Al Mal UAE Equity Fund

Fund manager's report, independent auditor's report and financial statements
For the year ended 31 December 2023

Al Mal UAE Equity Fund

Financial statements
For the year ended 31 December 2023

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Al Mal Capital

Fund Manager's Report

The Al Mal UAE Equity Fund's Net Asset Value per unit for the year ended 31 December 2023 stood at AED 1.73, returning 14.5% over the year to investors, while paying 4% dividends during the year. The Fund outperformed the benchmark S&P UAE 10% Capped Index on a net basis by 11% last year. The team's proficient portfolio oversight, rigorous investment methodology, and judicious investment strategy culminated in delivering robust risk-adjusted returns to investors in the fund.

Dubai was the best performing market in the GCC region as its DFM Index ended the year 2023 with a return of 21.7%. On the other hand, Abu Dhabi market witnessed decline as ADX General Index ended the year down 6.2% in 2023. Both exchanges witnessed significant IPO activity with major listings including ADNOC Logistics & Services, ADNOC Gas, Presight AI, Pure Health, Dubai Taxi Company and Investcorp Capital. With the expected strong IPO pipeline, we will see more IPOs in 2024 which will increase the breadth of the markets.

We anticipate a pronounced shift in the monetary policy stance and the US Federal Reserve is indicating a likelihood of at least three rate cuts in 2024. This anticipated monetary shift is expected to reverberate in the UAE, given its currency peg to the US Dollar, influencing local interest rates. In the energy sector, despite the globally agreed-upon phase-down of fossil fuels as articulated at COP28, we foresee a scenario wherein the confluence of tight oil supply and proactive OPEC supply policies will likely sustain Brent crude prices within the $75-$85 per barrel range.

Projections for the UAE's economic growth showcase a robust trajectory, with an anticipated expansion of 3.5% in 2023 and an upward revision to 4% in 2024. While the anticipated slowdown in the benefits from the re-opening of the economy and the surge in tourism is acknowledged, our optimism persists concerning the UAE's sustained secular growth. Investment prospects remain promising in key areas such as economic diversification, localized production, large-scale projects, and ongoing market reforms, showcasing the country's commitment to fostering a resilient and diverse economy. The UAE's strategic investments in economic diversification are strategically aligned with the current context of elevated oil prices.

Despite a robust rally witnessed in 2023, stocks on the Dubai Financial Market (DFM) continue to trade at reasonable multiples, indicating potential opportunities for investors. Positive macroeconomic indicators further bolster this outlook, including the commendable early repayment of debts to significantly reduce the debt-to-GDP ratio, positioning Dubai favorably for sustained growth. The macroeconomic narrative in Abu Dhabi remains compelling, with the Emirate directly benefiting from the uptick in oil prices and the ongoing thrust towards industrialization, solidifying its economic resilience and growth prospects.

We will continue to look at the stocks that are going to be benefiting from economic reforms, localization initiatives, increased foreign ownership limits and the increased allocation in the international indices. The decrease in interest rates towards a more dovish trajectory is creating a conducive environment for investments in high-dividend stocks and growth equities.

Naser Nabulsi

Naser Al Nabulsi
Director
25 March 2024

Dubai Investments
A Subsidiary of

٤٨ مبنى برج جيت، داون تاون دبي، شارع الشيخ زايد، مكتب رقم ٩٠١، ص.ب ١١٩٩٣٠، دبي إ.ع.م، هاتف: ٩٧١٤٣٦٠١١١١+ فاكس: ٩٧١٤٣٦٠١١٢٢+
48 Burj Gate, Downtown Dubai, Sheikh Zayed Road, Office 901, P.O. Box 119930, Dubai, UAE. Tel: +9714 3601111 Fax: +9714 3601122
www.almalcapital.com

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Independent auditor's report to the unit holders of Al Mal UAE Equity Fund

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Al Mal UAE Equity Fund (the "Fund") as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unit holders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Other information

The Directors are responsible for the other information. The other information comprises the Fund Manager's report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to 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 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.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PricewaterhouseCoopers Limited Partnership Dubai Branch, License no. 102451
Emaar Square, Building 5, P O Box 11987, Dubai - United Arab Emirates
T: +971 (0)4 304 3100, F: +971 (0)4 346 9150, www.pwc.com/me

Independent auditor's report to the unit holders of Al Mal UAE Equity Fund (continued)

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management 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, management 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 management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance 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 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, 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management'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.

Independent auditor's report to the unit holders of Al Mal UAE Equity Fund (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- 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.

PricewaterhouseCoopers Limited Partnership Dubai Branch
27 March 2024

Rami Sarhan
Registered Auditor Number 1152
Place: Dubai, United Arab Emirates

Al Mal UAE Equity Fund

Statement of financial position

	Notes	As at 31 December 2023 AED'000	2022 AED'000
ASSETS			
Current assets			
Financial assets at fair value through profit or loss ("FVTPL")	7	45,390	52,747
Receivables and other assets		918	-
Cash and cash equivalents	6	3,116	3,113
Total assets		49,424	55,860
LIABILITIES			
Current liabilities			
Payables and other liabilities	8	604	216
Total liabilities		604	216
Net assets attributable to holders of redeemable units	9	48,820	55,644

The financial statements were approved by the Fund Manager on 25 March 2024 and signed on its behalf by:

For Al Mal Capital PSC, Fund Manager

Nasar Nabuki
Director

Al Mal UAE Equity Fund

Statement of profit or loss and other comprehensive income

	Notes	Year ended 31 December	
		2023	2022
		AED'000	AED'000
Net gain from financial assets at fair value through profit or loss ("FVTPL")	10	6,378	3,093
Dividend income	7	1,528	2,214
Interest income		162	112
Total investment income		8,068	5,419
Management fees	11	(778)	(937)
Performance fees	11	(494)	(101)
Custodian fees		(83)	(105)
Administration fees	12	(88)	(90)
Professional fees		(166)	(84)
Other operating expenses		(25)	(138)
Total operating expenses		(1,634)	(1,455)
Profit for the year		6,434	3,964
Other comprehensive income		-	-
Total comprehensive income for the year		6,434	3,964

The notes on pages 9 to 30 form an integral part of these financial statements.

Statement of changes in net assets attributable to unit holders

	Notes	As at 31 December 2023 AED'000	2022 AED'000
Balance at 1 January		55,644	54,447
Profit for the year		6,434	3,964
Other comprehensive income for the year		-	-
Total comprehensive income for the year		6,434	3,964
Contributions, redemptions and dividend to holders of redeemable units:			
Issue of redeemable units during the year	9	6,717	5,173
Redemption of redeemable units during the year	9	(17,987)	(5,574)
Distribution of dividend during the year	9	(1,988)	(2,366)
Net distributions by holders of redeemable units		(13,258)	(2,767)
Balance at 31 December		48,820	55,644

Statement of cash flows

	Notes	Year ended 31 December 2023 AED'000	2022 AED'000
Cash flows from operating activities			
Profit for the year		6,434	3,964
Adjustments:			
Unrealised gain from financial assets at fair value through profit or loss ("FVTPL")	10	(4,605)	(92)
Dividend income		(1,528)	(2,214)
Operating cash flows before changes in working capital and dividends received		301	1,658
Changes in working capital			
Change in financial assets at fair value through profit or loss ("FVTPL")		11,962	2,071
Change in receivables and other assets		(918)	-
Change in payables and other liabilities		388	(2,286)
Cash generated from operations		11,733	1,443
Dividends received		1,528	2,214
Net cash inflow from operating activities		13,261	3,657
Cash flows from financing activities			
Proceeds from issuance of redeemable units	9	6,717	5,173
Payments on redemption of redeemable units	9	(17,987)	(5,574)
Dividend distribution during the year	9	(1,988)	(2,366)
Net cash outflow from financing activities		(13,258)	(2,767)
Net increase in cash and cash equivalents		3	890
Cash and cash equivalents at beginning of year		3,113	2,223
Cash and cash equivalents at end of year	6	3,116	3,113

1 Status and principal activities

Al Mal UAE Equity Fund (the "Fund") is an open-ended investment fund established under the approval of the Central Bank of the United Arab Emirates, reference 13/210/2006, dated 6 February 2006. The Fund commenced operations on 1 March 2006 and is currently licensed by the Securities and Commodity Authority ("SCA") of the United Arab Emirates ("UAE").

The objective of the Fund is to achieve medium to long term capital growth and a reasonable level of income by investing primarily in equity securities listed on the Abu Dhabi Securities Exchange ("ADX"), Dubai Financial Market ("DFM"), NASDAQ Dubai and London Stock Exchange although, where appropriate, investments may also be made in equity securities listed on stock exchanges in other Gulf Cooperation Council ("GCC") countries or elsewhere as permitted by the prospectus.

The Fund's investment activities are managed by Al Mal Capital PSC (the "Fund Manager" or "Investment Manager"), a United Arab Emirates ("UAE") based company. Standard Chartered Bank, DIFC (''SCB'') is the administrator to the Fund.

The registered office of the Fund is at 48 Burj Gate, Downtown Dubai, Sheikh Zayed Road, P.O. Box. 119930, Dubai, United Arab Emirates.

Implementation of UAE Corporation Tax Law and application of IAS 12 Income Taxes

On 9 December 2022 UAE Federal Decree-Law No. 47 of 2022 was published setting in place a general corporate income tax for the first time. The profit threshold of AED 375,000 at which the 9% tax will apply was set in place by Cabinet Decision No. 116 of 2022 which was published on 16 January 2023 and at this point the tax law was considered enacted and substantively enacted for accounting purposes. While current taxes are not payable on profits generated before the Fund's financial year commencing on 1 January 2024, the existence of an enacted tax law results in the need to immediately record deferred taxes on assets and liabilities where the carrying amount differs from the tax base.

Based on the assessment, the Fund has noted no potential deferred tax impact for the year ended 31 December 2023. The Fund will continue to assess the expected impact, and continue to evaluate its interpretation in light of the Decisions and related guidance.

2 Application of new and revised IFRS Accounting Standards

2.1 New and revised standards adopted by the Fund

In the current year, the Group has applied the following amendments to standards issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2023.

Title and key requirements	Effective for annual periods beginning on or after
IFRS 17 "Insurance contracts"	1 January 2023

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others. The amendments also deferred the application date of IFRS 17 to 1 January 2023.

Further amendments made in December 2021 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The classification can be applied on an instrument-by-instrument basis.

2 Application of new and revised IFRS Accounting Standards (continued)

2.1 New and revised standards adopted by the Fund (continued)

Title and key requirements	Effective for annual periods beginning on or after
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
The IASB amended IAS 1 Presentation of Financial Statements to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.	
To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	
Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	

2 Application of new and revised IFRS Accounting Standards (continued)

2.1 New and revised standards adopted by the Fund (continued)

Title and key requirements	Effective for annual periods beginning on or after
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with: • right-of-use assets and lease liabilities, and • decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in the opening balance of retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.	1 January 2023

The application of these amendments to the standards has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Fund's future transactions or arrangements.

Other than the above, there are no other significant standards, amendments or interpretations that were effective for the first time for the financial year beginning on or after 1 January 2023.

2 Application of new and revised IFRS Accounting Standards (continued)

2.2 New and revised standards issued but not yet effective

The following standards and interpretations have been issued but are not mandatory for annual reporting periods beginning on 1 January 2023.

Title and key requirements	**Effective for annual periods beginning on or after**
Classification of Liabilities as Current or Non-current – Amendments to IAS 1 and Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024

Amendments made to IAS 1 *Presentation of Financial Statements* in 2020 and 2022 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date. The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include:

- the carrying amount of the liability
- information about the covenants, and
- facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants.

The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current/non-current classification of a convertible note.

The amendments must be applied retrospectively in accordance with the normal requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.

2 Application of new and revised IFRS Accounting Standards (continued)

2.2 New and revised standards issued but not yet effective (continued)

Title and key requirements	Effective for annual periods beginning on or after
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
In September 2022, the IASB finalised narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16 Leases which explain how an entity accounts for a sale and leaseback after the date of the transaction.	
The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.	
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	N/A**
The IASB has made limited scope amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and their associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).	
Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.	

** In December 2015, the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

2 Application of new and revised IFRS Accounting Standards (continued)

2.2 New and revised standards issued but not yet effective (continued)

Title and key requirements	Effective for annual periods beginning on or after
Amendments to IAS 21 - Lack of Exchangeability	1 January 2025
An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	
IFRS S1, 'General requirements for disclosure of sustainability-related financial information	1 January 2024
This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	
IFRS S2, 'Climate-related disclosures'	1 January 2024
This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.	

Management anticipates that these new standards, interpretations and amendments will be adopted in the Fund's financial statements for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Fund in the period of initial application.

There are no other relevant applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the Fund's financial year beginning on 1 January 2023 that would be expected to have a material impact on the financial statements of the Fund.

3 Material accounting policies

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Statement of compliance

The financial statements of the Fund have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB). IFRS Accounting Standards comprise accounting standards issued by the IASB as well as Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

(b) Basis of measurement

These financial statements are prepared under the historical cost convention, except for financial assets at fair value through profit or loss which are measured at fair value.

These financial statements are presented in United Arab Emirates Dirham ("AED" or "UAE Dirhams"), which is the functional currency of the Fund, rounded to the nearest thousand.

(c) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in these financial statements are included in Note 5.

(d) Dividend income

Dividend income from equity securities designated at fair value through profit or loss is recognised in the "Dividend income" line in the statement of profit or loss and other comprehensive income when the right to receive income is established. Usually this is the ex-dividend date for equity securities.

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

Net gain or loss from financial instruments at fair value through profit or loss includes all realised and unrealised fair value changes and foreign exchange differences but excludes dividend income. Net realised gain or loss from financial instruments at fair value through profit or loss is calculated using the average cost method.

3 Material accounting policies (continued)

(f) Fees, commission and other expenses

Fees, commission and other expenses including management fees, performance fees, custodian fees and professional fees are recognised in the statement of profit or loss and other comprehensive income as the related services are performed.

(g) Financial assets at fair value through profit or loss

The categories of financial instruments held by the Fund are disclosed in Note 13.

(i) Classification

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed, and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. Consequently, all investments are measured at fair value through profit or loss.

As such, the Fund classifies all of its investment portfolio as financial assets or liabilities at fair value through profit or loss.

(ii) Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date, the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss ("FVTPL")' category are presented in the statement of profit or loss and other comprehensive income within 'Net gain or loss from financial instruments at fair value through profit or loss ("FVTPL")' in the period in which they arise.

Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange component forms part of its fair value gain or loss. For financial assets measured at FVTPL, the foreign exchange component is recognised in the statement of profit or loss and other comprehensive income.

3 Material accounting policies (continued)

(g) Financial assets at fair value through profit or loss (continued)

(iii) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

(h) Financial liabilities

The Fund recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Financial liabilities are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

(i) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS Accounting Standards, or for gains and losses arising from a group of similar transactions such as in the Fund's trading activity.

(j) Redeemable units

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Puttable financial instruments that meet the definition of a financial liability can be classified as equity where certain strict criteria are met. Those criteria include:

- the puttable instruments must entitle the holder to a pro-rata share of net assets.
- the puttable instruments must be the most subordinated class and class features must be identical.
- there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and
- the total expected cash flows from the puttable instrument over its life must be based substantially on the profit or loss of the issuer.

3 Material accounting policies (continued)

(j) Redeemable units (continued)

The Fund has one class of redeemable units in issue. These are the most subordinate class of financial instruments in the Fund. The redeemable units provide investors with the right to require redemption for cash at a value proportionate to the investor's unit in the Fund's net assets at each weekly redemption date and also in the event of the Fund's liquidation. There is no contractual obligation on the Fund Manager to pay dividends. Therefore, the redeemable units meet the criteria mentioned above and have been classified as equity.

(k) Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(l) Distribution payable

Dividend distribution to the Fund's unit holders is recognised as a liability in the Fund's financial statements in the period in which the dividends are approved by the Fund Manager. The Fund's distributions are classified as dividends paid in the statement of changes in net assets attributable to holders of redeemable units.

(m) Cash and cash equivalents

Cash and cash equivalents include current accounts with banks. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(n) Provisions

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that the Fund will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, it carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

3 Material accounting policies (continued)

(n) Provisions (continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

4 Financial risk management

(a) Introduction and overview

The Fund has exposure to the following risks from financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk.

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for managing risk, and the Fund's management of unit holders' funds.

Risk management framework

The Fund maintains positions in a variety of non-derivative financial instruments in accordance with its investment management strategy. The Fund's investment portfolio comprises quoted equity investments.

The Fund's Investment Manager has been given a discretionary authority to manage assets in line with the Fund's investment objectives. Compliance with the target asset allocations and the composition of the portfolio is monitored by the Investment Manager on a regular basis. In instances where the portfolio has diverged from the target asset allocations, the Fund's Investment Manager is obliged to take actions to rebalance the portfolio in line with the established targets, within prescribed time limits.

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from cash at banks and receivables and other assets. The Fund seeks to manage its credit risks by monitoring credit exposures and assessing the creditworthiness of counterparties.

4 Financial risk management (continued)

(b) Credit risk (continued)

The Fund's maximum credit risk exposure at the statement of financial position date is represented by the respective carrying amounts of the relevant financial assets in the statement of financial position as follows:

	2023 AED'000	2022 AED'000
Cash and cash equivalents (Note 6)	3,116	3,113
Receivables and other assets	918	-
	4,034	3,113

The Fund Manager measures credit risk and expected credit losses using the probability of default, exposure at default and loss given default. Cash and cash equivalents is only held with reputable banks with an acceptable rating provided by reputable rating agencies.

The Fund Manager considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no expected credit loss has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund (2022: Nil).

(i) Cash and cash equivalents

The risk with respect to cash and cash equivalents is limited because the Fund places funds with banks with good credit ratings. The external credit rating for cash and cash equivalents as per Moody's was A1 as at 31 December 2023 (2022: A1).

(ii) Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed. For the majority of transactions, the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund's policy and the Investment Manager's approach to managing liquidity is to have sufficient liquidity to meet its liabilities, including estimated redemptions of units, as and when due, without incurring undue losses or risking damage to the Fund's reputation. The Fund's prospectus provides for the weekly creation and cancellation of units and it is therefore exposed to the liquidity risk of meeting unit holder redemptions at each redemption date.

4 Financial risk management (continued)

(c) Liquidity risk (continued)

The Fund's redemption policy only allows for redemptions on a weekly basis and unit holders must provide two weeks' notice. It is the Investment Manager's policy to have liquid assets comprising cash and cash equivalents and investments in listed securities for which there is an active and liquid market. In addition, the Fund Manager is empowered to impose a redemption gate should redemption levels exceed 10% percent of the net asset value of the Fund in any redemption period.

The contractual maturity of all financial assets and liabilities carried at amortised cost is less than 1 year.

(d) Market risk

Market risk is the risk that changes in market prices, such as currency rates, interest rates, equity prices and credit spreads (not related to changes in the obligor's / issuer's credit standing) will affect the Fund's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Fund's strategy for the management of market risk is driven by the Fund's investment objective.

(i) Currency risk

The Fund invests in financial instruments and enters into transactions that are denominated in currencies other than its functional currency. The Fund does not have a significant foreign exchange exposure since the majority of its transactions are denominated in AED, which is currently pegged to United States Dollar, and other currencies pegged to the AED through the United States Dollar.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of changes in market interest rates. At the reporting date, the Fund is not exposed to interest rate risk as it does not hold any material interest-bearing financial assets or liabilities.

(iii) Equity securities price risk

Equity securities price risk is the risk that the fair value of the financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer, or factors affecting all instruments traded in the market. Price risk is managed by the Investment Manager by diversifying the portfolio. The Fund's policy for concentration of its investment portfolio profile is as follows:

Any individual equity investment up to 30% of net assets.

4 Financial risk management (continued)

(d) Market risk (continued)

(iii) Equity securities price risk (continued)

The following table sets out the concentration of investment assets held by the Fund as at the reporting date:

	2023 AED'000	2022 AED'000
Equity investments:		
Listed equity securities:		
Abu Dhabi Securities Exchange	27,167	30,228
Dubai Financial Market	18,223	17,835
NASDAQ Dubai	-	1,332
Saudi Stock Exchange	-	3,352
	45,390	52,747

The Investment Manager further monitors concentration of risk of its equity investments based on counterparties, industries and geographical locations. The Fund's equity investments are concentrated in the following industries:

	2023 AED'000	2022 AED'000
Banks / financial services	13,333	15,700
Utilities	4,454	7,869
Real estate	6,949	7,210
Oil and gas	5,340	6,787
Food & Beverage	908	3,050
Transportation	2,507	-
Construction	-	1,332
Education	1,156	3,911
Marine port services	5,792	3,882
Others	4,951	3,006
	45,390	52,747

4 Financial risk management (continued)

(d) Market risk (continued)

(iii) Equity securities price risk (continued)

The Fund estimates possible market price fluctuations for equity investments on an individual investment basis.

The table below sets out the effect on the Fund's profit or loss and net assets attributable to holders of redeemable units of a strengthening in the overall equity market price by 10% at 31 December. The analysis assumes that all other variables, in particular interest and foreign currency rates, remain constant.

	Effect on net assets attributable to holders of redeemable units	
	10% change in equity securities price	**10% change in equity securities price**
	2023	2022
	AED'000	AED'000
Exchange traded equity investments	4,539	5,275

A weakening of market prices by 10% would have resulted in an equal but opposite effect to the amounts shown above.

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors.

(f) 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 a weekly basis, as the Fund is subject to weekly subscriptions and redemptions at the discretion of unit holders, 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 unit holders, providing benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund.

4 Financial risk management (continued)

(f) Capital risk management (continued)

In order to maintain the capital structure, the Fund's policy is to perform the following:

- Monitor the level of weekly subscriptions and redemptions relative to the assets it expects to be able to liquidate within 7 days and adjust the amount of distributions the Fund pays to redeemable unit holders.

- Redeem and issue new shares in accordance with the constitutional documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

The Investment Manager monitors capital on the basis of the value of net assets attributable to redeemable unit holders.

The Fund's prospectus has set a maximum size for the Fund of AED 1 billion.

5 Use of estimates and judgements

5.1 Critical accounting judgments and estimates in applying the Fund's accounting policies

Critical accounting judgements and estimates made in applying the Fund's accounting policies include:

(a) Classification and measurement of financial assets

The classification and measurement of financial assets depend on the Fund Manager's business model for managing its financial assets and on the contractual cash flow characteristics of the financial asset assessed. The Fund Manager is satisfied that the Fund's investments in securities are appropriately classified and measured.

(b) Valuation of financial instruments

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

5 Use of estimates and judgements (continued)

5.1 Critical accounting judgments and estimates in applying the Fund's accounting policies (continued)

(b) Valuation of financial instruments (continued)

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. The Fund's financial assets at FVPL were measured using level 1 inputs at 31 December 2023 and 2022. There have been no transfers between fair value levels during the year.

6 Cash and cash equivalents

	2023 AED'000	2022 AED'000
Current accounts with banks	3,116	3,113

7 Financial assets measured at FVTPL

The movement during the year is as follows:

	2023 AED'000	2022 AED'000
Balance at the beginning of the year	52,747	54,726
Additions during the year	22,574	60,875
Disposals during the year	(34,536)	(62,946)
Gain on revaluation during the year (Note 10)	4,605	92
Balance at the end of the year	45,390	52,747

Quoted investments comprise investments made by the Fund in equity securities listed on DFM, ADX, NASDAQ Dubai and the Saudi Stock Exchange. Investment securities are acquired by the Fund principally for generating profits from medium to long term fluctuations in price. Dividend income for the year ended 31 December 2023 amounted to AED 1.5 million (2022: AED 2.2 million)

8 Payables and other liabilities

	2023 AED'000	2022 AED'000
Performance fee	494	101
Other accruals	110	115
	604	216

9 Net assets attributable to holders of redeemable units

The analysis of movements in the number of redeemable units and net assets attributable to holders of redeemable units during the year was as follows:

Authorised redeemable units

	2023	2022
Number of units		
Redeemable units of AED 1 each	1,000,000	1,000,000

Issued and fully paid

Number of units		
Balance at 1 January	35,427,356	35,319,732
Issue of redeemable units during the year	4,159,838	3,338,056
Redemption of redeemable units during the year	(11,321,197)	(3,230,432)
Balance at 31 December	28,265,997	35,427,356

Net assets attributable to holders of redeemable units

	2023 AED'000	2022 AED'000
Balance at 1 January	55,644	54,447
Profit for the year	6,434	3,964
Issue of redeemable units during the year	6,717	5,173
Redemption of redeemable units during the year	(17,987)	(5,574)
Distribution of dividend during the year	(1,988)	(2,366)
Balance at 31 December	48,820	55,644
Net asset value per unit (AED/unit)	1.73	1.57

9 Net assets attributable to holders of redeemable units (continued)

Net assets attributable to holders of redeemable units (continued)

The rights attached to the redeemable units are as follows:

- Redeemable units may be redeemed on the last business day of each calendar week at the net asset value per unit of those assets. The unit holder must request such redemption at least two weeks prior to the redemption date.

- The holders of the redeemable units are entitled to receive all dividends declared and paid by the Fund. Upon winding up, the holders are entitled to a return of capital based on the net asset value per unit.

Notwithstanding the redeemable unit holders' rights to redemption set out above, the Fund has the right, as set out in its prospectus, to impose a redemption gate limit of not more than 10 percent of the net assets of the Fund in any redemption period in order to manage redemption levels and maintain the strength of the Fund's capital base.

10 Net gain from financial assets measured at FVTPL

	2023 AED'000	2022 AED'000
Unrealised gain, net (Note 7)	4,605	92
Realised gain, net	1,773	3,001
	6,378	3,093

11 Related parties

The Fund, in the normal course of business, enters into transactions with business enterprises that fall within the definition of a 'related party' as contained in International Accounting Standard 24. The Fund's management is of the opinion that the terms of such transactions are not materially different from those that could have been obtained from third parties.

Transactions with related parties during the year are as follows:

	2023 AED'000	2022 AED'000
The Fund Manager		
Management fee expense	778	937
Performance fee expense	494	101
Subscription of redeemable units (3,322,751 units)	5,227	5,000
Redemption of redeemable units	-	5,574

12 Related parties (continued)

Balances with related parties as at 31 December are as follows:

	2023 AED'000	2022 AED'000
The Fund Manager		
Management fee payable	70	78
Performance fee payable	494	101

Management fees

The Fund appointed Al Mal Capital PSC, an investment management company incorporated in the United Arab Emirates, to implement the investment strategy as specified in the prospectus. Under the Investment Management agreement, the Investment Manager receives a management fee at an annual rate of 1.5% of the net asset attributable to holders of redeemable units. This management fee is calculated quarterly on a pro rata basis based on net asset attributable to holders of redeemable units at the beginning of the period.

The investment management contract can be terminated by the Fund at any time.

Performance fees

The Investment Manager will be entitled to receive a performance fee in respect of each financial year. The performance fee will be equal to 20% of the increase in the Net Asset Value (NAV) per unit at the end of the financial year compared to the NAV per unit at the end of the immediately preceding financial year above the hurdle rate of 10% subject to the condition that the NAV per unit at the end of the financial year exceeds the high watermark.

The performance fee in respect of each financial year will be calculated with reference to the NAV per unit before deducting any accrued performance fee and adjusted for subscription, redemptions, and distributions during the relevant performance period.

13 Administration fees

Under the agreement, the administrator is paid on a quarterly basis the actual cost of administration which will not exceed 0.1% of the Funds average net assets attributable to holders of redeemable units annually. The amount incurred during the year amounted to AED 0.09 million (2022: AED 0.09 million). Included in payables and other liabilities at 31 December 2023 is administration fees payable of AED 0.008 million (2022: AED 0.008 million).

13 Financial instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 3 to the financial statements.

(b) Categories of financial instruments

	2023 AED'000	2022 AED'000
Financial assets		
Financial assets measured at fair value	45,390	52,747
Financial assets at amortised cost	4,034	3,113
	49,424	55,860
Financial liabilities		
At amortised cost	604	216

(c) Fair value of financial instruments

The fair values of financial assets and liabilities measured at amortised cost are not materially different from their carrying values at the statement of financial position date.

14 Subsequent events

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported in the financial statements for the year ended 31 December 2023.