit loss (ECL) model for the measurement and recognition of impairment loss on the financial assets and credit risk exposure that are debt instruments and are measured at amortized cost e.g., bank balances. An expected credit loss is the probability weighted estimate of credit losses (i.e. present value of all cash shortfalls) over the expected life of the financial asset. For the determination of the expected credit loss, the fund evaluates among other factors, the credit risk, default and timing of collection since initial recognition. This requires recognizing allowance for expected credit losses in the statements of profit or loss and other comprehensive income.

4. MATERIAL ACCOUNTING POLICIES

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

4.1. Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank.

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4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.2. Financial instruments

4.2.1. Initial recognition and measurement of financial assets

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 marketplace.

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 is recognized immediately in statement of comprehensive income / (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 (FVTPL);
- Financial assets at fair value through other comprehensive income (FVOCI); or
- Financial assets at amortized cost.

4.2.4. Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate Sukuk, Murabaha placement.

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.
- **Financial assets at amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized in statement of income. Profit income from these financial assets is included in 'Special commission income' using the effective interest rate method.

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4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.2. Financial instruments (continued)

4.2.4. Debt instruments (continued)

- **Financial assets at 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, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, special commission income and foreign exchange gains and losses on the instrument's amortized cost are recognized in statement of income. 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 commission 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 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 statement of income in the year in which it arises. Profit income from these financial assets is included in 'Special commission income' using the effective interest rate method.

4.2.5. 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 fair value through profit or loss, except where the Fund Manager has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. 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 OCI and are not subsequently reclassified to the statement of income, 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 statement of income as 'Dividend income' when the Fund's right to receive payments is established.

4.2.6. 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.

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4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.2. Financial instruments (continued)

4.2.6. Impairment of financial assets (continued)

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

4.2.7. 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.

4.3. 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.

4.4. Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the statement of assets and liabilities 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.

4.5. Net assets attributable to unitholders

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

4.6. 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 redeemable units as an equity instrument if the redeemable units have all of the following features:

- It entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- The instrument is in the class of instruments that is subordinate to all other classes of instruments;
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- 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; and

NOTES TO THE FINANCIAL STATEMENTS

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4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.6. Redeemable units (continued)

- The total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the statement of comprehensive income, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

The Fund's redeemable participating units meet the definition of puttable instruments classified as equity instruments under IAS 32.16A-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 unit holders. The subscription and redemption of redeemable units are accounted for as equity transactions as long as units are classified as equity.

4.7. Net assets value per unit

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

4.8. Zakat

Zakat is the obligation of the Unitholder and is not provided for in these financial statements.

4.9. Revenue recognition

Revenue is recognized 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.

4.10. Dividend income

Dividend income is recognized in the statement of comprehensive income when declared (i.e. when the Fund's right to receive the dividend is established).

4.11. Management fee, custody fee and other expenses

The Fund's expenses include management fee, custody fee and other expenses. Management and custody fee are based on predetermined rates as specified in the Terms and Conditions of the Fund. Detailed policies are as follows:

4.12. Management fee

Fund's management fees are recognized on accrual basis and charged to the statement of comprehensive income. Fund management fee is charged at agreed rates with the Fund Manager and as stated in the terms and conditions of the Fund.

4.13. Custody fee

The Fund shall pay the Custodian an annual fee (the "Custodian Fee") equal to 0.0647% of the value of the Fund's assets (based on the most recent asset valuation). The Custody fee shall be paid in quarterly instalments.

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5. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS

5.1. New standards, amendments to standards and interpretations

The following amendments to standards relevant to the Fund are effective for the annual periods beginning on or after January 1, 2023 (unless otherwise stated). The Fund adopted these standards and / or amendments, however, there is no significant impact of these on the financial statements:

Amendments to standards	Description	Effective from accounting period beginning on or after	Summary of amendment
IFRS 9 (Amendments to IFRS 4)	Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	01 January 2023	The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
IFRS 17	Insurance Contracts and its amendments	01 January 2023	This is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	01 January 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements.
IAS 8	Amendment to the definition of accounting estimate	01 January 2023	These amendments regarding the definition of accounting estimates help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	01 January 2023	These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences
IAS 12	International tax reform (pillar two model rules)	01 January 2023	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

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5. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS (CONTINUED)

5.2. New standards, interpretations and amendments not yet effective

The Fund has not applied the following new and revised IFRS Standards and amendments to IFRS that have been issued but are not yet effective:

Amendments to standards	Description	Effective from accounting period beginning on or after	Summary of amendment
IAS 1	Classification of liabilities as current or non-current	01 January 2024	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right, and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of liability would not impact its classification.
IFRS 16	Leases on sale and leaseback	01 January 2024	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
IAS 7 and IFRS 7	Supplier finance arrangements	01 January 2024	These amendments require to add disclosure requirements to enhance transparency of supplier finance arrangements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.
IAS 21	Lack of Exchangeability	01 January 2025	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

6. CASH AND CASH EQUILENTS

	31 December 2023	31 December 2022
Cash in current account	<u>122,259</u>	<u>830,898</u>
	<u>122,259</u>	<u>830,898</u>

6.1 The fund's balance with the bank is held in current account and does not earn profit.

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7. INVESTMENT CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Investments comprise the following as at statement of financial position date:

Investment Sector	31 December 2023				31 December 2022			
	Market value	Cost	Unrealized gain / (loss)	Percentage	Market Value	Cost	Unrealized gain / (loss)	Percentage
Capital goods	1,881,740	1,120,374	761,366	13.33%	-	-	-	0.00%
Consumer services	1,043,345	562,670	480,675	7.39%	-	-	-	0.00%
Energy	824,952	470,416	354,536	5.85%	184,307	165,602	18,705	1.89%
Transportation	692,988	472,637	220,351	4.91%	-	-	-	0.00%
Software & services	665,040	272,544	392,496	4.71%	-	-	-	0.00%
Insurance	659,723	610,618	49,105	4.67%	-	-	-	0.00%
Media and entertainment	627,564	295,705	331,859	4.45%	-	-	-	0.00%
Health care equipment & svc	520,061	292,020	228,041	3.69%	634,515	594,364	40,151	6.51%
Consumer discretionary distribution & retail	486,892	406,885	80,007	3.45%	-	-	-	0.00%
Commercial & professional svc	472,011	332,454	139,557	3.34%	-	-	-	0.00%
Real estate management and development	447,497	464,275	(16,778)	3.17%	-	-	-	0.00%
Banks	302,664	227,539	75,125	2.14%	3,996,288	3,183,235	813,053	40.99%
Consumer staples distribution & retail	274,311	232,821	41,490	1.94%	-	-	-	0.00%
Food & beverages	273,085	213,316	59,769	1.94%	-	-	-	0.00%
Food & staples retailing	-	-	-	0.00%	731,077	701,532	29,545	7.50%
Materials	-	-	-	0.00%	584,783	552,833	31,950	6.00%
Utilities	-	-	-	0.00%	251,478	238,588	12,890	2.58%
Transport sector	-	-	-	0.00%	228,459	230,501	(2,042)	2.34%
Building & construction sector	-	-	-	0.00%	218,066	231,146	(13,080)	2.24%
Telecommunication services	-	-	-	0.00%	213,907	196,203	17,704	2.19%
Energy & utilities sector	-	-	-	0.00%	197,898	213,588	(15,690)	2.03%
Retailing	-	-	-	0.00%	165,748	176,516	(10,768)	1.70%

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7. INVESTMENT CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL) (CONTINUED)

Investment Countries	31 December 2023				31 December 2022			
	Market value	Cost	Unrealized gain / (loss)	Percentage	Market Value	Cost	Unrealized gain / (loss)	Percentage
Shares								
United Arab Emirates	3,237,090	2,766,340	470,750	22.94%	1,250,455	1,293,558	(43,103)	12.83%
Qatar	783,255	723,665	59,590	5.55%	528,686	725,470	(196,784)	5.42%
Kuwait	638,834	553,298	85,536	4.53%	562,577	595,303	(32,726)	5.77%
Oman	281,814	280,862	952	2.00%	-	-	-	0.00%
	14,112,866	10,298,439	3,814,427	100.00%	9,748,244	9,098,439	649,805	100.00%

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8. TRADE AND OTHER RECEIVABLES

The details are given below:

	31 December 2023	31 December 2022
Sale proceed receivable	-	255,629
Prepaid expenses	-	9,200
	-	264,829

9. NET GAINS FROM INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	31 December 2023	31 December 2022
Unrealized gains / (loss)	3,164,622	(2,084,060)
Realized gains	1,318,856	1,930,266
	4,483,478	(153,794)

10. RELATED PARTY INFORMATION

Management fee and other transactions

The Fund is managed and administered by the Fund Manager. For this service the Fund pays a management fee calculated on every valuation day, at an annual rate of 1.95% of the Fund's daily net assets. In addition, the Fund Manager charges a subscription fee of 1.5% on gross subscriptions to cover administration costs and a redemption fee of 0.5% on redemptions within a month of subscribing, which is reinvested in the Fund. Total management fees for the year amounted to SR 240,928 (31 December 2022: SR (233,261)). Other expenses paid by the Fund Manager on behalf of the Fund are charged to the Fund.

Board of Directors

The independent Directors are entitled to remuneration for their services at rates determined by the Fund's terms and conditions in respect of attending meetings of the Board of Directors or meetings of the Fund. Independent Director's fees are currently SR 3,000 per meeting up to a maximum of 2 meetings per annum per Director which is paid equally by all funds supervised by the board, in addition, SR 2,000 are paid to each independent Director by the Fund per annum.

Transaction:

Related party	Nature of transaction	For the year ended	
		31 December 2023	31 December 2022
Fund Manager	Management fee	(240,928)	(233,261)
Board Members	Board Members fee	(5,714)	(5,714)

Balances:

Related party - Nature of balance	As at	
	31 December 2023	31 December 2022
Fund Manager - Management fee	(27,085)	(17,649)
Board Members fee	(5,714)	(5,714)

Units held

Employee of Bank (SAAB) - Units held	500	500
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11. ACCRUALS AND OTHER LIABILITIES

	31 December 2023	31 December 2022
Management fee	27,085	17,649
Audit fees	6,000	20,000
Accrued benchmarking fee	-	15,936
CMA fee	7,500	7,500
Board members fees	5,714	5,714
Tadawul fee	5,000	-
VAT	3,506	5,957
Custody fee	726	2,067
Administration Fees Payable	1,112	-
Financial statement preparation fee	11,250	-
	67,893	74,823

12. OTHER EXPENSES

	31 December 2023	31 December 2022
VAT expense	44,870	42,468
Audit fees	20,000	20,000
Custody fee	18,936	24,858
Standard and Poor's benchmark fee	-	15,936
CMA monitoring fees	7,500	7,500
Board members fees	5,714	5,714
Tadawul fees	5,000	5,000
Admin Fee	3,005	-
Financial Preparation Fee	11,250	-
Brokerage fee	96,388	14,670
	212,663	136,146

13. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Fund has only investments at fair value through profit or loss which are measured at fair values and are classified within level 1 of the fair value hierarchy. The Fund Manager believes that the fair value of all other financial assets and liabilities at the reporting date approximate their carrying values owing to their short-term tenure and the fact that these are readily liquid. These are all classified within level 3 of the fair value hierarchy. There were no transfers between various levels of fair value hierarchy during the current year or prior year.

The fair values of the remaining on-balance sheet financial instruments at the reporting date are not significantly different from the carrying values included in the financial statements. The fair values of cash and cash equivalent and accruals and other payables which are carried at amortized cost, are not significantly different from the carrying values included in the financial statements, since the current market special commission rates for similar financial instruments are not significantly different from the contracted rates and/or on account of the short duration of these financial instruments.

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14. FINANCIAL RISK MANAGEMENT

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

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

Financial risk management framework

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

The Fund's investment manager has been given discretionary authority to manage the assets in line with the Fund's investment objectives. The composition of the portfolio are monitored by the Fund's Board on a semi-annual basis.

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

In order to avoid excessive concentrations of risk, the Fund's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The investment manager is instructed to reduce exposure or to use derivative instruments to manage excessive risk concentrations when they arise.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund does not have a formal internal grading mechanism. Credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Credit risks are generally managed on the basis of external credit ratings of the counterparties.

The Fund Manager seeks to limit its credit risk by monitoring credit exposure and by dealing with reputed counterparties. The Fund is exposed to credit risk on its bank balance. The table below shows the maximum exposure to credit risk for the component of the statement of financial position.

	31 December 2023	31 December 2022
Cash and cash equivalents	122,259	830,898
Trade and other receivables	-	264,829
	122,259	1,095,727

GCC EQUITY FUND

Open-Ended Fund

(Managed by SAB Invest)

NOTES TO THE FINANCIAL STATEMENTS

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14. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in releasing funds to meet commitments associated with financial liabilities that are settled by delivering cash or other financial assets.

The Fund's terms and conditions provide for the terms of subscriptions and redemptions of units and it is, therefore, exposed to the liquidity risk of meeting Unitholder redemptions. However, the Fund is allowed to borrow in order to satisfy redemptions. The Fund's securities are considered to be readily realizable as they are all listed on stock markets. 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.

MATURITY ANALYSIS

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled respectively:

	31 December 2023		
	Within 12 months	After 12 months	Total
Cash and cash equivalent	122,259	-	122,259
Investment in advance	598,950	-	598,950
Investments carried at FVTPL	14,112,866	-	14,112,866
TOTAL ASSETS	14,834,075	-	14,834,075
Accruals and other liabilities	67,893	-	67,893
TOTAL LIABILITIES	67,893	-	67,893
Maturity gap	14,766,182	-	14,766,182
Cumulative maturity gap	14,766,182	-	14,766,182
	31 December 2022		
	Within 12 months	After 12 months	Total
Cash and cash equivalent	830,898	-	830,898
Investments carried at FVTPL	9,748,244	-	9,748,244
Trade and other receivables	264,829	-	264,829
TOTAL ASSETS	10,843,971	-	10,843,971
Accruals and other liabilities	74,823	-	74,823
TOTAL LIABILITIES	74,823	-	74,823
Maturity gap	10,769,148	-	10,769,148
Cumulative maturity gap	10,769,148	-	10,769,148

Market risk

Market Risk is the risk that changes in market prices - such as foreign exchange rates, special commission rates and equity prices 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 Fund's terms and conditions. The Fund's market risk is managed on a timely basis by the investment manager in accordance with the policies and procedures in place. The Fund's market positions are monitored on a timely basis by the Fund Manager.

GCC EQUITY FUND
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14. FINANCIAL RISK MANAGEMENT (CONTINUED)

Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate because of changes in market prices.

The Fund's investments are susceptible to market price risk arising from uncertainties about future prices. The Fund Manager manages this risk through diversification of its investment portfolio in terms of industry concentration.

Sensitivity analysis

The table below sets out the effect on statement of income of a reasonably possible weakening / strengthening in the individual equity market prices of 5% at reporting date. The estimates are made on an individual investment basis. The analysis assumes that all other variables, in particular special commission and foreign currency rates, remain constant.

	31 December 2023		31 December 2022	
	Potential reasonable change %	Effect on NAV	Potential reasonable change %	Effect on NAV
Capital goods	+/- 5%	94,087	+/- 5%	-
Consumer services	+/- 5%	52,167	+/- 5%	-
Energy	+/- 5%	41,248	+/- 5%	9,215
Transportation	+/- 5%	34,649	+/- 5%	-
Software & services	+/- 5%	33,252	+/- 5%	-
Insurance	+/- 5%	32,986	+/- 5%	-
Media and entertainment	+/- 5%	31,378	+/- 5%	-
Health care equipment & svc	+/- 5%	26,003	+/- 5%	31,726
Consumer discretionary distribution & retail	+/- 5%	24,345	+/- 5%	-
Commercial & professional svc	+/- 5%	23,601	+/- 5%	-
Real estate management and development	+/- 5%	22,375	+/- 5%	-
Banks	+/- 5%	15,133	+/- 5%	199,814
Consumer staples distribution & retail	+/- 5%	13,716	+/- 5%	-
Food & beverages	+/- 5%	13,654		-
Food & staples retailing	+/- 5%	-	+/- 5%	36,554
Materials	+/- 5%	-	+/- 5%	29,239
Utilities	+/- 5%	-	+/- 5%	12,574
Transport sector	+/- 5%	-	+/- 5%	11,423
Building & construction sector	+/- 5%	-	+/- 5%	10,903
Telecommunication services	+/- 5%	-	+/- 5%	10,695
Energy & utilities sector	+/- 5%	-	+/- 5%	9,895
Retailing	+/- 5%	-	+/- 5%	8,287
Shares				
United Arab Emirates	+/- 5%	161,855	+/- 5%	62,523
Qatar	+/- 5%	39,163	+/- 5%	26,434
Kuwait	+/- 5%	31,942	+/- 5%	28,129
Oman	+/- 5%	14,091	+/- 5%	-

GCC EQUITY FUND
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14. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund is not subject to fluctuations in foreign exchange rates as it ordinary transact in Saudi Riyal, Qatar Riyal, Emirates Dirhams and Kuwaiti Dinar.

15. SUBSEQUENT EVENTS

In the opinion of Fund Manager, no events have occurred subsequent to the reporting date and before the issuance of these financial statements which requires adjustment to, or disclosure, in these financial statements.

16. LAST VALUATION DAY

The last valuation day for the period was 31 December 2023 (31 December 2022).

17. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Chief Investment Officer on 16 Ramadan 1445H corresponding to 26 March 2024.