

ALWATANI SAUDI EQUITY FUND

(An open-ended mutual fund)

Managed by

Watani Wealth Management

**Interim condensed financial statements and independent
auditor's review report**

For the six-month period ended June 30, 2024

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Interim condensed financial statements and independent auditor's review report

For the six-month period ended June 30, 2024

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Independent Auditors’ Report on Review of the Interim Condensed Financial Statements

To the unitholders of AlWatani Saudi Equity Fund

Introduction

We have reviewed the accompanying interim condensed statement of financial position of **Alwatani Saudi Equity Fund** (“the Fund”), managed by Watani Wealth Management (“the Fund Manager”), as at June 30, 2024, and the related interim condensed statements of comprehensive income, statements of changes in equity and cash flows for the six-month period then ended, and other explanatory notes (the “interim condensed financial statements”). Fund Manager is responsible for the preparation and presentation of these interim condensed financial statements in accordance with the International Accounting Standard 34: *Interim Financial Reporting* (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and to comply with the applicable provisions of the Investment Fund Regulations issued by the Capital Market Authority and the Funds Terms and Conditions. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”, as endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying June 30, 2024 interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Deloitte and Touche & Co.
Chartered Accountants

Waleed bin Moh'd Sobahi
Certified Public Accountant
License No. 378
Safar 4, 1446 AH

Corresponding to: August 8, 2024



ALWATANI SAUDI EQUITY FUND**(An open-ended mutual fund)**

Managed by

Watani Wealth Management**Interim condensed statement of financial position (Unaudited)**

As at June 30, 2024

(Amounts in SAR ‘000)

	<u>Note</u>	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
ASSETS			
Cash and cash equivalents	10	4,550	3,408
Investments measured at fair value through profit or loss (“FVTPL”)	11	18,914	21,388
Other assets	12	6	-
TOTAL ASSETS		23,470	24,796
LIABILITIES			
Other payables	13	72	92
TOTAL LIABILITIES		72	92
NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS			
		23,398	24,704
Units in issue (numbers in thousands)			
		1,969	1,998
Net assets (equity) per unit (SAR) – IFRS			
		11.88	12.36
Net assets (equity) per unit (SAR) – Dealing			
		11.88	12.36

The accompanying notes 1 to 19 form an integral part of these interim condensed financial statements.

ALWATANI SAUDI EQUITY FUND**(An open-ended mutual fund)**

Managed by

Watani Wealth Management**Interim condensed statement of comprehensive income (Unaudited)**

For the six-month period ended June 30, 2024

(Amounts in SAR '000)

	Note	June 30, 2024	June 30, 2023
INCOME			
Dividend income		441	330
Realised gain from investments measured at FVTPL		413	1,335
Unrealised (loss) / gain from investments measured at FVTPL		(1,527)	2,273
Total (loss) / income		(673)	3,938
EXPENSES			
Management fees	14	(142)	(128)
Other expenses		(139)	(131)
Total expenses		(281)	(259)
Net (loss) / profit for the period		(954)	3,679
Other comprehensive income for the period		-	-
Total comprehensive (loss) / income for the period		(954)	3,679

The accompanying notes 1 to 19 form an integral part of these interim condensed financial statements.

ALWATANI SAUDI EQUITY FUND**(An open-ended mutual fund)**

Managed by

Watani Wealth Management**Interim condensed statement of changes in net assets (equity) attributable to the unitholders****(Unaudited)**

For the six-month period ended June 30, 2024

(Amounts in SAR '000)

	June 30, 2024	June 30, 2023
Net assets (equity) attributable to the unitholders at the beginning of the period	24,704	20,976
Total comprehensive (loss) / income for the period	(954)	3,679
(Decrease) / increase in equity from unit transactions during the period		
Proceeds from issuance of units during the period	60	-
Payment for redemption of units during the period	(412)	(571)
Net assets (equity) attributable to the unitholders at the end of the period	23,398	24,084

UNITS TRANSACTIONS (NUMBERS IN THOUSANDS)

Transactions in units are summarised as follows:

Units in issuance at beginning of the period	1,998	2,012
Issuance of units during the period	5	-
Redemption of units during the period	(34)	(48)
Units in issuance at end of the period	1,969	1,964

The accompanying notes 1 to 19 form an integral part of these interim condensed financial statements.

ALWATANI SAUDI EQUITY FUND**(An open-ended mutual fund)**

Managed by

Watani Wealth Management**Interim condensed statement of cash flows (Unaudited)**

For the six-month period ended June 30, 2024

(Amounts in SAR '000)

	Note	June 30, 2024	June 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit for the period		(954)	3,679
<i>Adjustments to reconcile net income to net cash generated from operating activities:</i>			
Unrealized loss / (gain) on investments measured at FVTPL		1,527	(2,273)
		573	1,406
Net decrease in operating assets:			
Decrease in investments measured at FVTPL		947	2,501
Increase in other assets		(6)	(1,611)
Net decrease in operating liabilities:			
Decrease in other payables		(20)	(3)
Net cash generated from operating activities		1,494	2,293
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from units issued		60	-
Payment for units redeemed		(412)	(571)
Net cash used in financing activities		(352)	(571)
Net increase in cash and cash equivalents		1,142	1,722
Cash and cash equivalents at the beginning of the period		3,408	2,525
Cash and cash equivalents at the end of the period	10	4,550	4,247

The accompanying notes 1 to 19 form an integral part of these interim condensed financial statements.

ALWATANI SAUDI EQUITY FUND

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Watani Wealth Management

Notes to the interim condensed financial statements (Unaudited)

For the six-month period ended June 30, 2024

(Amounts in SAR '000)

1. THE FUND AND ITS ACTIVITIES

AlWatani Saudi Equity Fund (“the Fund”) is a public, open-ended investment fund, managed by Watani Wealth Management (“the Fund Manager”, Registrar), a subsidiary of National Bank of Kuwait (“the Bank”), for the benefit of the Fund’s Unitholders. The Fund is established under article 31 of the Investment Fund Regulations (“the Regulations”) issued by the Capital Market Authority (“CMA”).

The Capital Market Authority (“CMA”) approval for the establishment of the Fund was granted in its letter dated Dhul Qadah 19, 1442H (corresponding to June 29, 2021). The terms and conditions of the Fund were approved by the CMA on Muharram 1, 1443H (corresponding to August 9, 2021). The Fund commenced its operations on Jumada al-Ula 8, 1443H (corresponding to December 12, 2021).

The Fund’s investment objective is to achieve capital growth by investing in a diversified portfolio of equities of companies listed on the Saudi Stock Exchange. The Fund benchmarks its performance to the S&P Saudi Arabia Domestic Total Return Local Currency Index and aims to provide comparatively higher returns to the unitholders. The Fund does not intend to make any distributions to Unitholders, and instead, intends to reinvest any capital gains and dividends earned.

The Fund is governed by the Investment Fund Regulations (“the Regulations”) published by the CMA.

The Fund has appointed Al Bilad Investment Company to act as its custodian and administrator.

2. STATEMENT OF COMPLIANCE

These interim condensed financial statements are prepared in accordance with the International Accounting Standard 34: *Interim Financial Reporting* (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization of Chartered and Professional Accountants, and to comply with the applicable provisions of the Investment Funds Regulations issued by CMA and the Fund’s Terms and Conditions.

The interim condensed financial statements do not include all the information and disclosures that are typically required in an annual financial statement and are thus presented in accordance with the requirements of IAS 34.

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

The Fund is open for subscriptions / redemptions every business day (each a “Dealing Day”) and performs valuations every Monday and Thursday (each a “Valuation Day”). The “cut off” time for subscriptions / redemptions is 12:00pm of every Valuation Day. In case the Valuation and Dealing Day happen to fall on a day which is a public holiday in the Kingdom of Saudi Arabia, the Valuation, Dealing and Redemption Day will be on the immediate next Valuation and Dealing Day. The unit price on subscription or the unit price on redemption is represented in the Net Assets (Equity) Value (“NAV”) per unit calculated by the administrator on the next Valuation Day on which the units were subscribed or redeemed for.

The NAV of the Fund for the purpose of purchase or redemption of units is calculated by subtracting from the value of the Fund’s total assets to the value of the Fund’s total liabilities. The unit price is determined by dividing such resulting figure by the total number of outstanding units on the relevant Valuation Day.

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Notes to the interim condensed financial statements (Unaudited)

For the six-month period ended June 30, 2024

(Amounts in SAR '000)

4. BASIS OF MEASUREMENT

The interim condensed financial statements have been prepared on a historical cost basis (except for investments measured at FVTPL which are stated at their fair value) using the accrual basis of accounting.

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 Fund Manager is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the interim condensed financial statements are prepared on the going concern basis.

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

5. FUNCTIONAL AND PRESENTATION CURRENCY

These interim condensed financial statements are presented in Saudi Arabian Riyal ("SAR") which is the Fund's functional and presentation currency. All financial information presented has been rounded to the nearest thousand SAR, unless otherwise stated.

6. CHANGES IN FUND'S TERMS AND CONDITIONS

During the period, the Fund Manager made revisions to the terms and conditions of the Fund related to the change of the fund's custodian & administrator, which were approved on June 6, 2024.

7. USE OF ESTIMATES AND JUDGMENTS

The preparation of these interim condensed financial statements in conformity with IFRS requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires the Fund Manager to exercise its judgement in the process of applying the Fund's accounting policies. Such judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. There were no significant judgements/estimates made for these interim condensed financial statements.

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For the six-month period ended June 30, 2024

(Amounts in SAR '000)

8. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies, estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual audited financial statements of the Fund for the year ended December 31, 2023.

9. NEW ACCOUNTING STANDARDS AND AMENDMENTS

New IFRS Standards, interpretations and amendments

Below standards, amendments to accounting standards and interpretations became applicable for annual reporting periods commencing on or after January 1, 2024. The Fund Manager has assessed that these amendments have no significant impact on the Fund's interim condensed financial statements.

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16 – Leases on sale and leaseback	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.	January 1, 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	January 1, 2024
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	January 1, 2024
IFRS S1, 'General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	January 1, 2024 subject to endorsement from SOCPA
IFRS S2, 'Climate-related disclosures'	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.	January 1, 2024 subject to endorsement from SOCPA

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9. NEW ACCOUNTING STANDARDS AND AMENDMENTS (Continued)

Prospective changes to the International Financial Reporting Framework

The accounting standards, amendments and revisions which have been published and are mandatory for compliance for the Fund's accounting year beginning on or after January 1, 2025 are listed below. The Fund Manager has opted not to early adopt these pronouncements and do not expect these to have significant impact on the Fund's financial statements upon adoption.

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 21 – Lack of exchangeability	IASB amended IAS 21 to add requirements to help in determining whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not exchangeable. Amendment set out a framework under which the spot exchange rate at the measurement date could be determined using an observable exchange rate without adjustment or another estimation technique.	January 1, 2025
IFRS 18, Presentation and Disclosure in Financial Statements	IFRS 18 provides guidance on items in statement of profit or loss classified into five categories: operating; investing; financing; income taxes and discontinued operations. It defines a subset of measures related to an entity's financial performance as 'management-defined performance measures' ('MPMs'). The totals, subtotals and line items presented in the primary financial statements and items disclosed in the notes need to be described in a way that represents the characteristics of the item. It requires foreign exchange differences to be classified in the same category as the income and expenses from the items that resulted in the foreign exchange differences.	January 1, 2027
IFRS 19 - Reducing subsidiaries' disclosures	IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19. A subsidiary may choose to apply the new standard in its consolidated, separate or individual financial statements provided that, at the reporting date it does not have public accountability and its parent produces consolidated financial statements under IFRS Accounting Standards.	January 1, 2027
Amendments to IFRS 10 and IAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations and the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.	Effective date deferred indefinitely

10. CASH AND CASH EQUIVALENTS

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Cash and cash equivalents	4,550	3,408

This comprises of balance held with the custodian in an investment account.

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(Amounts in SAR '000)

11. INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The composition of investments measured at fair value through profit or loss by sector is summarized below:

Sector	June 30, 2024 (unaudited)		
	<u>% of Total Investment</u>	<u>Cost</u>	<u>Fair Value</u>
Financials	54.30%	10,874	10,271
Materials	14.97%	3,213	2,832
Energy	11.44%	2,467	2,164
Real estate	11.72%	2,010	2,215
Utilities	7.57%	1,257	1,432
	100.00%	19,821	18,914

Sector	December 31, 2023 (Audited)		
	<u>% of Total Investment</u>	<u>Cost</u>	<u>Fair Value</u>
Financials	57.81%	12,356	12,364
Real estate	7.22%	1,324	1,545
Utilities	11.63%	2,023	2,487
Materials	13.64%	3,068	2,917
Energy	9.70%	1,998	2,075
	100.00%	20,769	21,388

12. OTHER ASSETS

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Others	6	-

13. OTHER PAYABLES

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Management fee payable	23	23
Others	49	69
	72	92

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(Amounts in SAR '000)

14. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The related party of the Fund includes Fund Manager, affiliates of the Fund Manager, funds managed by the Fund Manager, and the Bank, being major shareholder of the Fund Manager. Affiliates are defined as the related parties of the Fund Manager.

Management fee and other expenses

The Fund is managed and administered by the Fund Manager. For these services, the Fund accrues a management fee on a daily basis, as determined by the Fund Manager, which should not be more than the maximum annual rate of 1% per annum of the Fund's daily NAV as set out in the Fund's terms and conditions.

The Fund Manager is also entitled to recover expenses incurred on behalf of the Fund relating to audit, custody, advisory, data processing and other similar charges. These expenses have been recovered by the Fund Manager on an actual basis.

Transactions with related parties

During the period, the Fund entered into the following transactions, other than those disclosed elsewhere in the financial statements, with related parties in the ordinary course of business. These transactions were carried out on the basis of approved terms and conditions of the Fund. All related party transactions are approved by the Fund Board.

<u>Related party</u>	<u>Nature of transaction</u>	<u>Transactions</u>	<u>Balance</u>
		<u>June 30, 2024</u> <u>(Unaudited)</u>	<u>June 30, 2024</u> <u>(Unaudited)</u>
The Fund Manager	Management fee	<u>142</u>	<u>23</u>
		<u>Transactions</u>	<u>Balance</u>
<u>Related party</u>	<u>Nature of transaction</u>	<u>June 30, 2023</u> <u>(Unaudited)</u>	<u>December 31, 2023</u> <u>(Audited)</u>
The Fund Manager	Management fee	<u>128</u>	<u>23</u>

As at June 30, 2024, an affiliate of the Fund Manager holds 1,125,000 (2023: 1,125,000) units of the Fund.

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For the six-month period ended June 30, 2024

(Amounts in SAR '000)

15. RISK MANAGEMENT POLICIES

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.

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 is exposed to credit risk for its cash and cash equivalents. The Fund Manager seeks to limit its credit risk by monitoring credit exposures and by dealing with only reputable counterparties.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in releasing funds to meet commitments associated with financial liabilities.

The Fund's Terms and Conditions provide for the subscriptions and redemptions of units throughout the week and it is, therefore, exposed to the liquidity risk of meeting unitholders redemptions. As at June 30, 2024, the Fund's cash and cash equivalents and investments measured at FVTPL are considered to be short-term in nature and readily realisable. The Fund Manager monitors liquidity requirements on a regular basis and seeks to ensure that funds are available to meet commitments as they arise.

Market risk

Market risk is the risk that changes in market prices, such as equity prices, will affect the Fund's income or the fair value of its holdings in financial instruments. The Fund Manager's strategy for the management of market risk is driven by the Fund's objective as per the Fund's Terms and Conditions. The Fund's market risk is managed on a timely basis by the Fund Manager in accordance with the policies and procedures in place.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. Financial instruments comprise financial assets and financial liabilities. The Fund's financial assets consist of listed equity investments held at FVTPL and financial assets measured at amortized cost. The Fund's financial liabilities consist of financial liabilities measured at amortized cost.

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For the six-month period ended June 30, 2024

(Amounts in SAR '000)

16. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The table below presents the investments measured at their fair values as of reporting date based on the fair value hierarchy:

		June 30, 2024 (Unaudited)				
		Carrying Value	Level 1	Level 2	Level 3	Total
Investments measured at FVTPL		18,914	18,914	-	-	18,914
		18,914	18,914	-	-	18,914
		December 31, 2023 (Audited)				
		Carrying Value	Level 1	Level 2	Level 3	Total
Investments measured at FVTPL		21,388	21,388	-	-	21,388
		21,388	21,388	-	-	21,388

During the period, there were no transfers between the fair value levels. The carrying amounts of the financial assets such as cash and cash equivalents and other receivables approximate fair value because of their short-term nature and the high credit quality of counterparties. The carrying amount of other payables approximate fair value because of its short-term nature. These financial instruments are categorised as Level 3.

17. LAST VALUATION DAY

The last valuation day of the period was June 30, 2024.

18. SUBSEQUENT EVENTS

There were no significant events after the reporting period that require disclosure or adjustment in these interim condensed financial statements.

19. APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed financial statements were authorized for issue by the Fund Board on Safar 3, 1446 AH corresponding to August 7, 2024.