

**a. Investment Fund Information**

**1) Name of investment fund.**

Alinma Saudi Government Sukuk ETF – Short Maturity.

**2) Investment objectives, policies and policies.**

Alinma Saudi Government Sukuk ETF - Short Maturity, is a ETF Fund that invests through the passive management of a basket of shariah-approved local government sukuk issued by the Saudi government and listed in the main market to generate a performance that mimics the performance of the index before fees and expenses, distribute periodic returns, reduce cost, increase efficiency, as well as enhancing liquidity by concentrating on such income-generating investment instruments which enable individuals to invest in debt capital market instruments with more flexibility, resulting in the promotion of the saving culture among investors which is one of the Saudi Vision 2030 key objectives.

**3) Distribution of income and gain policy.**

a) The policy of distribution of income and gains:

– The Fund Manager intends to make cash distributions to unitholders as returns from the investment in the Fund's assets once per annum no later than the end of the Fund's financial year. The Fund Manager may make such distributions more than once a year upon the Fund Board's resolution in certain cases, including, but not limited to:

- If the distributions expenses would not affect the Fund's Net asset Value.
  - If the Fund Manager believes that the liquidity requirements negatively affect the unit's price performance.
- The Fund Manager may reinvest the dividends received, including, but not limited to, Sukuk coupons.

**4) A statement that the fund's Reports are available upon request free of charge.**

The Fund reports will be made available (free of charge) by the Fund Manager, upon request.

**5) Description of the fund's benchmark and the service provider's website (if any).**

– The benchmark index: iBoxx Tadawul SAR Government Sukuk Index – Short Maturity.

– The Index Provider: The Saudi Stock Exchange (Tadawul) [www.saudiexchange.sa](http://www.saudiexchange.sa) and IHS Markit (iBoxx) [www.ihsmarkit.com](http://www.ihsmarkit.com)

– The methodology used to calculate the index:

The index (iBoxx Tadawul SAR Government Sukuk Index – Short Maturity) is designed to reflect the performance of the government sukuk denominated in Saudi Riyal and issued by the government of Saudi Arabia. The index rules have been set to cover a broad spectrum of government sukuk denominated in Saudi Riyal and issued by the government of Saudi Arabia.

**b. Fund Performance**

**1) A comparative table covering the last (3) financial years (or since inception), highlighting:**

The last three financial years	31/12/2021		31/12/2022		31/12/2023	
The fund net assets value at the end of each financial year	1,251,316,068		1,255,054,891		426,348,374	
The fund net assets value per unit at the end of each financial year	10.18		9.91		10.46	
Highest and lowest net asset value per unit for each financial year.	Highest	Lowest	Highest	Lowest	Highest	Lowest
	10.38	10.09	10.09	9.77	10.46	9.82
The number of units in issue at the end of each financial year.	125,000,000		125,000,000		40,430,131	
Income distribution per unit	0.224		0.160		0.08	
Expense ratio.	0.29%		0.31%		0.55%	
Percentage of borrowed assets from the total asset value, the period of their exposure period and due date (if any).	None					
Results of comparing the performance of the benchmark of the fund with performance of the fund.	-0.21%		0.58%		3.62%	

**2) A performance record that covers the following:**

**a) The total return for 1 year, 3 years and 5 years (and since inception (where applicable)).**

1 year	3 years	since inception
6.92%	5.75%	10.74%

**b) The Annual total return for each of the last 10 financial years (or since inception).**

2023	2022	2021	2020	since inception
6.92%	-0.96%	-0.14%	4.72%	10.74%

Note: The Fund's performance report period for 2020 is as of the Fund's inception, which was on 24 February 2020.

**c) a table showing actual fees and fund expenses paid by the investment fund during the year. The Total Expense Ratio should also be clearly disclosed. If there are any circumstances in which a fund manager may elect to waive or rebate any fees, this must also be disclosed.**

Charges for services and commissions	2,325,096
Total Expenses	0.55%
Circumstances where the Fund Manager has decided to waive or reduce any fees.	N/A

**d) The bases for calculating the performance data and any assumption made must be consistently applied.**

The bases for calculating the performance data and any assumption made must applied

**3) If there were material changes that occurred during the period and that affected the performance of the fund, these changes must be clearly disclosed.**

There are no material changes during the report period.

**4) Disclosure of the exercise of annual voting rights and it must include the issuer's name and the date of the General Assembly and the subject of the vote and the decision to vote (agree / disagree / abstain from voting).**

Does not apply to the nature of the Fund's business.

**5) The fund's board annual report including, but not limited to, the following:**

**a) Names of Fund Board members, and indicating membership type.**

- 1) Mr. Mazin Baghdadi (Chairman and Non-independent Director).
- 2) Dr. Abdulrahman Al-Aali (Independent Director)
- 3) Mr. Abdulaziz Alyabes (Non-independent Director)
- 4) Mr. Khalid Feda (Independent Director)

**b) A brief about of the fund board members' qualifications.**

**1) Mr. Mazin Fawaz Ahmed Baghdadi**

Mazin Baghdadi is the CEO and MD of Alinma Investment Company with over than 22 years of comprehensive experience in investment field. He is also a board member of Jabal Omar Development Company. Prior to joining Alinma Investment in 2016, Mr. Baghdadi served as a Head of Investment Management for HSBC Saudi Arabia. He also has managed both local and GCC mutual funds, and discretionary portfolios in equities and fixed income throughout his career. Earlier in his career, Mr. Baghdadi held different positions in investment companies and banking industries including Riyadh Bank and Saudi Fransi Capital.

Mr. Baghdadi holds a Bachelor's degree in Finance from King Fahd University of Petroleum and Minerals (KFUPM). He also has attended several executive education in management including transitional to General Management Programme at INSEAD.

**2) Dr. Abdulrahman Yousef Shamsuddin Al-Aali**

Al-Aali pursued his post-secondary business education at Georgia State University, Atlanta with BBA, MBA and PhD in International Business. Served for more than thirty years as a professor of International Business (Marketing), College of Business Administration, at King Saud University (KSU). He was a Visiting Research Scholar at Indiana University of Pennsylvania, and a Visiting Scholar at Simon Fraser University, Canada. For eight years, Al-Aali, was the founding Vice-Dean and later Dean of King Abdullah Research and Consulting Institute (KAI) at KSU. Al-Aali consulted many government and commercial organizations and studies, such as Ministry of Commerce, Ministry of Municipal and Rural Affairs, Ministry of Higher Education, Saudi Export Development Center, United Nations Development Program (UNDP), Fedex Saudi, International Systems Engineering Company, AlMaarefa University, Prince Sultan University, Board of Grievances, General Court in Commercial Law, and many universities boards, and private colleges. Dr. Al-Aali also serves as board member in the Saudi Ports Authority, and a number of local and international companies. Also, he is the founder of Skyline International in (USA)

**3) Mr. Abdulaziz Bin Fahad Alyabes**

Mr. Abdulaziz Alyabes has held several administrative, financial and organizational duties, and has more than 14 years of experience in the field of financial markets, business development and asset management. He is currently the chief of business development at Alinma Investment Company, and he worked at Riyadh Airports Company as General Manager of Business Development and before that he held Director of the Income-Generating Funds at Alinma Investment Company, as he previously worked at Deutsche Saudi Arabia for Securities, Credit Suisse Saudi Arabia and the Capital Market Authority, and has extensive knowledge of securities regulations and legislation, in addition to having obtained many executive financial courses and certificates from international and local universities and organizations. Abdulaziz Alyabes holds a Bachelor's degree in Computer Engineering from King Fahd University of Petroleum and Minerals in 2005, and a Master's degree in Engineering Management from Portland State University in the United States of America in 2008.

**4) Mr. Khaled Bin Abdelhafeez Feda**

He holds a Bachelor in Finance from King Saud University and a Master in Business Administration from Prince Sultan University. Khaled worked for more than 15 years in asset management and business administration. Since February 2021, Khaled is serving as an advisor to the Minister of Commerce including representing the Ministry in National Committees and Boards of Directors. He also serves as a member of the Board of Directors of the Country Secretary for Development and Urban Renewal. Previously, he worked as the Director of the Enforcement Assurance Department at the Vision Realization Office of the Ministry of Commerce and in several managerial positions in companies and financial institutions. He had several achievements, noticeably: building the strategy and governance of the private sector development program, and winning the award for best investment fund for initial issues in the Kingdom in 2015, issued by the "Global Banking and Finance Review", and leading the investment team at Kuwait-Saudi Finance House to receive the Kingdom's 2015 Best Provider of Wealth Management award from World Finance and the establishment and launching of several investment funds in the Kingdom in various asset classes.

**c) Description of the roles and responsibilities of the Fund Board.**

- Approving material contracts, decisions and reports involving the Fund, including, but not limited to, contracts for the provision of Fund management services, contracts for the provision of custody services but excluding contracts concluded pursuant to investment decisions regarding underlying investments made or to be made by the Fund.
- Approving a written policy in regard to the voting rights related to the Fund assets.
- Overseeing and, where appropriate, approving or ratifying any conflicts of interest the Fund Manager has identified and disclosed pursuant to the Investment Funds Regulations.
- Meeting at least twice annually with the Fund Manager's compliance committee or its compliance officer to review the Fund Manager's compliance with all related and applicable rules, laws and regulations, including, without limitation, the requirements of the Investment Funds Regulations.
- Approving all changes stipulated in the Investment Funds Regulations before the Fund Manager obtains the approval or notification of the unitholders and the Capital Market Authority (where applicable).
- Ensuring that Fund's Terms and conditions and any other document, contractual or otherwise that includes disclosures relating to the Fund or the Fund Manager and its management of the Fund, are complete and accurate and that the foregoing complies with the Investment Funds Regulations.
- Ensuring that the Fund Manager carries out its obligations in the best interests of the unitholders, in accordance with the Investment Funds Regulations, the Terms and Conditions of the Fund.
- Reviewing the report that includes evaluating the performance and quality of services provided by the parties concerned with providing essential services to the Fund as referred to in the Investment Funds Regulations, in order to ensure that the Fund carries out its obligations in the best interests of the unitholders, in accordance with the Investment Funds Regulations, the Terms and Conditions of the Fund.
- Evaluating the Fund Manager's method in dealing with risks related to Fund assets in accordance with the Fund Manager policies and procedures regarding monitoring risks related to the Fund.
- Working hard and in good faith, to exercise all reasonable care and skill; a duty to act in the best interests of the Unitholders.
- Taking minutes of meetings that provide all deliberations and facts of the meetings and the decisions taken by the Board.
- Reviewing the report containing all the complaints and procedures taken in this regard as referred to in the Investment Funds Regulations (and any other amendments made thereto from time to time), in order to ensure that the Fund carries out its obligations in the best interests of the unitholders, in accordance with the Investment Funds Regulations, the Terms and Conditions of the Fund.

**d) Details on the remuneration of fund board members.**

A maximum amount of SAR 50,000 per financial year paid collectively as remuneration for independent directors of the Fund Board of Directors. The Fund Manager shall incur the payment of such remunerations.

**e) A statement of any conflict or potential conflict of interest between the interests of a fund board member and the interests of the fund.**

Currently, there is no actual or potential conflict of interest between the Fund Board members and the Fund. The Fund Board will supervise and manage any conflict of interest and pay reasonable care and act in good faith when managing such conflict of interests.

**f) A statement showing all the funds boards that the relevant board member is participating in.**

Fund Name	Fund Type	Directors			
		Mr. Mazen Baghdadi	Dr. Abdulrahman Yousef Shamsuddin Al-Aali	Mr. Abdulaziz Bin Fahad Alyabes	Mr. Khaled Bin Abdelhafeez Feda
Alinma Real Estate Fund	Private Offer	Non-Independent Member	-----	-----	-----
Daniyah Makkah Hospitality Fund	Private Offer	Non-Independent Member	-----	-----	-----
Alinma AlThoraya Real Estate Fund	Private Offer	Non-Independent Member	-----	-----	-----
Al Qairawan Logistic Fund	Private Offer	Non-Independent Member	-----	-----	-----
Mawwadah Endowment Fund	Private Offer	-----	Non-Independent Member	-----	-----
Maddak Endowment Fund	Private Offer	Non-Independent Member	Non-Independent Member	-----	-----
Dahaban Real Estate Fund	-	Non-Independent Member	-----	-----	-----
Dawwah Endowment Fund	Private Offer	-----	Non-Independent Member	-----	-----
Alinma Wadi Alhada Fund	-	Non-Independent Member	-----	-----	-----
Alinma Income Generating Opportunities Fund	Private Offer	Non-Independent Member	Non-Independent Member	Non-Independent Member	-----
Alinma Madinah Real Estate Fund	-	Non-Independent Member	-----	-----	-----
Alinma Muhammadiyah Real Estate Fund	-	Non-Independent Member	-----	-----	-----
Alinma Private Family Fund 23-1	Private Offer	Non-Independent Member	-----	-----	-----
Alinma Al-Taif Real Estate Fund	-	Non-Independent Member	-----	-----	-----
Alinma Sakani Fund	Private Offer	Non-Independent Member	-----	-----	-----
Alinma AlKhober Real estate Fund	-	Non-Independent Member	-----	-----	-----
Alinma AlJazerah vehicles Fund	-	Non-Independent Member	-----	-----	-----
Alinma Ajead Real Estate Fund	-	Non-Independent Member	-----	-----	-----
Ikraam Endowment Fund	Private Offer	Non-Independent Member	Non-Independent Member	-----	-----
Alinma Diversified Saudi Riyal Fund	Public Offer	Non-Independent Member	-----	-----	-----
Alinma Emerging Markets Fund	Public Offer	Non-Independent Member	-----	-----	-----
Alinma Masharif Al Awali Fund	Private Offer	Non-Independent Member	-----	-----	-----
Alinma Logistic Park Fund	Private Offer	Non-Independent Member	-----	-----	-----
Alinma Makkah 1st Development Fund	Private Offer	Non-Independent Member	Independent Member	-----	-----
Alinma Makkah 2nd Development Fund	Private Offer	Non-Independent Member	Independent Member	-----	-----
Alinma Almohamadia RE Fund	Private Offer	Non-Independent Member	-----	-----	-----
Alinma Logistic District Fund	Private Offer	Non-Independent Member	Independent Member	-----	-----
Alinma Riyadh View Fund	Private Offer	Non-Independent Member	-----	-----	-----
Alinma Wareef Endowment Fund	Public Offer	Non-Independent Member	-----	-----	-----
Alinma Enayah Endowment Fund	Public Offer	Non-Independent Member	-----	-----	-----
Bir Ariyadh Waqf Fund	Public Offer	Non-Independent Member	-----	-----	-----
Alinma Orphan Care Endowment Fund	Public Offer	Non-Independent Member	-----	-----	-----
Alqassim Waqaf Fund	Private Offer	Non-Independent Member	-----	Non-Independent Member	-----
Alinma Multi-Asset Balanced Fund	Public Offer	Non-Independent Member	-----	-----	-----
Alinma Saudi Riyal Liquidity Fund	Public Offer	Non-Independent Member	-----	-----	-----
Alinma Saudi Equity Fund	Public Offer	Non-Independent Member	-----	-----	-----
Alinma IPO Fund	Public Offer	Non-Independent Member	-----	-----	-----
Alinma Aljazira 1st Fund	Private Offer	Non-Independent Member	-----	-----	-----
Investment in Hajj and Umrah Fund	Private Offer	Non-Independent Member	-----	-----	-----
Alinma Mosques Endowment Fund	Public Offer	Non-Independent Member	-----	Non-Independent Member	-----
Alinma Dhahiat Alriyadh Fund	Private Offer	Non-Independent Member	-----	-----	-----
Alinma Equity Private Fund-1	Private Offer	Non-Independent Member	-----	-----	-----
Family Private Fund	Private Offer	Non-Independent Member	-----	-----	-----
Alinma Retail REIT Fund	Public Offer	Non-Independent Member	-----	-----	-----
Alinma North Riyadh RE Fund	Private Offer	Non-Independent Member	-----	-----	-----
Alinma North Jeddah RE Fund	Private Offer	Non-Independent Member	-----	-----	-----

Alinma Al Khumra RE Fund	Private Offer	Non-Independent Member	-----	-----	-----
Alinma Income Generating Opportunities Fund	Private Offer	Non-Independent Member	-----	Non-Independent Member	-----
Alinma Hospitality REIT Fund	Public Offer	Non-Independent Member	-----	-----	-----
Alinma Masharif Al Awali Fund	Private Offer	Non-Independent Member	-----	-----	-----
Alinma Makkah 1st Development Fund	Private Offer	Non-Independent Member	-----	-----	-----
Alinma Makkah 2nd Development Fund	Private Offer	Non-Independent Member	-----	-----	-----

g) Topics discussed and issued resolutions, as well as the fund performance and fund achievement of its objectives.

Annex 1

c. Fund Manager

1) Name and address of the fund manager.

Alinma Investment Company  
CMA License No. 37-09134  
Riyadh, Al-Olaya, Al Anoud Southern Tower-2, King Fahd Road.  
P.O. Box 55560 Riyadh 11544 Saudi Arabia  
Telephone: +96612185999  
Fax: +966112185900  
Website: [www.alinmainvestment.com](http://www.alinmainvestment.com)

2) Names and addresses of sub-manager and/or investment adviser (if any).

None

3) A review of the investment activities during the period.

All the Fund's investments have been carried out in accordance with the Fund's objectives and strategies, aiming to take full advantage of possible investment opportunities, and taking into consideration, as possible, our commitment to the investment restrictions stipulated in the Fund's terms and conditions.

4) A report of investment fund's performance during the period.

The Fund has achieved a performance rate of 6.92% for the year 2023. Compared to the fund's benchmark 3.30% with alpha 3.62%

5) Details of any material changes to the Fund's Terms and Conditions (for a public fund)

Annex 2

6) Any other information that would enable unitholders to make an informed judgment about the fund's activities during the period.

None

7) Where an investment fund invests substantially in other investment funds, a statement must disclose on the proportion of the management fees charged to the fund itself and to funds in which the funds invests.

Alinma Saudi Government Sukuk ETF Fund - Short Maturity	0.25% per annum of the Fund's total assets
Alinma Saudi Riyal Liquidity Fund	20% per annum of the Fund's net returns

8) A statement on any special commission received by the fund manager during the period, clearly identifying what they are and the manner in which they were utilized (if any).

None

9) Any other data and other information required by these Regulations to be included in this report.

Announcement by Alinma Investment Company regarding the incorrect Valuation of a unit of Alinma Saudi Government Sukuk ETF Fund - Short Maturity	
Element List	Explanation
Introduction	Alinma Investment Company announces an incorrect Valuation of units of Alinma Saudi Government Sukuk ETF Fund - Short Maturity , during the period 22 June 2023 to 30 August 2023 . The following is the total assets and the unit price after correction
Total Assets (SAR)	418,472,154.01
Unit Price (SAR)	103.275
Percentage of Error in the Unit Price (%)	3.15%
Additional Information	All affected unitholders will be compensated (including former unitholders) for all valuation and pricing errors immediately. Should you need further clarification, please contact us by Should you need further clarification, please contact us by (Telephone No.8004413333 ,Email Address: info@alinmainvest.com ).

10) Period for the management of the person registered as fund manager.

3 years and 10 months.

11) A disclosure of the expense ratio of each underlying fund at end of year and the weighted average expense ratio of all underlying funds that invested in (where applicable)

Fund Name	Expense Ratio
Alinma Saudi Government Sukuk ETF Fund - Short Maturity	0.55%
Alinma Saudi Riyal Liquidity Fund	2.09%

d. Custodian

1) Name and address of custodian.

Credit Suisse Saudi Arabia  
CMA License No. 37-08104  
Al Jumaih Center, King Fahd Road, Al Mohamadiah District,  
P.O. Box: 5000, Riyadh 12361 - 6858, Office No. (203).  
Phone: +966 11 2039701

2) A brief description of its duties and responsibilities.

1) The Custodian shall be responsible for its obligations under the provisions of the Investment Funds Regulations, whether those requirements are performed directly by the Custodian or indirectly through assigning them to a third party under the provisions of the Investment Funds Regulations and the Capital Market Institutions Regulations. The Custodian is liable to the Fund Manager, unitholders and the Fund Board for any losses resulting from fraud, negligence, malpractice or intentional failure to meet obligations.

2) As per the Fund Manager's instructions, process the request initiated by the Market Maker for unit creation or redemption in the following manner:

- Registering the Fund Units with the Depository Center.
- When processing Unit Creation application, Custodian shall arrange to transfer the underlying basket of sukuk and other cash portions from the Market Maker's account to the Fund Manager's account.
- When processing Unit Redemption application, the Custodian shall ensure availability of the Fund Units in the Market Maker's account.
- Arrange for Creation or Redemption of the Fund units and ensure that listing/ delisting of Units is properly done by Tadawul.
- Upon Unit Creation, the Custodian should ensure that the underlying units (and its value) transferred to Fund account matches the ETF Units (and its value) transferred to the Market Makers' account.
- Upon Units Redemption, the Custodian should ensure that the ETF Units (and its value) redeemed matches the underlying Sukuk (and its value) transferred to Market Maker's account.
- Reconcile the intra-day creation or redemption activity with Tadawul.
- Undertake daily reconciliation to rectify any discrepancies.
- Transfer the Fund's proceeds to the Fund's account

3) The Custodian shall be responsible for taking custody and protecting the Fund's assets on behalf of unitholders, and for taking all necessary administrative measures in relation to the custody of the Fund's assets.

e. Fund Operator

1) Name and address of fund operator.

Alinma Investment Company  
CMA License No. 37-09134  
Riyadh, Al-Olaya, Al Anoud Southern Tower-2, King Fahd Road.  
P.O. Box 55560 Riyadh 11544 Saudi Arabia  
Telephone: +96612185999  
Fax: +966112185900  
Website: [www.alinmainvestment.com](http://www.alinmainvestment.com)

**2) A brief description of its duties and responsibilities.**

- 1) In regard with Investment Funds, Fund Operator shall be responsible for operating Investment Funds:
- 2) The Fund Operator must keep the relevant books and registers of the operation of all the Funds under its operation.
- 3) The Fund Operator must set up and maintain a register of unitholders in the Kingdom.
- 4) The Fund Operator is responsible for the distribution of profits to unitholders.
- 5) The Fund Operator is responsible for fully and fairly valuation of the Fund's assets.
- 6) The Fund Operator must process requests for subscriptions at the price calculated at the next valuation point following the deadline for submission of requests for subscription.
- 7) The Fund Operator shall process subscription requests so that they do not conflict with any provisions contained in the Investment Fund Regulation or the Fund terms and conditions.

**o. Auditor**

Name and address of auditor.

Alluhaid & Alyahya Chartered Accounts (LYCA)

Kingdom Of Saudi Arabia

P.O. 85453 Riyadh 11691

Tel. +966112693516

Fax. +966112694419

Website:

<https://lyca.com.sa/>

**f. Financial Statements**

Financial statements for the annual accounting period (or the interim period covered in the report) of the investment fund must be prepared in accordance with the accounting standards approved by the Saudi Organisation of Certified Public Accountants.

Annex 3

**Annex 1**

Topics discussed and issued resolutions, as well as the fund performance and fund achievement of its objectives.

**1- The Fund's Board of Directors Meeting No. (7) was held on July 24, 2023, at 03:00 PM, through the (Cisco Webex Meetings) platform.**

Meeting Agenda:

- Discussing the Fund's performance relative to the index and related events from the date of the previous meeting until the end of June 2023.
- Discussing issues related to the Fund's activity from the date of the previous meeting until the end of June 2023.
- Meeting with the Compliance, Commitment and Anti-Money Laundering Officer for any relevant matters.
- Approving and /or signing resolutions and documents, including those approved by the Council by passing to the date of the meeting (if any).
- Other matters (if any).

Explanation of the activities mentioned in the checklist and meeting agenda:

- Discussing the Fund's general performance, to determine the extent of the Fund manager's commitment to investment objectives and policies, and any other investment restrictions or limits.

- Fund performance:

Since establishment, the Fund has achieved (5.39%) compared to the benchmark index (5.38%), with a difference of (0.01) from the benchmark index.

Fund Performance	1 M	3 M	YTD	1 Year	2 Years	SI
FUND	0.06%	0.56%	1.76%	2.27%	0.37%	5.39%
BM	-0.14%	0.44%	1.72%	2.24%	0.18%	5.38%
ALPHA	0.20%	0.12%	0.04%	0.04%	0.55%	0.01%



- Fund Components:

- The Fund's basket consists of 10 Sukuk with an average remaining maturity of 1.70 years.

- The current net return on the Sukuk basket is 3.18%.

No.	ISIN	Series	Maturity	Coupon	Index weight	ETF weight	Diff
1	SAHBYK2H20	5244	7/26/2024	3.25%	2.93%	0.00%	-2.93%
2	SAHBYK2H05	5245	7/26/2027	3.55%	2.12%	0.00%	-2.12%
3	SAHBYK2H13	5263	1/24/2025	3.45%	3.81%	3.86%	0.05%
4	SAHBYK2H35	5264	1/24/2028	3.85%	2.73%	0.00%	-2.73%
5	SAHBYK2H32	5266	4/25/2025	3.50%	1.52%	0.00%	-1.52%
6	SAHBYK2H34	5268	7/25/2023	3.50%	5.93%	7.06%	1.13%
7	SAHBYK2H05	5269	7/25/2025	3.62%	3.04%	2.80%	-0.24%
8	SAHBYK2H09	5271	10/24/2023	3.68%	2.10%	2.73%	0.63%
9	SAHBYK2H10	5247	8/23/2024	3.20%	5.89%	8.05%	2.16%
10	SAHBYK2H31	5272	10/24/2025	3.88%	1.45%	0.00%	-1.45%
11	SAHBYK2H07	5248	8/23/2027	3.50%	3.23%	0.00%	-3.23%
12	SAHBYK2H02	5275	1/23/2024	3.17%	4.06%	4.07%	0.01%
13	SAHBYK2H16	5250	9/20/2024	3.25%	3.90%	5.89%	1.99%
14	SAHBYK2H05	5251	9/20/2027	3.45%	2.45%	0.00%	-2.45%
15	SAHBYK2H06	5253	10/25/2024	3.20%	5.42%	6.83%	1.41%
16	SAHBYK2H15	5454	10/25/2027	3.65%	7.25%	0.00%	-7.25%
17	SAHBYK2H10	5281	3/23/2025	2.17%	7.07%	7.11%	0.04%
18	SAHBYK2H08	5283	1/27/2027	2.47%	5.07%	0.00%	-5.07%
19	SAHBYK2H33	5300	7/26/2024	1.64%	7.68%	0.00%	-7.68%
20	SAHBYK2H01	5297	7/27/2027	1.73%	0.99%	0.00%	-0.99%
21	SAHBYK2H19	5306	1/21/2028	1.97%	16.83%	0.00%	-16.83%
22	SAHBYK2H35	5320	3/17/2027	2.60%	4.53%	14.76%	10.23%

Trading volume and values:

- Unit trading price (100.40 Saudi riyals) on (July 24, 2023).
- The total trading value from the date of the previous meeting until the end of June 2023 is more than (5.8 million Saudi riyals).
- The average weekly value of deals from the date of the previous meeting amounted to more than 234k

The average weekly number of deals from the date of the previous meeting reached 28 deals.



Investor Type	Current	Nationality			
		Saudi's	Shares	Non-Saudi's	Shares
Individuals		478	57,401	23	635
Corporates		8	3,984,977	0	0

- Ensure that the Fund manager carries out his responsibilities in the interest of unit owners in accordance with the provisions of the investment Funds regulations, the terms and conditions of the Fund, and the information memorandum.
- A meeting was held with the compliance and commitment officer and the Fund's compliance with all relevant laws, rules and regulations was reviewed.
- The Fund manager notifies the Fund's board of directors of all violations of investment restrictions as soon as they occur. N/A
- Other matters.

- The Fund Manager's current and ongoing initiatives with external parties related to the Fund were explained to the Board members in order to improve its performance in the future, which included:

- 1) Working with the Capital Market Authority "CMA", the Saudi Stock Exchange Company "Tadawul" and the Securities Depository Center "Edaa" to divide the units into 1/10.
- 2) Working to expand the Fund's investment scope to include medium- and long-term sukuk.

Board Resolutions:

- The next meeting will be scheduled in coordination with members at a later date.

**2- The Fund's Board of Directors Meeting No. (8) was held on November 29, 2023, at 01:00 PM, through the (Cisco Webex Meetings) platform.**

Meeting Agenda:

- Discussing the Fund's performance relative to the index and related events from the date of the previous meeting until the end of October 2023.
- Discussing issues related to the Fund's activity from the date of the previous meeting until the end of October 2023.
- Meeting with the Compliance, Commitment and Anti-Money Laundering Officer for any relevant matters.
- Approving and /or signing resolutions and documents, including those approved by the Council by passing to the date of the meeting (if any).
- Other matters (if any).

Explanation of the activities mentioned in the checklist and meeting agenda:

- Discussing the Fund's general performance, to determine the extent of the Fund manager's commitment to investment objectives and policies, and any other investment restrictions or limits.

- Fund performance:

Since establishment, the Fund has achieved (9.74%) compared to the benchmark index (5.59%), with a difference of (4.15%) from the benchmark index.

Fund Performance	1 M	3 M	YTD	1 Year	2 Years	SI
FUND	0.20%	3.80%	5.96%	7.18%	4.78%	9.74%
BM	-0.30%	-0.12%	1.92%	3.49%	0.16%	5.59%
ALPHA	0.51%	3.92%	4.04%	3.69%	4.62%	4.15%



- Fund Components:

- The Fund's basket consists of 8 Sukuk with an average remaining maturity of 1.71 years.

- The current net return on the Sukuk basket is 3.03%.

No.	ISIN	Series	Maturity	Coupon	Index weight	ETF weight	Diff
1	SA14BVK2HU20	5244	45499	1/3/1900	2.73%	0.00%	-2.73%
2	SA14BVK2HU15	5245	46594	1/3/1900	1.97%	0.00%	-1.97%
3	SA14GVK2I7J3	5263	45681	1/3/1900	3.55%	3.80%	0.25%
4	SA14GVK2I835	5264	46776	1/3/1900	2.54%	0.00%	-2.54%
5	SA14IFK2I932	5266	45772	1/3/1900	1.41%	0.00%	-1.41%
6	SA14IFK2I9J8	5267	46868	1/3/1900	2.30%	0.00%	-2.30%
7	SA14JVK2IAJ5	5269	45863	1/3/1900	2.83%	2.76%	-0.06%
8	SA14JVK2IB33	5270	46959	1/3/1900	4.37%	0.00%	-4.37%
9	SA14LFK2IBJ9	5271	45223	1/3/1900	1.96%	0.00%	-1.96%
10	SA14CFK2HVJ0	5247	45527	1/3/1900	5.48%	7.92%	2.44%
11	SA14LFK2IC31	5272	45954	1/3/1900	1.35%	0.00%	-1.35%
12	SA14CFK2IO37	5248	46622	1/3/1900	3.01%	0.00%	-3.01%
13	SA14OVK2IDJ2	5275	45314	1/3/1900	3.78%	3.97%	0.20%
14	SA14GVK2I136	5250	45555	1/3/1900	3.63%	5.79%	3.10%
15	SA14GVK2I1J5	5251	46650	1/3/1900	2.28%	0.00%	-2.28%
16	SA14DFK2I2I6	5253	45590	1/3/1900	5.05%	6.73%	1.68%
17	SA14DFK2I325	5454	46685	1/3/1900	6.75%	0.00%	-6.75%
18	SA14TOI1I1J0	5281	45739	1/2/1900	6.58%	7.17%	0.59%
19	SA15G0I1IHJ8	5283	46414	1/2/1900	4.72%	0.00%	-4.72%
20	SA15G0I1IQ33	5300	45499	1/1/1900	7.15%	0.00%	-7.15%
21	SA15G0I1IQJ6	5301	46960	1/2/1900	5.76%	0.00%	-5.76%
22	SA15G0I1IOJ1	5297	46595	1/1/1900	0.92%	0.00%	-0.92%
23	SA15G0I1IT39	5306	46773	1/1/1900	15.67%	0.00%	-15.67%
24	SA15HVK2I435	5320	46463	1/2/1900	4.22%	15.12%	10.91%

Trading volume and values:

- Unit trading price (104 Saudi riyals) on (November 2, 2023).
  - The total trading value from the date of the previous meeting until the end of October 2023 is more than (5.51 million Saudi riyals).
  - The average weekly value of deals from the date of the previous meeting amounted to more than 306k
- The average weekly number of deals from the date of the previous meeting reached 34 deals.



Demographics of shareholders:

Investor Type	Current	Nationality			
		Saudi's	Shares	Non-Saudi's	Shares
Individuals		474	35,475	23	444
Corporates		6	4,042,031	0	0
<b>Total Shares</b>		<b>4,043,013</b>			

- Ensure that the Fund manager carries out his responsibilities in the interest of unit owners in accordance with the provisions of the investment Funds regulations, the terms and conditions of the Fund, and the information memorandum.
- A meeting was held with the compliance and commitment officer and the Fund's compliance with all relevant laws, rules and regulations was reviewed.
- The Fund manager notifies the Fund's board of directors of all violations of investment restrictions as soon as they occur. N/A
- Other matters.
  - The Fund Manager's current and ongoing initiatives with external parties related to the Fund were explained to the Board members:
  - 3) The 1/10 division of the units was approved and completed, and the first meeting of shareholders took place to vote on the decision to divide the units. This meeting did not result in a decision, and a second meeting was scheduled on December 5.
  - 4) Working to expand the Fund's investment scope to include medium- and long-term sukuks.

Board Resolutions:

- The next meeting will be scheduled in coordination with members at a later date.

Annex 2

Details of any material changes to the Fund's Terms and Conditions (for a public fund)

1- Date 07/02/2023

Current Format	New Format	Change Justification
Glossary: Shariah Supervisory Committee	Glossary: Shariah Supervisory Committee	The terminology has been changed to be aligned with the new terminology in the Investment Funds Regulations
24. Fund Board: f) All Funds Boards that the relevant board member is participating in:	24. Fund Board: f) All Funds Boards that the relevant board member is participating in:	The list of Funds Boards that the relevant board member is participating has been updated.
24. Fund Board: b) A brief about the Fund board members' qualifications: 1) Mr. Mazin Fawaz Ahmed Baghdadi: Mazin Baghdadi is the CEO and the Managing Director at Alinma Investment Company. During his 20 years in investment management, Mazin worked at Riyad Bank, Saudi Fransi Capital, and HSBC Saudi Arabia before joining Alinma. At HSBC, he held the position of Head of Investment Management. Throughout his career, he managed both local and GCC mutual Funds and discretionary portfolios in equities and fixed income. Mazin holds BS degree in Finance from KFUPM and has successfully attended specialized courses in Business Management delivered by INSEAD The Business School for the World.	24. Fund Board: b) A brief about the Fund board members' qualifications: 1) Mr. Mazin Fawaz Ahmed Baghdadi: Mazin Baghdadi is the CEO and MD of Alinma Investment Company with over than 22 years of comprehensive experience in investment field. He is also a board member of Jabal Omar Development Company. Prior to joining Alinma Investment in 2016, Mr. Baghdadi served as a Head of Investment Management for HSBC Saudi Arabia. He also has managed both local and GCC mutual funds, and discretionary portfolios in equities and fixed income throughout his career. Earlier in his career, Mr. Baghdadi held different positions in investment companies and banking industries including Riyadh Bank and Saudi Fransi Capital. Mr. Baghdadi holds a Bachelor's degree in Finance from King Fahd University of Petroleum and Minerals (KFUPM). He also has attended several executive education in management including transitional to General Management Programme at INSEAD.	The brief about the Fund board members' qualifications has been updated for the Board Member "Mr. Mazin Fawaz Ahmed Baghdadi"
24. Fund Board: b) A brief about the Fund board members' qualifications: 2) Dr. Abdulrahman Yousef Shamsuddin Al-Aali: Al-Aali pursued his post-secondary business education at Georgia State University, Atlanta with BBA, MBA and PhD in International Business. Served for more than twenty years as a professor of International Business (Marketing), College of Business Administration, at King Saud University (KSU). He was a Visiting Research Scholar at Indiana University of Pennsylvania, and a Visiting Scholar at Simon Fraser University, Canada. For ten years, Al-Aali, was the founding Vice-Dean and later Dean of King Abdullah Research and Consulting Institute (KAI) at KSU. Al-Aali consulted many government and commercial organizations and studies, such as United Nations Development Program (UNDP), UN-Habitat, Ministry of Commerce, Ministry of Municipal and Rural Affairs, Saudi Commission for Shanghai World Expo 2010, Saudi World Trade Accession, Ministry of Higher Education, Saudi Export Development Center, Fedex Saudi, International Systems Engineering Company, and many private firms. Dr. Al-Aali also serves as board member in a number of local and international companies, and the founder of Skyline International in (USA)	24. Fund Board: b) A brief about the Fund board members' qualifications: 2) Dr. Abdulrahman Yousef Shamsuddin Al-Aali: Al-Aali pursued his post-secondary business education at Georgia State University, Atlanta with BBA, MBA and PhD in International Business. Served for more than thirty years as a professor of International Business (Marketing), College of Business Administration, at King Saud University (KSU). He was a Visiting Research Scholar at Indiana University of Pennsylvania, and a Visiting Scholar at Simon Fraser University, Canada. For eight years, Al-Aali, was the founding Vice-Dean and later Dean of King Abdullah Research and Consulting Institute (KAI) at KSU. Al-Aali consulted many government and commercial organizations and studies, such as Ministry of Commerce, Ministry of Municipal and Rural Affairs, Ministry of Higher Education, Saudi Export Development Center, United Nations Development Program (UNDP), Fedex Saudi, International Systems Engineering Company, ALMaarefa University, Prince Sultan University, Board of Grievances, General Court in Commercial Law, and many universities boards, and private colleges. Dr. Al-Aali also serves as board member in the Saudi Ports Authority, and a number of local and international companies. Also, he is the founder of Skyline International in (USA)	The brief about the Fund board members' qualifications has been updated for the Board Member "Dr. Abdulrahman Yousef Shamsuddin Al-Aali"
24. Fund Board: 2) Mr. Abdulaziz Bin Fahad Alyabes: Mr. Abdulaziz Alyabes has held several administrative, financial and organizational duties, and has more than 12 years of experience in the field of financial markets, business development and asset management. He is currently the chief of business development at Alinma Investment Company, and he worked at Riyadh Airports Company as General Manager of Business Development and before that he held Director of the Income-Generating Funds at Alinma Investment Company, as he previously worked at Deutsche Saudi Arabia for Securities, Credit Suisse Saudi Arabia and the Capital Market Authority, and has extensive knowledge of securities regulations and legislation, in addition to having obtained many executive financial courses and certificates from international and local universities and organizations. Abdulaziz Alyabes holds a Bachelor's degree in Computer Engineering from King Fahd University of Petroleum and Minerals in 2005, and a Master's degree in Engineering Management from Portland State University in the United States of America in 2008.	24. Fund Board: b) A brief about the Fund board members' qualifications: 2) Mr. Abdulaziz Bin Fahad Alyabes: Mr. Abdulaziz Alyabes has held several administrative, financial and organizational duties, and has more than 14 years of experience in the field of financial markets, business development and asset management. He is currently the chief of business development at Alinma Investment Company, and he worked at Riyadh Airports Company as General Manager of Business Development and before that he held Director of the Income-Generating Funds at Alinma Investment Company, as he previously worked at Deutsche Saudi Arabia for Securities, Credit Suisse Saudi Arabia and the Capital Market Authority, and has extensive knowledge of securities regulations and legislation, in addition to having obtained many executive financial courses and certificates from international and local universities and organizations. Abdulaziz Alyabes holds a Bachelor's degree in Computer Engineering from King Fahd University of Petroleum and Minerals in 2005, and a Master's degree in Engineering Management from Portland State University in the United States of America in 2008.	The brief about the Fund board members' qualifications has been updated for the Board Member "Mr. Abdulaziz Bin Fahad Alyabes"
25. Shariah Supervisory Committee: a. Names and Qualifications of Shariah Supervisory Committee Members: 1) His Eminence, Dr. Abdulrahman Bin Saleh Al-Atram Dr. Al-Atram is a Chairman of the Fund's Shariah Committee and holds a PhD degree with first-class honors and a master degree with distinction level in Jurisprudence (Fiqh) from Al-Imam Mohammed Ibn Saud Islamic University and a bachelor's degree in Sharia from Imam Muhammad bin Saud University. His Eminence has joined the membership of the Shariah Committee from the first session until now. He is a leading scholar in the field of Shariah-Compliant financial transactions and has numerous contributions in this field, as he is a member of a number of Shariah Committees and councils, including: Membership of the Accounting and Auditing Organization for Islamic Financial Institutions in Bahrain, Board membership of the Saudi Fiqh Committee, an expert in the Islamic Fiqh Society of the Organization of Islamic Cooperation. Dr. Al-Atram has also been a staff member in the Department of Jurisprudence in the College of Shariah at Al-Imam Mohammed Ibn Saud Islamic University and a member and Secretary-General of the Shariah Committee at Al-Rajhi Bank. 2) His Eminence, Dr. Abdullah Bin Wakeel Al-Sheikh Vice-chairman of the Shariah Committee and holds bachelor's degree in Usool Al-Deen from Imam Mohammed Ibn Saud Islamic University, Master and PhD degrees in Sunnah Sciences from Imam Mohammed Ibn Saud Islamic University. His Eminence is a member in the Shariah Committee from the first session until now. Faculty member in the College of Usool Al-Deen at Imam Mohammed Ibn Saud Islamic University. He has active participations in the financial transactions field in cooperation with a number of financial institutions. He is also a member of several research committees and boards. 3) His Eminence, Dr. Sulaiman Bin Turki Al-Turki Shariah Committee member and holds a bachelor's degree in Shariah from Imam Mohammed Ibn Saud Islamic University, a master and PhD degrees in Jurisprudence from College of Shariah, a master degree in international trade law from Essex University in the United Kingdom. His Eminence has joined the membership of the Shariah Committee from the first session until now. His Eminence is a faculty member at the High Judiciary Institute at Imam Mohammed Ibn Saud Islamic University. He made numerous researches and contributions in the field of financial transactions. 4) His Eminence, Prof. Yousuf Bin Abdullah Al-Shobily Shariah Committee member and holds a bachelor's degree from the College of Shariah from Imam Mohammed Ibn Saud Islamic University in Qassim. He has obtained the master and PhD degrees in Comparative Jurisprudence from Higher Judicial Institute. His Eminence has joined the membership of the Shariah Committee from the beginning of the 3rd session. His Eminence is a faculty member at the Higher Judicial Institute at Imam Mohammed Ibn Saud Islamic University. Prof. Al-Shobily is a leading scholar in the field of Shariah-compliant financial transactions, a field in which he has made numerous contributions in this regard. He is also a member of several Islamic financial and economic committees in Saudi Arabia and abroad. He is a member of the Shariah Committee of the Accounting and Auditing Organization for Islamic Financial Institutions and a member of the Shariah Committee of the Islamic Financial Market.	25. Shariah Committee: a. Names and Qualifications of Shariah Committee Members: 1) Sh. Dr. Mohammed Ali Elgari – Chairman Former Professor in Islamic Economy at King Abdulaziz University in Jeddah, SA, and former Manager of Islamic Economics Research Center at the same University. He has a PhD in Economics from the University of California. He earned the international prize in Islamic banking and finance services from Islamic Development bank (IsDB) in 2004. He is a member of the Sharia Board of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and a member of many other Sharia committees in multiple banks and financial Institutions both local and global. 2) Sh. Dr. Yousef Abdullah Alshubaily – Member A Professor in Islamic Comparative Fiqh at the Higher Judicial Institute, and He has a PhD in Comparative Fiqh from the Same Institute. He is a member of the Sharia Board of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and a member of many other Sharia committees in multiple banks and financial Institutions both local and global. 3) Sh. Yasser AbdulAziz Almarshadi – Member A General Secretary of the Sharia Board and the General Manager of Alinma Bank. He is a member of the Sharia Standards Committee of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). He has 20 years experience in Islamic Banking.	Alinma Investment Company established its independent Shariah Committee.

2- Date: 21/03/2023

Current Version	Proposed Version	Reasons for Amendment
24. The Fund's Board of Directors: a. Names of the Fund's Board of Directors members, with a statement of membership: 1) Mr. Mazen Baghdadi (Chairman of the Fund's Board of Directors and a non-independent member). 2) Dr. Abdul Rahman Al-Aali (independent member). 3) Dr. Abdullah bin Hamad bin Abdullah Al-Salama (independent member). 4) Mr. Abdul Aziz bin Fahd Al-Yabis (non-independent member).	24. The Fund's Board of Directors: a. Names of the Fund's Board of Directors members, with a statement of membership: 1) Mr. Mazen Baghdadi (Chairman of the Fund's Board of Directors and a non-independent member). 2) Dr. Abdul Rahman Al-Aali (independent member). 3) Mr. Abdul Aziz bin Fahd Al-Yabis (non-independent member).	The members of the Fund's Board of Directors have been updated due to the resignation of Dr. Abdullah bin Hamad bin Abdullah Al Salamah (independent member). Accordingly, the member's CV and membership schedule in other Funds were deleted.

3- Date: 17/04/2023

Current Version	Proposed Version	Reasons for Amendment
24. The Fund's Board of Directors: a. Names of the Fund's Board of Directors members, with a statement of membership: 1) Mr. Mazen Baghdadi (Chairman of the Fund's Board of Directors and a non-independent member). 2) Dr. Abdul Rahman Al-Aali (independent member). 3) Mr. Abdul Aziz bin Fahd Al-Yabis (non-independent member).	24. The Fund's Board of Directors: a. Names of the Fund's Board of Directors members, with a statement of membership: 1) Mr. Mazen Baghdadi (Chairman of the Fund's Board of Directors and a non-independent member). 2) Dr. Abdul Rahman Al-Aali (independent member). 3) Mr. Abdul Aziz bin Fahd Al-Yabis (non-independent member). 4) Mr. Hazem bin Fahd Al-Dosari (independent member).	The members of the Fund's Board of Directors have been updated due to the appointment of Mr. Hazem bin Fahd Al Dosari (independent member). Accordingly, the member's CV and membership schedule in other Funds were added.

4- Date: 17/05/2023

Current Version	Proposed Version	Reasons for Amendment
24. The Fund's Board of Directors: a. Names of the Fund's Board of Directors members, with a statement of membership:	24. The Fund's Board of Directors: a. Names of the Fund's Board of Directors members, with a statement of membership:	The members of the Fund's Board of Directors have been updated due to the appointment of Mr. Khalid bin Abdul Hafeez Fida (independent member). Accordingly, the member's CV and membership schedule in other Funds were added.

1) Mr. Mazen Baghdadi (Chairman of the Fund's Board of Directors and a non-independent member). 2) Dr. Abdul Rahman Al-Aali (independent member). 3) Mr. Abdul Aziz bin Fahd Al-Yabis (non-independent member).	1) Mr. Mazen Baghdadi (Chairman of the Fund's Board of Directors and a non-independent member). 2) Dr. Abdul Rahman Al-Aali (independent member). 3) Mr. Abdul Aziz bin Fahd Al-Yabis (non-independent member). 4) Mr. Khaled bin Abdul Hafeez Fida (Independent member).
---	--

5-Date: 07/06/2023

Current Version	Proposed Version	Reasons for Amendment
21. Fund Manager: And the. A summary of the fund manager's financial information stating revenues and profits for the previous fiscal year: ☑ The company's total audited revenues for the year 2020 amount to: 481,543 thousand Saudi riyals. ☑ The company's audited net profits for the year 2020 amount to: 321,866 thousand Saudi riyals.	21. Fund Manager: And the. A summary of the fund manager's financial information stating revenues and profits for the previous fiscal year: ☑ The company's total audited revenues for the year 2022 amount to: 667,338 thousand Saudi riyals. ☑ The company's audited net profits for the year 2022 amount to: 490,77 thousand Saudi riyals.	The Fund Manager's financial information summary paragraph has been updated, stating the revenues and profits for the fiscal year 2022 for all terms and conditions of the Funds. Accordingly, an updated copy of the Fund's terms and conditions was submitted to the Authority.

6- Date: 12/07/2023

Current Version	Proposed Version	Reasons for Amendment
Auditor: KPMG Al-Fozan & Partners Chartered Accountants and Auditors (KPMG)	Auditor: Alluhaid & Alyahya Chartered Accountants (LYCA)	Due to the new auditor's commitment to the times stipulated in the regulations and providing an appropriate and better price.

7- Date: 29/10/2023

Current Version	Proposed Version	Reasons for Amendment																																																								
Fund summary Zakat: The Fund manager shall not be responsible for paying the zakat on investment units on behalf of the investors. The unit owner shall be responsible for paying the zakat on the investment units he owns.	Fund summary Zakat: The Fund manager shall comply with the regulations for collecting zakat from investors in investment Funds, and in order to achieve this, the Fund will be registered with the Zakat, Tax and Customs Authority for zakat purposes, and will also submit an information declaration in accordance with what is stated in the regulations for collecting zakat from investors, noting that the burden of calculating and paying zakat falls on the taxpayers who own units in the Fund. The Fund manager also undertakes to provide the Zakat, Tax and Customs Authority with all reports and requirements regarding zakat declarations and the information requested by the Zakat, Tax and Customs Authority for the purposes of examining and reviewing the Fund manager's declarations. The Fund manager will also provide the unit owner responsible for filing zakat declarations when requested in accordance with the rules for collecting zakat from investment in investment Funds issued by the Zakat, Tax and Customs Authority. Investors subject to the provisions of these rules who own investment units in the Fund are required to calculate and pay the zakat on such investments. The rules for collecting zakat from investing in investment Funds issued by the Zakat, Tax and Customs Authority can also be reviewed through the website: <a href="https://zatca.gov.sa/ar/Pages/default.aspx">https://zatca.gov.sa/ar/Pages/default.aspx</a>	In implementation of the regulations for collecting zakat from investors in investment funds issued pursuant to Ministerial Resolution No. (29791) dated 9 Jumada al-Awwal 1444 AH, and the executive regulations for collecting zakat issued pursuant to Ministerial Resolution No. (2216) dated 7 Rajab 1440																																																								
Fund summary Value Added Tax ("VAT"): All fees and expenses referred to in "Services, Commissions and Fees" Article of these main terms and conditions of the Alinma Saudi Government Sukuk ETF Fund - Short Maturity throughout the Fund's term shall be subject to value added tax (except what is excluded by applicable regulations) at 5% (or any other percentage as amended from time to time), the Fund Manager will collect these payable tax amounts from the Fund's assets and then pay them to the Zakat, Tax and Customs Authority.	Fund summary Value Added Tax ("VAT"): Based on the Value Added Tax ("VAT") Law issued pursuant to Royal Decree No. (M/113) dated 02/11/1438 AH, which was issued with the executive regulations of the Zakat, Tax and Customs Authority, its implementation began as of January 1, 2018 ("Effective Date "). Accordingly, value added tax will be calculated as determined by the country from time to time on all fees and wages throughout the Fund's term.	The Value Added Tax ("VAT") paragraph within the fund summary has been updated.																																																								
List of terms: "Day" or "business day": a business day in the Kingdom in accordance with the Authority's official business days.	List of terms: "Day" or "business day": the official business day on which banks are open for business in the Kingdom of Saudi Arabia, and with regard to submitting financial reports and statements, "day" means the official business day of the Capital Market Authority.	The definition term Business Day has been updated in the Glossary.																																																								
Lack of Fund's Guide Services, commissions and fees (9):	Addition of Fund's Guide Services, commissions and fees (9): Zakat fees: The Fund manager undertakes to provide the Zakat, Tax and Customs Authority with all reports and requirements regarding zakat declarations. The Fund manager will also provide the unit owner with the zakat declarations when required in accordance with the provisions the rules. Investors subject to the provisions of these rules who own investment units in the Fund are required to calculate and pay the zakat on such investments. The rules for collecting zakat from investing in investment Funds issued by the Zakat, Tax and Customs Authority can also be reviewed through the website: <a href="https://zatca.gov.sa/ar/Pages/default.aspx">https://zatca.gov.sa/ar/Pages/default.aspx</a>	More clarifications to investors. In implementation of the regulations for collecting zakat from investors in investment funds issued pursuant to Ministerial Resolution No. (29791) dated 9 Jumada al-Awwal 1444 AH, and the executive regulations for collecting zakat issued pursuant to Ministerial Resolution No. (2216) dated 7 Rajab 1440																																																								
Services, commissions and fees (9): Value Added Tax ("VAT"): All fees and expenses referred to in "Services, Commissions and Fees" Article of the terms and conditions of the Alinma Saudi Government Sukuk ETF Fund - Short Maturity throughout the Fund's term shall be subject to value added tax (except what is excluded by applicable regulations) as per determined by the country from time to time, as the Fund Manager will collect these payable tax amounts from the Fund's assets and then pay them to the Zakat, Tax and Customs Authority.	Services, commissions and fees (9): Value Added Tax ("VAT"): Based on the Value Added Tax ("VAT") Law issued pursuant to Royal Decree No. (M/113) dated 02/11/1438 AH, which was issued with the executive regulations of the Zakat, Tax and Customs Authority, its implementation began as of January 1, 2018 ("Effective Date "). Accordingly, value added tax will be calculated as determined by the country from time to time on all fees and wages throughout the Fund's term.	Update the Value Added Tax ("VAT"): within the fund summary.																																																								
Services, commissions and fees (9): F. Information related to zakat and /or tax: The Fund manager shall have the right to pay the zakat on investment units on behalf of the investors. The unit owner shall be responsible for paying the zakat on the investment units he owns, in the event that the zakat assessment is not made as stipulated in Ministerial Resolution No. (2218) dated 07/07/1440 AH.	Services, commissions and fees (9): F. Information related to zakat and /or tax: The Fund manager shall comply with the regulations for collecting zakat from investors in investment Funds, and in order to achieve this, the Fund will be registered with the Zakat, Tax and Customs Authority for zakat purposes, and will also submit an information declaration in accordance with what is stated in the regulations for collecting zakat from investors, noting that the burden of calculating and paying zakat falls on the taxpayers who own units in the Fund. The Fund manager also undertakes to provide the Zakat, Tax and Customs Authority with all reports and requirements regarding zakat declarations and the information requested by the Zakat, Tax and Customs Authority for the purposes of examining and reviewing the Fund manager's declarations. The Fund manager will also provide the unit owner responsible for filing zakat declarations when requested in accordance with the rules for collecting zakat from investment in investment Funds issued by the Zakat, Tax and Customs Authority. Investors subject to the provisions of these rules who own investment units in the Fund are required to calculate and pay the zakat on such investments. The rules for collecting zakat from investing in investment Funds issued by the Zakat, Tax and Customs Authority can also be reviewed through the website: <a href="https://zatca.gov.sa/ar/Pages/default.aspx">https://zatca.gov.sa/ar/Pages/default.aspx</a>	In implementation of the regulations for collecting zakat from investors in investment funds issued pursuant to Ministerial Resolution No. (29791) dated 9 Jumada al-Awwal 1444 AH, and the executive regulations for collecting zakat issued pursuant to Ministerial Resolution No. (2216) dated 7 Rajab 1440																																																								
24. Fund's Board of Directors: Members' participation in Funds managed by the Fund manager	24. Fund's Board of Directors: Members' participation in Funds managed by the Fund manager.	Updating the schedule for the fund's board members' supervision of other investment funds.																																																								
<table border="1"> <thead> <tr> <th rowspan="2">Fund Name</th> <th rowspan="2">Fund Type</th> <th colspan="4">Member</th> </tr> <tr> <th>Mr. Mazen Baghdadi</th> <th>Dr. Abdul Rahman bin Youssef bin Shams Al-Din Al-Aali</th> <th>Mr. Abdul Aziz Al-Yabis</th> <th>Mr. Khalid bin Abdul Hafeez Fida</th> </tr> </thead> <tbody> <tr> <td>Alinma Real Estate Fund</td> <td>Private Offering</td> <td>Non-independent member</td> <td>.....</td> <td>.....</td> <td>.....</td> </tr> <tr> <td>Dania Makkah Hotel Fund</td> <td>Private Offering</td> <td>Non-independent member</td> <td>.....</td> <td>.....</td> <td>.....</td> </tr> <tr> <td>Alinma Al Thuraya Real Estate Fund</td> <td>Private Offering</td> <td>Non-independent member</td> <td>.....</td> <td>.....</td> <td>.....</td> </tr> </tbody> </table>	Fund Name	Fund Type	Member				Mr. Mazen Baghdadi	Dr. Abdul Rahman bin Youssef bin Shams Al-Din Al-Aali	Mr. Abdul Aziz Al-Yabis	Mr. Khalid bin Abdul Hafeez Fida	Alinma Real Estate Fund	Private Offering	Non-independent member	.....	.....	.....	Dania Makkah Hotel Fund	Private Offering	Non-independent member	.....	.....	.....	Alinma Al Thuraya Real Estate Fund	Private Offering	Non-independent member	.....	.....	.....	<table border="1"> <thead> <tr> <th rowspan="2">Fund Name</th> <th rowspan="2">Fund Type</th> <th colspan="4">Member</th> </tr> <tr> <th>Mr. Mazen Baghdadi</th> <th>Dr. Abdul Rahman bin Youssef bin Shams Al-Din Al-Aali</th> <th>Mr. Abdul Aziz Al-Yabis</th> <th>Mr. Khalid bin Abdul Hafeez Fida</th> </tr> </thead> <tbody> <tr> <td>Alinma Real Estate Fund</td> <td>Private Offering</td> <td>Non-independent member</td> <td>.....</td> <td>.....</td> <td>.....</td> </tr> <tr> <td>Dania Makkah Hotel Fund</td> <td>Private Offering</td> <td>Non-independent member</td> <td>.....</td> <td>.....</td> <td>.....</td> </tr> <tr> <td>Alinma Al Thuraya Real Estate Fund</td> <td>Private Offering</td> <td>Non-independent member</td> <td>.....</td> <td>.....</td> <td>.....</td> </tr> </tbody> </table>	Fund Name	Fund Type	Member				Mr. Mazen Baghdadi	Dr. Abdul Rahman bin Youssef bin Shams Al-Din Al-Aali	Mr. Abdul Aziz Al-Yabis	Mr. Khalid bin Abdul Hafeez Fida	Alinma Real Estate Fund	Private Offering	Non-independent member	.....	.....	.....	Dania Makkah Hotel Fund	Private Offering	Non-independent member	.....	.....	.....	Alinma Al Thuraya Real Estate Fund	Private Offering	Non-independent member	.....	.....	.....	
Fund Name			Fund Type	Member																																																						
	Mr. Mazen Baghdadi	Dr. Abdul Rahman bin Youssef bin Shams Al-Din Al-Aali		Mr. Abdul Aziz Al-Yabis	Mr. Khalid bin Abdul Hafeez Fida																																																					
Alinma Real Estate Fund	Private Offering	Non-independent member	.....	.....	.....																																																					
Dania Makkah Hotel Fund	Private Offering	Non-independent member	.....	.....	.....																																																					
Alinma Al Thuraya Real Estate Fund	Private Offering	Non-independent member	.....	.....	.....																																																					
Fund Name	Fund Type	Member																																																								
		Mr. Mazen Baghdadi	Dr. Abdul Rahman bin Youssef bin Shams Al-Din Al-Aali	Mr. Abdul Aziz Al-Yabis	Mr. Khalid bin Abdul Hafeez Fida																																																					
Alinma Real Estate Fund	Private Offering	Non-independent member	.....	.....	.....																																																					
Dania Makkah Hotel Fund	Private Offering	Non-independent member	.....	.....	.....																																																					
Alinma Al Thuraya Real Estate Fund	Private Offering	Non-independent member	.....	.....	.....																																																					

Kairoan Logistics Fund	Private Offering	Non-independent member	.....	.....	.....	Kairoan Logistics Fund	Private Offering	Non-independent member	.....	.....	.....
Alinma Oasis Real Estate Fund	-	-	Non-independent member	-	-	Alinma Oasis Real Estate Fund	-	-	Non-independent member	-	-
Sumou Real Estate Fund	Private Offering	Non-independent member	.....	.....	.....	Mawaddah Endowment Fund	Private Offering	-	Non-independent member	-	.....
Alinma Masharif Al Awali Fund	Private Offering	Non-independent member	.....	.....	.....	Madak Endowment Fund	Private Offering	Non-independent member	Non-independent member	-	.....
Alinma Logistics Area Fund	Private Offering	Non-independent member	.....	.....	.....	Dhabhan Real Estate Fund	-	Non-independent member	-	-	.....
Alinma Makkah 1st Development Fund	Private Offering	Non-independent member	Independent member	.....	.....	Dawa Endowment Fund	Private Offering	-	Non-independent member	-	.....
Alinma Makkah 2nd Development Fund	Private Offering	Non-independent member	Independent member	.....	.....	Alinma Wadi Alhada Fund	-	Non-independent member	-	-	.....
Alinma Muhammadiyah Real Estate Fund	Private Offering	Non-independent member	.....	.....	.....	Alinma First Income Generating Fund	Private Offering	Non-independent member	Non-independent member	Non-independent member	.....
Alinma Logistic Park Fund	Private Offering	Non-independent member	Independent member	.....	.....	Alinma Al Madina Real Estate Fund	-	Non-independent member	-	-	.....
Alinma Riyadh View Fund	Private Offering	Non-independent member	.....	.....	.....	Alinma Muhammadiyah Real Estate Fund	-	Non-independent member	-	-	.....
Alinma Wareef Endowment Fund	Public offering	Non-independent member	.....	.....	.....	Private Family Development Fund 23-1	Private Offering	Non-independent member	-	-	.....
Alinma Enayah Endowment Fund	Public offering	Non-independent member	.....	.....	.....	Alinma Taif Real Estate Fund	-	Non-independent member	-	-	.....
Alinma Bar Riyadh Endowment Fund	Public offering	Non-independent member	.....	Non-independent member	.....	Alinma Housing Fund	-	Non-independent member	-	-	.....
Alinma Orphan Care Endowment Fund	Public offering	Non-independent member	.....	.....	.....	Alinma Al Khobar Real Estate Fund	-	Non-independent member	-	-	.....
Qassim Endowment Fund.	Private Offering	Non-independent member	.....	Non-independent member	.....	Alinma Al Jazeera Vehicle Fund	-	Non-independent member	-	-	.....
Alinma Multi-assets Balanced Fund	Public offering	Non-independent member	.....	.....	.....	Alinma Ajyad Real Estate Fund	-	Non-independent member	-	-	.....
Alinma Saudi Riyal Liquidity Fund	Public offering	Non-independent member	.....	.....	.....	Ikram Endowment Fund	Private Offering	Non-independent member	Non-independent member	-	.....
Alinma Saudi Equity Fund	Public offering	Non-independent member	.....	.....	.....	Alinma Diversified Saudi Riyal Fund	Public offering	Non-independent member	-	-	.....
Alinm IPO Fund	Public offering	Non-independent member	.....	.....	.....	Alinma Emerging Markets Equity Fund	Public offering	Non-independent member	-	-	.....
Alinma Al Jazeera First Fund	Private Offering	Non-independent member	.....	.....	.....	Sumou Real Estate Fund	Private Offering	Non-independent member	.....	.....	.....
Investment in Hajj and Umrah Fund	Private Offering	Non-independent member	.....	.....	.....	Alinma Masharif Al Awali Fund	Private Offering	Non-independent member	.....	.....	.....
Alinma Mosques Road Endowment Fund	Public offering	Non-independent member	.....	Non-independent member	.....	Alinma Logistics Area Fund	Private Offering	Non-independent member	.....	.....	.....
Alinma Riyadh Real Estate Fund	Private Offering	Non-independent member	.....	.....	.....	Alinma Makkah 1st Development Fund	Private Offering	Non-independent member	Independent member	.....	.....
Alinma Private Equity Fund-1	Private Offering	Non-independent member	.....	.....	.....	Alinma Makkah 2nd Development Fund	Private Offering	Non-independent member	Independent member	.....	.....
Private family Fund	Private Offering	Non-independent member	.....	.....	.....	Alinma Muhammadiyah Real Estate Fund	Private Offering	Non-independent member	.....	.....	.....
Alinma Retail REIT Fund	Public offering	Non-independent member	.....	.....	.....	Alinma Logistic Park Fund	Private Offering	Non-independent member	Independent member	.....	.....
Alinma North Riyadh Real Estate Fund	Private Offering	Non-independent member	.....	.....	.....	Alinma Riyadh View Fund	Private Offering	Non-independent member	.....	.....	.....
Alinma North Jeddah Real Estate Fund	Private Offering	Non-independent member	.....	.....	.....	Alinma Wareef Endowment Fund	Public offering	Non-independent member	.....	.....	.....
Alinma Al-Khomra Real Estate Fund	Private Offering	Non-independent member	.....	.....	.....	Alinma Enayah Endowment Fund	Public offering	Non-independent member	.....	.....	.....
Alinma First Income Generating Fund	Private Offering	Non-independent member	.....	Non-independent member	.....	Alinma Bar Riyadh Endowment Fund	Public offering	Non-independent member	.....	Non-independent member	.....
Alinma Hospitality REIT Fund	Public offering	Non-independent member	.....	.....	.....	Alinma Orphan Care Endowment Fund	Public offering	Non-independent member	.....	.....	.....
						Qassim Endowment Fund.	Private Offering	Non-independent member	.....	Non-independent member	.....
						Alinma Multi-assets Balanced Fund	Public offering	Non-independent member	.....	.....	.....
						Alinma Saudi Riyal Liquidity Fund	Public offering	Non-independent member	.....	.....	.....
						Alinma Saudi Equity Fund	Public offering	Non-independent member	.....	.....	.....
						Alinm IPO Fund	Public offering	Non-independent member	.....	.....	.....
						Alinma Al Jazeera First Fund	Private Offering	Non-independent member	.....	.....	.....
						Investment in Hajj and Umrah Fund	Private Offering	Non-independent member	.....	.....	.....
						Alinma Mosques Road Endowment Fund	Public offering	Non-independent member	.....	Non-independent member	.....
						Alinma Riyadh Real Estate Fund	Private Offering	Non-independent member	.....	.....	.....
						Alinma Private Equity Fund-1	Private Offering	Non-independent member	.....	.....	.....
						Private family Fund	Private Offering	Non-independent member	.....	.....	.....
						Alinma Retail REIT Fund	Public offering	Non-independent member	.....	.....	.....
						Alinma North Riyadh Real Estate Fund	Private Offering	Non-independent member	.....	.....	.....
						Alinma North Jeddah Real Estate Fund	Private Offering	Non-independent member	.....	.....	.....
						Alinma Al-Khomra Real Estate Fund	Private Offering	Non-independent member	.....	.....	.....
						Alinma First Income Generating Fund	Private Offering	Non-independent member	.....	Non-independent member	.....
						Alinma Hospitality REIT Fund	Public offering	Non-independent member	.....	.....	.....

8- Date: 10/12/2023

Current Version	Proposed Version	Reasons for Amendment
<p>Summary of the Fund, "Minimum Subscription and Redemption" Article:</p> <ul style="list-style-type: none"> <li>As for the in-kind subscription, the minimum in-kind subscription shall be the equivalent of the value of one package or multiples thereof (one package of units equals 10,000 units of the Fund).</li> </ul> <p>Fund summary, "Unit price at initial offering (nominal value)" Article: 100 Saudi riyals.</p> <p>9. Services, commissions and fees:</p> <p>H. A hypothetical example showing all fees, expenses, and transaction fees paid from the Fund's assets or by the unit owner based on the Fund's currency:</p> <p>The following table states a hypothetical and illustrative example of a client subscribing to the Fund in the amount of 100 thousand Saudi riyals that did not change over the year, assuming the size of the Fund in that period was 10 million riyals and did not change over the year, divided into one hundred thousand units and where the Fund's return before fees and expenses during the year, is 5%:</p> <p>11. Transactions:</p>	<p>Summary of the Fund, "Minimum Subscription and Redemption" Article:</p> <ul style="list-style-type: none"> <li>As for the in-kind subscription, the minimum in-kind subscription shall be the equivalent of the value of one package or multiples thereof (one package of units equals 100,000 units of the Fund).</li> </ul> <p>Fund summary, "Unit price at initial offering (nominal value)" Article: 10 Saudi riyals.</p> <p>9. Services, commissions and fees:</p> <p>H. A hypothetical example showing all fees, expenses, and transaction fees paid from the Fund's assets or by the unit owner based on the Fund's currency:</p> <p>The following table states a hypothetical and illustrative example of a client subscribing to the Fund in the amount of 100 thousand Saudi riyals that did not change over the year, assuming the size of the Fund in that period was 10 million riyals and did not change over the year, divided into million units and where the Fund's return before fees and expenses during the year, is 5%:</p> <p>11. Transactions:</p>	<p>Subject to the approval of the unit owners and the Fund's Board of Directors.</p> <p>Subject to the approval of the unit owners and the Fund's Board of Directors.</p> <p>Subject to the approval of the unit owners and the Fund's Board of Directors.</p>

<p>a. IPO: Unit price at the beginning of the offering: • (100) Saudi riyals at the beginning of the offering. • For the in-kind subscription, the minimum in-kind subscription shall be equivalent to the value of one package or multiples thereof (one package of units equals 10,000 units of the fund).</p>	<p>a. IPO: Unit price at the beginning of the offering: • (100) Saudi riyals at the beginning of the offering. • For the in-kind subscription, the minimum in-kind subscription shall be equivalent to the value of one package or multiples thereof (one package of units equals 100,000 units of the fund).</p>	
<p>11. Transactions: C. Procedures for submitting applications for subscription and redemption of units: • The market maker will display details of the components of the unit packages and the equivalent basket of instruments and monetary items on a daily basis before starting the operations of trading. One package of units equals 10,000 units of the Fund available for trading, and it constitutes the minimum for subscription and redemption in kind and cash.</p>	<p>11. Transactions: C. Procedures for submitting applications for subscription and redemption of units: • The market maker will display details of the components of the unit packages and the equivalent basket of instruments and monetary items on a daily basis before starting the operations of trading. One package of units equals 100,000 units of the Fund available for trading, and it constitutes the minimum for subscription and redemption in kind and cash.</p>	
<p>11. Transactions: H. The minimum number or value of units that a unit owner shall subscribe, transfer or redeem: • For the in-kind subscription, the minimum in-kind subscription shall be equivalent to the value of one package or multiples thereof (one package of units equals 10,000 units of the fund).</p>	<p>11. Transactions: H. The minimum number or value of units that a unit owner shall subscribe, transfer or redeem: • For the in-kind subscription, the minimum in-kind subscription shall be equivalent to the value of one package or multiples thereof (one package of units equals 100,000 units of the fund).</p>	
<p>18. Units Features: - Each issuance or redemption package consists of (10,000 units) of the Fund's traded units. - The nominal value of the Fund's unit: • (100 Saudi riyals).</p>	<p>18. Units Features: - Each issuance or redemption package consists of (100,000 units) of the Fund's traded units. - The nominal value of the Fund's unit: • (10 Saudi riyals).</p>	<p>Subject to the approval of the unit owners and the Fund's Board of Directors.</p>

Annex 3  
Financial Statements

**ALINMA SAUDI GOVERNMENT SUKUK ETF FUND –  
SHORT MATURITY**

**(Managed by Alinma Investment Company)**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**AND INDEPENDENT AUDITOR'S REPORT**

Alinma Saudi Government Sukuk ETF Fund – Short Maturity  
(Managed by Alinma Investment Company)

FINANCIAL STATEMENTS

For the year ended 31 December 2023

<b>INDEX</b>	<b>PAGE</b>
Independent auditor's report	1 – 3
Statement of financial position	4
Statement of cash flows	5
Statement of comprehensive income	6
Statement of changes in equity	7
Notes to the financial statements	8 – 23

**INDEPENDENT AUDITOR'S REPORT**

**To the Unitholders of Alinma Saudi Government Sukuk ETF Fund – Short Maturity  
(Managed by Alinma Investment Company)**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of Alinma Saudi Government Sukuk ETF Fund – Short Maturity (the "Fund") managed by Alinma Investment Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2023, and the related statements of comprehensive income, cash flows and changes in equity for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2023 and its financial performance and its cash flows for the year 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 that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs") 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 International Code of Ethics for Professional Accountants (including International Independence Standards) ("the Code"), that is endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Fund's financial statements and we have fulfilled our ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matter**

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 year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the key matter was addressed in the audit
<p><b><u>Incorrect recognition of special commission income from financial assets at amortised cost</u></b></p> <p>As at 31 December 2023, the Fund has investments in financial assets at amortised cost comprising of Sukuks and Murabaha instruments amounting to SR 427 million (31 December 2022: SR 1,088 million).</p> <p>For the year ended 31 December 2023, the special commission income from financial assets at amortised cost of SR 15.6 million (for the year ended 31 December 2022: SR 26.4 million) was recognised in the statement of comprehensive income.</p> <p>We considered this as a key audit matter as there is a risk of inaccurate recognition of revenue through the failure to apply an appropriate accounting treatment.</p> <p><i>The Fund's accounting policy for special commission revenue recognition is disclosed in note 4.6 and 4.13 and the related disclosures about the financial assets at amortised costs is included in note 8 of the accompanying financial statements.</i></p>	<p>Our audit procedures related to special commission income from financial assets at amortized cost included:</p> <ul style="list-style-type: none"> <li>- We have obtained an understanding of the process and controls surrounding recognition of special commission income from financial assets at amortised cost by performing walkthrough procedures.</li> <li>- We verified the existence of the financial assets at amortised cost by agreeing the holdings to an independent custodian confirmation;</li> <li>- On sample basis, we also agreed a sample of coupon rates and maturity dates to independent third-party sources;</li> <li>- On sample basis, we have performed recalculation of the special commission using the Effective Interest Rate ("EIR") method and verified the data inputs such as discounts or premium on acquisition, coupon rates and maturity dates;</li> </ul>

## **INDEPENDENT AUDITOR'S REPORT**

**To the Unitholders of Alinma Saudi Government Sukuk ETF Fund – Short Maturity  
(Managed by Alinma Investment Company)**

**Report on the Audit of the Financial Statements (continued)**

### **Other Matter**

The financial statements of the Fund as of and for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on 7 Ramadan 1444H (corresponding to 29 March 2023).

### **Other Information included in the Fund's 2023 Annual Report**

The Fund Manager is responsible for the other information. The other information comprises the information included in the Fund's 2023 annual report, but does not include the financial statements and our auditor's report thereon. The Fund's 2023 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Fund's 2023 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

**INDEPENDENT AUDITOR'S REPORT (continued)**  
**To the Unitholders of Alinma Saudi Government Sukuk ETF Fund – Short Maturity**  
**(Managed by Alinma Investment Company)**

**Report on the Audit of the Financial Statements (continued)**

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

- 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of 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.

**Report on Other Legal and Regulatory Requirements**

The Fund has not complied with the following requirements, as at 31 December 2023:

- 1) We draw attention to Note 1 of the financial statements, which describe that the Fund was not in compliance with the Article 3(d) of the terms and conditions of the Fund, which requires that the Fund must hold not less than 90% of the Fund's investment in Sukuk issued by the Government of the Kingdom of Saudi Arabia.
- 2) As per Article 24 of the Investment Funds Regulations, the Fund Manager must appoint an independent custodian to take custody of the Fund's assets. However, the cash balance amounting to SR 164,227 and investment balance amounting to SR 201,626,390 million was not held with the custodian of the Fund.

for Alluhaid & Alyahya Chartered Accountants



Saleh Al Yahya  
Certified Public Accountant  
License No. 473

Riyadh: 18 Ramadan 1445H  
(28 March 2024)



Alinma Saudi Government Sukuk ETF Fund – Short Maturity  
(Managed by Alinma Investment Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	<b>2023</b> <b>SR</b>	<b>2022</b> <b>SR</b>
<b>ASSETS</b>			
Bank balance	6	<b>164,227</b>	104,421,570
Financial assets at fair value through profit or loss (“FVTPL”)	7	-	72,846,534
Financial assets at amortized cost	8	<b>427,016,162</b>	1,088,088,961
<b>TOTAL ASSETS</b>		<b>427,180,389</b>	1,265,357,065
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Accrued management fees	9	<b>103,112</b>	302,174
Redemption fees payable	9	<b>728,903</b>	-
Payable to unitholders		-	10,000,000
<b>TOTAL LIABILITIES</b>		<b>832,015</b>	10,302,174
<b>EQUITY</b>			
Net assets attributable to unitholders of redeemable units		<b>426,348,374</b>	1,255,054,891
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>427,180,389</b>	1,265,357,065
Redeemable units in issue (numbers)		<b>40,430,131</b>	12,500,000
Net asset value per unit attributable to unitholders (SR) – IFRS		<b>10.55</b>	100.40
Net asset value per unit attributable to unitholders (SR) – Dealing		<b>10.46</b>	99.07

The accompanying notes from 1 to 18 form an integral part of these financial statements.

Alinma Saudi Government Sukuk ETF Fund – Short Maturity  
(Managed by Alinma Investment Company)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	<b>2023</b> <b>SR</b>	<b>2022</b> <b>SR</b>
<b>INCOME</b>			
Special commission income	8	<b>15,638,452</b>	26,481,638
Gain from financial assets at FVTPL		<b>6,212,355</b>	1,152,269
<b>TOTAL INCOME</b>		<b>21,850,807</b>	27,633,907
<b>OPERATING EXPENSES</b>			
Management fees	9	<b>(2,270,008)</b>	(3,569,075)
(Charge for) reversal of expected credit loss		<b>(33,988)</b>	120,579
Other expenses		<b>(21,100)</b>	(446,588)
<b>TOTAL OPERATING EXPENSES</b>		<b>(2,325,096)</b>	(3,895,084)
<b>NET INCOME FOR THE YEAR</b>		<b>19,525,711</b>	23,738,823
Other comprehensive income for the year		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>19,525,711</b>	23,738,823

The accompanying notes from 1 to 18 form an integral part of these financial statements.

Alinma Saudi Government Sukuk ETF Fund – Short Maturity  
(Managed by Alinma Investment Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 SR	2022 SR
<b>Operating activities</b>			
Net income for the year		19,525,711	23,738,823
<i>Adjustments for:</i>			
Gain from financial assets at FVTPL		(6,212,355)	(1,152,269)
Special commission income	8	(18,573,328)	(36,195,979)
Charge for (reversal of) expected credit loss allowance		33,988	(120,579)
		<u>(5,225,984)</u>	<u>(13,730,004)</u>
<i>Changes in operating assets and liabilities:</i>			
Decrease in financial assets at amortized cost		208,700,205	147,384,477
Decrease (increase) in financial assets at FVTPL		79,058,889	(71,694,265)
Decrease in accrued management fee		(199,063)	(8,195)
Decrease in payable to unitholders		(10,000,000)	-
Increase in redemption fees payable		728,903	-
		<u>273,062,950</u>	<u>61,952,013</u>
Special commission income received	8	26,584,432	37,834,451
Net cash flows from operating activities		<u>299,647,382</u>	<u>99,786,464</u>
<b>Financing activities</b>			
Distributions to unitholders		(3,234,410)	(20,000,000)
Payments against redemption of units		(306,102,818)	-
Net cash flows used in financing activities		<u>(309,337,228)</u>	<u>(20,000,000)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(9,689,843)</b>	<b>79,786,464</b>
Cash and cash equivalents at beginning of the year		104,421,570	24,635,106
<b>Cash and cash equivalents at end of the year</b>	6	<u><b>94,731,727</b></u>	<u>104,421,570</u>
<b>Non-cash transactions</b>			
Redemption settled against disposal of financial assets at amortised cost	8	538,895,000	-

The accompanying notes from 1 to 18 form an integral part of these financial statements.

Alinma Saudi Government Sukuk ETF Fund – Short Maturity  
(Managed by Alinma Investment Company)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	2023 SR	2022 SR
<b>EQUITY AT THE BEGINNING OF THE YEAR</b>	<b>1,255,054,891</b>	<b>1,251,316,068</b>
<b>Comprehensive income:</b>		
Net income for the year	19,525,711	23,738,823
Other comprehensive income for the year	-	-
Total comprehensive income for the year	19,525,711	23,738,823
	<b>1,274,580,602</b>	<b>1,275,054,891</b>
Distributions (note 12)	(3,234,410)	(20,000,000)
<b>CHANGE FROM UNIT TRANSACTIONS</b>		
Settlement against redemption of units	(844,997,818)	-
Net change from unit transactions	(844,997,818)	-
<b>EQUITY AT THE END OF THE YEAR</b>	<b>426,348,374</b>	<b>1,255,054,891</b>
<b>REDEEMABLE UNIT TRANSACTIONS</b>		
Transactions in redeemable units for the year are summarised as follows:		
	<b>2023</b> <i>Units</i>	<b>2022</b> <i>Units</i>
<b>UNITS AT THE BEGINNING OF THE YEAR</b>	<b>12,500,000</b>	<b>12,500,000</b>
Increase in units due to unit split (note 13)	36,387,118	-
Units redeemed during the year	(8,456,988)	-
Net increase in units	27,930,130	-
<b>UNITS AT THE END OF THE YEAR</b>	<b>40,430,130</b>	<b>12,500,000</b>

The accompanying notes from 1 to 18 form an integral part of these financial statements.

# Alinma Saudi Government Sukuk ETF Fund – Short Maturity (Managed by Alinma Investment Company)

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

### 1 INCORPORATION AND ACTIVITIES

Alinma Saudi Government Sukuk ETF Fund – Short Maturity (the "Fund") is an exchange-traded fund created under an agreement between Alinma Investment Company (the "Fund Manager"), a subsidiary of Alinma Bank (the "Bank") and investors in the Fund (the "Unitholders"), in accordance with Shariah rules issued by the Shariah board of the Fund Manager.

The Fund invests through the passive management of a basket of Shariah-approved local government sukuk issued by the government authorities in the Kingdom of Saudi Arabia ("KSA") and listed in the main market to generate a performance that mirrors the performance of the index and distribute periodic returns among others. Capital Market Authority ("CMA") granted approval for the establishment of the Fund on dated 6 Jumada-I 1441 H (corresponding to 1 January 2020). The Fund commenced its operations on 28 Jumada Al-thani 1441 H (corresponding to 22 February 2020).

The Fund 's investment in the Sukuk represent approximately 52% (31 December 2022: 86%) of the total assets as at the reporting date. Article 3(d) of the terms and conditions of the Fund requires that the Fund must hold not less than 90% of the Fund's investment in Sukuk issued by the Government of the Kingdom of Saudi Arabia. Consequently, the Fund was not in compliance with the aforementioned clause of the terms and conditions for the year ended 31 December 2023. The Fund Manager has reported the non-compliance to the CMA and is taking necessary steps to bring the Fund's investment allocation in compliance based on the availability of Sukuk meeting the Fund's investment criteria.

The Fund is managed by Alinma Investment Company (the "Fund Manager"), a closed joint stock company with commercial registration number 1010269764, licensed by the Capital Market Authority of the Kingdom of Saudi Arabia ("CMA") under license number 09134-37.

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

The Fund has appointed Credit Suisse Saudi Arabia (the "Custodian") to act as its custodian.

### 2 REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the "Regulations") issued by the CMA detailing requirements for all Investment Funds within the Kingdom of Saudi Arabia.

### 3 PRIMARY MARKET OPERATION (CREATION AND REDEMPTION OF UNITS)

The primary market operations are only carried out by the Fund Manager who is the authorized Market Maker. The creation and redemption activities are done on the basis of blocks of exchange traded fund (ETF) units (*for the Fund, one block equals 10,000 ETF units*), referred to as "creation unit and redemption unit" respectively. The process of creation and redemption of ETF units is on an in-kind basis whereby the Fund Manager and the Market Maker interexchange ETF units with the Fund and the basket of assets, through the custodian, for the purpose of creation and redemption of ETF units. The created units are then freely floated on Tadawul for public trading.

### 4 MATERIAL ACCOUNTING POLICY INFORMATION

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

#### 4.1 Basis of preparation

These financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement that are endorsed by the Saudi Organisation for Chartered and Professional Accountants, (collectively hereafter referred to as IFRS as endorsed in the Kingdom of Saudi Arabia).

The financial statements have been prepared under the historical cost convention using the accrual basis of accounting except for financial assets held at FVTPL which are measured at fair value.

The Fund Manager has prepared the financial statements on the basis that it will continue to operate as a going concern.

Alinma Saudi Government Sukuk ETF Fund – Short Maturity  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

31 Dec 2023

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.1 *Basis of preparation (continued)*

The Fund presents its statement of financial position in order of liquidity based on the Fund Manager's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 11.

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires the Fund Manager 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 5.

4.2 *Standards and amendments to existing standards effective from 1 January 2023*

The Fund applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated).

*IFRS 17 Insurance Contracts*

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

The new standard had no impact on the financial statements of the Fund.

*Definition of Accounting Estimates - Amendments to IAS 8*

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

These amendments had no impact on the financial statements of the Fund.

*Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2*

The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Fund's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Fund's financial statements.

*Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12*

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

These amendments had no impact on the financial statements of the Fund.

Alinma Saudi Government Sukuk ETF Fund – Short Maturity  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.2 Standards and amendments to existing standards effective from 1 January 2023 (continued)

*International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12*

The amendments to IAS 12 have been introduced in response to the OECD’s BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the consolidated financial statements better understand an entity’s exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

These amendments had no impact on the financial statements of the Fund.

4.3 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund’s financial statements are disclosed below. The Fund intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

<u>Standards / amendments to standards / interpretations</u>	<u>Effective date</u>
<i>Amendments to IFRS 16: Lease Liability in a Sale-and-Leaseback</i>	1 January 2024
<i>Amendments to IAS 1: Classification of Liabilities as Current or Non-current</i>	1 January 2024
<i>Supplier Finance Agreements – Amendments to IAS 7 and IFRS 7</i>	1 January 2024
<i>Lack of exchangeability – Amendments to IAS 21</i>	1 January 2025

4.4 Foreign currency translation

a) *Functional and presentation currency*

These 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 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 statement of financial position date.

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

4.5 Cash and cash equivalents

Cash and cash equivalents comprise of current account with bank and Murabaha deposits, if any, with an original maturity of three months or less.

4.6 Financial Instruments - Initial recognition and subsequent measurement

A financial instruments is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) *Financial assets*

**Initial recognition and measurement**

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e., the date that the Fund executes purchase or sale of the assets). Regular way purchase or sale of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the marketplace.

All other financial assets and liabilities (including assets and liabilities designated at fair value through income statement) are initially recognized on trade date at which the Fund becomes a party to the contractual provisions of the instrument.

Alinma Saudi Government Sukuk ETF Fund – Short Maturity  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.6 *Financial Instruments - Initial recognition and subsequent measurement (continued)*

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

i) *Financial assets (continued)*

**Initial recognition and measurement (continued)**

Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. For all other financial assets and financial liabilities transaction costs are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in the following categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss

***Financial assets held for trading***

In applying that classification, a financial asset is considered to be held for trading if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- (b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Held-for-trading assets are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

***Financial assets measured at amortised cost***

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Fund's financial assets at amortised cost includes cash and cash equivalents only, and or includes Murabaha deposits, Sukuks and Special Commission Income.

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes investments in mutual funds which the Fund had not irrevocably elected to classify at fair value through OCI.

***Derecognition***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Fund's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Alinma Saudi Government Sukuk ETF Fund – Short Maturity  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.6 *Financial Instruments - Initial recognition and subsequent measurement (continued)*

i) *Financial assets (continued)*

***Derecognition (continued)***

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of the Fund's continuing involvement. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

***Impairment***

The Fund considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1');
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2'); and
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. However, none of the Fund's financial assets fall into this category.

For other receivables, the Fund applies a simplified approach in calculating ECLs. Therefore, the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Fund has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses are recognized for the second and third category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

For financial assets at amortised costs, the Fund applies the low credit risk simplification. At every reporting date, the Fund evaluates whether the financial assets at amortised cost is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Fund reassesses the credit rating of the financial asset at amortised cost. In addition, the Fund considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Fund's financial assets at amortised cost comprise of bank balance, Murabaha deposits, Sukuks and other receivables. It is the Fund's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Fund uses the ratings from the *Credit Rating Agency* both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

ii) *Financial liabilities*

**Initial recognition and measurement**

The Fund's financial liabilities include redemption payable, management and administration fees payable and other liabilities. All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs.

Alinma Saudi Government Sukuk ETF Fund – Short Maturity  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.6 Financial Instruments - Initial recognition and subsequent measurement (continued)

ii) Financial liabilities (continued)

**Subsequent measurement**

For purposes of subsequent measurement, financial liabilities are classified at amortised cost:

**Financial liabilities at amortised cost**

This category includes all financial liabilities, other than those measured at fair value through profit or loss. This is the category most relevant to the Fund. After initial recognition, financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to management fees payable and unitholders payable .

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) **Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

iv) **Rebalancing**

The Fund adopts passive management style to manage its investments. The review of the weights of the underlying assets will be taken periodically on quarterly basis to ensure proper tracking of any changes to the benchmark index, as specified in the Terms and Conditions of the Fund and may redeem existing investments or subscribe to new investments to maintain the weights of the underlying assets as per the benchmark. Due to rebalancing, the fund may be required to recognize and / or de-recognize investments.

If the re-balancing day falls on an official holiday, the re-balancing will be conducted on the next business day

4.7 **Fair value measurement**

The Fund measures financial instruments such as equity instruments at fair value at each balance sheet 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 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.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Alinma Saudi Government Sukuk ETF Fund – Short Maturity  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.7 Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in financial statements at fair value on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each year. The Fund determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

At each reporting date, the Fund analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Fund's accounting policies. For this analysis, the Fund verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Fund also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are discussed in note 8.

4.8 Redeemable units

Redeemable units are classified as equity instruments when:

- The redeemable units entitle the Unitholder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation
- The redeemable units are in the class of instruments that is subordinate to all other classes of instruments
- All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features
- The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the Unitholder's rights to a pro rata share of the Fund's net assets
- The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument

In addition to the redeemable units having all of the above features, the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund
- The effect of substantially restricting or fixing the residual return to the redeemable unitholders

The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have all the features, or meet all the conditions set out, to be classified as equity, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in net assets attributable to the Unitholders. If the redeemable units subsequently have all the features and meet the conditions to be classified as equity, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

The issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions. No gain or loss is recognised in the statement of comprehensive income on the purchase, issuance or cancellation of the Fund's own equity instruments.

Alinma Saudi Government Sukuk ETF Fund – Short Maturity  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

**4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**4.9 Net assets value per unit**

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

**4.10 Management fees, custodian fees and other expenses**

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

**4.11 Zakat and income tax**

Fund is not liable to pay any zakat or income tax which are considered to be the obligation of the Unitholders and are as such not provided in the accompanying financial statements.

**4.12 Distributions**

The Fund Manager can make cash distributions to Unitholders as return from the investment in the Fund once per annum no later than the end of the Fund's financial year. The Fund Manager may make such distributions more than once a year upon the Fund Board resolution. These distributions are deducted from net assets (equity) attributable to Unitholders when announced by the Fund Manager.

**4.13 Revenue recognition**

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

Special commission income on financial assets at amortized cost, i.e., Sukuk and Murabaha deposits, is calculated using EIR method and is recognized in the statement of profit or loss. Special commission income is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Special commission income is calculated by applying the EIR to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset i.e., after deduction of the loss allowance.

Gain on disposal of financial assets at FVTPL sold are determined on a weighted average cost basis.

Unrealised gains and losses comprise changes in the fair value of financial assets at FVTPL for the year and from reversal of the prior year's unrealised gains and losses for financial instruments, which were realised in the reporting year.

**5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the Fund's financial statements in conformity with the International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, may differ from the related actual results.

Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

**Going concern**

The Board of Director, in conjunction with the Fund Manager has made an assessment of the Fund's ability to continue as going concern and satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as going concern. Therefore, the financial statements continued to be prepared on the going concern basis.

Alinma Saudi Government Sukuk ETF Fund – Short Maturity  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

**5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

*Impairment of financial instruments*

The measurement of ECL under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values for portfolio financing, when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- i) Determining criteria for significant increase in credit risk;
- ii) Choosing appropriate models and assumptions for the measurement of ECL;
- iii) Establishing the number and relative weights of forward-looking scenarios for each type of product/market and the associated ECL; and
- iv) Establishing groups of similar financial assets for the purposes of measuring ECL.

*Fair value measurement*

The Fund measures its investments in mutual funds 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.

For all 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.

**6 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the statement of cash flows comprise the following:

	2023	2022
	SR	SR
Bank balance	164,227	104,421,570
Murabaha deposits maturing within 3 months	94,567,500	-
	<u>94,731,727</u>	<u>104,421,570</u>

**7 FINANCIAL ASSETS AT FVTPL**

Financial assets at FVTPL comprised of investment in a public fund that is registered in the Kingdom of Saudi Arabia.

	31 December 2023		31 December 2022	
	Cost (SR)	Market value (SR)	Cost (SR)	Market value (SR)
Alinma Saudi Riyal Liquidity Fund	-	-	72,167,033	72,846,534
	<u>-</u>	<u>-</u>	<u>72,167,033</u>	<u>72,846,534</u>

Alinma Saudi Government Sukuk ETF Fund – Short Maturity  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2023

**8 FINANCIAL ASSETS AT AMORTISED COST**

The financial assets at amortised cost comprised of the following:

	2023 SR	2022 SR
Sukuks (i) (note 8.1)	222,787,124	1,077,441,220
Murabaha deposits (ii)	201,626,390	-
Accrued special commission income (note 8.3)	2,690,484	10,701,589
	<u>427,103,998</u>	<u>1,088,142,809</u>
Less: Allowance for expected credit loss (note 8.4)	(87,836)	(53,848)
	<u><u>427,016,162</u></u>	<u><u>1,088,088,961</u></u>

- (i) The Fund has invested in Saudi Government Sukuks, which have fixed annual special commission income rate ranging from 2.2% to 3.7% (31 December 2022: 2.2% to 3.7%) and with a maturity of 1 year to 5 years (31 December 2022: 1 year to 5 years).
- (ii) This represents Murabaha deposits placed with several banks operating in Gulf countries with original maturities from 3 months up to 1 year and carried an average annual special commission income rate of 6.30% (31 December 2022: nil).

**8.1 Sukuks**

	2023 SR	2022 SR
Nominal value of Sukuks	223,308,000	1,074,859,000
Premium	4,320,076	26,939,807
Less: Amortisation of premium	(4,840,952)	(24,357,587)
	<u>222,787,124</u>	<u>1,077,441,220</u>

**8.1.1** Below is the movement of sukuk during the year:

	2023 SR	2022 SR
Balance at the beginning of the year	1,077,441,220	1,224,834,995
Nominal value of sukuk purchased during the year	-	181,000,000
Disposal of sukuk during the year	(538,895,000)	-
Sukuks matured during the year	(312,824,221)	(311,359,000)
Discount on sukuk purchased during the year	-	(7,320,434)
	<u>225,721,999</u>	<u>1,087,155,561</u>
Add: Accretion of discount during the year (note 8.4)	255,306	482,934
Less: Amortisation of premium during the year (note 8.4)	(3,190,181)	(10,197,275)
<b>Balance at the end of the year (i)</b>	<u><u>222,787,124</u></u>	<u><u>1,077,441,220</u></u>

Alinma Saudi Government Sukuk ETF Fund – Short Maturity  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

**8 FINANCIAL ASSETS AT AMORTISED COST (continued)**

8.2 Below is the breakup of special commission income from financial assets at amortised cost:

	2023 SR	2022 SR
Special commission income	18,573,327	36,195,979
Add: Accretion of discount on sukuku	255,306	482,934
Less: Amortisation of premium on sukuku	(3,190,181)	(10,197,275)
	<u>15,638,452</u>	<u>26,481,638</u>

8.3 Below is the movement for accrued special commission income:

	2023 SR	2022 SR
Accrued special commission income at the beginning of the year	10,701,589	12,340,061
Special commission income earned during the year (note 8.2)	18,573,327	36,195,979
Less: Special commission income received during the year	(26,584,432)	(37,834,451)
Accrued special commission income as at year end	<u>2,690,484</u>	<u>10,701,589</u>

8.4 Allowance for expected credit loss

The movement in allowance of ECL on financial assets at amortised cost during the year is as follows:

	2023 SR	2022 SR
At the beginning of the year	53,848	183,725
Charge for (reversal of) ECL	33,988	(129,877)
At the end of the year	<u>87,836</u>	<u>53,848</u>

**9 RELATED PARTY TRANSACTIONS AND BALANCES**

In ordinary course of activities, the Fund transacts business with related parties. The related party transactions are in accordance with the terms and conditions of the Funds. All related party transactions are approved by the Fund's Board of Directors.

Related parties of the Fund include the Fund's Board of Directors, Fund Manager, the Bank, entities related to the Bank and the Fund Manager and any party that has the ability to control other party or exercise significant influence over the party in making financial or operational decisions.

*a) Management fees*

The Fund Manager is responsible for the overall management of the Fund's activities. The Fund Manager charges management fee at the rate of 0.25% per annum from the Fund's net assets after deducting dealing expenses, financing expenses and value added taxes (VAT).

*b) Board of Directors remuneration*

The Board of Directors are allowed maximum remuneration of SR 50,000 for all board members in one year. No board remuneration was charged during the year.

Alinma Saudi Government Sukuk ETF Fund – Short Maturity  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

**9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

**9.1 Related party transactions**

The following are the details of the significant transactions with related parties during the year:

<i>Name of related party</i>	<i>Nature of relationship</i>	<i>Nature of transaction</i>	<b>31 December 2023 SR</b>	<b>31 December 2022 SR</b>
Alinma Investment Company	Fund Manager	Management fees	<b>(2,270,008)</b>	<b>(3,569,075)</b>
Alinma Bank	Parent Company of the Fund Manager	Disposal of sukuk against redemption of units	<b>497,067,000</b>	-

**9.2 Related party balances**

Year end balances receivable (payable) arising from transactions with related parties are as follows:

<i>Name of related party</i>	<i>Nature of relationship</i>	<i>Balance</i>	<b>31 December 2023 SR</b>	<b>31 December 2022 SR</b>
Alinma Investment Company	Fund Manager	Management fees payable	<b>(103,112)</b>	<b>(302,174)</b>
Alinma Bank	Parent Company of the Fund Manager	Net assets attributable to Unit Holders (3,697,835 Units (2022: 11,550,887 Units)) Redemption fees payable	<b>39,244,519</b> <b>(728,903)</b>	<b>1,159,709,055</b> -

**10 FINANCIAL RISK MANAGEMENT**

**10.1 FINANCIAL RISK FACTORS**

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

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

**a) Special commission rate risk**

Special commission rate risk arises from the possibility that changes in market special commission rates will affect future profitability or the fair value of the financial instruments. The Fund's investment in Sukuk are at fixed rate and are carried at amortised cost, therefore as of the date of the statement of financial position, a change in special commission rates would not affect statement of comprehensive income.

Alinma Saudi Government Sukuk ETF Fund – Short Maturity  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

**10 FINANCIAL RISK MANAGEMENT (continued)**

**10.1 FINANCIAL RISK FACTORS (continued)**

**10.1.1 Market risk**

*b) Currency risk*

Currency risk is the risk that the fair value or future cashflows 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 fluctuation as the majority of monetary assets and liabilities are in Saudi Riyals. Further, the Fund's foreign currency transactions are primarily in GCC currencies, which does not have major fluctuations, hence the impact of 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 financial instruments that the Fund holds. The Fund Manager closely monitors the price movement of its financial instruments listed on stock exchange. The Fund manages the risk through diversification of its investment portfolio by investing in various mutual funds. As 31 December 2023, the Fund is not exposed to any price risk.

**10.1.2 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 securities are considered to be readily realizable and they can be liquidated at any time. However, 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.

The undiscounted value of all financial liabilities of the Fund at the reporting date approximate to their carrying values and all are to be settled within one year from the reporting date.

**10.1.3 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.

Alinma Saudi Government Sukuk ETF Fund – Short Maturity  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

**10 FINANCIAL RISK MANAGEMENT (continued)**

**10.1 FINANCIAL RISK FACTORS (continued)**

**10.1.3 Credit risk (continued)**

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

	2023 SR	2022 SR
Financial assets at amortised cost	427,016,162	1,088,088,961
Bank balance	164,227	104,421,570
	<u>427,180,389</u>	<u>1,192,510,531</u>

The Fund's bank balance is held with the Bank, having sound credit ratings as at reporting date. The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss. The ECL disclosure is included in note 8.

**10.2 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 net asset 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.

The Fund Board and the Fund Manager monitor capital on the basis of the value of net assets attributable to redeemable unitholders.

**10.3 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial assets consist of bank balance, financial assets at FVTPL and financial assets at amortized cost. Financial liabilities consists of accrued management fees, redemption fees payable and payable to unitholders.

The following table shows the fair values of financial assets at FVTPL and financial assets at amortised cost, including their levels in the fair value hierarchy:

	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
<b>As at 31 December 2023</b>				
Financial assets at amortised cost	<u>216,776,258</u>	-	-	<u>216,776,258</u>
<b>As at 31 December 2022</b>				
Financial assets at FVTPL (note 7)	-	72,846,534	-	72,846,534
Financial assets at amortised cost	<u>1,051,100,365</u>	-	-	<u>1,051,100,365</u>
	<u>1,051,100,365</u>	<u>72,846,534</u>	-	<u>1,123,946,899</u>

Alinma Saudi Government Sukuk ETF Fund – Short Maturity  
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

**10 FINANCIAL RISK MANAGEMENT (continued)**

**10.3 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

The value of financial assets at amortised cost amounting to SR 216,776,258 (31 December 2022: SR 1,051,100,365) are based on quoted prices in active markets for identical assets and therefore classified within Level 1 of the fair value hierarchy.

Management believes that at the reporting date the fair value of all other financial assets and liabilities that are classified as amortized cost approximate their carrying values owing to their short-term tenure and the fact that these are readily realizable. These are all classified within level 2 of the fair value hierarchy. There were no transfers between various levels of fair value hierarchy during the current or prior year.

**11 MATURITY ANALYSIS OF ASSETS AND LIABILITIES**

	<i>Within 12 months (SR)</i>	<i>After 12 months (SR)</i>	<i>Total SR</i>
<i>As at 31 December 2023</i>			
<b>ASSETS</b>			
Bank balance	164,227	-	164,227
Financial assets at amortized cost	306,050,164	120,966,000	427,016,164
<b>TOTAL ASSETS</b>	<b>306,214,391</b>	<b>120,966,000</b>	<b>427,180,391</b>
<b>LIABILITIES</b>			
Accrued management fees	103,112	-	103,112
Redemption fees payable	728,903	-	728,903
<b>TOTAL LIABILITIES</b>	<b>832,015</b>	<b>-</b>	<b>832,015</b>
<i>As at 31 December 2022</i>			
<b>ASSETS</b>			
Bank balance	104,421,570	-	104,421,570
Financial assets at FVTPL	72,846,534	-	72,846,534
Investments at amortized cost	437,634,933	650,454,028	1,088,088,961
<b>TOTAL ASSETS</b>	<b>614,903,037</b>	<b>650,454,028</b>	<b>1,265,357,065</b>
<b>LIABILITIES</b>			
Accrued management fees	302,174	-	302,174
Payable to unitholders	10,000,000	-	10,000,000
<b>TOTAL LIABILITIES</b>	<b>10,302,174</b>	<b>-</b>	<b>10,302,174</b>

**12 DISTRIBUTIONS**

For the year ended 31 December 2023, The Fund Manager announced distributions comprising of SR 0.8 per unit, amounting to SR 3.2 million on 26 July 2023.

For the year ended 31 December 2022, The Fund Manager announced two distributions comprising of SR 0.8 per unit each, amounting to total of SR 20 million on 27 June 2022 and 27 December 2022.

**Alinma Saudi Government Sukuk ETF Fund – Short Maturity**  
**(Managed by Alinma Investment Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2023

**13 REDEEMABLE UNITS SPLIT**

The unitholders in its meeting, held on 21 Jumada al-Ula 1445H (corresponding to 5 December 2023), approved the split of the Fund's units from 4,043,013 to 40,430,131 units at a nominal value of SR 100 for each unit to SR 10 for each unit. This has not resulted in a change in the value of the Fund's NAV.

**14 CONTINGENCIES**

There are no contingencies as at the reporting date.

**15 ZAKAT AND INCOME TAX**

The Ministry of Finance has issued a resolution ("MR") numbered 29791, dated 9th Jumada Al-Awwal 1444H (corresponding to 3 December 2022) publishing certain zakat filing rules to be complied by investment funds in the Kingdom of Saudi Arabia, applicable for the financial year 2023. According to the MR the Fund is not subject to zakat or tax, however, will be required to file certain financial information with Zakat, Tax and Customs Authority ("ZATCA") commencing 1 January 2023. The filing with ZATCA is due by 30 April 2024.

**16 LAST VALUATION DAY**

The last valuation day for the purpose of the preparation of these financial statements is 31 December 2023 (2022: 31 December 2022).

**17 SUBSEQUENT EVENTS**

There were no events subsequent to the reporting date which require adjustments of or disclosure in the financial statements or notes thereto.

**18 APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved by the Board of Directors on 18 Ramadan 1445H (corresponding to 28 March 2024).