

MEFIC Saudi Freestyle Equity Fund Semi Annual Report 2018

التقرير النصف سنوي لصندوق ميفك المرين للاسهم السعودية 2018 Q2

ميفك كابيتال
MEFIC Capital



Article 71(H)

A Top Ten Holdings

Name of Stock	% Holding in the stock*
i Al Rajhi Bank	11.73%
ii Saudi Basic Industries Corp	9.07%
iii Yanbu National Petrochemical Company	7.85%
iv Mouwasat Medical Services	7.69%
v Jarir Marketing Co	7.25%
vi Saudia Dairy Foodstuff	5.77%
vii United International Transportation Co	5.03%
viii Saudi International Petrochemical Co	4.97%
ix Advanced Petrochemical Company	3.94%
x Sahara Petrochemical Co	3.86%

* Stock holdings as at Apr 01, 2018

F Standard Measure of Risk

i Standard Deviation – Fund	8.64%
ii Standard Deviation -Benchmark	11.75%

** the information in based on the Jun 30, 2018

B Fee Details

Name	% of Total NAV
i Management Fees	1.85%
ii Other Fees	0.5%
iii Total Expenses Ratio	2.38%

	Amount	%
C Profit Distribution	Nil	0.00%
D Dealing Expenses in the Fund	22,724	0.31%
E Fund Manager Investment in the Fund	1,045,793	7%
H Fund Borrowing %	Nil	0.00%

G Fund & Index Performance (Q1 2018)

	YTD	Benchmark	Alpha
	16.20%	14.60%	1.60%

Annex 5

A Investment fund information

i Name of the Fund	MEFIC Saudi Freestyle Equity FUND
ii Investment Objective	MEFIC Freestyle Saudi Equity Fund is an open-ended investment fund which aims to achieve capital growth over the long term through investing primarily in stocks of Shariah compliant companies that are listed on the Saudi Stock Exchange (Tadawul) and Parallel market (Nomu).
iii Policy & Procedure	Terms & Conditions Available on Tadawul Website
iv Distribution of Income & Gain Policy	No Distribution of Dividend
v Statement of Fund Report	The fund started its operations from Jan 01, 2018. The Fund's interim review is under review with the auditors.

B Fund Performance Table

	1 Year	3 Year	5 Year	Inception
Return	NA	NA	NA	16.20%

	1H 2018
NAV	14,843,340
Unit Price	116.20
NAV High	117.45
NAV Low	99.91
Number of Units	127,740
Annual Return	16.20%
Expense Ratio	2.38%
Income distribution	0.00%

C Fund Fees and Expenses

	1H 2018
Management Fee	69,158
Other Expense	19,760
Total Expense Ratio	2.38%

D Fund Manager Information

Name & Address	MEFIC Capital, 7758 King Fahed Road Olaya Riyadh 12333
Investment Activities	MEFIC Capital is an Authorized Person regulated by CMA with License # 37-060209. MEFIC Capital's investment management business focuses on the management of public-listed funds, private placements, and real estate funds. MEFIC offers broad range of investment products to meet the varying investment needs and risk profiles of both institutional and retail investors. As at 31-Dec-2017, MEFIC had assets under management (AUM) of SAR 2.6bn, and MEFIC funds outperformed benchmarks during the period under review.
Investment Fund Performance	MEFIC Saudi Freestyle Equity Fund yielded a YTD return of 16.20% as compared to benchmark Index of 14.60%, Alpha of +1.60.
Material Changes	None

E Custodian Information

Name & Address	Albilad Capital, King Fahd Branch Rd, Riyadh 12313.
Custodian Responsibilities	All necessary measures regarding custody and safe keeping of assets for unit holders.

MEFIC Saudi Freestyle Equity Fund Semi Annual Report 2018

التقرير النصف سنوي لصندوق ميفك المرين للاسهم السعودية 2018 Q2

ميفك كابيتال
MEFIC Capital



Custodian Opinion	According to the agreement with the custodian, they are not required to provide a statement of opinion on the following: <ul style="list-style-type: none">• issued, transferred and redeemed the units in accordance with the provisions of the Investment Funds Regulations and the fund's Terms and Conditions;• valued and calculated the price of units in accordance with the provisions of the Investment Funds Regulations , the fund's Terms and Conditions and the information memorandum;• breached any of the investment restrictions, limitations and borrowing powers
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F Auditor Information

Name & Address	BDO Dr. Mohamed Al-Amri & Co. P.O. Box 8736, Riyadh 11492, Kingdom of Saudi Arabia
Auditor Opinion	Based on our(BDO Dr. Mohamed Al-Amri & Co.) review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

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MEFIC SAUDI FREESTYLE EQUITY FUND
Managed by
MIDDLE EAST FINANCIAL INVESTMENT COMPANY
UNAUDITED CONDENSED INTERIM FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED
30 JUNE 2018
together with the
INDEPENDENT AUDITOR'S REVIEW REPORT

MEFIC SAUDI FREESTYLE EQUITY FUND
Managed by Middle East Financial Investment Company

**INDEX TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REVIEW REPORT**

For the six-month period ended 30 June 2018

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**INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM
FINANCIAL STATEMENTS**

**To the Unit holders of
MEFIC Saudi Freestyle Equity Fund
Managed by Middle East Financial Investment Company
Riyadh, Kingdom of Saudi Arabia**

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **MEFIC Saudi Freestyle Equity Fund** ("the Fund") as of 30 June 2018 and the related condensed interim statements of comprehensive income, changes in net assets attributable to unit holders and cash flows for the six-month period then ended, together with a summary of significant accounting policies and other explanatory notes from 1 to 14.

Management is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 ("IAS 34") - "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia.

Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

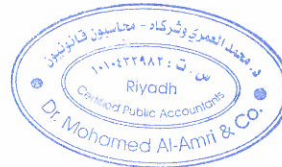
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", endorsed in the Kingdom of Saudi Arabia. A review of condensed interim financial statements consists of making inquiries,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

Conclusion

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

For Dr. Mohamed Al-Amri & Co.

Gihad M. Al-Amri
Certified Public Accountant
Registration No. 362



Riyadh, on: 1 Thul Hijjah 1439 (H)
Corresponding to: 12 August 2018 (G)

MEFIC SAUDI FREESTYLE EQUITY FUND
Managed by Middle East Financial Investment Company

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	<u>Notes</u>	<u>30 June 2018</u> <u>SR</u>
<u>ASSETS</u>		
Financial assets at fair value through profit or loss "FVTPL"	7	10,604,298
Cash and cash equivalents	8	4,268,217
Total assets		14,872,515
<u>LIABILITIES</u>		
Management fee payable	10	21,612
Other expenses payable	10	7,564
Total liabilities		29,176
Net assets attributable to unit holders		14,843,339
Units in issue (<i>Numbers</i>)		127,740
Net assets value - per unit (SR)		116.20

The accompanying notes 1 to 14 form an integral part of these financial statements

MEFIC SAUDI FREESTYLE EQUITY FUND
Managed by Middle East Financial Investment Company

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

	<i>Notes</i>	<u>30 June 2018</u>
		<u>SR</u>
<u>INCOME</u>		
Dividend income		134,345
Net gain from financial assets at "FVTPL"	9	810,342
Total income		<u>944,687</u>
<u>EXPENSES</u>		
Management fee		69,158
Transaction costs		22,724
Other expenses		19,758
Total operating expenses		<u>111,640</u>
Operating profit for the period		833,047
Other comprehensive income for the period		-
Total comprehensive income for the period		<u><u>833,047</u></u>

MEFIC SAUDI FREESTYLE EQUITY FUND
Managed by Middle East Financial Investment Company

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS
(UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

	<u>30 June 2018</u>
	<u>SR</u>
Net assets at 1 January	-
Total comprehensive income for the period	833,047
Changes from unit transactions	
Proceeds from units issued	16,264,899
Payments for units redeemed	(2,254,607)
Net assets at 30 June	<u>14,843,339</u>

UNIT TRANSACTIONS

Transactions in units are summarized as follows:

	<u>Numbers</u>
Units at 1 January	-
Units issued	147,540
Units redeemed	(19,800)
Net increase in units	127,740
Units at 30 June	<u>127,740</u>

MEFIC SAUDI FREESTYLE EQUITY FUND
Managed by Middle East Financial Investment Company

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

	<u>30 June 2018</u>
	<u>SR</u>
OPERATING ACTIVITIES	
Operating profit for the period	833,047
<i>Adjustment for:</i>	
Net gain from financial assets at FVTPL	(810,342)
Dividend income	(134,345)
Changes in operating assets and liabilities:	
Purchase of financial assets at FVTPL	(11,963,594)
Proceeds from disposal of financial assets at FVTPL	2,169,638
Management fee payable	21,612
Other expenses payable	7,564
Net decrease in operating assets and liabilities	<u>(9,876,420)</u>
Dividend received	<u>134,345</u>
Net cash used in operating activities	<u>(9,742,075)</u>
FINANCING ACTIVITIES	
Proceeds from units issued	16,264,899
Payments for units redeemed	(2,254,607)
Net cash generated from financing activities	<u>14,010,292</u>
Net decrease in cash and cash equivalents	4,268,217
Cash and cash equivalents at 1 January	-
Cash and cash equivalents at 30 June	<u><u>4,268,217</u></u>

MEFIC SAUDI FREESTYLE EQUITY FUND
Managed by Middle East Financial Investment Company

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

1. THE FUND AND ITS ACTIVITIES

MEFIC Saudi Freestyle Equity Fund (the “Fund”) is an open-ended investment fund established and managed through an agreement between Middle East Financial Investment Company (the “Fund Manager”) and the Fund Investors (the “Unit holders”).

The Fund aims to achieve capital growth over the long term through investing primarily in stocks of Shariah compliant companies that are listed on the main and parallel stock market of Saudi Arabia and included in Standard and Poor’s Shariah index.

The Fund commenced its operations on 14 Rabi’ al-Thani 1439H (corresponding to 1 January 2018G). The approval from Capital Market Authority (“CMA”) for the establishment of the Fund was granted in its letter number 17/3403/5/3 dated 18 Ramadan 1438H (corresponding to 13 June 2017G).

These are the first interim financial statements of the Fund; hence no comparative financial information has been presented.

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

2. REGULATORY FRAMEWORK

The Fund is governed by the Investment Funds Regulations (“the Regulations”) issued by CMA as amended up to 16 Sha’ban 1437 H (corresponding to 23 May 2016 G) detailing requirements for investment funds operating in the Kingdom of Saudi Arabia.

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

Subscription / redemption requests are accepted on all days on which the Saudi Stock Market is open.

The value of the Fund’s portfolio is determined twice a week on Monday and Thursday (each being a “Valuation Day”). The net asset value of the Fund for the purpose of purchase or sale of units is determined by dividing the net value of assets (fair value of the Fund’s assets minus fund’s liabilities) by the total number of outstanding fund units on the relevant valuation day.

4. BASIS OF PREPARATION

4.1 *Statement of compliance*

These condensed interim financial statements are the first general purpose financial statements prepared in accordance with International Accounting Standard IAS-34 “Interim Financial Reporting” as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organisation for Certified Public Accountants (SOCPA), Capital Market Authority (CMA) and the Fund’s terms and conditions, so far as they relate to the preparation and presentation of the Financial Statements of the Fund.

These condensed interim financial statements do not include all of the information required for a full set of annual Financial Statements prepared under IFRS.

4.2 *Basis of measurement*

These financial statements have been prepared under the historical cost convention, except for the financial assets at fair value through profit and loss which are carried at fair value, using the accrual basis of accounting and going concern concept.

4.3 *Functional and presentation currency*

These condensed interim financial statements are presented in Saudi Arabian Riyals (SR) which is also the functional currency of the Fund. All financial information presented has been rounded to the nearest SR unless stated otherwise.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

BASIS OF PREPARATION (Continued)

4.4 Financial year

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

4.5 Use of estimates and judgments

In the ordinary course of business, the preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in future years affected. Major areas where estimates or judgments made are significant to the Fund's financial statements or where judgment was exercised in the application of accounting policies are as follows:

Classification and valuation of investments

The Fund at initial recognition determines the relevant classification of financial assets and financial liabilities based on the business model for managing the financial asset and the terms of contractual cash flows.

The Fund has classified its investments in equity securities at fair value through profit or loss "FVTPL". Gain or loss arising from subsequent changes in fair value and on sale of financial assets at FVTPL is recognised in the statement of comprehensive income.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The 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 which, in the opinion of the management, will clearly not impact the Fund.

- IFRS 16 Leases
- IFRIC 23 Uncertainty over income tax treatments

6. SIGNIFICANT ACCOUNTING POLICIES

Following are the significant accounting policies applied by the Fund throughout all periods presented in these first IFRS financial statements.

Financial instruments

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 commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

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.

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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification and subsequent measurement of financial assets

Financial assets are classified into the following specified categories:

- Financial assets at fair value through profit or loss (FVTPL);
- Financial assets at fair value through other comprehensive income (FVTOCI); or
- Financial assets at amortised cost.

Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:

- (i) the Fund's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset.

• **Amortised cost:** Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised in profit and loss. Profit income from these financial assets is included in 'Special commission income' using the effective interest rate method. Currently there is no debt instrument held by the fund at amortised cost.

• **Fair value through other comprehensive income (FVTOCI):** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and profit, and that are not designated at FVTPL are measured at fair value through other comprehensive income (FVTOCI). Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, special commission income and foreign exchange gains and losses on the instrument's amortised cost are recognised in profit or loss statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit and loss statement. Profit income from these financial assets is included in 'Special commission income' using the effective interest rate method. Currently there is no debt instrument held by the fund at FVTOCI.

• **Fair value through profit or loss (FVTPL):** Financial assets that do not meet the criteria for amortised cost or FVTOCI are classified as fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value is presented in the statement of income in the year in which it arises. Profit income from these financial assets is included in 'Special commission income' using the effective interest rate method. Currently there is no debt instrument held by the fund at FVTPL.

Business model

The business model reflects how the Fund manages the assets in order to generate cash flows. That is, whether the Fund's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Fund in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business model *(continued)*

For example, the liquidity portfolio of assets, which is held by the Fund as part of liquidity management, is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Solely payments of principal and profit

Where the business model is to hold assets solely to collect contractual cash flows or to collect contractual cash flows and sell, the Fund assess whether the financial instruments' cash flows represent solely payments of principal and profit. In making this assessment, the Fund considers whether the contractual cash flows are consistent with the lending agreement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Fund reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting year following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Fund subsequently measures all equity investments at fair value through profit or loss, except where the Fund's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Fund's policy is to designate equity investments as FVTOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to the statement of profit and loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in the statement of income as 'Dividend income' when the Fund's right to receive payments is established.

Derecognition of financial assets

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Fund transfers substantially all the risks and rewards of ownership, or (ii) the Fund neither transfers nor retains substantially all the risks and rewards of ownership and the Fund has not retained control.

The Fund enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

On derecognition of a financial asset measured at FVTPL and amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of profit and loss.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing its financial assets.

Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund measures instruments quoted in an active market at the market price, because this price provides a reasonable approximation of the exit price.

The Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the statement of assets and liabilities when, and only when, the Fund currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, cash at banks and other short-term highly liquid investments with original maturities of three months or less, which are available to the Fund without any restriction.

Revenue recognition

Net gain from financial instruments at fair value through profit or loss

Net gain from financial instruments at FVTPL includes all realised and unrealised fair value changes, but excludes interest and dividend income.

Realised gain from financial instruments at FVTPL is calculated on a weighted average cost basis.

Dividend income

Dividend income or other income is recognized when the Fund's right to receive dividend payment is established.

Management fee and other expenses

Management fees and other expenses are charged at rates/amounts within limits mentioned in terms and conditions of the Fund. These charges are calculated and accrued on each valuation day.

Subscription fee

The Fund Manager charges each investor a subscription fee of a percentage up to 2% of the subscribed amount to cover administration costs and is netted off against proceeds from issuance of units.

MEFIC SAUDI FREESTYLE EQUITY FUND
 Managed by Middle East Financial Investment Company

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
 FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under the terms and conditions of the Fund, the Fund is liable to pay the following expenses to the Fund Manager:

▪ **Management fee**

Management fee is accrued at the rate of 1.75% per annum of net assets value of the Fund at each valuation day and is payable monthly.

▪ **Other expense**

Other expenses are accrued at the rate of 0.5% of the net asset value of the fund at each valuation day and is payable monthly.

Zakat / taxation

Zakat / taxation are the obligation of the Unit holders and are not provided for in these interim financial statements.

Subscription and redemption of units

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

Net assets value

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

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>Note</u>	<u>30 June 2018</u>
		<u>SR</u>
Opening balance		-
Purchased during the period		11,963,594
Sold during the period		(2,169,638)
Realised gain		254,185
Change in fair value		556,157
Closing balance	7.1	<u>10,604,298</u>

7.1. The classification of investments at FVTPL into industry groups specified by Saudi Stock Exchange is summarized as follows:

<u>Industry group</u>	<u>Cost</u>	<u>Market value</u>	<u>% of market value</u>
		<u>30 June 2018</u>	
Banks	3,361,565	3,748,095	35%
Materials	3,122,773	3,273,240	31%
Health Care Equipment and Services	1,343,479	1,417,144	13%
Retailing	822,678	866,775	8%
Insurance	620,554	588,396	6%
Consumer Services	504,430	502,466	5%
Food & Beverages	272,662	208,182	2%
	<u>10,048,141</u>	<u>10,604,298</u>	<u>100%</u>

MEFIC SAUDI FREESTYLE EQUITY FUND
 Managed by Middle East Financial Investment Company

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
 FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

8. CASH AND CASH EQUIVALENTS

As at 30 June 2018, the cash and cash equivalents amounting to SR 4, 268,217 were held with the custodian.

9. NET GAIN FROM FINANCIAL ASSETS AT FVTPL

	30 June 2018
	<u>SR</u>
Realised gain , net	254,185
Unrealised gain, net	556,157
	<u>810,342</u>

10. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Fund include the Unit holders, the Fund Manager and other funds managed by the Fund Manager. In the ordinary course of its activities, the Fund transacts business with related parties. Related party transactions are in accordance with the terms and conditions of the Fund. All transactions with related parties are carried out based on mutually agreed prices under formal agreement.

The unit holders' account included units held by Fund Manager and fund managed by the Fund Manager as follows:

	30 June 2018		
	Units (number)	Net Asset Value SR	% of total units
Held by the Fund Manager	9,000	1,045,930	7%
Held by the Fund managed by the Fund Manager	1,000	116,214	0.8%
	<u>10,000</u>	<u>1,162,144</u>	

Related party transactions for the period are described as under:

<u>Related party</u>	<u>Nature of transaction</u>	<u>30 June 2018</u>
Middle East Financial Investment Company (the "Fund Manager")	Management fee	<u>65,865</u>
	Other expenses	<u>18,819</u>
Middle East Financial Investment Company (the "Fund Manager")	Subscription of units	<u>900,000</u>
MEFIC Local Equity Fund (the "Fund" managed by the Fund Manager)	Subscription of units	<u>100,000</u>

The above transactions during the period resulted in the following balances due to related party as of;

<u>Related party</u>	<u>Nature of balance</u>	<u>30 June 2018</u>
Middle East Financial Investment Company (the "Fund Manager")	Management fee payable	<u>21,612</u>
	Other expenses payable	<u>6,175</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

11. SEGMENT REPORTING

For management purposes, the Fund is organised into one main operating segment, which invests in equity securities and short term debt instruments like Murabaha placements. All of the Fund's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Fund as one segment. The financial results from this segment are equivalent to the financial statements of the Fund as a whole.

12. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of the following financial risks; market risk (including special commission rate risk, currency risk and price risk), credit risk and liquidity risk. The Fund's overall risk management programme focuses on the predictability of financial market and seeks to minimise potential adverse effect on the Fund's financial performance.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices.

The Fund manager manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the risk management/investment committee.

Market risk comprises three types of risk: Special commission rate risk, currency risk and price risk.

Special commission rate risk

Special commission rate risk arises from the possibility that changes in market commission rates will affect future profitability or the fair value of the financial instruments.

The Fund does not have commission bearing assets and liabilities, including Murabaha placements and bank balance at current period end; consequently it is not exposed to special commission rate risk.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. As the Fund's financial instruments are denominated in its functional currency, the Fund is not subject to currency risks.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Price risk is managed by the investment manager by diversifying the portfolio and limiting concentration of investments in financial instruments specified in term and conditions of the Fund and specified by CMA investment fund regulations.

The internal procedures require the investment manager to manage price risk on a daily basis by monitoring fund's portfolio exposure.

If the price risk is not in accordance with the investment policy or investment fund regulations, then the fund investment manager is required to rebalance the portfolio within 5 days of such breach.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

FINANCIAL RISK MANAGEMENT (Continued)

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and cause other party to incur a financial loss. The Fund is exposed to credit risk on its investment portfolio and cash and cash equivalents. The cash and cash equivalents represents cash held with custodian which are maintained with a subsidiary of a reputed local bank, fund's exposure to associated credit risk is not significant. The Fund Manager seeks to limit its credit risk on equity portfolio by monitoring credit exposures and setting limits for individual investments. Therefore, the Fund Manager believes that the Fund does not have any significant credit risk at 30 June 2018.

Liquidity risk

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

The Fund's terms and conditions provide for the subscriptions and redemptions of units throughout the week and it is, therefore, exposed to the liquidity risk of meeting unit holder redemptions. The Fund's financial assets comprise bank balance and equity investments which are considered to be readily realizable. The Fund Manager monitors liquidity requirements on a regular basis and seeks to ensure that funds are available to meet commitments as they arise.

All the financial assets and liabilities disclosed above are within the maturity profile of one year.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value in the statement of assets and liabilities are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

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

As at 30 June 2018, the Fund held following assets measured at fair value.

	30 June 2018
Financial assets at FVTPL	<u>SR</u>
Level 1	
Listed equity securities	<u><u>10,604,298</u></u>

14. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the Fund's Board on 1 Thul-Hijjah 1439H corresponding to 12 August 2018G.

MEFIC SAUDI FREESTYLE EQUITY FUND

Half Yearly Performance Report

As of 30 Jun 2018

Fund Board of Directors

FUND OBJECTIVE

The fund aims to achieve capital appreciation on the long term through investing in Shariah compliant listed companies in Saudi equity market.

STOCK MARKET REVIEW – 1H18

MEFIC launched the MEFIC Saudi Freestyle Equity Fund in January 2018 and the fund maintained the leadership position in term of its performance within category since inception.

Performance of Saudi Stock Market (TASI) remained very robust during the first half of 2018 with market providing a solid return of 15.1% during the period. Major positive development remained the Saudi Arabia's inclusion in Emerging Market Indices by FTSE and MSCI. In addition to this, gradually rising oil prices and positive earnings growth trajectory of listed companies paved the way for the smooth sailing of market.

Anticipation and realization of FTSE/MSCI index inclusion helped TASI received foreign inflows of ~US\$3bn in the Saudi equity market. That said, total foreign ownership in Tadawul has also increased to 5% by the end of June from 3.4% in January 2018.

Saudi Arabia is expected to weight approximately 2.6 percent in MSCI's Emerging Market (EM) index, with actual inclusion to take place in two tranches, in May and August 2019. This landmark upgrade would make Saudi Arabia shares a part of almost USD 1.9 trillion in assets benchmarked to the MSCI's EM Index resulting in additional investments from international fund managers

FUND PERFORMANCE TABLE

Performance	1M	3M	YTD	1Y	Since Inception
Fund	-0.22%	1.38%	15.96%		15.96%
S&P Shariah Index	0.15%	1.21%	14.77%		14.77%
TASI	2.12%	3.43%	17.50%		17.50%
Fund Performance					
Information Ratio					
Beta					

FUND FINANCIAL STATEMENTS

The audited financial statements for the fund have been prepared & uploaded on the Tadawul Website, within the specified time frame, in compliance with the IFR.

BOARD MEETING DISCUSSION – KEY TAKEAWAYS

1. MEFIC Saudi Freestyle Equity Fund was ranked as the best performing fund as of end Jun 2018 amongst all listed Shariah Freestyle Equity Funds on Tadawul
2. The fund started below SR10 million, after the approval of the CMA; CMA has given us till the end of 2018 to raise the size of the fund.
3. It has been noted that the Fund has not crossed any breaches.
4. It is confirmed to the Fund Board, in accordance the Article 13 of IFR, that the Fund has no conflict of interest.

APPROVALS

1. The replacement of the board member Amrith Mukkamala with Khloud Al Ghati, and T&C of all funds were updated to reflect the replacement and approved by the CMA.