

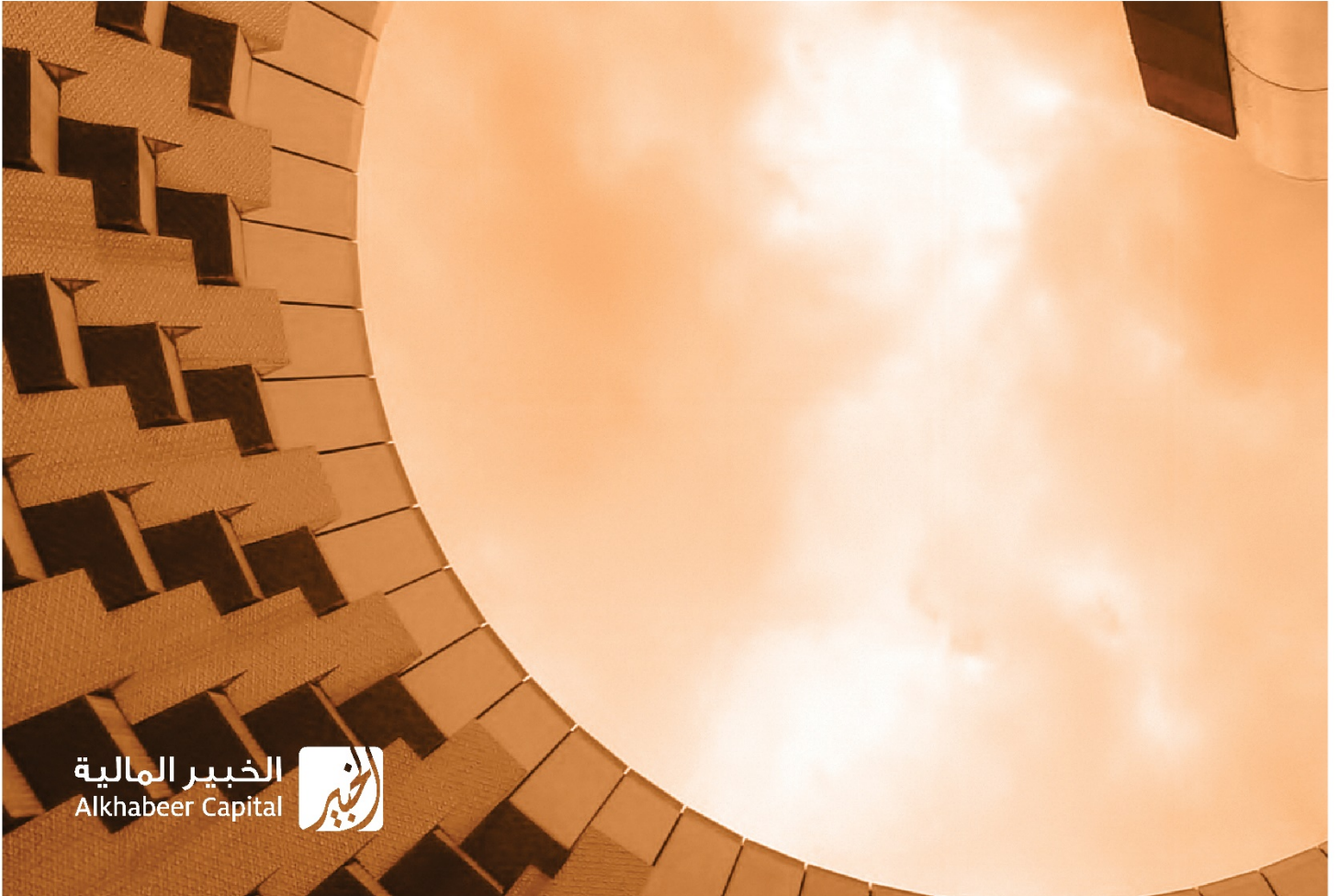
الخبير للنمو والدخل
Alkhabeer Growth & Income



Annual Report 2022

ALKHABEER GROWTH & INCOME TRADED FUND

(A Closed-Ended Shari'a-Compliant Investment Traded Fund
Listed on Saudi Tadawul)



الخبير المالية
Alkhabeer Capital





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(A) FUND INFORMATION

1. NAME OF THE FUND

Alkhabeer Growth & Income Traded Fund.

2. FUND INVESTMENT OBJECTIVES, POLICIES AND PRACTICES

- Investing in a Shari'a compliant diversified portfolio of global equities. The Fund's investments will include investing in the shares of companies active in most sectors and traded on global exchanges, including Saudi Arabia, USA, People's Republic of China, Japan, Switzerland, United Kingdom, France, Germany and Canada. Investing in those markets shall be in the currency of each country. In addition, the Fund Manager will invest in public and private equities managed by fund managers who are licensed by the Capital Market Authority or a comparable authority when investing outside the Kingdom of Saudi Arabia. These funds shall include shares of companies of different market caps in various countries and diverse sectors. The Fund Manager also intends to invest in initial public offerings to be listed on various stock exchanges, along with subscribing in the capital increases of listed companies, as well as non-listed companies scheduled for initial public offerings, by subscribing in private placement in the pre-IPO stage, and investing in cash and cash equivalents, in order to achieve a long-term growth and generate current income from the returns of shares and capital gains.
- The Fund Manager adopts a passive investment policy to build and manage a global and local equity portfolio by tracking Alkhabeer Global Equity index (the "Index") which is compliant with the guidelines of the Shari'a Supervisory Committee, and which is especially created for the Fund in collaboration with the index service provider Ideal Ratings (the "Index Service Provider"). The Index Service Provider will calculate the valuations of the companies that are included in the Index, and will manage the Index on behalf of the Fund. The Index includes companies which are diversified by sector and size in the largest global capital markets, as well as the largest leading companies in the Kingdom of Saudi Arabia. The Index will be rebalanced by the Index Service Provider on a quarterly basis.
- The Fund Manager adopts an active policy to place capital in public and private equity funds offered by local, regional and global licensed fund managers or by traded index funds, including the Fund Manager. When investing in a fund managed by the Fund Manager, the Fund will be exempt from any management or administration fees accruing to the benefit of this Fund. When investing in funds in general, the Fund Manager will ensure that the strategy of the targeted fund is in line with the Fund's investment strategy in terms of the risk-return profile.
- The Fund Manager will adopt an active investment policy in initial public offerings of companies and capital increases of companies listed on the local market (whether in Saudi Tadawul or in the Parallel Market (NOMU)), in addition to regional and global markets. The Fund Manager will carry out Due Diligence to ascertain the suitability of the investment.
- The Fund Manager shall adopt an active process when investing in non-listed companies in the pre-IPO stage by subscribing in private placements in the local or regional and global markets. The Fund Manager will study the potential investments to ensure that they are in compliance with the guidelines of the Shari'a Supervisory Committee, and suitable in terms of potential gains and relevant risks involved.

- **Description of Asset Types and Fund Strategies:**

Investment Type	Minimum	Maximum
Listed Global and Local Equities	(75%)	100%
IPO and Share Capital Increases of Listed Companies	(0%)	25%
Non-Listed Companies in the Pre-IPO Stage by Subscribing in Private Placements	(0%)	25%
Public and Private Equity Funds, Index Funds and Money Market Funds	(0%)	25%
Cash Liquidity and Murabaha Transactions	(0%)	25%**

* In the event of increase or decrease of the equity value of the investment assets, or in the event of maturity of debts, which may cause the Fund to exceed the maximum limit of investment in any of its assets, the Fund Manager shall evaluate the investment positions and rebalance the portfolio to ensure compliance with the investment percentages as specified in the table above. The Fund Manager may have to maintain the investment position until the next date of rebalancing of the portfolio, or until the date of maturity of an illiquid asset for the benefit of the Unitholders.

The Fund Manager shall comply with the investment limits and restrictions applicable to the Fund as stipulated in the Investment Funds Regulations and as provided in the guidelines of the Fund's Shari'a Supervisory Committee.

Dealings, methods and tools that the Fund Manager may use in making the Fund's investment decisions

The Fund's performance will mainly depend on the performance of the global and local equity portfolio, which implements a core-satellite management strategy, mainly based on tracking Alkhabeer Global Equity Index, with the enhancement of performance by investing in private placements, initial public offerings and investment funds.

- Simulating Alkhabeer Global Equity Index, which includes companies of diverse sectors and sizes in the largest global capital markets, in addition to the largest leading companies in Saudi Arabia, which are compliant with the guidelines of the Shari'a Supervisory Committee, and investing in IPOs and private placements.
- The Fund Manager, in its subscription in pre-IPO stage companies by investing in private placements, will rely on the Fundamental Analysis and valuation of each investment opportunity based on the strength of the financial position of, and projected returns from, the companies concerned, in addition to the analysis of the technical indices and the level of risks associated with each opportunity. Investments considered as suitable opportunities will subsequently be selected.
- The Fund Manager targets investing in public and private equity funds offered by local and global fund managers licensed by the CMA or a similar regulatory authority in order to enhance diversification, reach additional markets and companies and implement various investment strategies which are in line with the Fund's objectives in terms of the risk-return profile. The returns generated by the Fund on its investment in the target funds will be net of any fees related to those funds. The funds will be selected according to their suitability, the Fund Manager's competence, and the financial performance standards, including the following:

Suitability Standards:

- Compliance with the guidelines of the Shari'a Supervisory Committee
- Fund Size
- Fund Strategy and Investment Objective
- Geographic and Sector Diversification
- Risk Level
- Fees and Expenses

Fund Manager's Competence:

- Licensed by the CMA, or a similar authority when investing abroad
- History of the Company
- Company's Market Reputation
- Total Assets Under Management
- Expertise and Competence of the Team

Financial Performance Standards:

- Fund's Past Performance
- Risk Management
- Performance Compared to Competing Funds

- The Fund invests in Commodity Murabaha Manager with financial institutions rated by one of the three international credit rating agencies, with a minimum rating of: (BBB- by S&P), (Baa3 by Moody's) or (BBB- by Fitch). The Fund Manager will rely on the analysis of the best available offerings of Murabaha Transactions or money market funds managed by CMA licensed fund managers. In normal circumstances, the Fund Manager will not hold cash or invest in Murabaha Transactions in excess of 25% of the Fund's Net Asset Value (NAV). However, in case of liquidation of some investments (until the cash is re-invested), or in exceptional cases, including for example an economic crisis, war, etc., the percentage allocation to cash liquidity, Murabaha Transactions and money market funds may be increased up to 100% of the Fund's NAV.
- In the event of increase or decrease of the value of any assets held by the Fund above or below the Fund's investment percentages as shown in paragraph (d), which may result in an increase or decrease in the equity value of an underlying asset, or due to the maturity of financing, the Fund Manager will evaluate the investment positions and rebalance the portfolio to maintain the investment limits as specified in the table in paragraph (d) above, and the Fund Manager may have to opt to maintain the investment position until the date of rebalancing of the Fund's investment, or until the date of maturity of an illiquid asset for the benefit of the Unitholders, so as to enable the Fund to comply with the investment restrictions contained in paragraph (d) above.
- Investment decisions made by the Fund Manager shall be in line with the sound and prudent investment practices which achieve the Fund's investment objectives as stated in the Fund's Terms and Conditions. This includes that the Fund Manager acts to the best of its ability to ensure as follows:
 1. That the Fund's investments are based on a careful and prudent distribution of risks, without undermining the Fund's investment objectives, policies and Terms and Conditions, as well as the Regulations.
 2. That sufficient liquidity is available to the Fund to meet any expected payment request, such as accrued expenses and fees which are payable by the Fund.
- Risks were assessed and necessary action shall be taken to ensure the best interest of the Unitholders in line with applicable laws and regulations. For additional details on the Fund's potential risks, please see Paragraph (4) of these Terms and Conditions.
- The Fund Manager adopts a risk management policy aimed at defining and assessing the potential risks as quickly as possible, and addressing these risks to minimize their effect. The Fund Manager studies and assesses the risks

involved in any assets before investment. Risks are re-assessed annually. For additional details on the Internal Process for Risk Assessment and Management, please see Appendix (3).

3. INCOME AND DIVIDEND DISTRIBUTION POLICY

- The Fund Manager intends to distribute 100% of the net returns on the Fund's investments on a semi-annual basis, including only the dividend distributions of the shares in which the Fund invests. The Fund will distribute the returns within 40 Business Days following the date of issue of the semi-annual and annual financial statements.
- The Fund Manager may, as it deems appropriate at its discretion, distribute up to 50% of the net realized and unrealized capital gains on a semi-annual basis. The Fund will distribute the realized and unrealized capital gains (if any) within 40 Business Days following the date of issue of the semi-annual and annual financial statements. Details of cash distributions will be announced on Saudi Tadawul's website and the Fund Manager's website. The Fund Manager will take into consideration the values of the assets, the Unit Price and prevailing market condition at the time, with the long term growth of the Fund's assets to make the optimal decision on whether to make or not to make distributions.

4. THE FUND MANAGER AVAILS FUND REPORTS UPON REQUEST, FREE OF CHARGE

5. DESCRIPTION OF THE FUND'S BENCHMARK

Alkhabeer Global Equity Index is an index especially created for the Fund in collaboration with the Index Service Provider, who will calculate the valuations of the companies that are included in the Index, and will manage the Index on behalf of the Fund. The Index includes companies which are diversified by sector and size in the largest global capital markets, as well as the largest leading companies in the Kingdom of Saudi Arabia. The companies will be filtered based on a market value exceeding US \$ 100 million, and a trade value exceeding US \$ 1 million per day. The Index includes 160 global family companies compliant with the guidelines of the Shari'a Supervisory Committee, in addition to the largest 10 listed companies on the Saudi Stock Exchange. The global companies included in the index are divided by market cap into three categories: the largest 70 in terms of market value of free float shares among large market cap companies, the largest 50 companies in terms of market value of free float shares among medium market cap companies, and the largest 40 companies in terms of market value of free float shares among small market cap companies. Large market cap companies are defined as companies representing the largest market capitalization. It is the segment which represents up to 70% of the aggregate capitalization of the market combined, while the medium cap segment represents more than 70% up to 85% of the aggregate market capitalization, and the small cap represents more than 85% up to 100% of the aggregate market capitalization.

(B) FUND PERFORMANCE

1. FINANCIAL INDICATORS AS AT THE END OF 2022*

FUND NET ASSET VALUE	SAR 944,090,819
FUND NET ASSET VALUE PER UNIT	SAR 9.4409
FUND NET ASSET VALUE PER UNIT HIGH AND LOW DURING THE YEAR	Unit Value High = SAR 10.1982 Unit Value Low = SAR 8.6958
NUMBER OF OUTSTANDING UNITS	100,000,000 Units
DIVIDENDS DISTRIBUTED PER UNIT**	0
RATIO OF EXPENDITURES TO NET ASSET VALUE	0.93%
RATIO OF TOTAL EXPENDITURES TO AVERAGE NET ASSET VALUE**	0.92%
RATIO OF LOANS TO TOTAL ASSET VALUE, EXPOSURE PERIOD AND MATURITY DATE	0

* The Fund was incepted on 27 April 2022.

** The Fund's average NAV for the year was SAR 953,065,915.

2. PERFORMANCE RECORD, COVERS THE FOLLOWING: *

a) Total Return for 1, 3 and 5 Years and Since Inception*

Period	For One Year	For Three Years	For Five Years	Since Inception
Total Return **	-5.59%	N/A	N/A	-5.59%

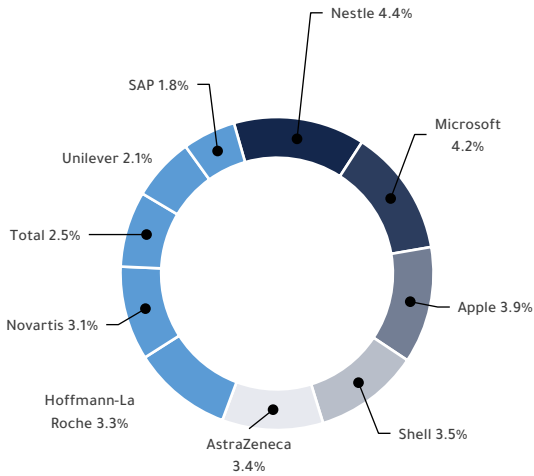
b) Total Annual Return for Each of the Last Ten Years or Since Inception

Year	2022	Since Inception
Total Return	-5.59%	-5.59%

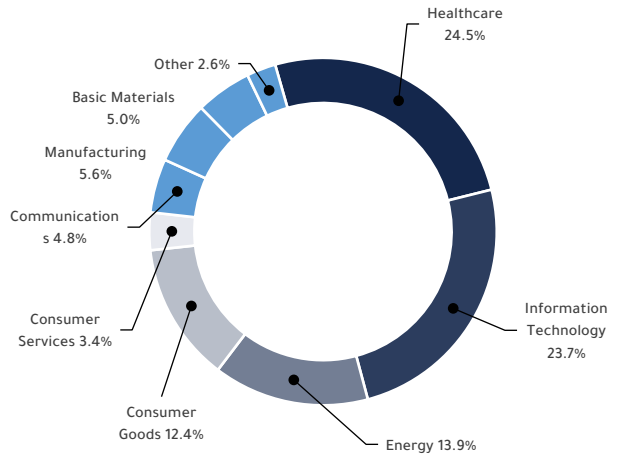
* The Fund was incepted on 27 April 2022.

** Total Return = NAV + Total Dividends

TOP 10 LISTED GLOBAL AND LOCAL EQUITIES COMPANIES



TOP SECTORS OF FUND'S UNDERLYING INVESTEE COMPANIES



DISTRIBUTION OF INVESTMENTS BY GEOGRAPHY

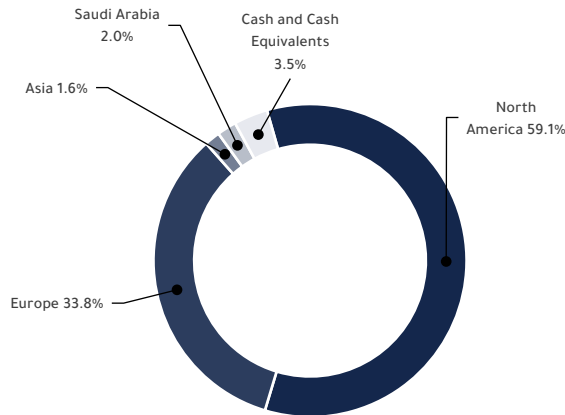


Table showing service charges, commissions and fees incurred by the Fund over the year. The total ratio of expenses shall also be clearly disclosed. Any circumstances where the Fund Manager decides to waive or reduce any fees shall also be disclosed.

Director's Name	Type of Membership
FUND OPERATOR FEES	1,113,636
MANAGEMENT FEES	5,939,388
SHARI'A SUPERVISORY COMMITTEE FEES	10,233
CUSTODIAN FEES	341,276
AUDITOR FEES	57,500
DIRECTORS' REMUNERATION (INDEPENDENT DIRECTORS)	26,000
FORMATION EXPENSES	147,658
REGISTRATION EXPENSES	859,916
REGULATORY FEES	151,508
INTEREST ON FACILITIES	-
OTHER EXPENSES	133,216
TOTAL FEES AND EXPENSES OF THE FUND	8,780,330
NET VALUE OF MANAGED ASSETS	944,090,817
RATIO OF TOTAL FUND FEES AND EXPENSES TO NET VALUE OF MANAGED ASSETS	0.93%

3. ANY MATERIAL CHANGES DURING THE PERIOD AFFECTING THE PERFORMANCE OF THE FUND, WHICH MUST BE DISCLOSED

N/A.

4. DISCLOSURE OF ANNUAL VOTING PRACTICES

The Fund Manager did not have any voting for FY 2022.

5. REPORT OF THE FUND BOARD

(a) Names of the Fund Board Members and Type of Membership

#	Director's Name	Type of Membership
1	MR. AMMAR AHMED SALEH SHATA	Chairman of the Board - Non-Independent
2	MR. AHMED SAUD HAMZA GHOUTH	Director - Non-Independent
3	MR. HISHAM OMAR ALI BAROUM	Director - Non-Independent
4	MR. FAROUQ FOUAD AHMED GHULAM	Director - Independent
5	MR. AHMED ABDULELAH MAGHRABI	Director - Independent

(b) Brief Description of the Qualifications of the Fund Board Members

DIRECTOR'S NAME	Mr. Ammar Ahmed Saleh Shata
TYPE OF MEMBERSHIP	Chairman of the Board - Non-Independent
CURRENT POSITION	Mr. Ammar is the founder and Chairman of the Board of Alkhabeer Capital.
QUALIFICATIONS AND EXPERIENCE	<ul style="list-style-type: none"> • He has over 30 years of experience in the fields of corporate finance, structured finance, asset management, Islamic financial product development and Islamic investment and banking services. • He holds a master's degree in economic planning and a bachelor's degree in electrical engineering from the University of Southern California, United States of America. • He is also a CFA charterholder, USA.

DIRECTOR'S NAME	Mr. Ahmed Saud Hamza Ghouth
TYPE OF MEMBERSHIP	Director - Non-Independent
CURRENT POSITION	Mr. Ahmed is the CEO and Board Member of Alkhabeer Capital.
QUALIFICATIONS AND EXPERIENCE	<ul style="list-style-type: none"> • He has over 20 years of experience in corporate banking services, Islamic finance, asset management and private equity. Currently, he is a board member of several real-estate funds, private equity funds and capital market listed funds. • During his previous engagement with the Saudi National Bank (SNB), he gained extensive expertise in loan portfolio management and Islamic loan structuring. His responsibility to oversee the Asset Management Department at Alkhabeer Capital has exposed him further to various expertise in real estate development and income generating funds as well as equity funds.

	<ul style="list-style-type: none"> • He holds a bachelor's degree in accounting from King Fahad University of Petroleum and Minerals, Dhahran, Saudi Arabia.
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DIRECTOR'S NAME	Mr. Hisham Omar Ali Baroum
TYPE OF MEMBERSHIP	Director - Non-Independent
CURRENT POSITION	<ul style="list-style-type: none"> • Mr. Hisham is the Deputy Chief Executive Officer of Alkhabeer Capital.
QUALIFICATIONS AND EXPERIENCE	<ul style="list-style-type: none"> • He has more than 20 years of experience in the management of financial institutions, management of investments and business development. • Prior to joining Alkhabeer Capital, he served as Executive Vice President at Elaf Group, where he was responsible for planning and strategy implementation. He began his career at the Asset Management Group of the Saudi National Bank (SNB), where he served for nine years in various roles. • He holds a bachelor's degree in accounting from King Abdulaziz University in Saudi Arabia, and has a diploma in investment portfolio management and financial markets from the Arab Academy for Banking and Financial Sciences.

DIRECTOR'S NAME	Mr. Farouq Fouad Ahmed Gholam
TYPE OF MEMBERSHIP	Director -Independent
CURRENT POSITION	Mr. Farouq is the Executive Director of Alpha Capital Group.
QUALIFICATIONS AND EXPERIENCE	<ul style="list-style-type: none"> • He has more than 20 years of comprehensive experience in legal affairs, Islamic finance, investment and financial structuring. • He served as Executive Partner and the Head of Asset Management at Alkhabeer Capital (from August 2006 to August 2009). Prior to that, he was the Head of Product Development and Operational Risks at the Saudi National Bank (SNB), where he was responsible for launching and structuring investment funds. • He holds an LLM degree, specializing in international business and trade transactions from Washington College of Law, USA, and a law degree from King Abdul Aziz University, Jeddah, KSA.

DIRECTOR'S NAME	Mr. Ahmed Abdulelah Maghrabi
TYPE OF MEMBERSHIP	Director -Independent
CURRENT POSITION	Mr. Ahmed is a co-founder and the Vice President of Abdulelah Mohamed Ali Maghrabi Commercial Est. He is engaged in the management of the Group's Equipment and

	<p>Transportation divisions. In addition, he is actively involved in developing the policies, strategies and operational plans of the Group.</p>
<p>QUALIFICATIONS AND EXPERIENCE</p>	<ul style="list-style-type: none"> • He has more than 19 years of comprehensive experience in the fields of heavy equipment, transportation and real estate development. • Previously, he was the Procurement Manager at Mohammed Ali Maghrabi & Sons Company, where he was responsible for overseeing the construction of Le Meridian Jeddah. • He holds a bachelor's degree in management information systems from Whittier College - California, USA, and a diploma in hotel management from the United States of America. • Mr. Ahmed is a member of the Project Management Institute (PMI) and is a certified Project Management Professional (PMP).

The Fund Manager acknowledges that all the Fund Board members:

- (a) are not adjudicated bankrupts or placed under liquidation; and
- (b) have not committed any acts of fraud, crime against honor or breach of trust; and
- (c) have the requisite skills and experience which qualify them to be Fund Board members.

The Fund Manager further acknowledges that each of the two Independent Directors satisfies the definition of "Independent Director" as contained in the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority.

(c) Description of the Roles and Responsibilities of the Fund Board

The Fund Board members have the following responsibilities:

- Approving all material contracts, decisions and reports to which the Fund is a party, including - without limitation - approving the contracts for providing management services to the Fund and the contracts for providing custody services. This, however, excludes contracts which are executed in accordance with the investment decisions related to any investments which the Fund had made or will make in the future.
- Approving a written policy on the voting rights related to the Fund's assets.
- Overseeing and, where appropriate, approving or ratifying any conflict of interest the Fund Manager has disclosed.
- Meeting at least twice annually with the Fund Manager's Compliance Committee or Compliance Officer to review the Fund Manager's compliance with all applicable laws and regulations, including - without limitation - the requirements as stipulated in the Investment Funds Regulations.
- Approving, where appropriate, notifiable changes before the Fund Manager notified the CMA and Unitholders.
- Ensuring the completeness and accuracy of the Fund's Terms and Conditions and any other document (whether contractual or otherwise), that includes disclosures related to the Fund and/or the Fund Manager and its management of the Fund, in addition to ensuring compliance of the foregoing with the provisions of the Investment Funds Regulations.
- Ensuring that the Fund Manager carries out its responsibilities in the best interest of the Unitholders, in accordance with the Investment Funds Regulations, the Terms and Conditions and Shari'a Board Resolutions.
- Acting with integrity, good intent, due care and diligence and in the best interest of the Unitholders.

- Recording minutes of meetings showing all actions taken during the meetings and the decisions made by the Board.
- Approving the appointment of the Fund's Auditor.

The Fund Manager shall provide all necessary information on the affairs of the Fund to all Fund Board members to enable them to carry out their duties. None of the Fund Board members may be held liable to the Unitholders for any damages, losses, costs, expenses or other obligations incurred by the Unitholder or the Fund's assets, unless caused by a deliberate act, bad intent or gross negligence on the part of the Fund Board members.

(d) Details of the Remuneration of the Fund Board Members

The Fund paid SAR 5,000 per annum to each independent director, plus an attendance fee of SAR 4,000 for each meeting. Two independent directors were appointed to the Fund Board. It is expected that a minimum of two meetings, and a maximum of four meetings, will be held each year. The Chairman may also convene an urgent meeting of the Fund Board whenever he deems necessary. Total fees paid to all independent directors shall not exceed SAR 42,000 per annum.

The remaining directors will not receive any fees. However, the Fund will bear all actual costs of travel and accommodation reasonable incurred by each director to attend the meetings.

(e) Conflict of Interest

In its ordinary course of business, the Fund transacts with related parties. The Fund Manager and the Fund Board find that transactions with third parties are carried out under the same conditions of transacting business with other parties. Transactions with related parties are subject to the limits defined in the regulations and instructions issued by the regulatory authorities concerned in the Kingdom of Saudi Arabia. In addition, good governance best practices are also applied and adopted by the Fund Manager in the performance of its activities. The annual financial statements contain a note on financial transactions with related parties.

During the Fiscal Year ended 31 December 2022, the Fund Board did not find any transactions with related parties involving any event of conflict of interest. The Fund Board acknowledges that all financial transactions and contracts entered into with the Fund are subject to the policies and procedures applicable to conflict of interest.

(f) Other Funds Managed by the Fund Board Members

The following Fund Board members are also members of the boards of other funds managed by the Fund Manager:

FUND'S NAME	FUND TYPE	DIRECTORS				
		Ammar Shata	Ahmed Ghouth	Hisham Baroum	Farouq Ghulam	Ahmed Maghrabi
Alkhabeer Real Estate Residential Development Fund II	Private Placement	Chairman	Director			
Alkhabeer Car Rental Private Equity Fund	Private Placement		Chairman	Director		
Alkhabeer Real Estate Opportunity Fund I	Private Placement	Chairman	Director		Director	
Alkhabeer Real Estate Opportunity Fund II	Private Placement		Chairman	Director		
Alkhabeer Education Private Equity Fund I	Private Placement	Chairman	Director			
Alkhabeer Education Private Equity Fund II	Private Placement		Chairman	Director		Director
Alkhabeer Education Private Equity Fund III	Private Placement		Chairman	Director		Director
Alkhabeer Education Private Equity Fund IV	Private Placement		Chairman	Director		Director
Alkhabeer Education Private Equity Fund V	Private Placement		Chairman	Director		Director
Alkhabeer Education Private Equity Fund VI	Private Placement		Chairman	Director		Director
Alkhabeer Education Private Equity Fund VII	Private Placement		Chairman	Director		Director
Alkhabeer Saudi Private Equity Fund I	Private Placement		Chairman	Director		Director
Alkhabeer Saudi Private Equity Fund II	Private Placement		Chairman	Director		Director
Alkhabeer Private Equity Industrial Fund 4	Private Placement		Chairman	Director		Director
Alkhabeer Multi Asset Private Income Fund I	Private Placement		Chairman	Director		
Alkhabeer Hospitality Fund I	Private Placement		Chairman	Director		
Alkhabeer REIT	Public Placement	Chairman	Director	Director	Director	
Alkhabeer Waqf Fund I	Public Placement	Chairman	Director		Director	
Alkhabeer Diversified Income Traded Fund	Public Placement	Chairman	Director	Director	Director	Director

(g) Items discussed and resolutions issued in relation thereto, including the Fund's performance and achievement of the Fund's objectives

Meeting	Main Subjects and Fund Board Resolutions
Meeting (No. 1-2022) on 14 September 2022	<ol style="list-style-type: none"> 1. The Fund Manager shall maintain the Fund's investment performance and shall continue to outperform the benchmark (Alpha), and shall confirm this periodically to the Board members, along with providing a comparison of the Fund's performance to other similar funds. 2. Approving the Fund's green classification and introducing a new index for assessing the Fund's performance against the benchmark (Alpha), with the classification changing commensurate with the (Alpha) benchmark.
Meeting (No. 2-2022) on 21 November 2022	N/A
Additional Resolutions by Circulation	<ol style="list-style-type: none"> 1. The Fund Board's Resolution made on 05.09.2021 concerning the approval to appoint Fund representatives at Saudi Tadawul Group. 2. The Fund Board's Resolution made on 06.09.2021 concerning the approval of the details of the offering and listing. 3. The Fund Board's Resolution made on 20.09.2021 concerning the approval to appoint Albilad Capital as Fund Custodian, to replace Saudi Fransi Capital. 4. The Fund Board's Resolution made on 14.11.2021 concerning the approval to change the Fund's name. 5. The Fund Board's Resolution made on 14.04.2022 concerning the approval to start the Fund's activity. 6. The Fund Board's Resolution made on 24.04.2022 concerning the amendment of the starting date of the Fund's activity. 7. The Fund Board's Resolution made on 18.05.2022 concerning the approval of the investment policy of Alkhabeer Growth and Income Traded Fund. 8. The Fund Board's Resolution made on 14.06.2022 concerning the approval of the Fund's Investor Report for Q2 of FY 2022 (quarterly report). 9. The Fund Board's Resolution made on 17.08.2022 concerning the approval of the summary proforma financial statements (unaudited) for the six months period ended 30 June 2022. 10. The Fund Board's Resolution made on 01.09.2022 concerning the approval of the voting rights policy of Alkhabeer Growth and Income Traded Fund. 11. The Fund Board's Resolution made on 11.10.2022 concerning the approval of the Fund's Investor Report for Q3 of FY 2022 (quarterly report). 12. The Fund Board's Resolution made on 21.11.2022 concerning the review and verification of the independence of the Board Members of Alkhabeer Growth and Income Traded Fund.

(C) FUND MANAGER

1. NAME AND ADDRESS OF THE FUND MANAGER



Alkhabeer Capital

CMA license 07074-37

P.O. Box 128289

Jeddah 21362

Kingdom of Saudi Arabia

Tel: +966 12 658 8888

Fax: +966 12 658 6663

CR 4030177445

www.alkhabeer.com

2. NAME AND ADDRESS OF THE SUB-MANAGER AND/OR INVESTMENT ADVISOR (IF ANY)

N/A.

3. REVIEW OF INVESTMENT ACTIVITIES DURING THE PERIOD

The global equity markets were bearish with increased volatility in 2022, driven fundamentally by inflation, higher interest rates, supply chain disruptions, Europe's geo-political concerns and China's Zero-Covid Policy. Given these factors, profit growth and profitability expectations were downsized to the minimum, resulting in weak performance of the major global equity indices.

The concentration ratios of the Fund's asset classes are 79.4% of the Fund's assets in global and local listed shares, 16.8% of the Fund assets equity funds and 3.8% in cash and cash equivalents.

4. REPORT ON THE FUND'S PERFORMANCE DURING THE PERIOD

The Fund outperformed its benchmark in 2023 by 1.12%, as the Fund's performance declined by -5.59%, while the performance of the benchmark dropped by -6.72%

5. DETAILS OF ANY CHANGES TO THE FUND'S TERMS AND CONDITIONS DURING THE PERIOD

N/A.

6. ANY OTHER INFORMATION WHICH CAN ENABLE THE UNITHOLDER TO MAKE A WELL FOUNDED DECISION BASED ON SUFFICIENT INFORMATION ON THE FUND'S ACTIVITIES DURING THE PERIOD

N/A.

7. IF THE FUND INVESTS IN OTHER FUNDS, THE PERCENTAGE MANAGEMENT FEES INCURRED BY THE FUND ITSELF AND THE UNDERLYING FUNDS MUST BE DISCLOSED

N/A.

8. STATEMENT OF SPECIAL COMMISSIONS OBTAINED BY THE FUND MANAGER DURING THE PERIOD, CLEARLY SHOWING THEIR TYPES AND USES (IF ANY)

N/A.

9. ANY STATEMENTS AND OTHER INFORMATION REQUIRED BY REGULATIONS TO BE INCLUDED IN THIS REPORT

N/A.

10. MANAGEMENT TERM OF THE PERSON WHO IS REGISTERED AS FUND MANAGER

Since the Inception of the Fund.

11. THE RATIO OF EXPENSES OF EACH FUND AS AT THE END OF THE YEAR, AND THE WEIGHTED AVERAGE OF THE RATIO OF EXPENSES OF ALL MAIN UNDERLYING FUNDS (WHERE APPLICABLE) SHALL BE DISCLOSED

N/A.

(D) CUSTODIAN

1. NAME OF AND ADDRESS OF THE CUSTODIAN



Albilad Investment Company

CMA license 08100-37
King Fahad Road
P.O. Box 140
Riyadh 11411
Kingdom of Saudi Arabia
Unified Number: 8001160002
Fax: +966 11 290 6299
Email: clientservices@albilad-capital.com
<https://www.albilad-capital.com>

2. BRIEF DESCRIPTION OF THE CUSTODIAN'S OBLIGATIONS

- Notwithstanding any delegation by the Custodian to one or more third parties under the provisions of CMA's Investment Funds Regulations or the Capital Market Institutions Regulations, the Custodian shall remain fully responsible for compliance with the Investment Funds Regulations.
- The Custodian shall be liable to the Unitholders for any losses caused to the investment fund due to any fraud, negligence, misconduct or willful default on the part of the Custodian.
- The Custodian shall be responsible for taking custody of, and protecting the fund's assets on behalf of unitholders, and taking all necessary administrative measures in relation to the custody of the fund's assets.
- The Custodian may delegate his obligations and responsibilities to the Fund to one or more third parties or to any of its affiliates to act as Fund Sub-Custodian. The Custodian remains fully responsible for its obligations in accordance with the Investment Funds Regulations, whether it discharges its responsibilities directly or delegates them to a third party under the provisions of CMA's Investment Funds Regulations or the Capital Market Institutions Regulations. The Custodian shall be liable to the Fund Manager and the Unitholders for any losses caused to the investment fund due to any fraud, negligence, misconduct or willful default on the part of the Custodian. The Custodian shall pay the fees of the Sub-Custodian out of its own resources.

(E) FUND OPERATOR

1. NAME AND ADDRESS OF THE FUND OPERATOR



Alkhabeer Capital

CMA license 07074-37

P.O. Box 128289

Jeddah 21362

Kingdom of Saudi Arabia

Tel: +966 12 658 8888

Fax: +966 12 658 6663

CR 4030177445

www.alkhabeer.com

2. BRIEF DESCRIPTION OF THE OBLIGATIONS AND RESPONSIBILITIES OF THE FUND OPERATOR

The Fund Operator shall, in relation to the Fund, perform all the administrative duties and obligations required in accordance with the Investment Funds Regulations, as well as other undertakings which may be necessary to implement and achieve the purposes, policies and objectives of the Fund. For example, without limitation:

- Keeping the books and records related to the operation of the Fund;
- Valuating the assets of the Fund.

The Fund Operator may appoint specialized sub-operators to the Fund, subject to the Fund Board's approval. They may be replaced at the Fund Manager's discretion, subject to the Fund Board's prior approval. The Fund Operator shall pay the fees and expenses of any sub-operator out of its own resources.

(F) AUDITOR

Name and Address of the Auditor



Al Azem, Al Sudairy, Al Shaikh & Partners CPA's & Consultants

Member of Crowe Global

P.O. Box 21499

Jeddah 40097

Kingdom of Saudi Arabia

<https://www.crowe.com/sa>

(G) FINANCIAL STATEMENTS



Smart decision. Lasting value.

Al Azem, Al Sudairy, Al Shaikh & Partners
For Professional Consulting – Member Crowe Global

ALKHABEER GROWTH AND INCOME TRADED FUND – Expressed in Saudi Riyal
(Managed by Alkhabeer Capital Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE PERIOD SINCE INCEPTION ON APRIL 27, 2022 TO DECEMBER 31, 2022

ALKHABEER GROWTH AND INCOME TRADED FUND – Expressed in Saudi Riyal
(Managed by Alkhabeer Capital Company)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR’S REPORT
FOR THE PERIOD SINCE INCEPTION ON APRIL 27, 2022 TO DECEMBER 31, 2022

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Independent Auditor's Report

To: The Unitholders
Alkhabeer Growth and Income Traded Fund – Expressed in Saudi Riyal
(Managed by Alkhabeer Capital Company)
Jeddah, Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of **Alkhabeer Growth and Income Traded Fund (“The Fund”) managed by Alkhabeer Capital Company (“The Fund Manager”)**, which comprise the statement of financial position as of December 31, 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity attributable to unitholders, and statement of cash flows for the period since inception on April 27, 2022 to December 31, 2022, and the accompanying notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2022, and its financial performance and its cash flows for the period then ended in accordance with the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Fund in accordance with the professional code of conduct and ethics, that are endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Matter

The financial statements of the Fund for the period since inception on April 27, 2022 to December 31, 2022 are the first financial statements of the Fund accordingly, there are no comparative figures for the current period.

Independent Auditor's Report - continued

**To: The Unitholders
Alkhabeer Growth and Income Traded Fund – Expressed in Saudi Riyal
(Managed by Alkhabeer Capital Company)
Jeddah, Kingdom of Saudi Arabia**

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters. Below is the description of each key audit matter and how our audit procedures addressed the audit matters mentioned:

Key Audit Matters	How We Addressed Key Audit Matters
<p>Valuation of financial assets at fair value through profit or loss</p> <p>As at December 31, 2022, the carrying values of financial assets at fair value through profit or loss aggregated to SAR 912.9 million.</p> <p>The fair value of these financial assets is determined through the application of valuation techniques which often involve the exercise of judgment by management and the use of assumptions and estimates.</p> <p>Estimation uncertainty exists for those assets not traded in an active market (i.e. unquoted) and where the internal modelling techniques use:</p> <ul style="list-style-type: none"> • significant observable valuation inputs (i.e. level 2 investments); and • significant unobservable valuation inputs (i.e. level 3 investments). <p>Estimation uncertainty is particularly high for level 3 investments.</p> <p>The valuation of the Fund's financial assets in level 2 and 3 categories was therefore considered a key audit matter given the degree of complexity involved in valuing these investments and the significance of the judgments and estimates made by the management.</p>	<ul style="list-style-type: none"> • We assessed the design and implementation and tested the operating effectiveness of key controls over; <ul style="list-style-type: none"> ○ management's processes for performing valuation financial assets; and ○ IT system and the data integrity of the investment portfolio information held. • We evaluated the valuation techniques, inputs and reasonableness of assumptions used by management to value financial assets. • We tested the valuation of a sample of financial assets. As part of these audit procedures, we assessed the key inputs used in the valuation such as cashflows, discount rates used, comparable entity data and liquidity discounts by benchmarking them with external data.



Independent Auditor's Report - continued

**To: The Unitholders
Alkhabeer Growth and Income Traded Fund – Expressed in Saudi Riyal
(Managed by Alkhabeer Capital Company)
Jeddah, Kingdom of Saudi Arabia**

Key Audit Matters - continued

Key Audit Matters	How We Addressed Key Audit Matters
Refer to note (4) to the financial statements for details of significant judgements applied in valuation of financial assets carried at fair value and note (16) which explain the investment valuation methodology used by the Fund and the critical judgments and estimates.	<ul style="list-style-type: none">• We assessed the adequacy of the financial assets hierarchy and also considered IFRS 9 related disclosures in the financial statements.

Other information included in the Fund's 2022 Annual Report

Other information consists of the information included in the Fund's 2022 Annual Report, other than the financial statements and our report thereon.

The Fund Board of Directors is responsible for the other information. The Fund's 2022 Annual Report is expected to be made available to us after the date of this report.

Our opinion on the accompanying financial statements does not cover the other information and we will not express any form of assurance regarding them.

Regarding our audit of the financial statements, our responsibility is to read the other information mentioned above when it becomes available to us. In doing so, we consider whether this information is materially inconsistent with the accompanying financial statements, information obtained during our audit, or otherwise materially misstated.

When we read the annual report when it is available to us, and if we find any material misstatement therein, we are required to report this matter.

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 International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants, the applicable provisions of the investment fund regulations issued by the Capital Market Authority and the Fund's terms and conditions and information memorandum, and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (The Fund Board of Directors) are responsible for overseeing the Fund's financial reporting process.



Independent Auditor's Report - continued

**To: The Unitholders
Alkhabeer Growth and Income Traded Fund – Expressed in Saudi Riyal
(Managed by Alkhabeer Capital Company)
Jeddah, Kingdom of Saudi Arabia**

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 made by the Fund Manager.
- Conclude on the appropriateness of the Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report - continued

To: The Unitholders
Alkhabeer Growth and Income Traded Fund – Expressed in Saudi Riyal
(Managed by Alkhabeer Capital Company)
Jeddah, Kingdom of Saudi Arabia

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Among the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

AlAzem, AlSudairy, AlShaikh & Partners
For Professional Consulting

A blue ink signature of Abdullah M. AlAzem.

Abdullah M. AlAzem
License No. (335)

4 Ramadan 1444H (March 26, 2023)
Jeddah, Kingdom of Saudi Arabia

ALKHABEER GROWTH AND INCOME TRADED FUND

(Managed by Alkhabeer Capital Company)

STATEMENT OF FINANCIAL POSITION**AS AT DECEMBER 31, 2022**

(Expressed in Saudi Riyal)

	Note	As at December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	5	36,073,134
Dividends receivable	6	219,414
Due from a related party	7	289,909
Total current assets		<u>36,582,457</u>
Non-current assets		
Financial assets at fair value through profit or loss	8	912,877,262
Total assets		<u>949,459,719</u>
LIABILITIES AND EQUITY ATTRIBUTABLE TO UNITHOLDERS		
LIABILITIES		
Current liabilities		
Due to related parties	7	5,296,167
Accrued expenses and other credit balances	9	72,733
Total liabilities		<u>5,368,900</u>
EQUITY ATTRIBUTABLE TO UNITHOLDERS		<u>944,090,819</u>
Total liabilities and equity attributable to unitholders		<u>949,459,719</u>
Number of units issued (unit)		<u>100,000,000</u>
Equity per unit		<u>9.4409</u>

The accompanying notes from (1) to (19) form an integral part of these financial statements.

ALKHABEER GROWTH AND INCOME TRADED FUND
(Managed by Alkhabeer Capital Company)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD SINCE INCEPTION ON APRIL 27, 2022 TO DECEMBER 31, 2022
(Expressed in Saudi Riyal)

	Note	FOR THE PERIOD SINCE INCEPTION ON APRIL 27, 2022 TO DECEMBER 31, 2022
Dividends from financial assets at fair value through profit or loss		6,652,405
Realized losses from financial assets at fair value through profit or loss	8	(857,197)
Unrealized losses from financial assets at fair value through profit or loss	8	<u>(54,645,982)</u>
Net losses from operations		<u>(48,850,774)</u>
Expenses		
Management fees	12	(5,939,388)
Administration and custody fees	12	(1,454,912)
Fund establishment expenses	10	(1,386,029)
Other income	11	<u>1,721,922</u>
Net expenses		<u>(7,058,407)</u>
Loss for the period		(55,909,181)
Other comprehensive income		<u>-</u>
Total comprehensive loss for the period		<u>(55,909,181)</u>

The accompanying notes from (1) to (19) form an integral part of these financial statements.

ALKHABEER GROWTH AND INCOME TRADED FUND
 (Managed by Alkhabeer Capital Company)
STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO UNITHOLDERS
FOR THE PERIOD SINCE INCEPTION ON APRIL 27, 2022 TO DECEMBER 31, 2022
 (Expressed in Saudi Riyal)

	FOR THE PERIOD SINCE INCEPTION ON APRIL 27, 2022 TO DECEMBER 31, 2022
Equity attributable to unitholders	
Equity attributable to unitholders at the beginning of the period	-
Proceeds from initial offering of units	1,000,000,000
Comprehensive loss for the period	(55,909,181)
Equity attributable to unitholders at the end of the period	<u>944,090,819</u>

The accompanying notes from (1) to (19) form an integral part of these financial statements.

ALKHABEER GROWTH AND INCOME TRADED FUND

(Managed by Alkhabeer Capital Company)

STATEMENT OF CASH FLOWS**FOR THE PERIOD SINCE INCEPTION ON APRIL 27, 2022 TO DECEMBER 31, 2022**

(Expressed in Saudi Riyal)

	FOR THE PERIOD SINCE INCEPTION ON APRIL 27, 2022 TO DECEMBER 31, 2022
<u>CASH FLOW FROM OPERATING ACTIVITIES:</u>	
Loss for the period	(55,909,181)
Adjustments:	
Realized losses from financial assets at fair value through profit or loss	857,197
Unrealized losses from financial assets at fair value through profit or loss	54,645,982
Changes in operating assets and liabilities:	
Dividends receivable	(219,414)
Due from a related party	(289,909)
Due to related parties	5,296,167
Accrued expenses and other credit balances	72,733
Net change in financial assets at fair value through profit or loss	<u>(968,380,441)</u>
Net cash used in operating activities	<u>(963,926,866)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>	
Proceeds from initial offering of units	<u>1,000,000,000</u>
Net cash provided by financing activities	<u>1,000,000,000</u>
Net change in cash and cash equivalents	36,073,134
Cash and cash equivalents at the beginning of the period	<u>-</u>
Cash and cash equivalents at the end of the period	<u>36,073,134</u>

The accompanying notes from (1) to (19) form an integral part of these financial statements.

ALKHABEER GROWTH AND INCOME TRADED FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD SINCE INCEPTION ON APRIL 27, 2022 TO DECEMBER 31, 2022

(Expressed in Saudi Riyal)

1. THE FUND AND ITS ACTIVITIES

Alkhabeer Growth and Income Traded Fund (the "Fund") is a closed-ended Sharia compliant investment traded fund that was established in accordance with the applicable laws and regulations of the Kingdom of Saudi Arabia and it is subject to Capital Market Authority (CMA) control and supervision. The Fund was established on April 27, 2022 and managed by Alkhabeer Capital Company ("Alkhabeer Capital" or the "Fund Manager"), for the benefit of the Fund's unitholders. The Fund is ultimately supervised by the Fund Board. Albilad Capital Company acts as the Custodian of the Fund.

The objective of the investment Fund is an appreciation of the Fund's net asset value through its long term investments and generate periodic income for investors from the dividend distributions of the companies in which the Fund invests, in addition to part of the capital appreciation resulting from the growth of market value of the securities invested in. This is achieved by investing in a diversified portfolio of global stocks, public and private equity funds, initial public offerings of companies, private placements, along with cash and cash equivalents.

The incorporation of the Fund was approved by the Capital Market Authority ("CMA") on February 7, 2022 (corresponding to Rajjab 6, 1443H), and was listed on Tadawul on April 27, 2022.

In dealing with the unitholders, the Fund Manager considers the Fund as an independent entity. Accordingly, the Fund prepares its own financial statements. In addition, unitholders are considered owners of the Fund's assets and distributions is made in proportion to their shares in the total number of outstanding units.

The term of the Fund shall be 99 years since the date of listing the units in Saudi Tadawul. The Fund term may be extended at the Fund Manager's discretion subject to CMA approval.

The Fund is subject to the Sharia Board's guidelines for investments and transactions.

2. REGULATORY AUTHORITY

The Fund was established and its units are offered based on the Investment Funds Regulations approved by the CMA, Resolution number 1-219-2006 dated 03/12/1427H ("Investment Funds Regulations") issued by Royal Decree No. M/30 dated 2/6/1424H and amended by the CMA Board Resolution number 2-22-2021 dated 12/7/1442H (corresponding to 24/2/2021) to be updated with the rapid developments and changes regarding the regulations and rules of CMA in the Kingdom of Saudi Arabia.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Basis of compliance

The accompanying financial statements for the Fund have been prepared in accordance with the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA), and the provisions specified by the Fund regulations issued by the CMA, the terms and conditions of the Fund and the information memorandum.

Basis of measurement

These financial statements of the Fund have been prepared on a historical cost basis except for the items that are measured at fair value, present value, net realizable value, and replacement cost in line with the accrual basis of accounting and going concern basis.

Functional and presentation currency

These financial statements are presented in Saudi Riyal, which is the Fund's functional and presentation currency.

ALKHABEER GROWTH AND INCOME TRADED FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD SINCE INCEPTION ON APRIL 27, 2022 TO DECEMBER 31, 2022

(Expressed in Saudi Riyal)

Fair value measurement

The fair value represents the amount that would be received from selling an asset or paid it to transfer a liability between informed parties under the same terms of business with others. The fair value measurement depends on the following conditions:

- The principal market for assets or liabilities, or
- The most advantageous market for assets and liabilities in the absence of a primary market, or
- Use discounted cash flows in the absence of a major market or the most advantageous market.

Assets or liabilities measured at fair value

- Separate assets or liabilities.
- A group of assets or a group of liabilities or a group of assets and liabilities.
- A set of accounting policies and notes that require calculating the fair value of financial and non-financial assets and liabilities.
- The Fund uses market inputs that are observable as far as possible when measuring the fair value of assets and liabilities.

The Fund determines fair value using valuation techniques. The Fund also uses the following levels which reflect the importance of inputs used in determining fair value:

- **Level 1:** quoted prices (unadjusted) in an active market for similar assets or liabilities.
- **Level 2:** valuation methods based on inputs other than quoted prices included in Level 1 that can be observable for assets and liabilities, directly or indirectly.
- **Level 3:** valuation techniques that use inputs that have an important impact on fair value but are not based on observable inputs.

The Fund recognizes transfers between fair value levels at the end of the reporting period at the same time as the change occurs, the Fund Manager believes that its estimates and assumptions are reasonable and sufficient.

4. Summary of significant accounting policies

New standards, amendment to standards and interpretations:

The Fund has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2022.

a) Amendments to IFRS 3, IAS 16, IAS 37

- IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16, 'Property, plant, and equipment' prohibit a fund from deducting from the cost of the property, plant, and equipment amounts received from selling items produced while the Fund is preparing the asset for its intended use. Instead, a fund will recognize such sales proceeds and related cost in profit or loss.
- IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a fund includes when assessing whether a contract will be loss-making.

The adoption of above amendments does not have any material impact on the financial statements during the year.

Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for the annual periods beginning on or after January 1, 2023 and earlier application is permitted, however, the Fund has not early adopted them in preparing these financial statements.

ALKHABEER GROWTH AND INCOME TRADED FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD SINCE INCEPTION ON APRIL 27, 2022 TO DECEMBER 31, 2022

(Expressed in Saudi Riyal)

a) Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

b) Amendments to IAS 1, practice statement 2 and IAS 8

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

c) Amendments to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction

These amendments require the Fund to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

Cash and cash equivalents

Cash and cash equivalents includes banks balances, cash in portfolios, deposits held at call with banks with a maturity within three months.

Revenue recognition

Dividends recognized from measured carried at fair value through profit or loss.

Dividends

Interim and final dividends are recorded as liabilities in the period in which they are approved by the Fund Board of Directors.

Zakat and income tax

According to the rules for zakat collection from investors in investment funds, investment funds are not required to pay zakat. Therefore, no provision for such provision is recorded in these financial statements.

Provisions and contingent liabilities

Provisions are recognized when the Fund has a present obligation (legal or contractual) as a result of past events, and it is probable that an outflow of resources involving economic benefits will be required to settle the obligation. In addition, a reliable estimate of the amount of the obligation can be made.

Net equity per unit

The net equity per unit is calculated and disclosed in the financial position by dividing the net assets of the Fund attributable to unitholders by the number of issued units.

Financial instruments

A financial instrument is any contract that results in a financial asset of one entity and a financial liability or equity instrument to another entity.

Financial assets

Financial assets include the following:

- a) Cash and cash equivalents
- b) Equity instruments in another entity, or
- c) A contractual right to receive cash or another financial asset from another entity or to exchange financial assets or liabilities with another entity under conditions that are expected to be favorable to the entity.
- d) A contract that may or will be settled in the entity's owned equity instruments.

ALKHABEER GROWTH AND INCOME TRADED FUND

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Classification and initial recognition

The Fund classifies its financial assets in the following categories:

- Financial assets measured at fair value (either through profit or loss, or through other comprehensive income), and
- Financial assets measured at amortized cost.

Classification depends on the business model of the Fund to manage financial assets, and on the contractual terms of cash flows.

For assets that are measured at fair value, gain and losses will either be recorded in profit or loss or other comprehensive income (OCI). For investment in debt instruments, it depends on the business model in which investment is held. For investment in equity instruments, it depends on whether the Fund has made an irreversible selection at the time of initial recognition to account for the equity instruments at fair value through OCI. The Fund reclassifies debt instruments only when its business model for managing those assets changes.

At initial recognition, the Fund measures a financial asset (not classified as part of fair value through profit or loss) at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset through OCI. In the case of financial assets measured at fair value through profit or loss, the transaction costs are recorded in the profit or loss.

Subsequent measurement

Equity instruments

The Fund subsequently measures all equity investments at fair value. Where the Fund's management has elected to present the gains or losses from fair values on equity investments in OCI, gains or losses from fair value will not be reclassified subsequently to profit or loss. Dividends from such investments continue to be recognized in profit or loss as other income when the Fund's right to receive payments is established. Impairment losses and reversal of impairment losses on equity investments measured at FVOCI are treated separately within net assets.

Changes in the fair value of financial assets measured at fair value are recognized at fair value through profits and losses in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Fund's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Fund classified its debt instruments:

• Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt instrument that is measured at amortized cost and is not part of a hedging relationship is recognized in statement of profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

• Financial assets measured at fair value through other comprehensive income (FVOCI)

Assets that are held for collection of contractual cash flows and for selling them, are measured at fair value through other comprehensive income (FVOCI). Changes in carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains/losses which are recognized in profit or loss. When the financial asset is derecognized, the gain or loss previously recognized in OCI is transferred from OCI to retained earnings. Realized gain or loss is recognized in profit or losses.

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• Financial assets measured at fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through statement of profit or loss (FVTPL). A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship as part of profit or loss. It is recognized in net as gains or losses in the year it occurs. Similarly, interest income from these financial assets is included as financial interest in profit or losses.

Effective interest rate (EIR) method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash allows through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net book value on initial recognition.

Impairment

The Fund assesses on a forward looking basis the expected credit losses associated with its financial assets measured at amortized cost and FVOCI. The impairment methodology used depends on whether there has been a significant increase in credit risk.

Financial liabilities

Financial liabilities are classified as follows:

- Contractual obligation to deliver cash or another financial asset to another entity.
- Contractual obligation to exchange financial instruments with another entity under conditions that are expected to be unfavorable to the entity.
- A non-derivative contract for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments.

Recognition and measurement

All financial liabilities are recognized initially at fair value. Subsequently, it is measured at amortized cost using effective interest rate method. The Fund's financial liabilities include accrued expenses and other credit balances and due to related parties.

Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

De-recognition of financial assets

The Fund de-recognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognizes its retained interest in the asset and liability related to the amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognize the financial asset and also recognizes the liabilities associated with the proceeds received.

On de-recognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the amount of the consideration received and accrued is recognized in the profit or loss. In addition, on de-recognition of an investment in a debt instrument classified as at FVTOCI, the gain or loss previously recognized in the revaluation reserve is reclassified to the profit or loss. In contrast, on de-recognition of an investment in equity instrument which the Fund has elected on initial recognition to measure at FVTPL, the gains or losses are recognized in the financial statement of profit or loss.

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The Fund's financial liabilities are de-recognized only if relieved, cancelled or expired. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable, including any non-cash assets transferred or liabilities incurred, is recognized in profit or loss.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Fund's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses and assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of assets or liabilities affected in future years.

Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to the models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and price volatility risk. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Impairment of non-financial assets

Assets subject to depreciation and amortization are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in profit or loss for the amount that exceeds the carrying amount of the asset over its recoverable amount. Recoverable value is the fair value of the asset less costs to sell or value in use (whichever is higher). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separate cash flows (cash-generating units). Prior impairment in non-financial assets (other than goodwill) are reviewed to reflect the potential impairment at each reporting date.

An impairment loss recognized in prior periods is evaluated at each reporting date to determine whether there are indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that could have been determined, net of depreciation or amortization, had the impairment loss not been recognized previously.

5. CASH AND CASH EQUIVALENTS

	<u>2022</u>
Cash at portfolios	35,861,475
Cash at bank	<u>211,659</u>
	<u>36,073,134</u>

6. DIVIDENDS RECEIVABLE

Amount of dividends receivable represents profit payable to the Fund on investment in financial assets at fair value through profit or loss, the Fund has not received it up to the date of preparing the financial statements and its breakdown is as follows:

	<u>2022</u>
US Market - NYSE investment	164,141
US Market - NASDAQ investment	<u>55,273</u>
	<u>219,414</u>

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NOTES TO THE FINANCIAL STATEMENTS**FOR THE PERIOD SINCE INCEPTION ON APRIL 27, 2022 TO DECEMBER 31, 2022**

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7. RELATED PARTIES TRANSACTIONS AND BALANCES

Transactions with related parties represent payments on behalf of a related party, administrative fees, management fees, custody fees and compensation to the Fund's Independent Board of Directors.

a) Due from a related party comprise of the following:

Related party	Nature of relationship	Nature of transaction	Amount of transactions	Balance
			For the period since inception on April 27, 2022 to December 31, 2022	As at December 31, 2022
Alkhabeer Capital Company	Fund Manager	Expenses paid on behalf of the Fund	289,909	289,909
				<u>289,909</u>

b) Due to related parties' transactions comprise the following:

Related parties	Nature of relationship	Nature of transaction	Amount of transactions	Balance
			For the period since inception on April 27, 2022 to December 31, 2022	As at December 31, 2022
Alkhabeer Capital Company	Fund Manager	Management fees	5,939,388	
		Administrative fees	1,113,636	
		Payments	(1,824,474)	5,228,550
Albilad Capital Company	Custodian	Custody fees	341,276	
		Payments	(299,659)	41,617
Fund Board of Directors	Board of Directors	Total remuneration paid to independent Fund Board members	26,000	26,000
Growth I for investments (One-person company)	Subsidiary to Custodian	Expenses paid on behalf of the company	147,658	
		Payments	(147,658)	-
				<u>5,296,167</u>

c) All transactions with related parties are approved by the Fund Manager.

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NOTES TO THE FINANCIAL STATEMENTS

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8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Saudi Arabian Stock Exchange "Tadawul"		London Stock Exchange - USD		US Market - "NASDAQ"		US Market - "NYSE"		Paris Stock Exchange "Euronext"		London Stock Exchange Investment		Swiss Stock Exchange Investment		Tokyo Stock Exchange Investment		German Stock Exchange "Xtera" Investment		Fair value as at December 31, 2022
	Investment	- USD	Investment	- USD	Investment	- USD	Investment	- USD	Investment	- USD	Investment	- USD	Investment	- USD	Investment	- USD	Investment	- USD	
Balance at the beginning of the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions	33,630,042	176,235,366	176,235,366	263,729,461	263,729,461	224,060,822	224,060,822	71,174,159	107,294,839	107,294,839	108,885,067	108,885,067	8,176,278	8,176,278	8,176,278	15,505,962	15,505,962	1,008,691,996	
Disposals	(13,581,312)	-	-	(5,946,347)	(5,946,347)	(3,549,397)	(3,549,397)	(3,325,575)	(13,908,924)	(13,908,924)	-	-	-	-	-	-	-	-	(40,311,555)
Unrealized gains / (losses)	(4,903,293)	(16,539,201)	(16,539,201)	(34,172,324)	(34,172,324)	5,268,827	5,268,827	(686,983)	4,822,891	4,822,891	(8,935,142)	(8,935,142)	(59,631)	(59,631)	(59,631)	558,874	558,874	(54,645,982)	
Realized gains / (losses)*	962,626	-	-	(950,944)	(950,944)	(250,516)	(250,516)	(48,459)	(569,904)	(569,904)	-	-	-	-	-	-	-	-	(857,197)
Balance at the end of the period	16,108,063	159,696,165	159,696,165	222,659,846	222,659,846	225,529,736	225,529,736	67,113,142	97,638,902	97,638,902	99,949,925	99,949,925	8,116,647	8,116,647	8,116,647	16,064,836	16,064,836	912,877,262	

- The Fund re-valuated the investments on the date of the financial statements, which resulted in unrealized losses amounted to SAR 54,645,982.

*Realized gains represent the difference between the average purchase price of a stock and its selling price.

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9. ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	<u>2022</u>
Accrued professional fees	67,733
Other credit balances	5,000
	<u>72,733</u>

10. FUND ESTABLISHMENT EXPENSES

	FOR THE PERIOD SINCE INCEPTION ON APRIL 27, 2022 TO DECEMBER 31, 2022
Initial registration and listing fees	1,159,082
Professional and consulting fees	142,903
Remuneration of independent Fund Board of Directors members	26,000
Other expenses	58,044
	<u>1,386,029</u>

11. OTHER INCOME

	FOR THE PERIOD SINCE INCEPTION ON APRIL 27, 2022 TO DECEMBER 31, 2022
Foreign currency gains	1,721,082
Other	840
	<u>1,721,922</u>

12. ADMINISTRATIVE FEES AND OTHER EXPENSES

The Fund is managed by the Fund Manager and the calculation of the fees and expenses of management per the terms and conditions of the Fund as follows:

a) Administrative fees

The Fund administrative is entitled to 0.15% of annual fees (as shown in the terms and conditions of the Fund) of the net assets value that is that is paid semi-annually.

b) Management fees

The Fund Manager is entitled to 0.8% of annual fees (as shown in the terms and conditions of the Fund) of the net assets value paid semi-annually.

c) Custodian fees

The Fund must pay fees that amount to SAR 25,000 for the establishment of a Special Purpose Vehicle (SPV). The annual custody fees of assets in the Saudi Market of the total value of the fund's assets are as follows:

- From SAR 0 - to SAR 750 million: 0.06%
- From SAR 750 million - to SAR 1 billion: 0.05%
- More than SAR 1 billion: 0.04%

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The annual custody fees assets in the global markets are as follows:

- United States and United Kingdom: 0.04%
- France, Germany, Switzerland and Japan: 0.07%
- The Chinese market (A) and the Chinese market (B): 0.22%

The monthly Custodian's fees shall not be less than SAR 3,000, as a minimum per month.

d) Dealing fees and expenses (brokerage)

The brokerage expenses (including the intermediary fees) or any other trading fees shall be paid by the Fund directly at levels determined in accordance with the laws or by the intermediary in the markets where the Fund deals. Such amounts vary commensurate with the types of deals, the nature of investments and the volume of transactions.

e) Other fees and expenses

The Fund shall pay all the other actual expenses related to the Fund's operations, the placement of Fund investments and the outsourced professional and operational services provided by third parties, including without limitation, the costs holding the unitholders' meetings and other professional services provided to the Fund, in addition to the expenses of the Income Purification Service Provider (if any) and the Index Service Provider. The Fund shall be liable for any taxes which are imposed in the future by regulatory authorities and become due and payable. Such fees and expenses shall not exceed 0.50% of the Fund's NAV annually, with the exception of the fees, commissions and taxes that are subject to government laws and regulations. Actual fees only will be deducted.

13. SHARIA COMPLIANCE

The Fund operates in accordance with the provisions of Sharia law, as determined by the Sharia advisor. The Sharia advisor has reviewed the Fund's public offering document and confirmed that it is in compliance with Sharia provisions.

14. LAST VALUATION DATE

The last date for valuation during the period is December 31, 2022.

15. RISK MANAGEMENT

The Fund's activities expose it to various financial risks, and these risks include: market risk (including currency risk, fair value risk and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Fund's overall risk management program focuses on the unpredictability of financial market conditions and seeks to minimize potential adverse effects on the Fund's financial performance.

a) Market risk

• Currency risk

Currency risk is the risk that the value of a financial instrument denominated in foreign currencies. The Fund changes because of changes in currency exchange rates deals mainly in Saudi Riyal, United States Dollar, Euro, British Pound Sterling, Swiss Franc, and Japanese Yen.

• Fair value and cash flow interest rate risk

The fair value and cash flow interest rate risk is the exposure to various risks related to the effect of fluctuations in market interest rates on the Fund's financial position and cash flows.

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• Price risk

Price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices. Whether these fluctuations resulted from variable factors of the instrument or its source or any other factors affecting all instruments in the market.

b) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Fund is exposed to credit risk in respect of its receivables from investment measured at fair value through profit or loss, cash and cash equivalents, dividends receivable, and due from a related party.

c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments.

December 31, 2022	Book Value	Less than one year	More than one year
Non-derivative financial liabilities			
Due to related parties	5,296,167	5,296,167	-
Accrued expenses and other credit balances	72,733	72,733	-
	<u>5,368,900</u>	<u>5,368,900</u>	-

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Book value		Fair Value			Total
	Recorded at Amortized Cost	Recorded at Fair Value	Level (1)	Level (2)	Level (3)	
December 31, 2022						
Financial Assets						
Cash and cash equivalents	36,073,134	-	-	-	-	36,073,134
Dividends receivable	219,414	-	-	-	-	219,414
Due from a related party	289,909	-	-	-	-	289,909
Financial assets at fair value through profit or loss	-	912,877,262	912,877,262	-	-	912,877,262
	<u>36,582,457</u>	<u>912,877,262</u>	<u>912,877,262</u>	-	-	<u>949,459,719</u>
Financial Liabilities						
Due to related parties	5,296,167	-	-	-	-	5,296,167
Accrued expenses and other credit balances	72,733	-	-	-	-	72,733
	<u>5,368,900</u>	-	-	-	-	<u>5,368,900</u>

ALKHABEER GROWTH AND INCOME TRADED FUND

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17. SUBSEQUENT EVENTS

The Fund is required to be registered with the Zakat, Tax, and Customs Authority and provide information declaration starting from 2023.

18. OPERATING SEGMENTS

The Fund Manager seeks to invest the Fund's capital in global equities, public offerings, public and private equity funds, private placements and murabaha agreements.

19. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Fund Board of Directors on 3 Ramadan 1444 H (March 25, 2023).

MAIN SERVICE PROVIDERS

**FUND MANAGER AND
FUND OPERATOR**

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