Period : 1 January 2019 to 30 June 2019

Alpha Murabaha Fund

SemiAnnual Fund Report

Investment Fund Information:

Fund Name	Alpha Murabaha Fund
Investment Objectives and policies	To provide low risk return to unit holders while maintaining capital and providing liquidity, through investing mainly in Murabaha transactions and other financial instruments that are low risk, The fund short maturity and compliant with sharia principals. does not distribute profit to unit holders but instead all profits and earned revenues are reinvested in the fund.
Distribution of income and Gain Policy	The Fund will not make any distributions to unit holders.

Fund Performance:

Description	June 2019	Dec 2018	2017
Net Assets Value at the end of period	585,056,061.01	66,857,142.22	N/A
NAV per unit at the end of period	10.18835	10.04499	N/A
Highest NAV per unit for the period	10.18835	10.04499	N/A
Lowest NAV per unit for the period	10.04558	10.00000	N/A
No. of Units at the end of period	57,424,037.1527	6,655,770.2903	N/A
Income Distribution per unit - Gross	N/A	N/A	N/A
Income Distribution per unit - Net	N/A	N/A	N/A
Total Expense Ratio % - Avg AUM	0.21	0.15	N/A

Disclosure	Total Expense ratio is calculated based on average AUM over the period and there was no Fee Rebate paid to the clients. However, the subscription Fee is waived for all the subscriptions.

Description	1 Year - YTD	3 Years	5 Years
Total Return %	2.90%	N/A	N/A

Description	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Annual Total Return %	2.90%	2.15%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

CR 1010936196
P.O. Box 54854- Riyadh 11524, Kingdom of Saudi Arabia
T. 011-434-3090
Email: info@alphacapital.com.sa
Website:www.alphacapital.com.sa
Licensed by Capital Market Authority- License number: 18187-33

سجل تجاري 1010936196
صندوق بريد 54854- الرياض 11524، المملكة العربية السعودية
هـ . 011-434-3090
البريد الإلكتروني: info@alphacapital.com.sa
الموقع الإلكتروني:www.alphacapital.com.sa
مرخص من هيئة السوق المالية- ترخيص رقم: 18187-33

Period : 1 January 2019 to 30 June 2019

Alpha Murabaha Fund

SemiAnnual Fund Report

Exercise of Annual Voting Rights, Issuer's Name and Date of AGM

Not applicable.

Material Changes affecting fund performance

There were no material changes during the reporting period affecting the fund performance

Fund Board Annual Report

There was 1 fund board meetings during the first half of 2019.
The first meeting was held on the 19/03/2019 with the below agenda:

1- Confirm that no conflict of interest is resulting from the designation of the fund's board members
2- Discuss the compliance and Money Laundering issues, if there is any.
3- Discuss any additional update.

Fund Manager

The fund manager is Alpha Capital Company which is the sole responsible for managing the fund's assets
Alpha Capital Company : P.O.Box 54854 , Riyadh 11524 B4,Tafseel Buildings , Takhasusi Street

Sub Manager

The fund has no sub fund manager or investment advisor.

Investment in Other Funds

Alpha Murabaha Fund has invested in other Money Market funds to keep the sufficient liquidity.

CR 1010936196
P.O. Box 54854- Riyadh 11524, Kingdom of Saudi Arabia
T. 011-434-3090
Email: info@alphacapital.com.sa
Website:www.alphacapital.com.sa
Licensed by Capital Market Authority- License number: 18187-33

سجل تجاري 1010936196
صندوق بريد 54854- الرياض 11524، المملكة العربية السعودية
هـ . 011-434-3090
البريد الإلكتروني: info@alphacapital.com.sa
الموقع الإلكتروني:www.alphacapital.com.sa
مرخص من هيئة السوق المالية- ترخيص رقم: 18187-33

Period : 1 January 2019 to 30 June 2019

Alpha Murabaha Fund

SemiAnnual Fund Report

Review of Investment Activities During the Period

During the period from inception toward the year end, the Fund has invested its assets in Murabaha deposits and some Shariah compliant money market funds. The Asset Allocation of the Fund as on 30 June 2019 was as follows:

Asset Type	Weight
Murabaha	58.85%
Sukuk	18.73%
Mutual Funds	22.42%
Total	**100%**

Investment Fund's performance during the period

The fund was launched in October 15th, 2018. The fund's performance from 01st January 2019 to 30th June 2019 stood at 2.90% v/s 2.79% for the benchmark. The fund outperformed its benchmark by 0.11% during the period.

Information required by Regulation

All information contained in this report is as per the Investment Fund Regulations (IFR) issued by the Capital Market Authority (CMA)
During the period, the following deviation were reported:

- April 7th,2019: the fund had not being fully in-line with the provisions of Paragraph D of Article 48 of the IFRs, which stipulates that the investments of a money market fund with or in a single counterparty, or with or in parties belonging to the same group, must not exceed 25% of the fund's net assets. While this deviation was beyond our control, we managed to rectify it within 2 days.
- May 14th,2019: the fund had not being fully in-line with the provisions of Paragraph B of Article 3 of the Fund's T&Cs, which stipulates that the investments of a money market fund in other money market funds should not be more than 25% of the fund's total net assets. While this deviation was beyond our control, we managed to rectify it within a period of 7 days.

CR 1010936196
P.O. Box 54854- Riyadh 11524, Kingdom of Saudi Arabia
T. 011-434-3090
Email: info@alphacapital.com.sa
Website:www.alphacapital.com.sa
Licensed by Capital Market Authority- License number: 18187-33

سجل تجاري 1010936196
صندوق بريد 54854- الرياض 11524، المملكة العربية السعودية
هـ . 011-434-3090
البريد الإلكتروني: info@alphacapital.com.sa
الموقع الإلكتروني:www.alphacapital.com.sa
مرخص من هيئة السوق المالية- ترخيص رقم: 18187-33

Period : 1 January 2019 to 30 June 2019

Alpha Murabaha Fund

SemiAnnual Fund Report

Information required by unit holder

For additional information, please refer to the Terms & Conditions available on https://alphacapital.com.sa/wp-content/uploads/2019/02/AlphaMurabahaFund-TCs.pdf

Details of Changes during the period in Fund T&Cs and Information Memorandum

No changes.

Custodian

AlBilad Capital , King Fahad Road Riyadh

Custodian duties and responsibilities

Custodian Duties:
The Custodian will exercise all reasonable care in performance of services and other duties of 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 is under no obligation to issue an opinion on Fund Manager.

Any Special Commission received by Fund Manager

There were no special commission received during the reporting period.

Auditor

AlLuhaid & AlYahya Chartered Accountants POSTAL CODE: 11691 PO BOX: 85453 Riyad, Abu Baker St, At Taawun.

Note : Fund's Reports are available upon request free of charge.
Should you have any enquiries regarding this notification or require any clarifications please feel free to contact us.

KSA | Riyadh 11524| P.O Box 54854
Tafaseel Building B4- Takhassusi St.
www.alphacapital.com.sa

Client Relations
علاقات العملاء
Tel: +966 11 434 3094
Email: ClientRelations@alphacapital.com.sa

CR 1010936196
P.O. Box 54854- Riyadh 11524, Kingdom of Saudi Arabia
T. 011-434-3090
Email: info@alphacapital.com.sa
Website:www.alphacapital.com.sa
Licensed by Capital Market Authority- License number: 18187-33

سجل تجاري 1010936196
صندوق بريد 54854- الرياض 11524، المملكة العربية السعودية
هـ . 011-434-3090
البريد الإلكتروني: info@alphacapital.com.sa
الموقع الإلكتروني:www.alphacapital.com.sa
مرخص من هيئة السوق المالية- ترخيص رقم: 18187-33

ALPHA MURABAHA FUND
(Managed by Alpha Capital Company)

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE PERIOD FROM 15 OCTOBER 2018 TO 30 JUNE 2019

Alpha Murabaha Fund
(Managed by Alpha Capital Company)
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 15 OCTOBER 2018 TO 30 JUNE 2019

INDEX

	PAGE
Independent auditor's review report on the condensed interim financial statements	2
Condensed interim statement of financial position	3
Condensed interim statement of comprehensive income	4
Condensed interim statement of cash flows	5
Condensed interim statement of changes in net assets	6
Notes to the condensed interim financial statements	7–17

ALLUHAID & ALYAHYA
اللحيد و اليحيى

Alluhaid & Alyahya Chartered Accountants
License No. (735)
6733 Abo Bakr Al Siddiq Road, At Taawun District
P.O. Box 85453, Riyadh 11691 Kingdom of Saudi Arabia
Tel. +966 11 269 4419
Fax.+966 11 269 3516
www.lyca.com.sa

Independent auditors' review report
on the condensed interim financial statements to the unitholders of
Alpha Murabaha Fund
(Managed by Alpha Capital Company)

Introduction:

We have reviewed the accompanying condensed interim statement of financial position of Alpha Murabaha Fund ("the Fund") being managed by Alpha Capital Company (the "Fund Manager") as at 30 June 2019, and the related condensed interim statement of comprehensive income, cash flows and changes in net assets for the period from 15 October 2018 to 30 June 2019, and notes comprising the summary of significant accounting policies and other explanatory notes. The Fund Manager is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 – "Interim Financial Reporting ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review:

We conducted our review in accordance with 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 the condensed interim 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 International Standards on Auditing that are 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 condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

For Alluhaid & Alyahya Chartered Accountants

Saleh Al. Yahya
Certified Public Accountant
Registration No. 473

Riyadh 19 Thul Hajj 1440H
(20 August 2019)

Alpha Murabaha Fund
(Managed by Alpha Capital Company)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 30 June 2019
(All amounts in Saudi Riyals "000" unless otherwise stated)

	Notes	*30 June 2019 (Unaudited)* *SR*
ASSETS		
Cash and cash equivalents		**281**
Financial assets at fair value through profit or loss	5	**131,154**
Investments measured at amortized cost	6	**454,232**
Other receivables		**12**
TOTAL ASSETS		**585,679**
LIABILITIES		
Accrued expenses and other current liabilities		**623**
NET ASSETS ATTRIBUTABLE TO THE REDEEMABLE UNITHOLDERS		**585,056**
Units in issue		**57,424**
Per unit value		**10.19**

The accompanying notes 1 to 9 form an integral part of these condensed interim financial statements.

Alpha Murabaha Fund
(Managed by Alpha Capital Company)
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME(UNAUDITED)
(All amounts in Saudi Riyals "000" unless otherwise stated)

	Notes	*For the period from 15 October 2018 to 30 June 2019 (Unaudited)* SR
Income from investments held at amortized cost		
Commodity murabaha		**2,780**
Sukuk		**1,183**
Income from financial assets at fair value through profit or loss		
Unrealized gain	5	**1,262**
Realized gain		**217**
TOTAL INCOME		**5,442**
EXPENSES		
Management fee	7	**(719)**
Custodian fees		**(58)**
Director's fees	7	**(11)**
Shariah advisory fees	7	**(10)**
Other operating expenses		**(67)**
TOTAL OPERATING EXPENSES		**(865)**
NET INCOME FOR THE PERIOD		**4,577**
Other comprehensive income		**-**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**4,577**

The accompanying notes 1 to 9 form an integral part of these condensed interim financial statements.

Alpha Murabaha Fund
(Managed by Alpha Capital Company)
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
(All amounts in Saudi Riyals "000" unless otherwise stated)

	For the period from 15 October 2018 to 30 June 2019 (Unaduited) SR
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income for the period	**4,577**
Adjustments for:	
Unrealized gain from financial assets at fair value through profit or loss	**(1,262)**
	3,315
Changes in operating assets and liabilities:	
Financial assets at fair value through profit or loss	**(129,892)**
Investments held at amortized cost	**(454,232)**
Other receivables	**(12)**
Accrued expenses and other current liabilities	**623**
Net cash used in operating activities	**(580,198)**
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issuance of units	**694,639**
Payments against redemption of units	**(114,160)**
Net cash from financing activities	**580,479**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**281**
Cash and cash equivalents at the beginning of the period	**-**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**281**

The accompanying notes 1 to 9 form an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENT OF CHANGES IN NET ASSETS(UNAUDITED)

(All amounts in Saudi Riyals "000" unless otherwise stated)

	For the period from 15 October 2018 to 30 June 2019 (Unaudited) SR
Total comprehensive income for the period	**4,577**
CHANGE FROM UNIT TRANSACTIONS	
Proceeds from issuance of units during the period	**694,639**
Redemption of units during the period	**(114,160)**
Net change from unit transactions	**580,479**
NET ASSETS ATTRIBUTABLE TO THE REDEEMABLE UNITHOLDERS AT THE END OF THE PERIOD	**585,056**

UNITS TRANSACTIONS

Transactions in units for the period from 15 October 2018 to 30 June 2019 are summarized as follows:

	Unit
Units issued during the period	**68,712**
Units redeemed during the period	**(11,288)**
UNITS AT THE END OF THE PERIOD	**57,424**
NET ASSETS VALUE PER UNIT AT THE END OF THE PERIOD	**10.19**

The accompanying notes 1 to 9 form an integral part of these condensed interim financial statements.

1 GENERAL

Alpha Murabaha Fund (the "Fund") is an open-ended investment fund. The main activity of the Fund is to protect investor's principle investment and to achieve low risk investment returns by way of Murabaha based transactions, money market, sukuk instruments and other transactions that do not conflict with Shariah rules.

The Fund is managed by Alpha Capital Company (the "Fund Manager"), a closed joint stock company licensed by the Capital Market Authority of the Kingdom of Saudi Arabia ("CMA") under license number 33-18187.

The Fund's Manager registered office is P.O. Box 54854, Riyadh 11524, Kingdom of Saudi Arabia.

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

The Fund was offered for subscription under the laws and regulations of Capital Market Authority ("CMA") on 6 Muharram 1440H (corresponding to 16 September 2018). The Fund commenced its operations on 4 Safar 1440H (corresponding to 15 October 2018). Accordingly, these condensed interim financial statements cover the period from 15 October 2018 to 30 June 2019 (the "period").

The last valuation day of the period was 30 June 2019.

These financial statements were authorized for issue by the Board of Directors on 19 Thul Hajj 1440H (corresponding to 20 August 2019).

2 REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the "Regulations") issued by the CMA on 3 Thul Hijjah 1427H (corresponding to 24 December 2006), subsequently amended by the issuance of a new Investment Funds Regulation dated 16 Sha'aban 1437H (corresponding to 23 May 2016) by the CMA detailing requirements for all Investment Funds within the Kingdom of Saudi Arabia.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 BASIS OF PREPARATION

These condensed interim financial statements of the Fund have been prepared in accordance with International Accounting Standard 34 ("IAS 34") as endorsed in the Kingdom of Saudi Arabia.

The preparation of these condensed interim financial statements requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 *BASIS OF PREPARATION (continued)*

a) Standards and amendments to existing standards effective 1 January 2019

IFRS 16 "Leases"
IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 supersedes the following Standards and Interpretations:

(a) IAS 17 Leases;
(b) IFRIC 4 Determining whether an Arrangement contains a Lease;
(c) SIC-15 Operating Leases—Incentives; and
(d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases; which represents a significant change from IAS 17.

Lessor accounting under IFRS 16 is substantially unchanged from current accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

In the opinion of the Board, the above-mentioned standard will clearly not impact the Fund, as the Fund has no leases

b) New standards, amendments and interpretations effective after 1 January 2019 and have not been early adopted

The following standards, amendments to standards and interpretations are not yet effective and neither expected to have a significant impact on the Fund's financial statements:

Standards / amendments to standards / interpretations	***Effective date***
Definition of a Business (Amendments to IFRS 3)	1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
IFRS 17 *Insurance Contracts*	1 January 2021

In the opinion of the Board, these standards, amendments to standards and interpretations will clearly not impact the Fund. The Fund intends to adopt these standards, if applicable, when they become effective.

3.2 *ACCOUNTING CONVENTION*

The condensed interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The Fund does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of liquidity. However, all balances would generally be classified as current except for "Investments measured at amortized cost/ Investment held to maturity"

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 *FOREIGN CURRENCY TRANSLATION*

a) Functional and presentation currency

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

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the condensed interim statement of financial position date.

Foreign exchange gains and losses arising from translation are included in the condensed interim statement of comprehensive income.

3.4 *FINANCIAL INSTRUMENTS*

3.4.1 *Initial recognition and measurement*

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the instrument. The Fund records investments on a 'trade date' basis, which is the date the Fund commits to purchase or sell the asset.

At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the condensed interim statement of comprehensive income.

The Fund records investments in Murabaha and Sukuk on a "settlement date" basis.

3.4.2 *Classification*

In accordance with IFRS 9, the Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

Financial assets
The Fund classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset

Financial assets measured at amortised cost
A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Fund includes in this category short-term non-financing receivables including accrued income and other receivables.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 FINANCIAL INSTRUMENTS (continued)
3.4.2 Classification (continued)

Financial assets measured at fair value through profit or loss ("FVPL")
A financial asset is measured at fair value through profit or loss if:

(a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding;
(b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; and
(c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial liabilities

Financial liabilities measured at FVPL

A financial liability is measured at FVPL if it meets the definition of held for trading.

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Fund includes in this category short-term payables.

3.4.3 Subsequent measurement

After initial measurement, the Fund measures financial instruments which are classified as at FVPL at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at FVPL in the condensed interim statement of comprehensive income. Interest and dividends earned or paid on these instruments are recorded separately in interest revenue or expense and dividend revenue or expense in the condensed interim statement of comprehensive income.

Financial liabilities, other than those classified as at FVPL, are measured at amortised cost using the effective interest method. Gains and losses are recognised in the condensed interim profit or loss when the liabilities are derecognised, as well as through the amortisation process.

3.4.4 Impairment of financial assets held at amortised cost

The fund assesses on a forward-looking basis the expected credit loss ("ECL") associated with its financial assets carried at amortised cost. The fund recognises a loss allowance for such losses at each reporting date.
The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

Under IFRS 9, loss allowances are measured on either of the following bases:

a) 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
b) Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 FINANCIAL INSTRUMENTS (continued)

3.4.4 Impairment of financial assets held at amortised cost (continued)

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date.

3.4.5 De-recognition of financial instruments

A financial asset is derecognized, when the contractual rights to the cash flows from the financial asset expire or the asset is transferred, and the transfer qualifies for de-recognition. In instances where the Fund is assessed to have transferred a financial asset, the asset is derecognized if the Fund has transferred substantially all the risks and rewards of ownership. Where the Fund has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Fund has not retained control of the financial asset. The Fund recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

3.4.6 Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

3.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand and with a bank and other short-term highly liquid investments, if any, with maturities of three months or less from the purchase date.

3.6 ACCRUED EXPENSES

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

3.7 REDEEMABLE UNITS

Units subscribed and redeemed are recorded at the net asset value per unit on the valuation day for which the subscription request and redemption applications are received.

3.8 NET ASSETS VALUE

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

3.9 MANAGEMENT FEES, CUSTODIAN FEES AND OTHER EXPENSES

Management fees, administration fees, custodian fess and other expenses are charged at rates / amounts within limits mentioned in terms and conditions of the Fund.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 ZAKAT AND INCOME TAX

Under the current system of taxation in Kingdom of Saudi Arabia the Fund is not liable to pay any Zakat or income tax which are the obligation of the Unitholders and are not provided for in the accompanying condensed interim financial statements.

3.11 INCOME RECOGNITION

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

Profit on Murabaha Contracts and Sukuk is recognised on effective commission rate method.

The effective commission rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of a financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating the effective commission rate, the fund manager estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses. The carrying amount of the financial asset is adjusted if the fund manager revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on original effective commission rate and the change in carrying amount is recorded as impairment losses.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

Fair value measurement

The Fund measures its investments in equity instruments at fair value at each reporting date. 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 principal or the most advantageous market must be accessible to the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted prices available on respective stock exchange, without any deduction for transaction costs. The Fund is using last traded prices which is recognised as standard pricing convention within the industry.

For all other financial instruments not traded in an active market, if any, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

The Fund measures financial instruments at fair value at each statement of financial position date. Fair values of those financial instruments are disclosed in Note 8.

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise of investments in mutual funds and are measured at fair value. The composition and geographical exposure of financial assets at fair value through profit or loss on the last valuation day is summarized below:

	Cost SR"000"	*Market value SR"000"*	*Unrealised gains SR"000"*
Mutual funds (note 5.1)	129,892	131,154	1,262

5.1) Investments in mutual funds mainly represent 446,510 units in Muscat Capital Trade Finance Fund and 50,277 units in Riyad SAR Trade Fund and 1,633,522 units in Ashmore GCC Diversified Trade Fund. These funds are listed in Tadawul and managed by fund managers licensed by Capital Market Authority of Saudi Arabia.

6 INVESTMENTS MEASURED AT AMORTISED COST

	30 June 2019 SR"000"
Murabaha Placements with original maturity exceeding 3 month (*)	**273,877**
Investments in discretionary portfolio management (DPM) (**)	**122,045**
Investments in Sukuk (***)	**58,310**
	454,232

(*) Counterparties with whom the fund has made placements have sound credit ratings as issued by rating agencies. The average effective special commission rate on these placements as at the period end is 3.01% per annum. As at 30 June 2019, these placements included an accrued profit of SR 1.1 Million.

(**) The fund has an investment in a discretionary portfolio management as mentioned in the agreement between the fund and the investment portfolio manager (SICO BSC, a leading regional asset manager, broker, and investment bank licensed from the Central Bank of Bahrain), the portfolio manager will manage the fund's investments in short term money market instruments in the Kingdom of Bahrain according to the investment strategy and objectives of the fund. As at 30 June 2019, the portfolio includes Sukuk redeemable at par, Sukuk investments amounted to SR thousand 51,629 which include accrued profit of SR thousand 200. This portfolio also include money market and murabaha placements amounted to SR thousand 70,416 which include accrued profit of SR thousand 416. All the investments managed by the portfolio manager are placed in Kingdom of Bahrain with counterparties that have sound credit ratings and are short term with maturities ranging from 1 to 6 months after the reporting period.

(***) These debt securities (Sukuk) are redeemable at par Sukuk investments at their maturity date. The average effective special commission rate these investments as at the period end is 4.09% per annum. As at 30 June 2019, these investments included an accrued profit of SR 0.5 Million.

Financial assets at amortised cost are subject to impairment assessment based on expected credit loss model as per IFRS 9 (note 3.4.4). The methodology and assumptions applied by the fund in estimating the ECL is based on using the Moody's rating scales which are then adjusted for country specific data based on where the underlying assets are , forward looking estimates and macroeconomic variables such as expected GDP growth , to determine the ECL as at the end of the reporting period. The management has assessed that the provision under ECL is deemed not significant.

7 TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Fund Manager and entities / persons related to Fund Manager are considered as related parties of the Fund. In the ordinary course of its activities, the Fund transacts business with its related parties. Related party transactions are governed by limits set by the regulations issued by the CMA. All the related party transactions are approved by the Board of Directors.

a) Management fee

The Fund Manager is responsible for the overall management of the Fund's activities. The Fund Manager charges management fee at the rate of 0.45% that are calculated on a daily basis based on the net value of the Fund's assets. Total management fee for the period amounted to SR thousand 719 with SR thousand 510 in outstanding accrued fees due to the Fund Manager at the end of the period.

The units in issue as at 30 June 2019 include 1,897,051 units held by the Fund Manager and 634,166 units held by other funds managed by the fund manager.

b) Board of Directors and Sharia Committee remuneration

The total remuneration accrued to the directors for the period was SR thousand 11 and consisted of only fixed directors' fees. Furthermore, for the period an oversight fee was accrued for the members of the Sharia Committee with an amount of SR 10.

8 FINANCIAL RISK MANAGEMENT

8.1 FINANCIAL RISK FACTORS

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Fund's overall risk management programme seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance.

The Fund Manager has in place policies and procedures to identify risks affecting the Fund's investments and to ensure that such risks are addressed as soon as possible, which include conducting a risk assessment at least once a year.

The Fund Manager also applies a prudent spread of risk while taking into consideration the Fund's investment policies and the terms and conditions. Furthermore, the Fund Manager shall make every effort to ensure that sufficient liquidity is available to meet any anticipated recovery request. The Board of the Fund plays a role in ensuring that the Fund Manager fulfils its responsibilities to the benefit of the unitholders in accordance with the provisions of the Investment Funds Regulations and the terms and conditions. The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

8.1.1 Market risk

a) Commission rate risk

Commission rate risk is the risk that the value of future cash flows of a financial instrument or fair values of fixed coupon financial instruments will fluctuate due to changes in market commission rates.

As of the current reporting date, the fund is not exposed to significant special commission rate risk as majority of its assets are fixed special commission bearing and the liabilities are non-commission bearing.

b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. The fund's management believe that there is a minimal risk of significant losses due to exchange rate

8 FINANCIAL RISK MANAGEMENT (continued)
8.1 FINANCIAL RISK FACTORS (continued)
8.1.1 Market risk (continued)

fluctuation as the majority of monetary assets and liabilities are in currencies linked to Saudi Riyal In addition as the fund's foreign currency transactions are primarily in US dollars which is pegged with the Saudi Riyal , foreign exchange gains and losses are not significant.

c) Price risk

Price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements.

The price risk arises primarily from uncertainty about the future prices of the units in mutual funds that the Fund holds. The Fund Manager closely monitors the price movement of its units in mutual funds listed at stock exchange markets. The Fund manages the risk through diversification of its investment portfolio by investing in various mutual funds.

Sensitivity analysis

The table below set outs the effect on profit or loss of a reasonably possible weakening / strengthening in the individual mutual fund market prices of 5% at reporting date. The estimates are made on an individual investment basis. The analysis assumes that all other variables remain constant.

		30 June 2019 SR (000)
Net gain (loss) on financial assets at fair value through profit or loss	**+5%**	**7,818**
	-5%	**(7,818)**

8.1.2 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in realizing funds to meet commitments associated with financial liabilities. The Fund's terms and conditions provide for subscriptions and redemptions of units throughout the week and the Fund is therefore, exposed to the liquidity risk of not meeting unitholder redemptions. The Fund's cash balances are considered to be readily realizable and they can be liquidated at any time. The fund has investments in murabaha deals with maturities ranging from 1 to 12 months. Therefore, fund can realise its investments within 12 months after the current reporting date. However, Sukuk held by the fund have maturities ranging from 1 to 3 years.

The Fund Manager has established certain liquidity guidelines for the Fund and monitors liquidity requirements on a regular basis to ensure sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by obtaining financing from the related parties of the fund.

8.1.3 Credit risk

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

Credit risks are generally managed on the basis of external credit ratings of the counterparties. The Fund Manager seeks to limit its credit risk by monitoring credit exposure and by dealing with reputed counterparties.

8 FINANCIAL RISK MANAGEMENT (continued)
8.1 FINANCIAL RISK FACTORS (continued)
8.1.3 Credit risk (continued)

The fund is exposed to credit risk on its cash and cash equivalents which is held with Al Bilad Capital, the custodian of the Fund The fund also is exposed to credit risk on conducting Murabaha transactions and Sukuk that are held to maturity in addition to the fund's investment in mutual funds which are listed in Tadawul. All the fund investments are placed with counterparties with sound credit ratings.

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

	30 June 2019 SR"000"
Financial assets at fair value through profit or loss	**454,232**
Investments measured at amortised cost	**131,154**
Cash and Cash equivalents	**281**
Total exposure to credit risk	**585,667**

8.2 CAPITAL RISK MANAGEMENT

The capital of the Fund is represented by the net assets attributable to holders of redeemable units. The amount of net asset attributable to holders of redeemable units can change significantly on each valuation day, as the Fund is subject to subscriptions and redemptions at the discretion of unitholders on every valuation day, as well as changes resulting from the Fund's performance. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund. In order to maintain the capital structure, the Fund's policy is to monitor the level of subscriptions and redemptions relative to the assets it expects to be able to liquidate and adjust the amount of dividend distributions the Fund pays to redeemable units. The Fund Board and the Fund Manager monitor capital on the basis of the value of net assets attributable to redeemable unitholders.

8.3 FAIR VALUE ESTIMATION

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. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

- 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 value of financial assets at fair value through profit or loss are based on quoted market prices in active markets and are therefore classified within Level 1 of the fair value hierarchy as at 30 June 2019.

9 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets consist of cash and cash equivalents, investments measured at amortised cost and financial assets at fair value through profit or loss. Financial liabilities consist of accrued expenses. All financial assets and financial liabilities as at 30 June 2019 were classified under amortised cost category except for financial assets at fair value through profit or loss which are classified as and measured at fair value.